



# WOKINGHAM BOROUGH COUNCIL

A Meeting of the **AUDIT COMMITTEE** will be held at the Civic Offices, Shute End, Wokingham, RG40 1BN on **TUESDAY 13 JUNE 2017 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 5 June 2017

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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

Anthony Pollock (Chairman)	David Chopping (Vice-Chairman)	Prue Bray
UllaKarin Clark	John Halsall	Barrie Patman

ITEM NO.	WARD	SUBJECT	PAGE NO.
1.		<b>APOLOGIES</b> To receive any apologies for absence	
2.		<b>MINUTES OF PREVIOUS MEETING</b> To confirm the Minutes of the Meeting held on 8 February 2017.	5 - 10
3.		<b>DECLARATION OF INTEREST</b> To receive any declarations of interest	
4.		<b>PUBLIC QUESTION TIME</b> 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 <a href="http://www.wokingham.gov.uk/publicquestions">www.wokingham.gov.uk/publicquestions</a>	
5.		<b>MEMBER QUESTION TIME</b> To answer any member questions	
6.	None Specific	<b>ANNUAL COMPLAINTS AND COMPLIMENTS 2016-17</b> To receive an update on complaints and compliments.	11 - 26
7.	None Specific	<b>WOKINGHAM BOROUGH COUNCIL'S BORROWING AND REPAYMENT EXPLAINED</b> To receive a briefing regarding the Council's borrowing and repayment.	

<b>8.</b>	None Specific	<b>TREASURY MANAGEMENT OUTTURN REPORT 2016-17</b> To receive the Treasury Management Outturn Report 2016-17.	<b>27 - 56</b>
<b>9.</b>	None Specific	<b>EXTERNAL AUDIT FEES 2017/18</b> To consider the External Audit Fees 2017/18.	<b>57 - 60</b>
<b>10.</b>	None Specific	<b>EXTERNAL AUDIT PROGRESS REPORT</b> To receive the External Audit Progress Report.	<b>61 - 68</b>
<b>11.</b>	None Specific	<b>ERNST AND YOUNG LOCAL GOVERNMENT AUDIT COMMITTEE SECTOR BRIEFING</b> To receive an Ernst and Young Local Government Audit Committee Sector Briefing.	<b>69 - 78</b>
<b>12.</b>	None Specific	<b>ANNUAL GOVERNANCE STATEMENT 2016-2017</b> To receive the Annual Governance Statement 2016-2017.	<b>79 - 82</b>
<b>13.</b>	None Specific	<b>SHARED AUDIT AND INVESTIGATION SERVICE ANNUAL REPORT 2016-17</b> To receive the Shared Audit and Investigation Service Annual Report 2016-17.	<b>83 - 96</b>
<b>14.</b>	None Specific	<b>REVISED WOKINGHAM BOROUGH COUNCIL AUDIT AND INVESTIGATIONS PLAN 2017-18</b> To receive the revised Wokingham Borough Council Audit and Investigations Plan 2017-18.	<b>97 - 102</b>
<b>15.</b>	None Specific	<b>FORWARD PROGRAMME 2017-18</b> To receive the forward programme for the remainder of the 2017-18 municipal year.	<b>103 - 104</b>

**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 8 FEBRUARY 2017 FROM 7.00 PM TO 8.45 PM**

**Committee Members Present**

Councillors: David Lee (Chairman), Norman Jorgensen (Vice-Chairman), Prue Bray, David Chopping and Charles Margetts

**Also Present**

Adrian Balmer, Ernst and Young  
Andy Couldrick, Chief Executive  
Sheldon Hall, Senior Auditor  
Catherine Hickman, Service Manager Shared Audit and Investigation Service  
Anne Hunter, Service Manager Democratic Services  
Martin Jones, Planning Accountant  
Jonathan Ross, Service Manager Group Finance  
Helen Thompson, Ernst and Young

**46. APOLOGIES**

An apology for absence was received from Councillor Oliver Whittle.

**47. MINUTES OF PREVIOUS MEETING**

The Minutes of the meeting of the Committee held on 5 December 2016 were confirmed as a correct record and signed by the Chairman.

**48. DECLARATION OF INTEREST**

There were no declarations of interest received.

**49. PUBLIC QUESTION TIME**

There were no Public questions submitted.

**50. MEMBER QUESTION TIME**

There were no Member questions submitted.

**51. EXTERNAL AUDIT PLAN 2016-17**

The Committee received the External Audit Plan 2016-17.

Helen Thompson went through the proposed Plan and highlighted the intention to carry out a review of the Private Finance Initiative (PFI) accounting model. Helen clarified that this area was being reviewed, not because there was perceived to be any issues, but to ensure that the information was in line with expectations.

In relation to value for money risks, which were viewed as relevant to the value for money conclusion, Helen confirmed that no significant risks had been identified. This area would be kept under review and any changes to the risk assessment would be reported to the Audit Committee at a future meeting.

**RESOLVED:** That the External Audit Plan 2016-17 be noted.

## **52. CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT 2015/16**

The Committee received the Certification of Claims and Returns – Annual Report 2015/16. It was noted that the audit, which had taken place in November, related to certification of the housing benefits subsidy claim which had a total value of £23,825,777.

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

- With regards to the housing benefits subsidy claim, minor adjustments had been made to the claim to account for errors identified;
- Testing of the initial rent allowances sample had identified one case where the Authority had underpaid benefit due to contributory job seekers allowance not being removed from the claim for a specific period. As there was no eligibility to subsidy for benefit which had not been paid, the error identified did not affect the subsidy and had not been classified as an error for subsidy purpose. David Lee queried whether account was taken anywhere of the effect on an individual of any under/overpayment. Adrian Balmer confirmed that this was not part of the work carried out by External Audit. Jonathan Ross stated that he would look into this matter to ascertain if this information was recorded elsewhere in the Council;
- In response to a query Helen Thompson responded that any errors identified were discussed in detail with the Benefits Section however they had no knowledge of whether the Section went back and corrected these errors;
- Jonathan Ross advised that all non-Housing Revenue Account claims, all backdated claims, all overpayments over £1.5k and 10% of all assessments were checked;
- Testing of the initial non-Housing Revenue Account rent rebate samples had identified three cases which had shown small differences due to incorrect capital income. As these were significantly below the £6,000 capital limit no 40+ testing had been carried out. To clarify the meaning of 40+ testing it was confirmed that if 20 claims were tested, and having tested different aspects of a claim it was found that one was 1p out, then for each error type found 40 claims would then be checked.

**RESOLVED:** That the Certification of Claims and Returns – Annual Report 2015/16 be noted.

## **53. VALUE FOR MONEY PROFILES**

The Committee received a presentation on the Value for Money (VFM) profiles which included clarification of how the data was collected and where it could be accessed.

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

- Councillor Lee queried why “doing things efficiently” was not mentioned in the VFM statement. External Audit went through the areas that were considered which included elements of decision making arrangements and reporting through partners;
- It was also queried if there was any challenge on the information provided by other LAs to ensure the consistency of findings. In relation to the “corporate and democratic core costs as a proportion of net spend” an example was sited of some councils including their director costs as part of relevant service area spend and others, like Wokingham, including all director costs in the corporate and democratic core which thereby led to a higher spend being shown. Councillor Lee agreed to speak to the Leader of Council and Chief Executive to ascertain if anything could be done about challenging information from other LAs;

- It was noted that some of the data included was actually based on 2014/15 figures. External Audit confirmed that data was only included once the information had been audited and therefore the most up to date position was limited to 2015/16 figures;
- Members queried the finding relating to “the % of looked after children (LAC) with a stable placement for at least 2 years” which was ranked in the worst 5%. It was noted that the database, which was based on 2014/15 figures, showed that the Council’s spend on children and young people was in the lowest 5% as was spent on LAC. Andy Couldrick stated that the indicator didn’t tell the whole story as Councils captured the data differently and he also provided further information on this particular area both in 2014/15 and now which demonstrated how the Council was supporting LAC. The Chairman stated that as the Committee was concerned about the interpretation of this indicator the Corporate Parenting Board should be asked to look at the issue in more detail;
- It was noted that the “income from sales, fees and charges as a % of total spend” showed the Council as being in the lowest 20% of all councils and again it was felt that this was an area that would benefit from further discussions with Members.

**RESOLVED** That:

- 1) the Value for Money profiles presentation be noted;
- 2) Corporate Parenting Board to be asked to look at the background to the finding of “the percentage of looked after children with a stable placement for at least 2 years” indicator.

**54. CERTIFICATION OF CLAIMS AND RETURNS - CLAIMS AND RETURNS ORGANISED BY LOCAL AUTHORITIES**

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

Jonathan Ross went through the report and advised that the audits mentioned used to be undertaken by external auditors but were now the responsibility of the Council.

Whilst going through the sub-contracting controls Jonathan highlighted the recommendations that had come out of the audit which were intended to provide additional controls. Members queried how many sub-contractor contracts were unsigned prior to work commencing. It was believed that this had only happened about three times and the reason was that it was often difficult to gain access to the right person in order to obtain a physically signed contract once agreement to go ahead had been reached.

Following a query about having to repay £297k from right to buy receipts to the DCLG it was confirmed that this was consistent with previous years. In addition Members were informed about the financial arrangements relating to right to buy receipts.

Following a discussion about whether or not to continue undertaking audits for sub-contracts under £100k in value it was decided to continue with the current arrangements for a further year and then review the matter.

**RESOLVED** That:

- 1) the Audit Certification Reports 2015/16 for the Teachers’ Pension Return; the Pooling of Housing Capital Receipts Return, and the Review of Sub Contracting Arrangements for the Skills Funding Agency (SFA) be noted;

- 2) audits for sub-contracts under £100k be continued for a further year.

## **55. TREASURY MANAGEMENT STRATEGY 2017/18**

The Committee considered the proposed Treasury Management Strategy for 2017/18.

Martin Jones tabled amended Appendices A and B which had been updated following a late recommendation by the Council's treasury advisors. It was noted that this would provide more flexibility on borrowing capacity. Martin went through the report and highlighted that for 2017/18 external borrowing could increase by £53m. Part of that borrowing would be achieved through cashflow rather than investment which reduces costs. It was confirmed that all loans were taken up on a fixed rate basis which was currently averaging 3.4%.

During discussion of the item the following comments were made:

- It was confirmed that payback of borrowing, as shown in Table 5, would be by year 14 from the 2018/19 financial year;
- In relation to debt incurred due to capital investment in residential property it was felt it would be useful to state what the asset value was of such property. It was noted that it had not yet been decided if the Council would wish to sell the property or use it as an income stream. The Chairman agreed to take up this matter with the Leader of Council and the Chief Executive;
- It was noted that borrowing did not include forward funding for infrastructure. Members were advised that the Council would receive S106 and CIL monies to cover these costs;
- In response to a query about how vulnerable the expected S106 and CIL monies were, when taking account of possible slippages, it was confirmed that if there was slippage in building work there was also likely to be slippage in the amount that would have to be paid on infrastructure. This matter was reviewed on a quarterly basis and checks were made with the relevant service departments;
- In relation to the SDL sites Councillor Lee queried what would happen if a development went bust but there was still planning permission on the land; would the relevant monies still be paid to the Council?

**RESOLVED:** That the Audit Committee recommend to Council for approval, subject to the inclusion of a breakdown of borrowing and how it will be repaid, the following:

- 1) Capital Prudential indicators, 2017/18;
- 2) Borrowing strategy 2017/18;
- 3) Annual Investment Strategy 2017/18;
- 4) Flexible use of capital receipts strategy;
- 5) MRP policy; and
- 6) Treasury Indicators: limits to borrowing activity 2017/18.

## **56. CORPORATE RISK REGISTER REFRESH**

The Committee received the Corporate Risk Register Refresh.

Members were advised that there had not been any major changes to the risk register and it was confirmed that all risks were reviewed by the Corporate Leadership Team on a monthly basis. The Chairman felt it would be better to include wording to confirm that a risk has been reviewed and the resulting outcome rather than just state the review date.

The performance improvement and savings arising from Wokingham's implementation of the Better Care Fund was noted and Members were advised that within the NHS there was recognition that Wokingham was doing well and that other neighbouring authorities could benefit from looking at how this had been achieved.

In response to a query about how discussions were going with the Department of Health over the increased burdens associated with the change to eligibility criteria it was confirmed that the current plan was for Wokingham and West Berkshire Councils to proceed with a judicial review of the Department of Health's decision not to provide any further funding.

Following further discussion on whether the Council's risk appetite was correct the Chief Executive confirmed that a recommended action on risk appetite would be included in future reports.

**RESOLVED:** That the Corporate Risk Register refresh be noted and the risk appetite remains reflective of current conditions.

## **57. INTERNAL AUDIT AND INVESTIGATION Q3 PROGRESS REPORT 2016/17**

The Committee considered the Internal Audit and Investigation Q3 Progress Report 2016/17 which detailed the work of the team from 1 April 2016 to 31 December 2016.

Catherine Hickman went through the report and highlighted a number of areas including the list of audits to date and the fact that in the last quarter no audits had received a 3-4 opinion. It was pointed out that the Shared Property Services had received a draft opinion of 3 however it was noted that this was only a draft opinion and following a response from the service concerned would be reported at the next meeting.

Following a query by the Chairman, relating to whether a summary document of the Government's procurement regulations existed as he wished to ensure that the Council was being fair to all suppliers, the Chief Executive agreed to share with the Committee a copy of the Guidance for Managers on Procurement.

**RESOLVED:** That the Internal Audit and Investigation Progress Report be noted.

## **58. 2017/18 INTERNAL AUDIT AND INVESTIGATION PLANS**

The Committee considered the 2017/18 Internal Audit and Investigation Plan which detailed those audits which were proposed to be undertaken during 2017/18 and the scope of these reviews.

During discussion of the Plan the following comments were made:

- The Audit Plan was aligned with the Council's vision, principles and priorities, the Corporate Risk Register, transitional risk registers as a result of the 21<sup>st</sup> Century Council Programme and service risk registers;
- Audits of key financial systems were undertaken on an annual basis;
- The scope of the various audits were noted;
- Given the concerns about the size of the procurement framework Procurement Officers would be asked to create a leaner version that was still legally compliant;
- With regard to the risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning Members asked if the Council should be looking at the structure of the Town Centre Regeneration project i.e. how it was managed and how it was reported. Ensuring that there was adequate project management in place and that progress was in line with expectations were also put forward as areas to be considered during an audit. The Committee felt that a review of the governance arrangements of the project would be useful and to this end it was agreed that a proposal would be produced for Corporate Leadership Team's consideration;
- It was noted that the Audit Team were speaking to Optalis about undertaking some work for the company.

**RESOLVED:** That the 2017/18 Internal Audit and Investigation Plan be approved.



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# Complaints & Compliments

Annual Complaints & Compliments Report

2016-17



# Executive Summary

- The total number of corporate complaints has reduced since the 2015-'16 financial year.
- **Stage 1** complaints received this year have **reduced by 16.3%** compared with 2015-'16 and **by 56.8%** in comparison with 2014-'15.
- **Stage 2** complaints this year have **reduced by approximately 5%** when compared with 2015-'16 and **62.5%** compared against 2014-'15.
- Day to day work and complaint volumes have indicated a cultural shift towards resolving customer concerns outside of the formal complaints process.
- We continue to work closely with service areas to reduce the number of complaints escalated and manage contact from unreasonably persistent customers to free up officer time.

# Complaints Received – 2016-'17



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## Summary: Complaints received between April 2016 and March 2017

- We have received **82** 'Stage 1' corporate complaints, of which **18** have been escalated to 'Stage 2'.
  - We have received **36** Children's Services Social Care Complaints. **23** were dealt with at 'early resolution' stage, **9** received at 'Stage 1' and **2** were escalated to 'Stage 2'. **4** complaints were 'out of scope'.
  - There have been **11** complaints escalated to the Local Government Ombudsman (LGO)/Housing Ombudsman (HO) **6** of which related to school transport/admission appeals.
- ☞ Details of complaints dealt with at an 'Early Resolution' stage are detailed in the latter part of this report.



**164**

Total number of **Corporate & Social Care** Complaints



**20**

Total number of **Stage 2** Complaints received

Local Government  
**OMBUDSMAN**

**11**

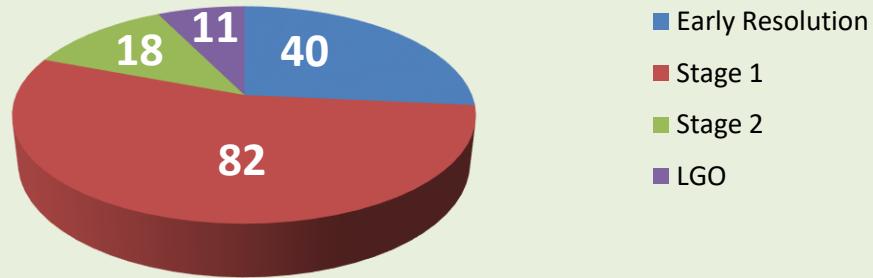
Total number of Complaints investigated by the **LGO/HO**

# Corporate Complaints Snapshot



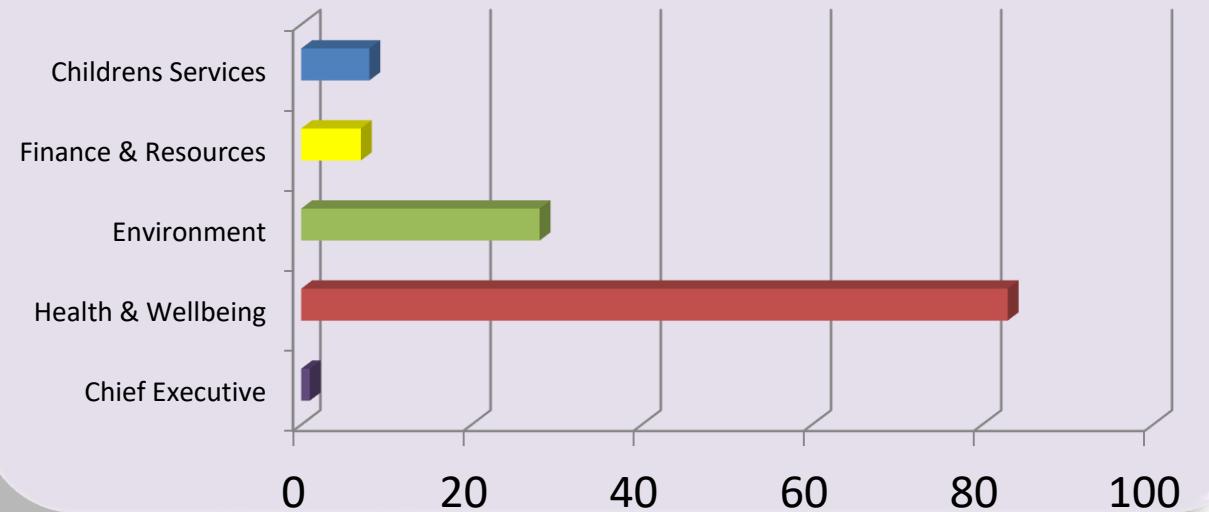
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## Complaints Received



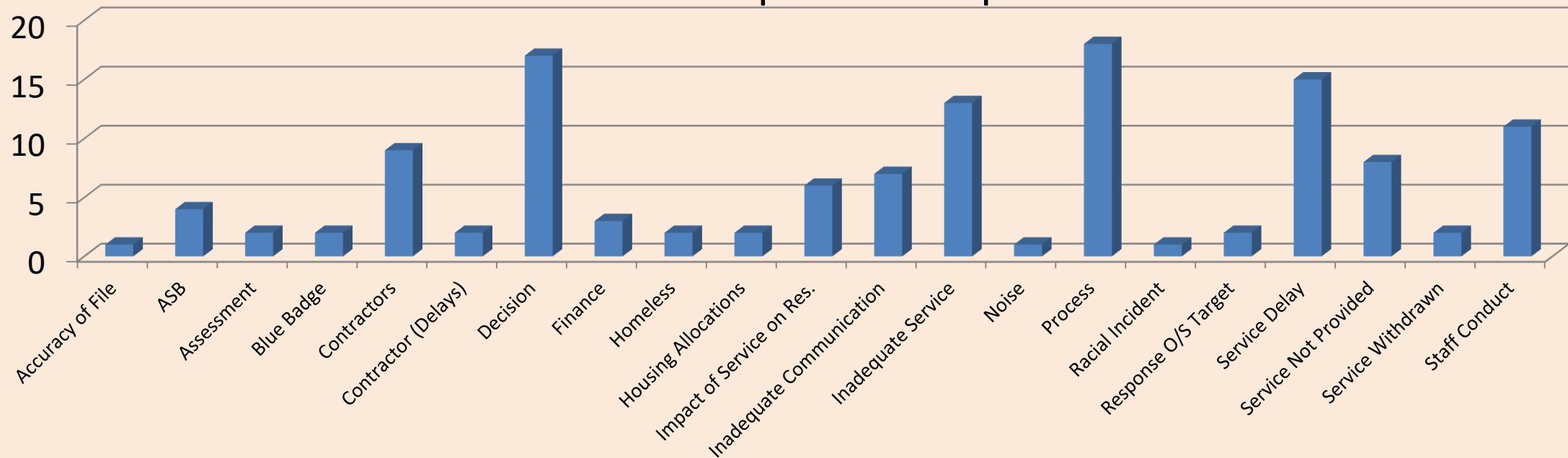
\* **Other:** Initial meeting at Stage 0, early resolution

## Complaint Service Location



14

## Reasons for corporate complaints



# Key Themes

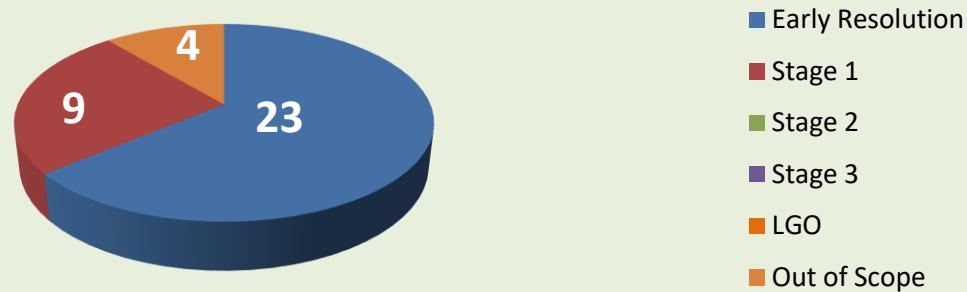
- As with recent years, the services which have received the highest volume of complaints are Housing and Development Management.
- The majority of these complaints are in relation to decisions reached on planning applications and planned/reactive housing repairs.
- This has not given cause for concern, particularly as we have again seen a reduction in formal complaints overall, and those complaints received by Housing and Development Management.
- Complaints for Children's Services and Finance & Resources remain consistent with previous years. Majority of corporate complaints for CS are in relation to school transport decisions, which are referred direct to the LGO.

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# Children's Services Social Care Complaints



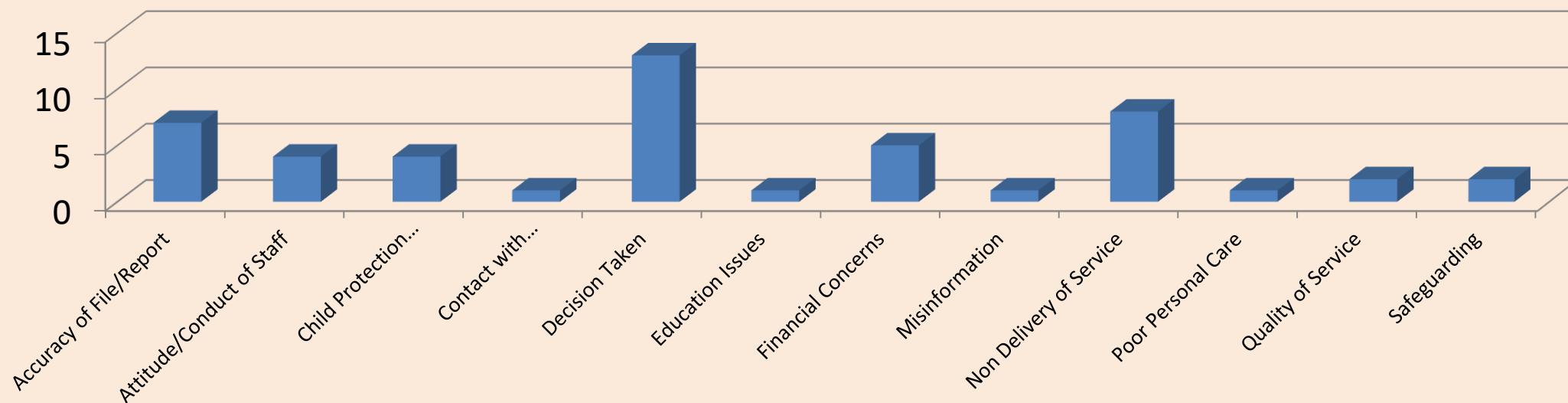
## Complaints Received



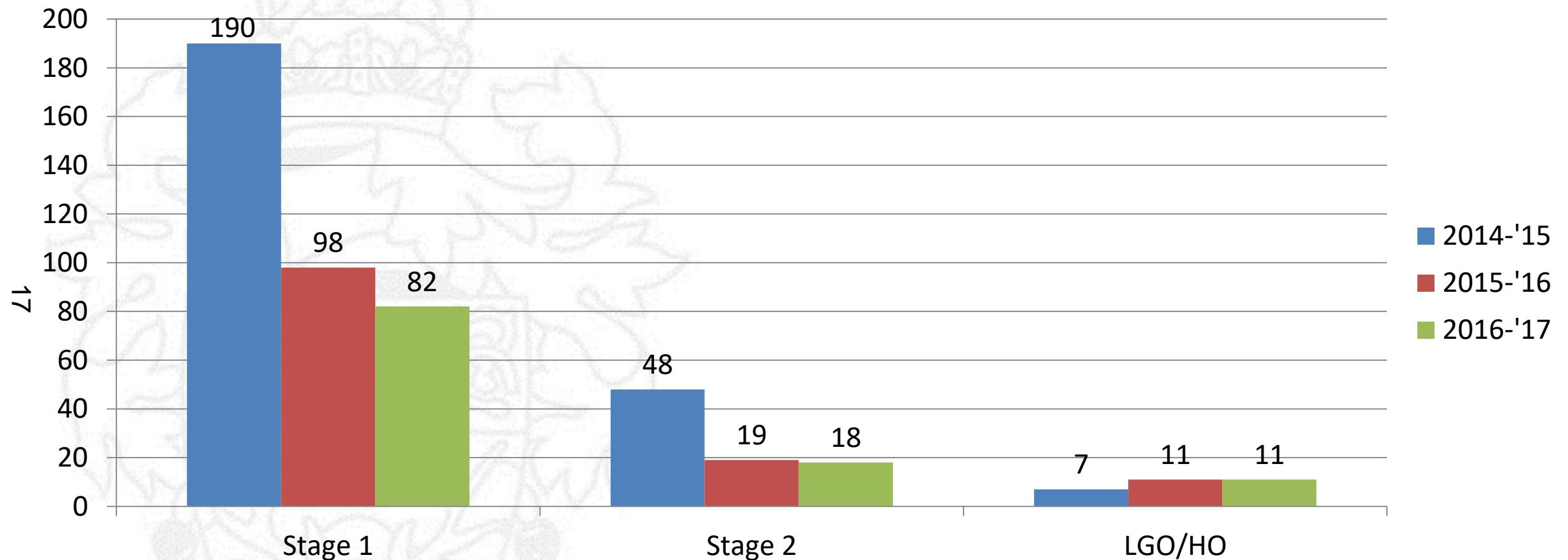
\* **Other:** Initial meeting at Stage 0, early resolution

The total figures for the 'Reasons for children's complaints' is different from the total 'Complaints Received' as there can often be more than one reason for complaint.

## Reasons for children's complaints



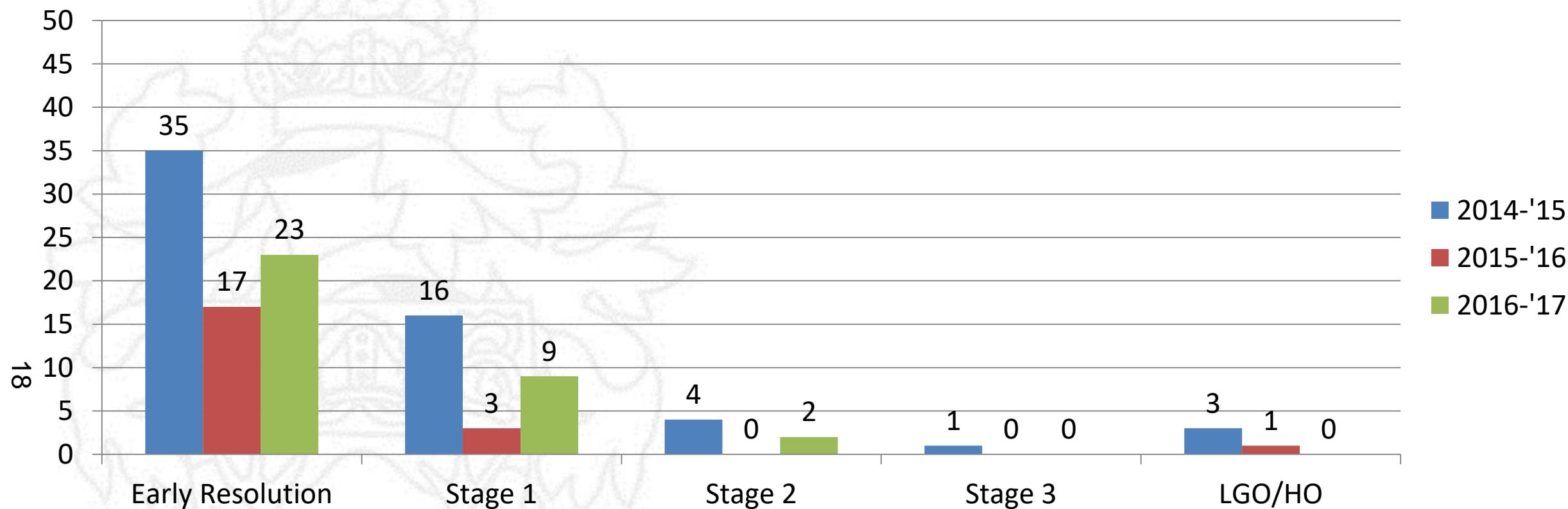
# Corporate Complaints Received 2016-'17 Comparison with Previous Years



## Comments/Observations

- We have seen a drop in the number of formal Stage 1 complaints received by the Council by around 16% and Stage 2 complaints have reduced by roughly 5%.
- LGO/HO complaints have remained on par with last year; however, 10 of these have not been upheld and 1 only partially upheld.

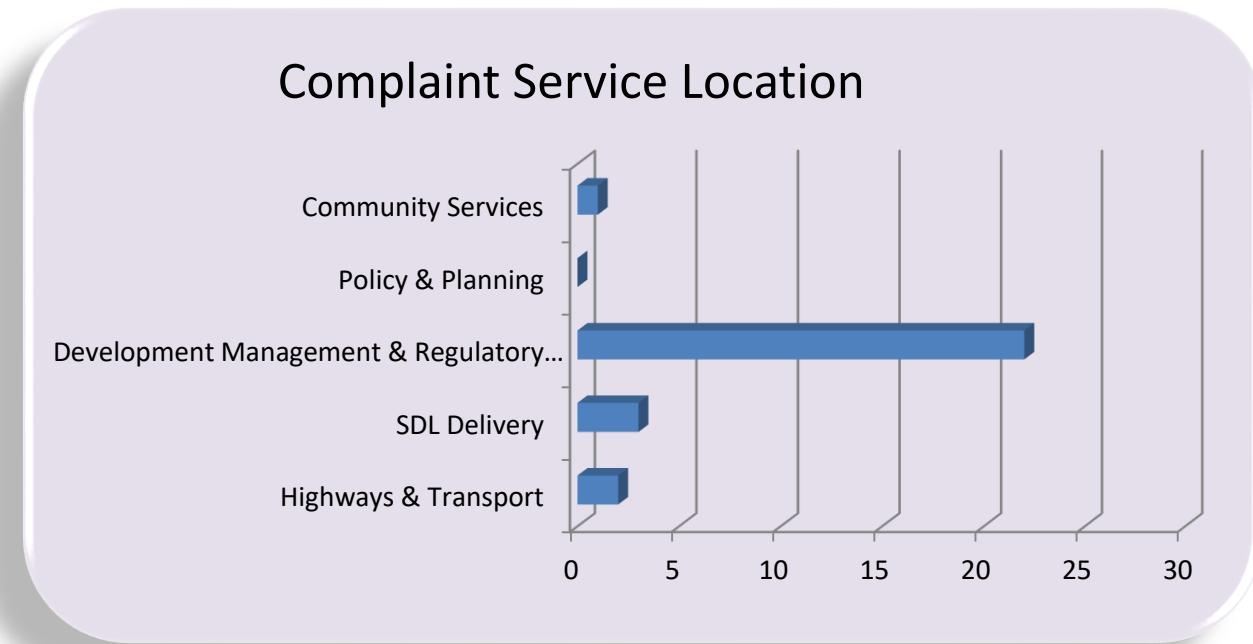
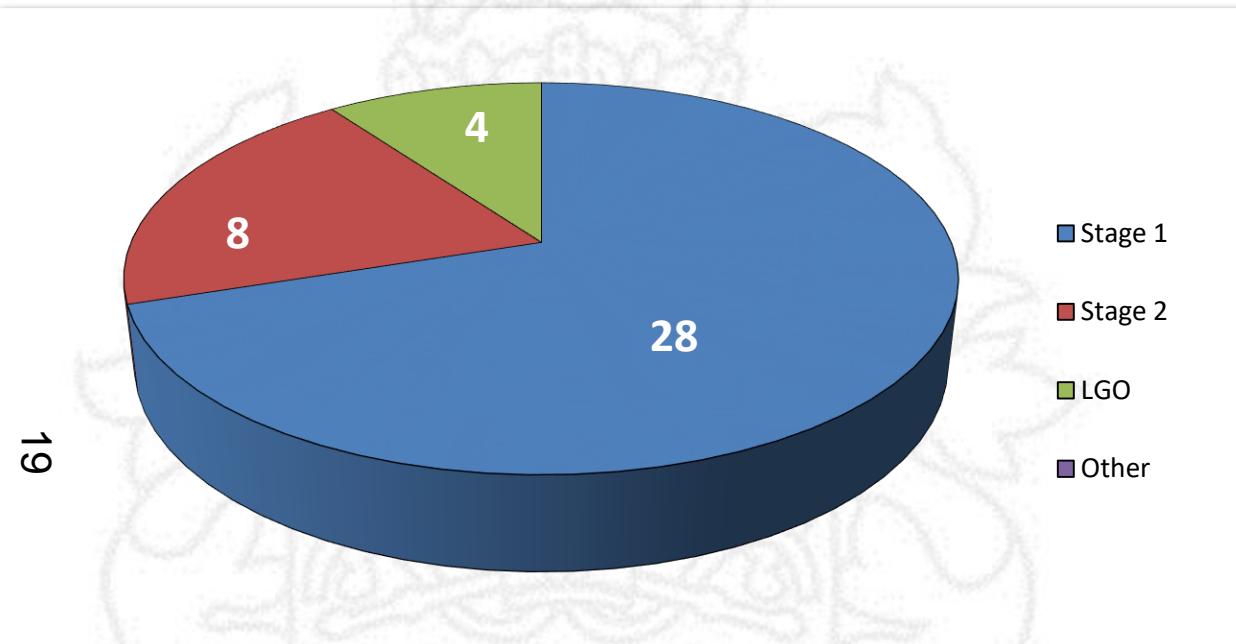
# Children's Services Social Care Complaints Comparison with Previous Years



## Comments/Observations

- Early resolution cases and Stage 1 complaints have increased slightly since last year. We have also had 2 complaints escalated to Stage 2, both of which have now been resolved.
- The 'Children's Services Complaints – Voice of the Service User' annual report provides an in-depth analysis of the volumes and themes.

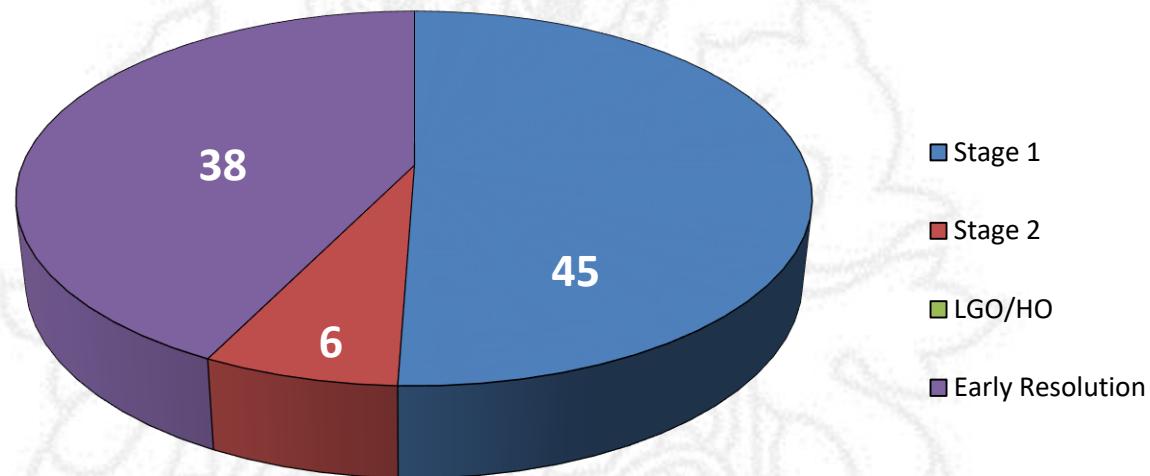
# Environment



## Comments/Observations

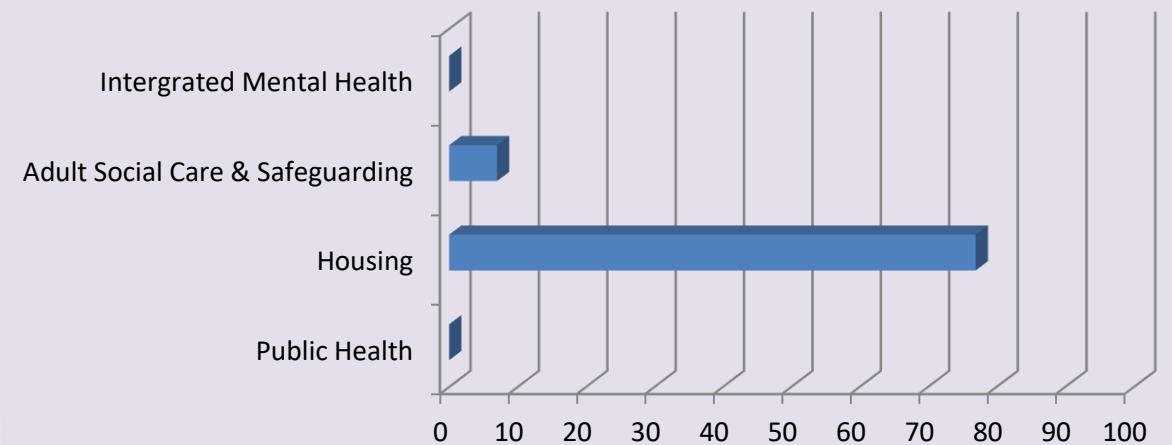
- Of the complaints escalated to Stage 2, 3 were received by SDL, 4 for Development Management, and 1 for Environmental Health.
- None of these complaints have yet been escalated to the LGO.
- The 4 complaints received via the LGO were complaints we declined to escalate to Stage 2. The LGO supported our decisions on each of these cases.

# Health & Wellbeing



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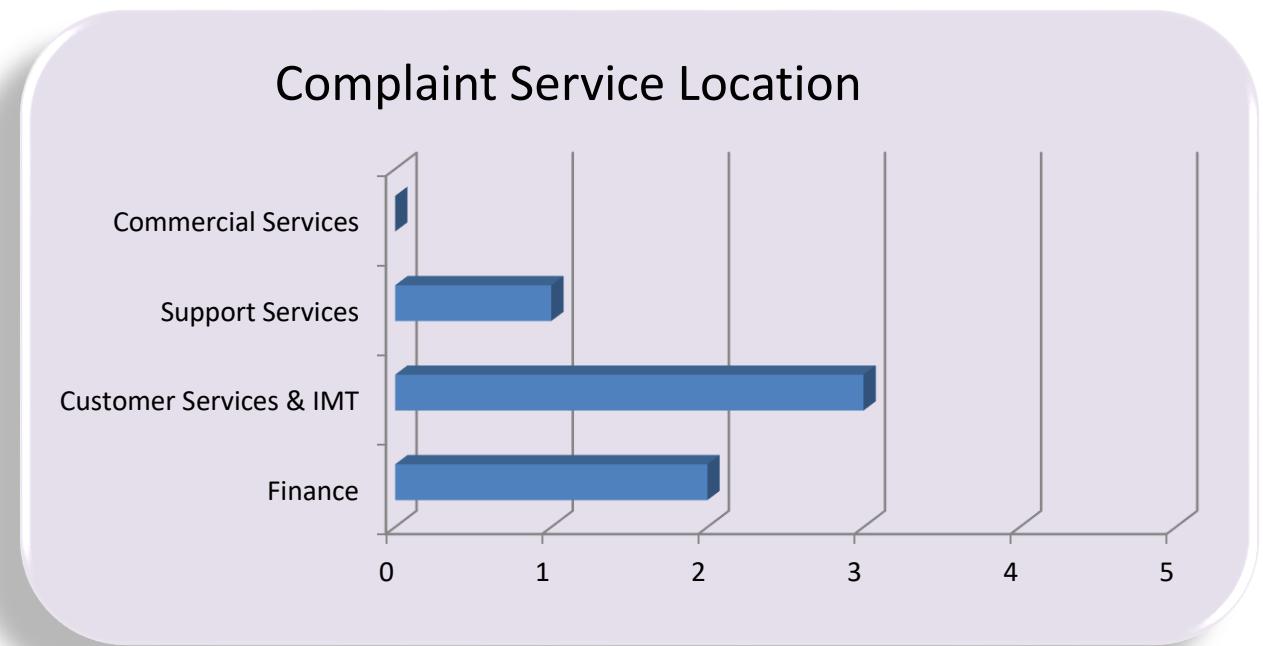
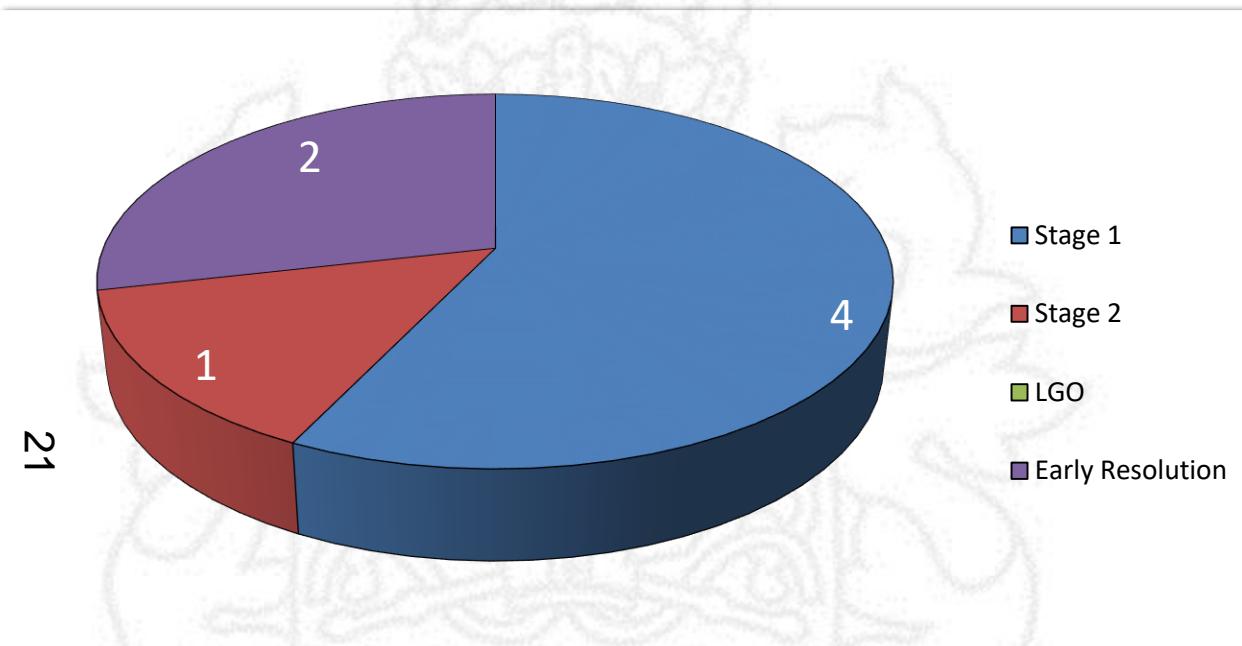
## Complaint Service Location



### Comments/Observations

- A significant number of concerns were dealt with at early resolution stage (38).
- As is consistent with previous years, the majority of complaints were received by Housing (77) and related to Planned/Reactive Repairs (50).
- Planned/Reactive Repair complaints often relate to a service delay, missed appointment etc. and can be resolved relatively easily; hence why there are a significant number dealt with at early resolution.
- Of the Stage 2 complaints, 1 was received for ASC and 5 were received for Housing. All resolved and none escalated to LGO/HO.

# Finance & Resources



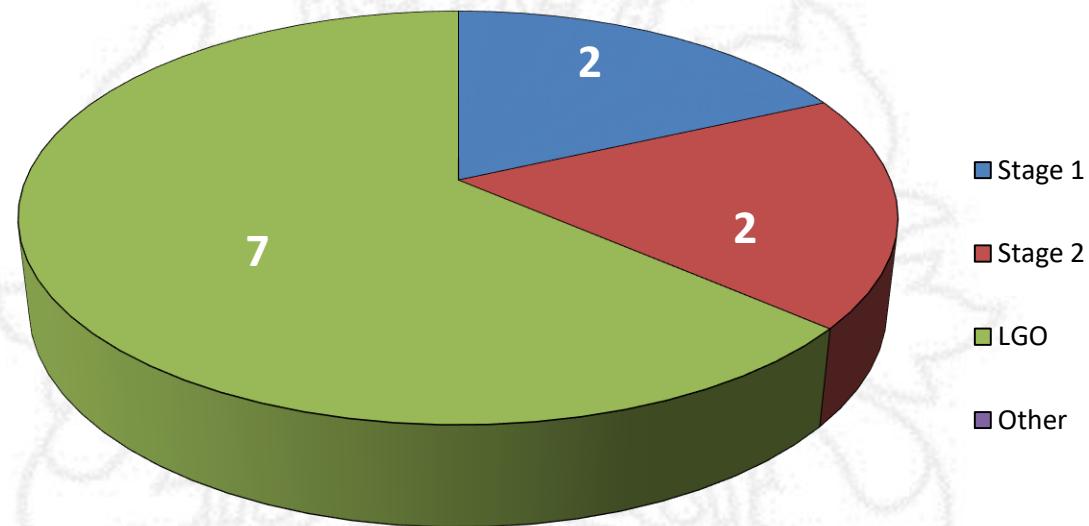
## Comments/Observations

- 2 early resolution cases were logged, 1 in relation to a Blue Badge assessment and 1 in relation to the council's services for disabled residents.
- 4 complaints were received at Stage 1. There were 2 received by Financial Assessments – 1 which was subsequently escalated to Stage 2 – 1 received in relation to a Blue Badge assessment and 1 by Property Services.
- None of these complaints have yet been escalated to the LGO.

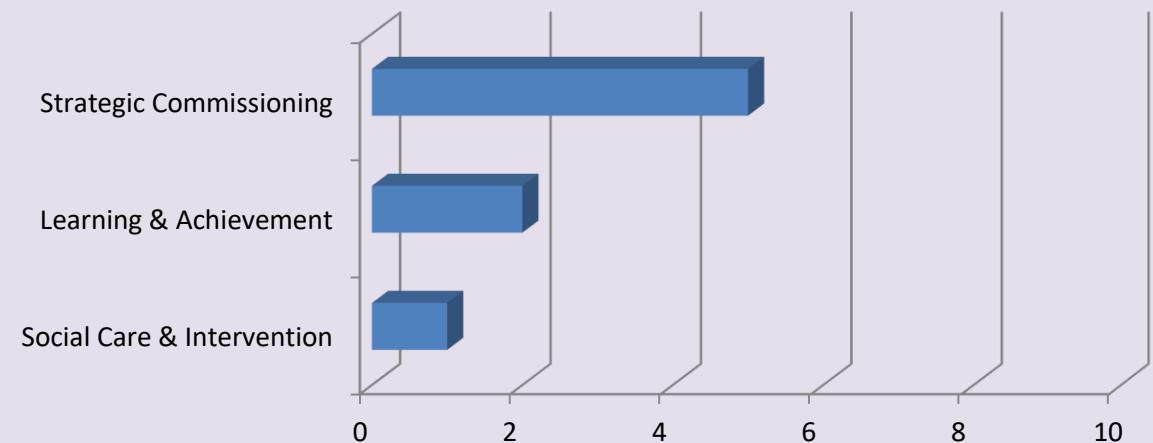
# Children's Services – Corporate Complaints



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## Comments/Observations

- The 2 complaints received at Stage 1 – which were both escalated to Stage 2 and one to the LGO – were in relation to an SEN case and a formal decision making process respectively.
- The 6 other complaints received via the LGO were in relation to school transport/admissions decisions. These were initially considered through the formal appeals process.

# LGO Complaints



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The below table shows details of those corporate complaints received between April 2016 and March 2017 which were escalated to the LGO

Directorate	Upheld	Not Upheld	Partially Upheld	Investigations Ongoing
Chief Executive	0	0	0	0
Environment	0	3	1	0
Finance & Resources	0	0	0	0
Health & Wellbeing	0	0	0	0
Children's Services	0	7	0	0
<b>Totals</b>	<b>0</b>	<b>10</b>	<b>1</b>	<b>0</b>

## Comments/Observations

- The above information is based on complaints received up until **1 April 2017**. It is possible that further complaints will be escalated to the LGO/HO in the near future. At this time **11** complaints have been escalated to the LGO.
- Of these 11 complaints, **10** have not been upheld by the LGO. **3** were complaints which the council declined to investigate at Stage 2 where the LGO agreed with our decision not to escalate the complaints further.



# Escalations

- Information Services monitors 'escalations' from customers awaiting responses to queries/service requests outside of SLAs.
- <sup>24</sup> In the last year we received **90** escalations, which services have been alerted to.
- None of these escalations have proceeded to become formal complaints.



# Positive Feedback...

- There has been a significant amount of positive feedback from customers on the services the authority provides.
- We have received **84** formally recorded compliments.
- Received positive feedback on a variety of services, such as grass cutting, conduct of council officers, new schemes for residents and the new Blue Badge process.
- There were also a number of compliments received by Social Care & Intervention, details of which can be found in the 'Children's Services – Voice of the Service User' report.

# Examples of Feedback...



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**“Extremely helpful and informative staff”**

**“I had heard many stories of blue badge applications taking several months but with Wokingham it was 8 days from my on-line application to it arriving by post; absolutely remarkable”**

**“Social services provided in an extremely friendly and professional way”**

**“Took ownership of the issues and dealt with them quickly and efficiently”**

**“Warm, friendly and helpful customer service”**

**Planning Officers were “a pleasure to deal with and are a real asset to the organisation” and “truly surpassed my high expectations”**

**“Friendly and efficient customer service, with clear communication”**

**Library events “presented in an entertaining and memorable way”**

**Grass cutting policy “very encouraging and gratifying” and “shows genuine effort at wildlife conservation”**

# Agenda Item 8.

<b>TITLE</b>	<b>Treasury Management Outturn Report 2016-17</b>
<b>FOR CONSIDERATION BY</b>	Audit Committee on 13 June 2017
<b>WARD</b>	None specific
<b>DIRECTOR</b>	Graham Ebers, Director Corporate Services

## **OUTCOME / BENEFITS TO THE COMMUNITY**

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

## **RECOMMENDATION**

The Audit Committee is asked to:

- 1) Note the Treasury Management outturn report for 2016/17.
- 2) Note the actual 2016/17 prudential indicators within the report.
- 3) Recommend the report to Council for approval.

## **SUMMARY OF REPORT**

This report summarises the Treasury Management operations during 2016/17. It is presented for the purpose of monitoring and review, in accordance with Council's treasury management practices.

The Council adhered to all agreed prudential indicators in 2016/17.

As at 31<sup>st</sup> March 2017, the Council achieved an average investment return rate of 1.66%. In house team achieved an average external investment of 0.50% against the London Interbank Bid Rate (LIBID) for 2016/17, which was 0.20%.

The Council has taken 3 new loans out on the 31<sup>st</sup> March 2017 of £18m. These Public Works Loan Board (PWLB) loans were at a special rate (40 bases point lower than the standard PWLB rate) they will be used to fund capital expenditure in 2017/18. This was secured through work with the Local Enterprise Partnership. The Hosing revenue account repaid an external loan of £3.5m.

## **Background**

The Council operates a balanced budget, which broadly means cash raised during the Year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising Investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its

Capital spending operations. This management of longer term cash may involve arranging long or short term loans or using longer term cash flow surpluses. On

occasion, any debt previously drawn may be restructured to meet Council risk or cost objectives.

**Analysis of Issues**

External Debt

In 2016/17 the external general fund debt increased by £18m, the Council also took the opportunity to use internal funds and other sources to fund the capital programme.

The Housing Revenue Account external debt decreased by £3.5m.

As at 31<sup>st</sup> March 2017 external debt was:

- General fund (Non- Housing Revenue Account): £65.8m
- Housing Revenue Account: £81.5m.

Capital Expenditure year end outturn

As at 31<sup>st</sup> March 2017:

- General fund (Non- Housing Revenue Account): £72.0m
- Housing Revenue Account: £4.9m.

Investment actual year end outturn

As at 31<sup>st</sup> March 2017:

- Returns on investments (external and internal companies): £1.3m compared to a budget of £1.2m

Appendices

The full Treasury Mid-Year report for 2016/17

Appendix A

The Council’s Prudential indicators

Appendix B

The Council’s Loan Portfolio as at 31<sup>st</sup> March 2017

Appendix C

The Council’s Investments as at 31<sup>st</sup> March 2017

Appendix D

Economic update

Appendix E

A Glossary of Terms

Appendix F

**FINANCIAL IMPLICATIONS OF THE RECOMMENDATION**

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

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£147.4m External Loans £1.3m Return on Investments	Yes	Capital and Revenue
Next Financial Year (Year 2)	To be determined through the Medium term financial plan		Capital and Revenue
Following Financial Year (Year 3)	N/A		

<b>Other financial information relevant to the Recommendation/Decision</b>
N/A

<b>Cross-Council Implications</b>
N/A

<b>Reasons for considering the report in Part 2</b>
N/A

<b>List of Background Papers</b>
N/A

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<b>Date</b> 24 <sup>th</sup> May 2017	<b>Version No.</b> 1

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# WOKINGHAM BOROUGH COUNCIL



# WOKINGHAM BOROUGH COUNCIL

## Treasury Management Outturn Report 2016-17

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## 1. Introduction

This report presents the Council's treasury position for 2016/17 in accordance with the Council treasury management practices. This is a backward looking report reviewing performance to 31<sup>st</sup> March 2017.

The report provides a summary of the economic conditions affecting the Council's investment strategy over the last financial year. It then analyses the capital outturn which is a key driver of treasury management, driving the borrowing requirement of the organisation. It then shows how the Council has financed its borrowing between internal and external borrowing and then how the Council has managed its short-term cash investments.

The Council's treasury management strategy is largely influenced by capital expenditure. Revenue expenditure is largely balanced with expenditure matching income, and short term borrowing and deposits. The large driver of the longer term treasury management strategy is therefore capital expenditure and financing.

There are two aspects of treasury performance – debt management and cash investment:

- debt management relates to the Council's borrowing;
- Cash investment relates to the investment of surplus cash balances.

## 2. Economic Review

UK economic growth remained relatively strong at around 2% in the year to the 4<sup>th</sup> quarter of 2016/17. The Bank of England kept monetary policy on hold since the rate decrease to 0.25% in the summer and re-enforced its commitment to maintain interest rates the same and to continue it's the Quantitative Easing (QE) programme in February 2017 meeting . For a more detailed economic summary please look at Appendix E.

## 3. The Council's Capital Expenditure and Financing 2016/17

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

- financed in year, immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need or;
- funded by borrowing (internal or external).

The actual capital expenditure forms one of the required prudential indicators. During August 2016 the Council under took an exercise to obtain more accurate forecasts of capital expenditure from budget managers. This provides the Council with a more realistic year end outturn giving the Council the opportunity to adjust its capital budget and related funding plans, tables 1 and 2 on the following page show the actual capital expenditure and the funding.

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Table 1:

General fund capital expenditure and financing	2016/17 Budget £'000	2016/17 forecast outturn @ Sept £'000	2016/17 Outturn £'000
<b>Capital expenditure</b>			
Financed in year	63,710	33,685	27,168
Funded by borrowing (borrowing requirement)	81,495	50,945	44,858
<b>Total</b>	<b>145,205</b>	<b>84,630</b>	<b>72,026</b>

Table 2:

HRA capital expenditure and financing	2016/17 Budget £'000	2016/17 forecast outturn @ Sept £'000	2016/17 Outturn £'000
<b>Capital expenditure</b>			
Financed in year	7,853	5,909	4,857
Funded by borrowing (borrowing requirement)	0	0	0
<b>Total</b>	<b>7,853</b>	<b>5,909</b>	<b>4,857</b>

#### 4. The Council's Overall Borrowing Need

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). It represents the 2016/17 capital expenditure financed by borrowing, and prior years' unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

The Council's general fund underlying borrowing need (CFR) is not allowed to rise indefinitely. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This ensures the general fund pays for the capital asset and is a proxy for depreciation. The total CFR can also be reduced by:

- The application of additional capital financing resources (such as unapplied capital receipts); or
- An additional revenue contribution to the statutory minimum revenue provision (MRP) each year through a Voluntary Revenue Provision (VRP).

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This differs from the treasury management arrangements which relates to cash transfers. External debt can be borrowed or repaid at any time, but this does not change the CFR.

The Council's CFR forecast for 2016/17 year end is shown below, and represents a key prudential indicator. It includes PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need. However no borrowing is actually required against these schemes as a borrowing facility is included in the contract.

Table 3:

Capital financing requirement: General Fund	2016/17 Budget £'000	2016/17 forecast outturn @ Sept £'000	2016/17 Outturn £'000
<b>Opening balance</b>	<b>113,397</b>	<b>118,580</b>	<b>118,580</b>
Capital expenditure funded by Borrowing	73,014	50,946	44,858
Prior year adjustment (Swap funding)	0	0	(771)
<b>Sub Total</b>	<b>186,411</b>	<b>169,526</b>	<b>162,667</b>
<b>Less Minimum Revenue Provision</b>			
MRP Charge	(3,310)	(3,024)	(2,362)
PFI Principal Charge	(215)	(215)	(283)
<b>Sub Total</b>	<b>(3,525)</b>	<b>(3,239)</b>	<b>(2,645)</b>
<b>Closing Balance</b>	<b>182,886</b>	<b>166,287</b>	<b>160,022</b>
<b>Movement</b>	<b>64,305</b>	<b>47,707</b>	<b>41,442</b>

Table 4:

HRA Capital financing requirement:	2016/17 Budget £'000	2016/17 forecast outturn @ Sept £'000	2016/17 Outturn £'000
<b>Opening balance</b>	<b>93,876</b>	<b>93,876</b>	<b>92,964</b>
Repayment of Loan Principle	(3,476)	(3,476)	(2,564)
<b>Closing Balance</b>	<b>90,400</b>	<b>90,400</b>	<b>90,400</b>

Table 5

Capital financing requirement: General fund and HRA	2016/17 Budget £'000	2016/17 forecast outturn @ Sept £'000	2016/17 Outturn £'000
<b>Opening balance</b>	<b>207,273</b>	<b>212,456</b>	<b>211,544</b>
<b>Movements</b>	<b>66,013</b>	<b>44,231</b>	<b>38,878</b>
<b>Closing Balance</b>	<b>273,286</b>	<b>256,687</b>	<b>250,422</b>

The in-year increase in the borrowing requirement is due to a large increase in the capital programme for schemes such as the town centre regeneration and loans to group companies and will reduce again when capital receipts are recovered or loans repaid. It has also increased as a result of the forward funded infrastructure schemes. These will decrease again as developer contributions are received. The council's total capital financing requirement (CFR) of £250.4m was considerably lower than the councils external borrowing of £147.4m (see table 6 below)

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. The Council does not borrow all of this money externally but uses some of its internal cash reserves to fund this expenditure. This is referred to as "internal borrowing". This means that the Council's capital financing requirement is higher than its external borrowing figures. External borrowing may be sourced from bodies such as the Public Works Loan Board [PWLB] or the money markets.

### 5. External borrowing and compliance with treasury limits and prudential indicators

On the 31st March 2017 the Council took out a £18m loan, this was at a special rate of 40 bases point lower than the PWLB rate. (Local Enterprise Partnership agreement)

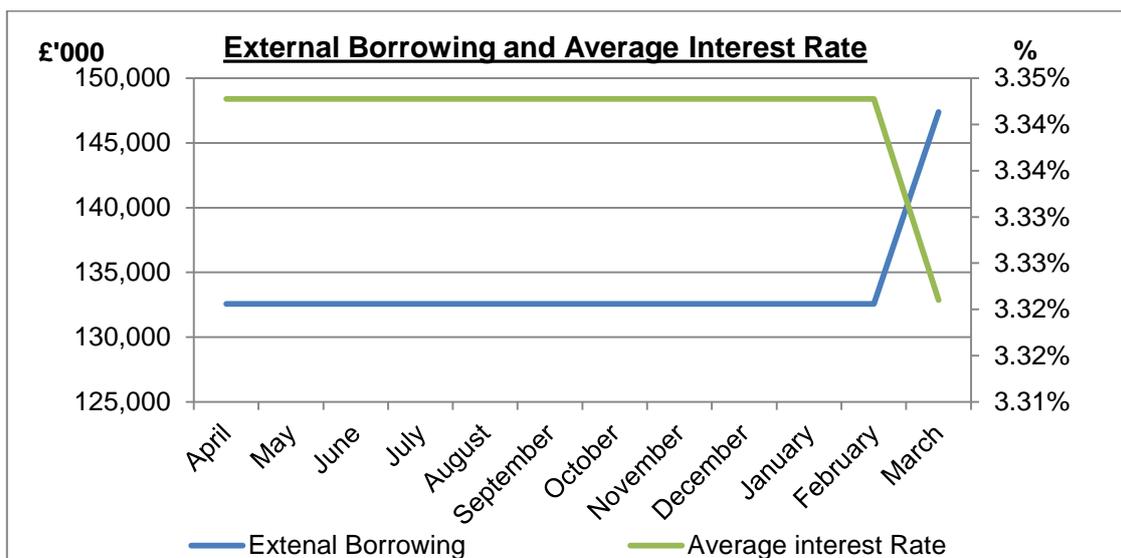
Table 6 demonstrates the outturn for 2016/17 external borrowing.

**Table 6:**

<b>External Borrowing</b>	<b>2016/17 Budget £'000</b>	<b>2016/17 Outturn £'000</b>
<b>Market</b>	<b>24,000</b>	<b>24,000</b>
<b>PWLB</b>	<b>107,482</b>	<b>122,006</b>
<b>Local Enterprise Partnership</b>	<b>750</b>	<b>1,380</b>
<b>Total borrowing</b>	<b>132,232</b>	<b>147,386</b>

**Graph 1 Total external borrowing and average interest rate by month**

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Graph 1 above includes the £18m loan taken out on the 31<sup>st</sup> March 2017. This increased the external borrowing to £147.4m. This meant as of the 31<sup>st</sup> March 2017 the average interest rate dropped to 3.32%.

During 2016/17, the Council operated within the treasury limits as set out its borrowing treasury management strategy. The position for the prudential indicators is shown in table 7, which is found below. These show that all prudential indicators have been complied with. Further detail on each of these indicators is included in Appendix B.

Table 7:

Prudential Indicator – Debt	Year-end position 2016/17	
	Does gross borrowing exceed CFR?	Has the limit/boundary been broken
Gross external borrowing	NO	
Authorised limit		NO
Operational boundary for external debt		NO
HRA debt limit		NO
Maturity structure of borrowing		NO
Upper limits on interest rate exposure		NO
The percentage of financing costs set aside to service debt financing costs		NO

In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (plus the estimates of any additional capital financing requirement for the current and next two financial years). This essentially

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means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs.

## 6. Compliance with treasury limits and prudential indicators for investments

The treasury management team ensure the cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return. The return on investments contributes to the Council's budget for both the general fund and housing revenue account.

During 2016/17 the Council yield on investments has been impacted by the EU Referendum vote and the Bank of England's decision to reduce interest rates earlier in the financial year.

The Council will continue to monitor the economic outlook and money markets to ensure it is able to achieve a yield in line with market expectations whilst ensuring security and liquidity of capital are maintained. Graph 2 below demonstrates the change in investment by type up to 31 March 2017.

**Graph 2 Total amount invested April 2016 to March 2017 by category**

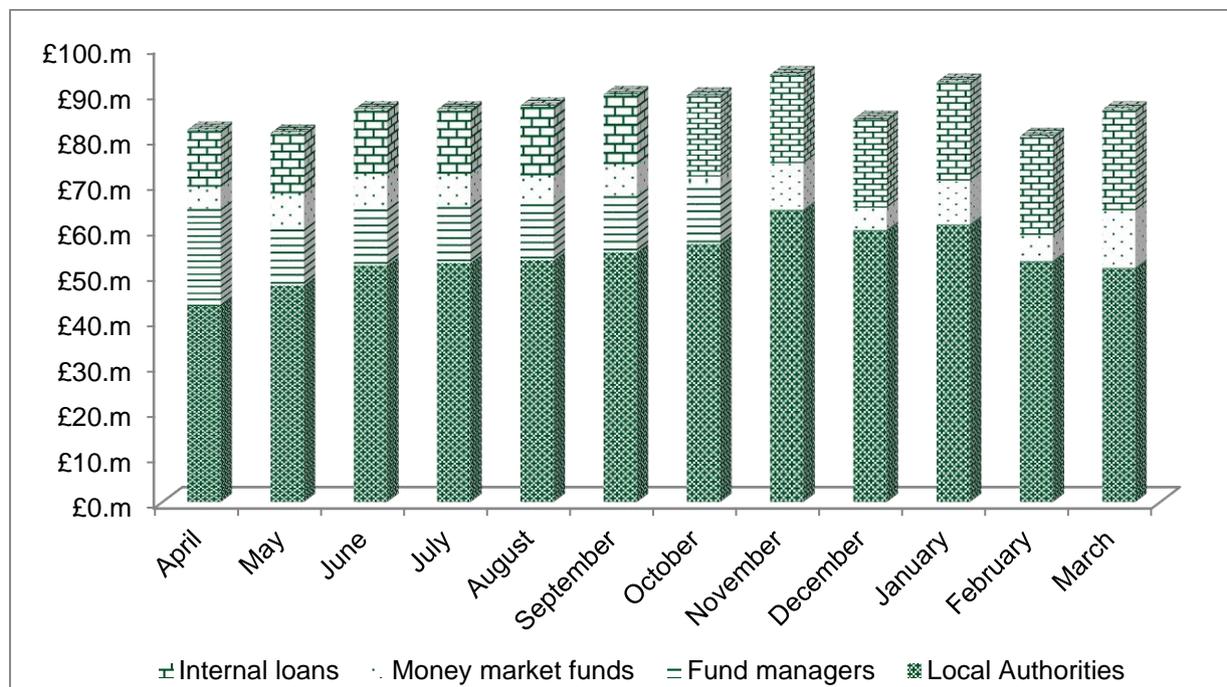


Table 8, below shows the counterparties where cash deposits are held. Further detail is available in appendix D.

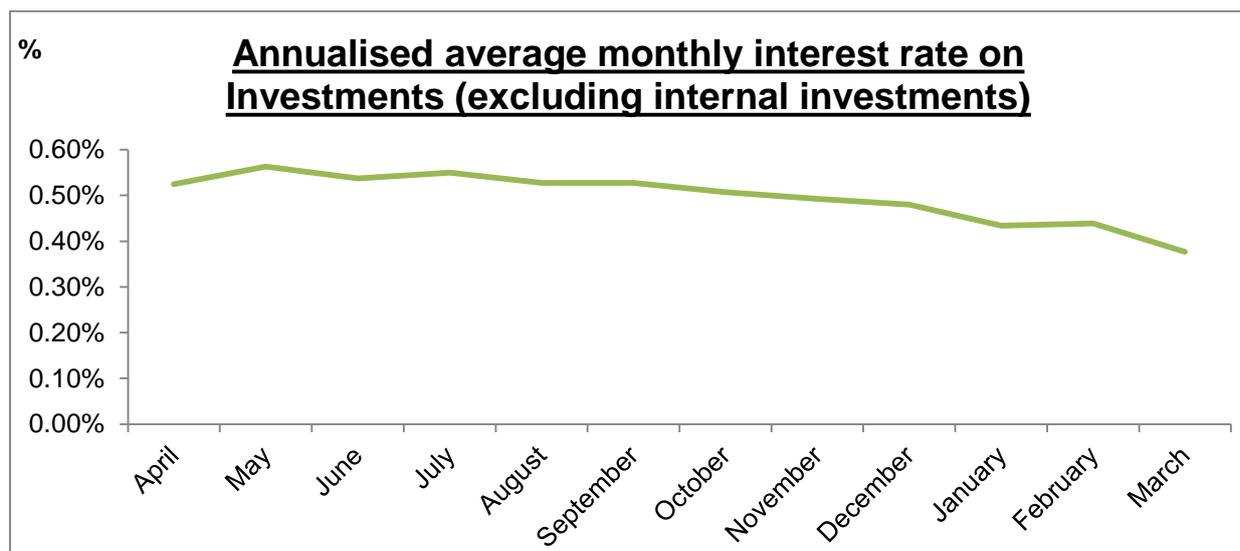
### Table 8:

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Investment Type	Actuals invested @ 31-03-16 £'000	Actuals invested @ 30-09-16 £'000	Actuals invested @ 31-03-17 £'000
	Local Authorities	37,000	52,000
Fund Managers / Money Markets	21,413	12,575	12,882
Internal investments (WBC companies and HRA)	12,128	15,961	22,117
<b>Total</b>	<b>70,541</b>	<b>80,536</b>	<b>73,999</b>

Graph 3 on the following page shows an analysis of the rate of return for 2016/17.

### Graph 3 Average return on investments



During 2016/17 year the Council operated within the treasury limits as set out in investment strategy. The position for the investment prudential indicators is shown in table 10 and full details are available in appendix B.

The average return on the Council's portfolio (excluding internal loans) to 31 March 2017 was 0.46%. This is 0.26% above the average 7-day London Interbank Bid Rate (LIBID) of 0.20%. The average rate of return including internal loans is 1.66%.

Table 9 below, gives a breakdown of returns per type and the annual interest rate received.

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<b>Table 9:</b>	<b>Amount of interest received 2016/17 £'000</b>	<b>Cumulative interest %</b>
<b>Return on Investment</b>		
<b>Local Authorities</b>	<b>271</b>	<b>0.50%</b>
<b>Fund Managers / Money Markets</b>	<b>58</b>	<b>0.31%</b>
<b>Internal loans</b>	<b>952</b>	<b>5.34%</b>
<b>Total</b>	<b>1,280</b>	<b>1.62%</b>

<b>Table 10: Prudential Indicator – Investment Year-end position @ 31-03-17</b>	<b>Has the limit/boundary been broken</b>	<b>Was the budget achieved at year end</b>
<b>Upper limits on interest rate exposure</b>	<b>NO</b>	
<b>Investment interest received</b>		<b>Yes</b>

## 7. Conclusion

The Director of Corporate Services confirms that the approved limits and prudential indicators incorporated within the Annual Investment Strategy were not breached during 2016/17 with the prudential indicators. The Council is operating in a stringent financial climate, but is still managing to deliver within budgeted interest levels.

**Prudential and treasury indicators as at 31<sup>st</sup> March 2017****General Fund**

Table 1: Prudential Indicators	Capital	2016/17	Quarter 1	Quarter 2	Quarter 3	Quarter 4
		Budget	16/17	16/17	16/17	16/17
		£'000	Year end forecast	Year end forecast	Year end forecast	Year end Actual
Capital expenditure		148,922	105,077	84,630	87,561	72,026
Capital Financing Requirement (CFR)		182,886	171,952	166,287	166,222	160,022
Annual change in CFR		64,305	53,372	47,707	44,402	41,442
<b>In year borrowing requirement</b>		<b>80,532</b>	<b>56,611</b>	<b>50,945</b>	<b>47,712</b>	<b>44,858</b>

Table 2: Prudential Indicators Borrowing	2016/17	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	Budget	16/17	16/17	16/17	16/17
	£'000	Year end forecast	Year end forecast	Year end forecast	Year end Actual
Ratio of financing costs to net revenue stream	3.8%	3.6%	3.4%	2.9%	2.8%

The percentage of the revenue budget set aside each year to service debt financing costs is shown above. The outturn figure is below budget as a result of favourable returns compared to budget.

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

As per budget 2016/17: £4,293 / £113,973 = 2.8%

**HRA**

Table 3: Prudential Indicators HRA	2016/17	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	Budget	16/17	16/17	16/17	16/17
	£'000	Year end forecast	Year end forecast	Year end forecast	Year end Actual
Capital expenditure	9,827	9,991	5,909	6,923	4,857
Capital Financing Requirement (CFR)	90,400	90,400	90,400	90,400	90,400
Annual change in CFR	0	0	0	0	0
<b>In year borrowing requirement</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Table 4: Prudential Indicators Borrowing	2016/17 Budget	Quarter 1 16/17 Year end forecast	Quarter 2 16/17 Year end forecast	Quarter 3 16/17 Year end forecast	Quarter 4 16/17 Year end Actual
	£'000	£'000	£'000	£'000	£'000
<b>Ratio of financing costs to net revenue stream</b>	<b>18.8%</b>	<b>18.6%</b>	<b>18.6%</b>	<b>18.8%</b>	<b>18.7%</b>

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

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

As per budget 2016/17: £2,851 / £15,164 = 18.8%

## General Fund & HRA

Table 5: Prudential Indicators – Capital Expenditure & CFR	2016/17 Budget	Quarter 1 16/17 Year end forecast	Quarter 2 16/17 Year end forecast	Quarter 3 16/17 Year end forecast	Quarter 4 16/17 Year end Actual
	£'000	£'000	£'000	£'000	£'000
Capital expenditure	148,928	115,069	90,539	94,484	76,883
Capital Financing Requirement (CFR)	273,286	262,352	256,687	256,622	250,422
Annual change in CFR	61,740	53,372	47,707	44,402	41,442
In year borrowing requirement	79,740	56,611	50,945	47,712	44,858

Table 6: Internal Borrowing	2016/17 Budget	Quarter 1 16/17 Year end forecast	Quarter 2 16/17 Year end forecast	Quarter 3 16/17 Year end forecast	Quarter 4 16/17 Year end Actual
	£'000	£'000	£'000	£'000	£'000
CFR (year end position)	273,286	262,352	256,687	256,622	250,422
Less External Borrowing	(197,119)	(150,232)	(150,232)	(150,232)	(150,232)
Less Other long term liabilities	(10,000)	(10,000)	(10,000)	(10,000)	(8,429)
<b>Internal Borrowing *</b>	<b>66,167</b>	<b>102,120</b>	<b>96,455</b>	<b>96,390</b>	<b>91,761</b>
Movement	(5,499)	46,306	40,641	40,576	35,947
<b>% of internal borrowing to CFR</b>	<b>24.21%</b>	<b>38.92%</b>	<b>37.58%</b>	<b>37.56%</b>	<b>36.64%</b>

Note:\* This will be reviewed on a regular basis to make sure we are getting best value for money. The Council is currently using its own cash flow (as rates of return are low), if rates start to increase a new external loan may need to be taken out.

Table 7: Upper limit -Investments Only	2016/17 Budget	Quarter 1 (Apr-Jun) Actual	Quarter 2 (Jul-Sep) Actual	Quarter 3 (Oct - Dec) Actual	Quarter 4 (Jan-Mar) Actual
	£'000	£'000	£'000	£'000	£'000
On fixed rate exposures	(80,000)	(41,114)	(56,120)	(59,000)	(39,000)
On variable rate exposures	(40,000)	(12,432)	(12,432)	0	(12,882)

Table 8: Upper limit -Debt Only	2016/17 Budget	Quarter 1 (Apr-Jun) Actual	Quarter 2 (Jul-Sep) Actual	Quarter 3 (Oct-Dec) Actual	Quarter 4 (Jan-Mar) Actual
	£'000	£'000	£'000	£'000	£'000
On fixed rate exposures	180,000	107,482	107,482	107,482	123,386
On variable rate exposures	40,000	24,000	24,000	24,000	24,000

Table 9: Internal investments: interest Received	2016/17 Budget	Quarter 1 16/17 Year end forecast	Quarter 2 16/17 Year end forecast	Quarter 3 16/17 Year end forecast	Quarter 4 16/17 Year end Actual
	£'000	£'000	£'000	£'000	£'000
HRA Internal loan from The General fund	399	399	399	399	399
Wokingham Housing	0	320	503	484	553
Age Concern	0	3	3	0	0
	399	722	905	883	952

Table 10: Internal investments:	Quarter 1 16/17 Year end forecast £'000	Quarter 2 16/17 Year end forecast £'000	Quarter 3 16/17 Year end forecast £'000	Quarter 4 16/17 Year end Actual £'000
HRA Internal loan from The General fund	8,874	8,874	8,874	8,874
Wokingham Housing	8,095	13,562	14,488	13,243
Optalis	50	50	50	0
Age Concern	75	75	0	0
<b>Total</b>	<b>17,094</b>	<b>22,561</b>	<b>23,412</b>	<b>22,117</b>

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## General Fund Loan portfolio @ 31<sup>st</sup> March 2017

PWLB/Market	Loan no	Principle £'000	Interest Rate %	Maturity Date
<b>General Fund</b>				
PWLB - GF	485805	976	4.88	01 August 2022
PWLB - GF	488876	2,343	4.95	01 February 2034
PWLB - GF	491320	2,929	3.85	01 August 2051
PWLB - GF	491456	1,431	4.35	30 September 2046
PWLB - GF	491474	5,587	4.40	01 August 2052
PWLB - GF	493309	9,764	4.60	31 March 2054
PWLB - GF	505949	8,000	2.34	31 March 2035
PWLB - GF	505950	4,000	2.37	31 March 2036
PWLB - GF	505948	6,000	2.30	31 March 2034
Market - GF	3b	4,882	4.35	24 February 2077
Market - GF	2c	4,882	4.60	11 January 2077
Market - GF - KA Finanz	1c	4,882	4.88	06 February 2066
Market - GF	4	1,953	3.68	16 February 2066
Market - GF	5	4,882	3.73	19 October 2076
Market - GF	6	1,953	3.77	19 October 2076
Local Enterprise Board		380	0.00	01 December 2017
Local Enterprise Board		250	0.00	01 December 2017
Local Enterprise Board		750	0.00	01 December 2019
<b>Total</b>		<b>65,844</b>		

## Housing Revenue Fund Loan portfolio @ 31<sup>st</sup> March 2017

PWLB/Market	Loan no	Principle	Interest Rate %	Maturity Date
<b>Housing Revenue Account</b>				
PWLB - HRA	485805	24	4.88	01 August 2022
PWLB - HRA	488876	57	4.95	01 February 2034
PWLB - HRA	491320	71	3.85	01 August 2051
PWLB - HRA	491456	35	4.35	30 September 2046
PWLB - HRA	491474	135	4.40	01 August 2052
PWLB - HRA	493309	236	4.60	31 March 2054
HRA Self Financing	501033	1,750	1.50	28 March 2018
HRA Self Financing	501034	3,482	2.21	28 March 2021
HRA Self Financing	501035	8,516	3.30	28 March 2032
HRA Self Financing	501036	1,988	1.99	28 March 2020
HRA Self Financing	501037	7,231	3.26	28 March 2031
HRA Self Financing	501038	4,199	2.40	28 March 2022
HRA Self Financing	501039	6,378	3.15	28 March 2029
HRA Self Financing	501040	5,415	3.01	28 March 2027
HRA Self Financing	501043	9,276	3.34	28 March 2033
HRA Self Financing	501044	1,000	3.37	28 March 2034
HRA Self Financing	501045	3,744	2.82	28 March 2025
HRA Self Financing	501046	5,981	3.08	28 March 2028
HRA Self Financing	501047	6,789	3.21	28 March 2030
HRA Self Financing	501048	3,971	2.92	28 March 2026
HRA Self Financing	501049	4,116	2.70	28 March 2024
HRA Self Financing	501050	3,484	2.56	28 March 2023
HRA Self Financing	501051	3,098	1.76	28 March 2019
Market - HRA	3b	118,129	4.35	24 February 2077
Market - HRA	2c	118,129	4.60	11 January 2077
Market - HRA - KA Finanz	1c	118,129	4.88	08 February 2066
Market - HRA	4	47,252	3.68	16 February 2066
Market - HRA	5	118,129	3.73	19 October 2076
Market - HRA	6	47,252	3.77	19 October 2076
<b>External</b>		<b>81,542</b>		
WBC General Fund *		8,874	4.5	
<b>Total</b>		<b>90,416</b>		

\* Note this is an internal loan from the general fund to the HRA and is not included in the total external loans.

## Total external borrowing loans @ 31<sup>st</sup> March 2017

WBC External Borrowing	Actuals @ 30-09-16 £'000	Actuals @ 31-03-17 £'000
Market	24,000	24,000
PWLB	107,482	122,636
Local Enterprise Partnership	750	750
<b>Total borrowing</b>	<b>132,232</b>	<b>147,386</b>

## Maturity structure @ 31<sup>st</sup> March 2017

Long Term Borrowing	31st March 2016 £,000	31st March 2017 £,000	Average rate %
Between 1 and 2 years	3,856	28,098	3.45
Between 3 and 5 years	7,086	5,470	2.10
Between 6 and 10 years	23,996	20,514	3.31
Between 11 and 15 years	31,794	31,794	3.14
Between 16 and 20 years	21,192	39,192	3.37
Between 21 and 25 years	0	0	0.00
Between 26 and 30 years	1,465	1,465	4.35
More than 30 years	42,723	18,723	4.28
<b>Total Long Term</b>	<b>132,112</b>	<b>145,256</b>	
<b>Short Term Borrowing</b>			
less than 1 year	120	2,130	0.75
<b>Total Borrowing</b>	<b>132,232</b>	<b>147,386</b>	<b>3.32</b>

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## Investment portfolio

Current Investments @ 31st March 2017

Institution	Amount	Rate	Maturity Date	Broker
<b>Current lending</b>				
Blaenau Gwent County Borough Council	3,000	0.58%	16/05/2017	Tradition
Conwy County Borough Council	3,000	0.38%	02/11/2017	Tradition
Corby Borough Council	3,000	0.60%	15/06/2017	Tradition
Eastleigh BC	5,000	0.54%	18/04/2017	Tradition
Lancashire CC	5,000	0.58%	04/05/2017	Tradition
Leeds BS	2,000	0.43%	24/07/2017	Tradition
Leeds CC	5,000	0.35%	01/09/2017	Tradition
London Borough of Enfield	4,000	0.40%	28/11/2017	Tradition
North Ayrshire Council	3,000	0.60%	03/04/2017	Tradition
Salford CC	3,000	0.35%	26/06/2017	Tradition
Suffolk County Council	3,000	0.35%	14/09/2017	Tradition
<b>Total</b>	<b>39,000</b>			
<b>Money Market Funds / Fund Managers</b>				
Fund Managers	632	Variable		
Invesco	5,000	Variable		
Deutsche Global (Henderson)	4,500	Variable		
Goldman sachs	2,750	Variable		
<b>Total</b>	<b>12,882</b>			
<b>Grand total</b>	<b>51,882</b>			
<b>Investments with internal companies</b>				
Wokingham Holdings	13,243	5.5% + bank rate (variable)		
Housing Revenue Account	8,874	4.5%		
<b>Total</b>	<b>22,117</b>			
<b>Grand Total</b>	<b>73,999</b>			

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## **Economic Update**

### **1.1 Growth**

Change in gross domestic product (GDP) is the main indicator of economic growth. 3rd quarter growth came in at 0.6% and the 4<sup>th</sup> quarter growth of 0.7%, but 1<sup>st</sup> quarter 2017 is expected to ease back. At its meeting of 19th January, the European Central Bank (ECB) left its main policy for interest rates at -0.4%. The easing in monetary policy in the euro area over the past few years has reduced the interest rates facing households and companies, and so has been one factor supporting GDP growth.

The Federal Reserve in February decided to keep interest rates on hold following its first meeting since President Donald Trump took office and the uncertain international backdrop. Despite the positive outlook on the economy, the central bank signalled there would be further gradual interest increases. Quarterly US GDP growth fell from 0.9% in the 3<sup>rd</sup> quarter to 0.5% in 4<sup>th</sup> quarter 4 2016.

### **1.2 Inflation:**

The Consumer Prices Index (CPI) inflation rose to 1.6% in December and further substantial increases are very likely over the coming months. In the central projection, conditioned on market yields that are somewhat higher than in November, inflation is expected to increase to 2.8% in the first half of 2018, before falling back gradually to 2.4% in three years' time. Inflation is judged likely to return to close to the target over the subsequent year. Measures of inflation compensation derived from financial markets have stabilised at around average historical levels, having increased during late 2016 as concerns about a period of unusually low inflation faded.

### **1.3 Monetary Policy:**

On 1 February 2017 the Monetary Policy Committee (MPC) voted unanimously in favour of maintaining the bank rate at 0.25% and re-enforcing its commitment to maintain the Quantitative Easing (QE) programme at £435bn. All Committee members judged it appropriate to leave the stance of monetary policy unchanged. The MPC noted that the path of monetary policy would continue to depend on the evolution of prospects for demand, supply, the exchange rate and therefore inflation. As a result, monetary policy could move in either direction to ensure a sustainable return of CPI inflation to the 2% target.

### **1.4 Interest Rates**

The Council's treasury advisor, Capita Asset Services, has provided forecasts for PWLB rates based on the certainty rate (minus 20 bps), as shown in table on the following page

## Interest rate forecast (as per Capita Treasury solutions)

	Jun 2017	Sep 2017	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Dec 2018	Mar 2019	Jun 2019	Sep 2019	Dec 2019	Mar 2020	Jun 2020
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%	0.75%
5 yr. PWLB rate	1.40%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%	2.00%
10 yr. PWLB rate	2.10%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.70%
25 yr. PWLB rate	2.70%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%
50 yr. PWLB rate	2.50%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%

## **Glossary of terms**

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

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

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

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

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

**Department for Communities and Local Government (DCLG)** - Is a ministerial department, supported by 11 agencies and public bodies. They are working to create great places to live and work, and to give more power to local people to shape what happens in their area.

**European Central Bank (ECB)** - The central bank for the euro and administers monetary policy of the eurozone, which consists of 19 EU member states and is one of the largest currency areas in the world.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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06 April 2017

Direct line: 07974 007 332

Email: HThompson2@uk.ey.com

Dear Andy

## Annual Audit and Certification Fees 2017/18

We are writing to confirm the audit and certification work that we propose to undertake for the 2017/18 financial year at Wokingham Borough Council.

From 1 April 2015, the duty to make arrangements for the audit of the accounts and the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. In October 2015, the Secretary of State confirmed that the transitional arrangements would be extended for one year for audits of principal local government bodies only, to cover the audit of the accounts for 2017/18. The audit contracts previously let by the Audit Commission and novated to PSAA have therefore also been extended for one year to give effect to this decision.

From 2018/19, new arrangements for local auditor appointment set out in the Local Audit and Accountability Act 2014 will apply for principal local government and police bodies. These audited bodies will be responsible for making their own arrangements for the audit of the accounts and certification of the housing benefit subsidy claim. The PSAA will play a new and different role in these arrangements.

### Indicative audit fee

For the 2017/18 financial year PSAA has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees. There are no planned changes to the overall work programme for 2017/18. It is therefore proposed by PSAA that scale fees are set at the same level as the scale fees applicable for 2016/17. These fees reflect the significant reductions made to scale fees since 2012/13.

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

The audit fee covers the:

- audit of the financial statements;

- value for money conclusion; and
- whole of government accounts.

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

- the overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;
- officers meeting the agreed timetable of deliverables;
- the operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- we can rely on the work of internal audit as planned;
- our accounts opinion and value for money conclusion being unqualified;
- appropriate quality of documentation is provided by the Council;
- there is an effective control environment; and
- prompt responses are provided to our draft reports.

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

As we have not yet completed our audit for 2016/17, our audit planning process for 2017/18 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

#### Certification fee

The PSAA sets an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee for 2017/18 will be based on actual 2015/16 benefit certification fees. As the actual 2015/16 benefit certification fee has not been finalised by PSAA at the time of writing they have not yet set the 2017/18 certification fees.

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

The indicative certification fee for 2017/18 relates to work on the housing benefit subsidy claim for the year ended 31 March 2018. We will set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2016/17 benefit certification work, and to reflect any further changes in the certification arrangements.

## Summary of fees

	Indicative fee 2017/18 £	Planned fee 2016/17 £	Actual fee 2015/16 £
Total Code audit fee	105,617	105,617	105,617
Certification of housing benefit subsidy claim	TBC	11,787	7,183

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

## Billing

The indicative code audit fee will be billed in four quarterly instalments of £26,404.25. Additionally, we will bill 25% of the indicative certification fee each quarter when it has been determined.

## Audit plan

Our plan is expected to be issued in January 2018. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Director of Finance and Resources and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.

## Audit team

The key members of the audit team for the 2017/18 financial year are:

Helen Thompson

HThompson2@uk.ey.com

Tel: 07974 007 332

Executive Director

Adrian Balmer

ABalmer@uk.ey.com

Tel: 07880 807 449

Manager

We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely

Helen Thompson

Executive Director

For and on behalf of Ernst & Young LLP

cc. David Lee, Chairman of the Audit Committee  
Graham Ebers, Director of Finance and Resources

# Audit Progress Report

Wokingham Borough Council

13 June 2017

Ernst & Young LLP



Audit Committee

30 May 2017

Dear Committee Members

## **Audit Progress Report 2016/17**

We are pleased to attach our Audit Progress Report.

The report sets out the work we have completed since our last report to the Audit Committee. Its purpose is to provide the Committee with an overview of the stage we have reached in your 2016/17 audit and to ensure our audit is aligned with Committee expectations.

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

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

Yours faithfully

Helen Thompson  
Executive Director  
For and behalf of Ernst & Young LLP  
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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk))

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

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

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

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

## 1. Planned work

### Fee Letter and Audit Plan

We issued our 2016/17 fee letter to the Council in April 2016 and we presented our audit plan to the Audit Committee on 8th February 2017.

### Financial Statements

We adopt a risk-based approach to the audit and, as part of our ongoing continuous planning we continue to meet key officers regularly to ensure the 2016/17 audit runs as smoothly as possible and to identify any risks at the earliest opportunity. These have proved beneficial as we have developed our understanding of the financial processes discussed a number of areas of the statements and have already selected our samples for substantive testing of income and expenditure transactions for the first nine months of the financial year and shared these with the Council's finance team.

To ensure that we meet the requirements of the faster close arrangements which are due to take effect in 2017/18 we have committed to undertaking as much early work as possible in 2016/17. Below is a listing of the early work that we have been able to complete as part of our interim visit:

- ▶ walkthrough of all key financial systems;
- ▶ opening balances agreement;
- ▶ month 9 testing of income and expenditure;
- ▶ month 9 payroll substantive analytical review including starters and leavers;
- ▶ precept testing;
- ▶ contracts testing; and
- ▶ substantive analytical reviews set up for key balances such as business rates; housing benefits expenditure; housing rents and depreciation

Where we have completed month nine testing of key balances such as income and expenditure and payroll, we will perform top up testing of these balances at year end. However, the early work will greatly reduce the time required to complete the additional testing at year end.

In addition to the above work, we have communicated our year-end working paper requirements to your finance team. To ensure a smooth delivery of the year end we will continue to have regular meetings with key officers as part of our ongoing audit process.

Our interim reviews have not identified any issues we wish to bring to your attention. We have not identified any additional significant risks which we need to bring your attention and therefore at this stage the significant risks we presented in the Audit Plan are those on which we will focus our additional procedures.

Our year end audit visit is currently scheduled for early July and we will be on site for a period of approximately four weeks.

## **Value for money**

We are required to consider whether the Council has 'proper arrangements' to secure economy, efficiency and effectiveness in the use of resources.

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.

Our work on the value for money conclusion is ongoing. We have no issues to bring to your attention at this stage.

## **Housing Benefits Update**

We have held meetings with the Housing Benefit team and discussed our approach for testing for the certification of the Housing Benefit Subsidy Claim for 2016/17.

## **Local appointment of auditors**

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

Existing external audit arrangements will remain unchanged for the 2015/16, 2016/17 and 2017/18 years. EY has formally submitted its tender documents to the PSAA as part of the national process and an announcement by the PSAA of the successful tenders is due to be announced in late June 2017. We will ensure that we remain in dialogue throughout this period and will of course discuss the outcome with key officers and the Committee in due course.

## **Other Issues of Interest**

We will continue to send our sector briefings to members and discuss key issues with the Committee.

If members of the Audit Committee have any particular issues they want to discuss with us we would be pleased to do so.

## 2. Timetable

### Audit Committee Timeline

We have set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we have agreed to provide to you through the 2016/17 Audit Committee cycle.

We will report to the Audit Committee throughout the audit as outlined below. This report summarises the progress made at this point. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chairman as appropriate.

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

Audit phase	Timetable	Deliverables
High level planning:	<b>December 2016 to January 2017</b>	Fee Letter taken to the April 2016 Audit Committee
Risk assessment and setting of scopes	<b>January 2017</b>	Audit Plan
Testing routine processes and controls	<b>February 2017</b>	Progress report
Update on interim work completed to date	<b>June 2017</b>	Progress report
Value for money conclusion	<b>December 2016 to September 2017</b>	Ongoing
Year-end audit	<b>July-September 2017</b>	Report to those charged with governance  Audit reports (including our opinion on the financial statements and a conclusion as to whether the Council has proper arrangements for securing economy, efficiency and effectiveness in its use of resources).  Audit completion certificates
Reporting	<b>September 2017</b>	Annual Audit Letters



## Appendix A Audit Progress

### Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
Fee Letter		Completed	Reported to Those Charged With Governance in April 2016
Audit Plan	Jan 2017	Completed	Reported to Those Charged With Governance on 8th February 2017
Progress Report to Those Charged with Governance	June 2017	Completed	Reported to Those Charged With Governance on 13rd June 2017
Audit Report (including opinion and vfm conclusion)	September 2017	Not due yet	
Audit Certificate	September 2017	Not due yet	
WGA Certificate	September 2017	Not due yet	
Annual Audit Letter	September 2017	Not due yet	

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## Local government audit committee briefing

### Contents at a glance

#### Government and economic news

#### Accounting, auditing and governance

#### Key questions for the audit committee

#### Find out more

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

It covers issues which may have an impact on your organisation, the Local Government sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please contact your local audit team.



# Government and economic news

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## EY item club winter forecast

In its latest forecast the EY Item Club cautions that, whilst it may look like the economy is taking the referendum in its stride, the impression could be deceptive. A timely reminder that trouble may lie ahead is provided by Sterling's recent performance.

The UK economy is forecast to undergo a gradual dip and recovery over the coming four years, with GDP growth slowing to 1.3% in 2017 and just 1.0% next year, before picking up to 1.4% in 2019 and 1.8% in 2020. The ability of the economy to deliver against this forecast is seen as highly dependent on its foreign trade performance, the expectation is that this will improve this year as consumer spending slows down.

In terms of inflation as measured by the Consumer Prices Index it is expected to rise in excess of 3% by the end of 2017, before falling back towards the Bank of England's 2.0% target in 2018. With the economy slowing down and wage inflation remaining subdued, the forecast is that base interest rates will be held at 0.25% by the Monetary Policy Committee until the spring of 2018.

Looking ahead, the UK's trade performance and output growth in 2019 and beyond will depend critically on the exit terms that can be agreed with the EU27 and other countries. Whilst there is greater clarity about the UK's negotiating position, elections coming up later this year in several European countries mean that the negotiating position of the EU27 will take longer to get a clear picture of. Additionally, the US election result complicates Britain's exit from the EU due to uncertainty over the US economic and foreign policy.

## Social Care Precept and New Homes Bonus

The 'Provisional local government finance settlement 2017/18' announced that an additional £900mn would be used to fund the social care system over the next two years. This will be made up of two parts:

- ▶ £240mn transfer from the new homes bonus
- ▶ £652mn from increasing the social care precept (£208mn in 2017/18 and £444mn in 2018/19)

### New Homes Bonus

The consultation for the new homes bonus ended and the Government made a number of revisions to the grant. The transfer from the new homes bonus represents a change that ensures that councils will only receive funding for housing built above the national housing growth baseline of 0.4%. There will also be a movement to five year payments from 2017/18 and four year payments from 2018/19.

There are no proposals to withhold grants for those authorities without a local plan in 2017/18 but this will be revisited for 2018/19. The bonus will continue to be unringfenced as in previous years.

### Social Care Precept

Councils will have the flexibility to increase the dedicated social care precept by up to 3% in 2017/18 and 2018/19 (this was previously capped at 2% for each of the three years 2017/18 to 2019/20). If this is chosen it will be equivalent to an increase of £1 a month on an average Band D Council Tax bill. However the social care precept would need to remain at 6% over the next three years, therefore if the increased 3% was taken in 2017/18 and 2018/19 it could not be increased again in the following year.



## Government and economic news

Within the 'Provisional local government finance settlement 2017/18' It has been highlighted that increased funding is not the only way to improve social care but better integration of the health service and local government is needed. In Oxfordshire this has led to a 40% fall in delayed discharges in 6 months and in Northumberland increased work between the council and the health service has led to a 12% reduction in demand on residential care.

### Local Government Funding Settlement

The four year funding settlement has been agreed to by 97% of councils. This will mean councils will have £7.6bn in total dedicated social care funding over the four years up to 2019/20. In return they will have to publish efficiency plans online.

It is expected that top-tier authorities are likely to benefit most from the settlement as they have high-demand critical services and will therefore receive more funding. However district councils will see a greater squeeze on their budgets due to the reduction in the new homes bonus.

This comes as a step towards devolution. The introduction of fully retained business rates will also bring about more power for councils to serve their local communities. However this does open councils up to more risk. For this to be beneficial the economy will need to grow and more houses will need to be built. Councils therefore need to think about how they will ensure that this does not leave them in a worse position than through central government funding.

### Funding for new care model vanguards

In order to support and spread the work of new care model vanguard projects, NHS England has announced over £100mn of funding being made available. NHS England sees that the existing vanguards, partnerships of NHS, local government, voluntary, community and other organisations are improving the healthcare people receive, preventing ill health, and saving funds.

They are seen as key to the delivery of Sustainability and Transformation Plans (STPs) which are being developed across the country and, in addition to funding, the vanguards receive support to implement their plans from both NHS England and other national bodies. This includes how they harness new technology including apps and shared computer systems, and to develop their workforce so that it is focused around patients and their local populations. Vanguards are required to meet a number of conditions to obtain funding, including:

- ▶ Demonstrating clear improvements in quality and costs/savings
- ▶ Spreading their new care models, both within their STP and sharing with others (including producing guidance and materials for others to use)

The announcement highlights examples of areas the latest funding will be used on, and examples of work done to date. These include:

- ▶ **Fylde Coast Local Health Economy vanguard** – a new 'extensive care service' bringing together different health professionals offering targeted support for older patients with multiple conditions, this has contributed to significant reductions in areas such as non-elective admissions (25%) and A&E attendances (13%)
- ▶ **Mid Nottinghamshire Better Together vanguard** – joined-up community teams are working with patients and their families/carers, providing physical, mental and social care support to ensure people are wherever possible cared for at home. The vanguard has reported reductions in long term admissions to care homes and acute bed days, together with significant year-on-year reductions in avoidable patient attendances (20.5% for patients aged 80 years and above compared to 2015/16)



## Government and economic news

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- ▶ **East and North Hertfordshire Clinical Commissioning Group vanguard** – employing pharmacists to work with GPs, care home staff and other healthcare professionals to provide detailed medicine reviews for residents. Working with the care homes, the vanguard has already reviewed over 900 patients and the use of 8,000 medicines. Of these over 1,000 medicines have been stopped, including nearly 200 which could have increased the risk of falls. The estimated direct cost savings are in excess of £160,000

### Financial Sustainability of Schools

The Department of Education has predicted that mainstream schools will have to find savings of £3bn (8%) by 2019/20. This is expected to come from efficiencies from the following:

- ▶ £1.3bn from better procurement
- ▶ £1.7mn from using staff more efficiently

The Government has proposed to increase the schools budget over the next four years, and by 2019/20 the increase will be 7.7% compared to the 2015/16 level. However the increase in pupil number is expected to be 3.9% in the same period, once inflation is taken into account; this is a real time reduction in funding per pupil.

The Department continues to publish advice on financial management and efficiency savings.

The proportion of secondary schools overspending rose from 34% in 2010/11 to 59% in 2014/15. For academies this rose from 39% to 61%. The reasons for this are unclear, and the sustainability of this spending is unknown.

### Highway Network Assets

The depreciated replacement cost accounting for Highway Network Assets is expected to come into effect from 1 April 2017, but is subject to confirmation from CIPFA. EY has run a number of workshops for clients and there are a range of levels of confidence over the accounting treatment for the asset. It can however be seen that the levels of confidence have increased from this time last year.

The key question for councils to consider will be how can we demonstrate that their Highways Asset Management System is complete and that all assets exist.

By following the DREAM approach set out below we believe the task will run smoother.

**Document highways systems:** Almost all highways and engineering IT inventory information has not been subject to audit and lack detailed procedure manuals/notes. Full documentation of the key core data systems should be completed as one of the initial tasks that an authority carries out.

**Reports and reconciliations:** Assess the information requirements of the task and whether the existing systems can produce the required reports and reconciliations or will new reports and reconciliations be needed? Identify any corrective action required.

**Evidential based:** The quality of the inventory is key to the change. So as well as documentation of inventory systems, establish how you will evidentially prove that the inventory is complete and the named assets exist. This includes key asset dimensions. However, before engaging expensive external contractors to do this consider all the processes that you currently have in place that actually do this ranging from routine cyclical inspections to independent system reviews. Use this to identify areas where 'top-up' work is required.



## Government and economic news

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**Audit:** Early and regular engagement with both internal audit (IA) and external audit (EA) is a key determinant of successful implementation. IA can assist in establishing documentation procedures and can carry out system audits of those systems. Sharing your proposals with EA in advance will reduce the risk of abortive work. Decisions on what work you actually do are a matter for the authority, but the EA will provide comments on proposed approaches.

**Materiality:** This is a key concept both to the authority as the accounts are stated to include all material items and EA who audit to a calculated materiality level. Materiality has both quantitative and qualitative aspects. In simple terms the quantitative identifies the level at which consideration needs to be given to whether omission of an item or inclusion of an error requires correction. The qualitative level is where a professional judgement is made as to whether correction of that item would influence decisions of the users of the accounts.

As the Highway Network Asset is to be classed as a single asset the materiality is based upon the total value and not the constituent parts. Due to the importance of this amount discussions around the level at which the authority is considering setting it at should take place with your external audit team at an early stage to ensure that this will not lead to problems in the audit process.

For further information please consult with your audit team

### Sustainability and Transformation Plans

Sustainability and Transformation Plans (STP) have now been produced and are designed to articulate how individual organisations will play their part in delivering their locally agreed STP objectives, including sustainable financial balance across the health economy.

From April 2017, access to NHS transformation funding will be linked to effecting delivery of the STP. These include meeting control totals to reduce deficits and meeting certain performance requirements. STPs represent a shift in focus from the role of competition within the health system to one of collaboration – referred to as ‘place-based planning’. NHS organisations are telling us that the changing needs of their populations are best met through integrated models of care, with the delivery of care being best met by different areas of the NHS working in a co-ordinated way. The King’s Fund has argued that a place based approach to planning and delivering health and social care services is the right approach – and that this should also include collaborating with other services and sectors outside the NHS – with the aim of improving the health and wellbeing of local populations.

Development and delivery of STPs is a complex task, with large footprints, involving many different organisations, in an already stretched environment in terms of finances and capacity. There are further challenges with the need to address weaknesses in NHS incentives to work together and to avoid organisations focussing on individual goals rather than the effective implementation of STP objectives – for example, NHS Trusts are closely monitored on their own performance targets.

The Plans have been delivered in a relatively short timeframe and propose major changes to services. With the growing financial challenges in the system, the Plans are required to show how they will bring the NHS back into financial balance. Given the short timeframes, the submitted Plans will need further development and engagement before they can be effectively implemented.



## Government and economic news

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All parties to the STP will need to collaborate to ensure the plans take full account of the pressures faced by the individual parties. Whilst the process provides opportunities for areas with challenging finances to identify solutions, there will be difficult decisions to be made about the range, type and location of services that are delivered. Per the NHS Confederation, the important element of prevention requires a strong role from public health as well as wider Council services such as housing, leisure and recreation, planning and children's services.

The leadership of the STP is critical to the success of the plan. The role of the STP leaders needs to be clarified with many leads finding it difficult to manage their original responsibilities alongside their leadership role. There are plans for some leaders to share leading more formally in the future. However where there are a large number of organisations involved this may be more difficult to do.

### Priorities for social care in 2017

The Kings Fund has set out what it believes the five priorities should be for social care in the current year as follows:

- ▶ **Supporting new care models centred on the needs of patients** – Giving greater priority to public health and prevention, through partnerships between local government, the NHS, and other organisations, focused on both supporting people to remain in good health for as long as possible and engaging the public in tackling the causes of ill health. Additionally, they emphasise the need for continued support for vanguards both in delivering in their areas and spreading that good practice across the system
- ▶ **Strengthening and implementing sustainability and transformation plans** – The Kings Fund suggests that, to ensure that the service changes and the financial plans that underpin them are credible, all STPs need to be stress

tested. It also highlights that STPs have 'no basis in statute' and suggests that their governance is formalised to align their work with the responsibilities of the boards running NHS organisations

- ▶ **Improving productivity and delivering better value** – With the need for increasing productivity becoming more urgent as funding decreases and deficits amongst NHS providers increases, the fund suggests that the priority for every NHS organisation should be to support clinical teams to reduce unwarranted variations in care and to improve care. It sees the boards of NHS organisations as having a key role in leading this work, ensuring that developing the cultures in which improvement is supported and valued and making resources available to support implementation
- ▶ **Developing and strengthening leadership at all levels** – It is clear that clinical leaders have a crucial role, working with operational managers, to deliver high-quality care. This is where many of the productivity opportunities arising from changes in clinical practice can be realised. They argue that this requires leaders who are (in their words) 'comfortable with chaos' because they can work within fluid and often rapidly changing organisational arrangements and that the NHS can learn from local government
- ▶ **Securing adequate funding for health and social care** – They refer to the need for a debate about a new settlement for health and social care, building on the work of the Barker Commission, and going further than short-term interventions that have sought to shore up the system. They argue that an equitable and sustainable system would be one in which public funding is increased (paid for by increases in taxes and National Insurance and changes to some existing benefits), and a closer alignment between entitlements to social care and health care



# Accounting, auditing and governance

## PSAA Audit Services Procurement Strategy for the appointment of local auditors

The PSAA is entering into contracts with audit firms to make auditor appointments by 31 December 2017. There are a total of 493 eligible authorities who have been invited to opt in. These include local authorities, combined authorities, police and crime commissioners, chief constables, fire and rescue authorities, waste authorities, passenger transport executives and national park authorities.

The timetable for the appointment is as follows:

Key milestone	Target date
Issue OJEU Contract Notice and Selection Questionnaire (SQ) available on request	16 February 2017
Deadline for eligible bodies to notify PSAA of their decision to opt-into the scheme for audits of 2018/19 accounts	9 March 2017
Deadline of submission of SQs	21 March 2017
Issue ITT to short-listed suppliers	6 April 2017
Deadline for submission of tenders	10 May 2017
PSAA board approves contract award	30 June 2017

The contract will be awarded for five years to suppliers but PSAA may extend this contract by two years. It is expected that opting-in will achieve lower audit fees than those authorities that choose to negotiate alone. Fees are expected to be published in March 2018.

## Report on the results of auditors work LG bodies 2015/16

In December 2016 PSAA published its first report on the results of auditors' work across 497 principal local government bodies, including 357 councils, 31 fire and rescue authorities, 76 police bodies and 33 other local government bodies, and 9,756 small bodies, with a turnover of less than £6.5mn, including 9637 parish councils. The results within the report cover audit work on the financial statements, the WGA return, arrangements to secure value for money and any exercise of the auditor's statutory reporting powers.

The timeliness and quality is broadly consistent with prior year, however the number of early unqualified opinions (issued by 31 July 2016) doubled compared to those issued in respect of 2014/15.

96% of auditors issued an opinion on the accounts by 30 September 2016 and for the third year in a row there were no qualified opinions on principal bodies. The proportion of qualifications on value for money arrangements increased from 4% to 6%.

With faster close in place from the 2017/18 financial year, there is a need for efficiencies from both local government bodies and their auditors in order to maintain the level of performance shown in this report. EY have produced an article on 'Accelerating your financial close arrangements', this can be found by following this link [http://www.ey.com/Publication/vwLUAssets/EY\\_-\\_Accelerating\\_your\\_financial\\_close\\_arrangements/\\$FILE/EY-accelerating-your-financial-close-arrangements.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/$FILE/EY-accelerating-your-financial-close-arrangements.pdf). The report provides suggestions such as reviewing the format of the accounts, reviewing the approach to estimates and managing members' expectations, amongst others.



## Key questions for the audit committee

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### **What questions should the Audit Committee be asking itself?**

Has the Authority made a decision on whether or not to opt into the PSAA sector-led arrangements for the local appointment of auditors from 2018-19? Has the authority decided whether they will use the revised flexibility on the social care precept for 2017/18 and 2018/19?

How confident is the authority about its preparation for the introduction of Highway Network Assets? Have there been discussions with the external audit team on the key issues and plans for implementation?

Has the authority engaged positively with health and other partners in the development of Sustainability and Transformation Plans?

Has the Authority put plans in place to meet the faster close requirements for 2017/18?



## Find out more

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### **EY Item Club winter forecast**

<http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections>

### **Social Care, Precept and New Homes Bonus**

[http://www.publicfinance.co.uk/news/2016/12/council-tax-precept-and-new-homes-bonus-deployed-stem-social-care-crisis?utm\\_source=Adestra&utm\\_medium=email&utm\\_term](http://www.publicfinance.co.uk/news/2016/12/council-tax-precept-and-new-homes-bonus-deployed-stem-social-care-crisis?utm_source=Adestra&utm_medium=email&utm_term)

<https://www.gov.uk/government/news/dedicated-adult-social-care-funding-forms-key-part-of-continued-long-term-funding-certainty-for-councils>

<https://www.gov.uk/government/consultations/new-homes-bonus-sharpening-the-incentive-technical-consultation>

### **Four year funding settlement**

<http://www.publicfinance.co.uk/news/2015/12/local-government-settlement-offers-councils-four-year-funding-deals>

### **Funding for new care model vanguards**

<https://www.england.nhs.uk/2016/12/vanguard-funding/>

### **Financial Sustainability of Schools**

<https://www.nao.org.uk/report/financial-sustainability-in-schools/>

### **Sustainability and Transformation Fund**

<https://www.kingsfund.org.uk/blog/2016/11/will-stps-deliver-changes-we-wish-see-our-health-and-care-services>

<https://www.england.nhs.uk/wp-content/uploads/2016/02/stp-footprints-march-2016.pdf>

<https://www.kingsfund.org.uk/projects/sustainability-and-transformation-plans>

### **Priorities for social care in 2017**

<https://www.kingsfund.org.uk/publications/priorities-nhs-social-care-2017>

### **PSAA Audit Services Procurement Strategy for the appointment of local auditors**

<http://www.psaa.co.uk/supporting-the-transition/appointing-person/procurement-strategy/>

### **Report on the results of auditors work LG bodies 2015/16**

<http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/>

[http://www.ey.com/Publication/vwLUAssets/EY\\_-\\_Accelerating\\_your\\_financial\\_close\\_arrangements/\\$FILE/EY-accelerating-your-financial-close-arrangements.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/$FILE/EY-accelerating-your-financial-close-arrangements.pdf)

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ED None

EY-000021170.indd (UK) 02/17. Artwork by CSG London.

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# Agenda Item 12.

<b>TITLE</b>	<b>2016/17 Annual Governance Statement</b>
<b>FOR CONSIDERATION BY</b>	Audit Committee on 13 June 2017
<b>WARD</b>	None Specific
<b>GENERAL MANAGER</b>	Andrew Moulton, Assistant Director of Governance

## **OUTCOME**

The Accounts and Audit Regulations 2015 that came into force on 1 April 2015 require authorities to prepare an Annual Governance Statement (AGS) in accordance with proper practices in relation to accounts.

The purpose of the AGS is to comply with this legal requirement and provide a transparent and accurate representation of the council's governance arrangements during 2016/17 and highlight issues that the council wishes to improve.

## **RECOMMENDATION**

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

## **SUMMARY OF REPORT**

The AGS covers the following key aspects of the governance environment in place at Wokingham Borough Council during 2016/17:

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

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

## **Background**

The AGS has been produced by the Corporate Leadership Team (CLT) following consideration of a number of Management Assurance Statements (MAS) produced by the council's three Directors, interim Director and two Heads of Services. MAS's completed by WBC for 2016/17 have been signed by the relevant Director/Head of Service and Executive Lead Member to provide accountability and assurance to the Chief Executive and Leader of the Council, who are legally required to sign the AGS prior to it being included in the final Statement of Accounts.

## FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

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

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

### Other financial information relevant to the Recommendation/Decision

N/A

### Cross-Council Implications

### Reasons for considering the report in Part 2

N/A

### List of Background Papers

N/A

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<b>Date</b> 31 May 2017	<b>Version No.</b> v1



## **ANNUAL GOVERNANCE STATEMENT - 2016-17**

The Accounting and Audit Regulations 2015 (at section 6.1 a) require a local authority to prepare an Annual Governance Statement.

At Wokingham Borough Council good governance is everyone's responsibility however the Leader of the Council and Chief Executive acknowledge their leadership role in relation to good governance.

The Council has defined its governance arrangements in its *Local Code of Governance: Delivering Good Governance in Wokingham Borough Council*. This details how the council has operated its governance arrangements in the past year. The Council has undertaken a review of its governance arrangements via management assurance statements completed by Directors (including statutory officers) and Internal Audit.

This process has identified the following improvements:

- Commissioned a land encroachment resource to safeguard the Council's interests in its assets.
- Established a clear asset disposals protocol to ensure that all Council interests are properly considered.
- Implemented a model for Community Asset Transfer, as part of establishing a general discipline around getting best value for our assets unless an alternative is agreed by Executive.
- In association with Finance, the Capital Prioritisation Group has been formalised as a standing group and has new clearer Terms of Reference. This forms part of the significant improvements in capital management and control which were noted in the internal audit report issued in April 2017.
- Signed Memorandum of Understanding (MoU) between highways alliance partners in September 2017, to enhance partnership working.
- Introduction of the highway alliance business improvement initiative.
- Regular updates to the Council's Constitution to reflect changes in legislation and good practice.
- Guidance to Members on issues such as confidentiality.
- Two internal audits achieved the highest Opinion; for the Creditors review and for Capital Programme, Accounting and Expenditure Monitoring. In regard to the Capital Programme review, this was a particularly notable as it progressed from the third to the highest Opinion in the past year.
- An investigation's proactive exercise on the New Homes Bonus work identified 64 properties recorded as empty that have come back in to use. These will also be included in the New Homes Bonus Grant formula calculation.

This process has also identified the following exceptions:

- The internal audit of Housing Rents identified concerns in relation to the collection of current and former tenants' arrears, suspense account income, supporting documentation for new sheltered housing tenancies, and reporting of Housing Revenue Account balance sheet arrears and prepayment balances.
- The internal audit of Shared Building Services identified an absence of current contractual documentation and supporting records to determine the veracity of reactive maintenance payments to contractors. This is being addressed for future payments with the introduction of a new "valuation spreadsheet" set up by the service. There was also a similar exception with regard to service contract payments to contractors.

The Chief Executive has identified the actions required to strengthen these areas of governance and will monitor their implementation.

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

**Signed:**

**Leader of the Council:**

**Date:**

**Chief Executive:**

**Date:**

# Agenda Item 13.

<b>TITLE</b>	<b>Shared Audit and Investigation Service Annual Report 2016/17</b>
<b>FOR CONSIDERATION BY</b>	Audit Committee on 13 June 2017
<b>WARD</b>	None Specific
<b>LEAD OFFICER</b>	Catherine Hickman, Service Manager Shared Audit and Investigation Service

## **OUTCOME**

The report contains the Service Manager, Shared Audit and Investigation Service's opinion on the overall adequacy and effectiveness of the Council's internal control environment. This supports the 2016/17 Annual Governance Statement (AGS).

## **RECOMMENDATION**

To note the 2016/17 Shared Audit and Investigation Service Annual Report.

## **SUMMARY OF REPORT**

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

The report also details the work of the Shared Audit and Investigation Service during 2016/17.

## **Background**

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

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

## **Analysis of Issues**

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

## FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

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

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

### Other financial information relevant to the Recommendation/Decision

N/A

### Cross-Council Implications

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

### Reasons for considering the report in Part 2

N/A

### List of Background Papers

N/A

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<b>Date</b> 17 May 2017	<b>Version No.</b> v1

**2016/17 SHARED AUDIT AND INVESTIGATION SERVICE ANNUAL REPORT  
Service Manager, Shared Audit and Investigation Service**

**Introduction**

1. The 2016/17 Internal Audit and Investigation Plan was approved by the Audit Committee on 10 February 2016. The emphasis on developing the Internal Audit part of the plan was based on mandatory and legislative requirements and the risks set out in the Corporate Risk Register (CRR) and was targeted at assisting the Council in achieving its key objectives.
2. This report has been prepared to meet the requirements of the updated 2016 CIPFA / IIA Public Sector Internal Audit Standards (PSIAS) for the Chief Audit Executive (Service Manager, Shared Audit and Investigation Service) to deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement (AGS). The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The Annual Report is required to incorporate:-
  - the opinion;
  - a summary of the work that supports the opinion;
  - a statement on conformance with the PSIAS;
  - the results of the quality assurance and improvement programme; and
  - if there have been any restrictions imposed on the scope of the work of the Internal Audit function of the Shared Audit and Investigation Service.
3. The body of this report compliments the 2016/17 Quarterly Progress Reports and includes a summary of the performance of the Corporate Investigation Team.

**Internal Audit Opinion**

4. During the year, the Internal Audit Team has undertaken audits of key financial systems (in order to compliment the work of External Audit), as well as focusing on the Council's key risks, as identified in the CRR.
5. The overall audit opinion, which is largely a reflection of the system and procedural controls against the identified risks and mitigating treatment measures, is that they are "Substantially Complete and Generally Effective but with some improvements required". Based on audits completed during the year and taking into account other sources of assurance, including External Audit and through the Corporate Governance exercise, most key controls are in place and are operating effectively, with the majority of residual risks being reduced to an acceptable level and reported concerns being aimed by management to be reduced to a predominately moderate impact level. A small number of exceptions were identified and these have been summarised in the body of this report.
6. There have been no restrictions imposed on the scope of the work of the Internal Audit function of the Shared Audit and Investigation Service.

## PERFORMANCE SUMMARY

7. Key progress of the Shared Audit and Investigation Service during 2016/17 was:-
  - Assurance given to management on the Council's key risks and further strengthening of the CRR through independent verification of risks and treatment measures.
  - Additional management requests for work to be undertaken using audit contingency demonstrating confidence in the work of Internal Audit.
  - Skills transfers taking place in relation to Business World On and Schools audits. There has been the ability to undertake direct comparisons between systems and identify existing best practices.
  - The audit process has continued to be refined using Lean practices through sprint workshops in line with the 21<sup>st</sup> Century Council Initiative.
  - On request of management and in specific audit areas, knowledge on common areas is being shared.
  - Increased Audit and Investigation work has been undertaken for Bracknell Forest Council, Rushmoor Borough Council, Buckinghamshire County Council and Oxfordshire County Council, resulting in increased income for the Service and income targets for the year being exceeded.
  - Good results obtained for Investigation activity.
8. 74% of the approved Internal Audit Plan was achieved with the reviews at draft report stage or completed. Two percent of audit reviews with fieldwork in progress will be completed to draft report stage in early 2017/8. There has also been additional consultancy work requested by management that has been completed. Progress against the plan has been affected by one officer being on maternity leave for the majority of the year and one officer has been seconded to the 21<sup>st</sup> Century Council Programme (this equated to a loss of 15% against the WBC Internal Audit Plan). It should be noted that time was spent on the 21<sup>st</sup> Century Council programme by all the team in respect of training courses, workshops, corporate and team meetings, recruitment and selection. In addition, for the remaining audits that were not started, provision has been set within the 2017/18 Internal Audit Plan for those reviews that are still relevant in light of the 21<sup>st</sup> Century Council initiative.
9. Appendix A (I) presents the progress made against the 2016/17 Internal Audit Plan and Audit Opinions. It shows audits completed or at draft stage as at 31 March 2017 (9 audits were at draft report stage).
10. For the reviews completed, where an audit opinion was appropriate the following breakdown of classification is below.

Overall Audit Opinion	Summary of Audit Opinion	No of Audits (2016/17)	No of Audits (2015/16)
1	Complete and Effective	2	0
2	Substantially Complete and Generally Effective	17	22
3	Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated	4	4
4	There is no effective Risk Management process in place	0	0
<b>Total</b>		<b>23</b>	<b>26</b>

11. There are two audit reviews receiving the third category of audit opinion (Range of Risk Mitigation Controls is incomplete and risks are not effectively Mitigated) completed to Final Report stage that were completed in quarter 4 and the main points arising are summarised below. Management Action Plans have been agreed for these reviews. The two other category 3 audits included in the total in the table above relate to two 2015/16 audits that were reported in the 2016/17 Quarter 1 Progress Report and it is encouraging to note that for the next annual review of Capital Programme, Accounting, Expenditure Monitoring has improved to obtain the highest category of audit opinion.

#### Housing Rents 2015/16

There are six high concerns, and these relate to:

- Inability to allocate suspense income without SAFFRON.
- Capacity of Permanent Rent Officers to chase former tenants' arrears.
- Housing Revenue Account balance sheet - arrears and prepayments balances.
- Insufficient action on current tenants arrears.
- Lack of prompt from Northgate when Housing Benefit changes.
- The validity of the figures in the Northgate Rent Processing reports.

#### Shared Building Services (SBS)

The high risk concerns that relate to WBC are:

- The absence of current contractual documentation and robust supporting records to determine the veracity of Reactive Maintenance contractor payments. This is to be addressed for future payments with the introduction of a new 'valuation spreadsheet' set up by SBS. Contractors' agreement to this new process is being finalised.
- The absence of current contractual documentation and robust supporting records to determine the veracity of Service Contract payments.

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

## Additional Work Requested by Members / Management

14. Contingency days have been used to respond to the following Management requests in respect of;
- Children’s Services – Health and Safety
  - Governance of Local Authority Trading Companies
  - Contract Auditing
  - Highway Infrastructure Assets
  - Schools Teacher’s Pension Contributions; and
  - School Procurement Cards.

## Corporate Investigations

15. The year 2016/17 was a productive year for the Corporate Investigations element of the Service with total potential financial savings identified of £51,619. This was comprised of £29,170 of actual overpayments that are potentially recoverable. In addition, £22,449 of notional savings identified 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” and projected future savings.

The performance of investigations covers the losses identified to the Council -see Table 2.

Table 2 Financial results: Identified Losses to 31 March 2017

Area of work	Value (£'s)	Comments
Council Tax Reduction Scheme* (CTRS)	26,168	Fraudulent applications for Council Tax Reduction
Council Tax - discount/exemption*	3,002	Fraudulent applications for discount/exemption
<b>Total</b>	<b>29,170</b>	

\* The amounts are debited from the relevant accounts and then collected in accordance with council tax recovery legislation. Some have been fully paid and others by arrangement.

16. In addition, there have been 5 Monitoring Officer investigations, 3 disciplinary cases and 1 grievance case.

## Other areas

17. A proactive exercise on the New Homes Bonus work has taken place that identified 64 properties recorded as empty that have come back in to use. This figure will be included in the New Homes Bonus Grant formula calculation that nets off the

difference between those properties recorded as becoming empty in the appropriate period (Oct to Oct) and those that are recorded as empty that have come back in to use.

## Regulation of Investigatory Powers Act

18. No new investigations have been undertaken during 2016/17 that has required Regulation of Investigatory Powers Act surveillance approval to be requested. An Office of Surveillance Commissioners Inspection took place during the year.

## Audit and Investigation - Other Work Areas

### Audit

19. Public Sector Internal Audit Standards: A new set of '*Public Sector Internal Audit Standards*' has been developed by CIPFA/IIA, which came into effect from 1 April 2013 and were updated in March 2016. The Standards recognise that a professional, independent and objective internal audit service is one of the key elements of good governance and they encompass the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework. During the year, audit documentation and processes have been reviewed and updated, where necessary, and a revised Audit Charter was presented to the 28th September 2016 Audit Committee.
20. An Action Plan has been developed of areas that require work to fully comply with the Standards. Currently, the Internal Audit Team 'generally conforms'.
21. Improvement opportunities were identified in the following areas; Charter and Protocol, Quality and Assessment Processes and Staff Training and Knowledge.

### Corporate Investigations

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

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**2016/17 Wokingham Borough Council Internal Audit Plan Status  
(as at 31 March 2017)**

<b>AUDIT TITLE</b>	<b>DIRECTORATE</b>	<b>STATUS</b>	<b>DRAFT AUDIT REPORT OPINION</b>	<b>FINAL AUDIT REPORT OPINION</b>
<b>2015/16 Audits Carried Forward</b>				
<b><u>Key Financial Systems</u></b>				
Capital Programme, Accounting, Expenditure Monitoring	Finance & Resources	FINAL		3
Housing Rents	Finance & Resources	FINAL		3
<b><u>Operational Risks</u></b>				
Implementation of Children and Families Act	Children's Services	FINAL		2
Contract Management (Part II)	Cross Cutting	FINAL		3
<b><u>2016/17 Audits</u></b>				
<b><u>Key Financial Systems</u></b>				
Payroll	Finance & Resources	DRAFT	2	
Debtors	Finance & Resources	DRAFT	3	
Creditors	Finance & Resources	FINAL	1	1
General Ledger	Finance & Resources	WIP		
Cash and Bank Reconciliation	Finance & Resources	DRAFT	1	
Cashiers	Finance & Resources	DRAFT	2	
Treasury Management	Finance & Resources	FINAL	2	2
Housing Rents	Finance & Resources	DRAFT		
Benefits/CTRS	Finance & Resources	DRAFT	1	
Council Tax and NNDR	Finance & Resources	FINAL	2	2
Capital Programme, Accounting, Expenditure Monitoring	Finance & Resources	FINAL	1	1
Budgetary Control and Reporting	Finance & Resources	DRAFT	2	
BACS/CHAPS and cheques	Finance & Resources	WIP		
<b><u>Governance Building Blocks</u></b>				
Risk Management	Cross Cutting	WIP		
<b><u>Key Strategic Risks</u></b>				
Risk of Failure of Health and/or Social Care System	Health & Wellbeing	DRAFT	2	
<b><u>Key Operational Risks</u></b>				
S106 Agreements	Environment	FINAL	2	2
Information Management	Governance & Improvement	FINAL	2	2
Compliance with the Constitution	Governance & Improvement	FINAL	2	2
<b><u>Management/Member Requests</u></b>				
Gas Servicing Safety Review (Housing)	Health & Wellbeing	FINAL	2	2

<b>Auditor Judgement</b>				
Contract Management (Top Ten Spend)	Cross Cutting	DRAFT	2	
21st Century Council	Cross Cutting	WIP		
Bulmershe School	Finance & Resources	FINAL	2	2
All Saints CE (Aided) Primary School	Finance & Resources	FINAL	2	2
Early St Peter's Primary School	Finance & Resources	FINAL	2	2
Farley Hill Primary School	Finance & Resources	FINAL	2	2
Keep Hatch Primary School	Finance & Resources	FINAL	2	2
Bearwood Primary School	Finance & Resources	FINAL	2	2
Winnersh Primary School	Finance & Resources	FINAL	2	2
Emmbrook Secondary School	Finance & Resources	FINAL	2	2
South Lake Primary School	Finance & Resources	FINAL	2	2
Lambs Lane Primary School	Finance & Resources	FINAL	2	2
Shared Building Services	Finance & Resources	FINAL	3	3
<b>Servicing the Business</b>				
Grant Cert: Troubled Families	Children's Services	FINAL		C
Grant Cert: Bus Service Operators Grant	Environment	FINAL		C
Grant Cert: Highways Infrastructure & Maintenance Grant	Environment	FINAL		C
Grant Cert: Disabled Facility Grant	Health & Wellbeing	FINAL		C
Grant Cert: Social Care Capital Grant	Health & Wellbeing	FINAL		C
Effectiveness of System of Internal Audit	Governance & Improvement	FINAL		E
<b>Consultancy</b>				
Children's Services - Health and Safety				
Governance of the Local Authority Trading Companies (Holding, Optalis and WHL).				
Contract Auditing				
Highways Infrastructure Assets				
Schools Pensions Contributions				

<b>Audit Opinion – Legend</b>	
1. Complete and Effective	<ul style="list-style-type: none"> <li>• All necessary Treatment Measures are in place and are operating effectively.</li> <li>• Residual risks have been reduced to an acceptable level</li> <li>• There are no unacceptable financial implications.</li> <li>• Concerns reported are minor.</li> </ul> <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"> <li>• Most key Treatment Measures are in place and these operate effectively.</li> <li>• The majority of residual risks have been reduced to an acceptable level.</li> <li>• There are some unacceptable financial implications.</li> <li>• The majority of concerns are of a predominately moderate impact/likelihood.</li> </ul> <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"> <li>• Not all key Treatment Measures are in place and / or do not operate effectively</li> <li>• Residual risks have not all been reduced to an acceptable level</li> <li>• There are some unacceptable financial implications associated with more than one risk mitigation control or because of a lack of risk mitigation control.</li> <li>• There are a number of concerns that are predominantly of a major impact/likelihood.</li> </ul> <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"> <li>• There are no appropriate Treatment Measures in place.</li> <li>• Residual risks remain at an unacceptable level</li> <li>• Reported concerns are predominantly of a catastrophic or major impact/likelihood.</li> </ul> <p>(Risk management processes and controls are weak).</p>
C	Certification
E	Exempt from classification

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**Chargeable Audit & Investigations Work****Summary**

Area	Description	Original Days	Revised Days
Key financial systems	Meeting section 151 and external audit statutory duties	150	120
Governance building blocks	Facilitating the overall internal audit assurance opinion	55	30
Key corporate risks	Providing assurance to Management on the Council's most significant risks	115	55
Operational risks	Providing assurance to Management on the Council's operational risks	140	40
Fraud & investigation	Focusing on cashable saving fraud work as per agreed strategy	450	130
Servicing the business	Various, majority of which is at request of management	272	188
<b>TOTALS</b>		<b>1,272</b>	<b>563</b>

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**Details**

<b>Key Financial Systems</b>				
Traditionally, the service has undertaken full coverage of the key financial systems below. The coverage is listed in the outline scope. The Service will be continually reviewing this coverage in consultation with the Council's External Auditor and the Director of Corporate Services (section 151 officer) in year to ensure that audit coverage, if any, is relevant and focused correctly.				
Audit	Reason for Audit	Outline Scope	Original Days	Revised Days
Payroll	Main financial system	To provide assurance that only bona fide, authorised and accurate payments are made in a timely manner; to ensure that all payroll transactions are accurately reflected in the accounting system; to ensure correct classification on payments made to individuals to confirm the Council is compliant with guidance regarding the employment status of workers.	15	12

Income systems and Debtors	Main financial system	To provide assurance that income-generating activities are identified and accurately invoiced; that all invoices are paid and the income is accounted for and reflected in the Council's accounts; the extent of debt is minimised and overdue accounts are promptly followed up.	10	8
Payment systems and Creditors	Main financial system	To provide assurance that creditor payments are valid authorised, accurate and timely in respect of goods and services ordered and received by the Council.	10	8
General Ledger	Main financial system	To provide assurance that all financial transactions of the Council are recorded, including ensuring their completeness and integrity with the aim of providing the data from which management accounts, final accounts and statutory returns can be prepared.	7	5
Cash & bank reconciliation	Main financial system	To provide assurance on the effectiveness, accuracy and completeness of reconciliations.	7	5
Cashiers	Main financial system	To provide assurance on the operation of the cashiering function.	5	5
Treasury Management	Main financial system	To provide assurance on the implementation and operation of the treasury function in compliance with the Treasury Management Strategy.	10	8
Housing Rents	Main financial system	To provide assurance on effectiveness, timeliness, accuracy and completeness of housing rent collection.	12	10
Benefits/CTRS	Main financial system	To provide assurance on Benefit/CTRS operations.	15	12
Council tax and NNDR	Main financial system	To provide assurance on Council tax and NNDR collection and recovery processes.	15	12

Capital Accounting	Main financial system	To provide assurance that the Council is correctly and accurately accounting for its assets.	12	10
Budgetary Control and Reporting	Main financial system	To provide assurance on the Council's budget setting and reporting process.	15	12
Fixed asset register	Main financial system	To provide assurance on the completeness and accuracy of the fixed asset register.	10	8
BACS/CHAPS/Cheques	Main financial system	To provide assurance on the effectiveness, security and accuracy of payments.	7	5
<b>SUB TOTALS</b>			150	120

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<b>Governance Building Blocks</b>				
These reviews cover the key governance elements and are necessary for the formation of the Head of Internal Audit Opinion (HIAO) and Annual Governance Statement (AGS)				
<b>Audit</b>	<b>Reason for Audit</b>	<b>Outline Scope</b>	<b>Original Days</b>	<b>Revised Days</b>
Facilitating the preparation of the AGS	Governance and reporting	To support and advise Directors and Assistant Directors in producing Management Assurance Statements as evidence for the Annual Governance Statement which forms part of the Council's financial statements.	10	10
Procurement	Building block	To cover; Compliance with Procurement Directive, Engagement with consultants , Compliance with EU thresholds, Compliance with WBC thresholds, Material decisions, Use of standing lists, Major Suppliers	20	20
Performance management	Building block		15	0
Risk management	Building block		10	0
<b>SUB TOTALS</b>			<b>55</b>	<b>30</b>

<b>Key Corporate Risks</b>				
With reference to the Council's Corporate Risk Register, these audits are intended to provide assurance to management that the expected mitigating actions and controls to manage risks are operating as expected. All key corporate risks are expected to be covered over a two to three year period.				
<b>Audit</b>	<b>Reason for Audit</b>	<b>Outline Scope</b>	<b>Original Days</b>	<b>Revised Days</b>
Transport infrastructure	Key corporate risk	Coverage of risk mitigations as per risk register	20	15
Health & safety	Key corporate risk	Coverage of risk mitigations as per risk register	20	20
Information security	Key corporate risk	Coverage of risk mitigations as per risk register	20	20
Risk of inability to match supply and demand for school places	Key corporate risk	-	15	0
Vulnerable child/young person	Key corporate risk	Recently reviewed by external agencies	20	0
Vulnerable adult	Key corporate risk	Recently reviewed by external agencies	20	0
<b>SUB TOTALS</b>			<b>115</b>	<b>55</b>

<b>Operational Risks</b>				
With reference to the Departmental Risk Registers and through discussion with Directors, these audits are intended to provide assurance to management that the expected mitigating actions and controls to manage risks are operating as expected.				
<b>Audit</b>	<b>Reason for Audit</b>	<b>Outline Scope</b>	<b>Original Days</b>	<b>Revised Days</b>
Schools academisation	Corporate Services	Coverage of risk mitigations as per risk register	15	0
Land charges	Corp Services Register	Coverage of risk mitigations as per risk register	10	10
Procurement cards	Corp Services Register	Coverage of risk mitigations as per risk register	10	10
Shared Property Services	Corp Services Register	Coverage of risk mitigations as per risk register	5	5
Homelessness	Corp Services Register	Coverage of risk mitigations as per risk register	10	0

Housing & Planning Act	Corp Services Register	Coverage of risk mitigations as per risk register	10	0
School places	Children's Risk Register	Coverage of risk mitigations as per risk register	15	0
Contract monitoring - adults	Adults Risk Register	Coverage of risk mitigations as per risk register	20	0
Highways	Env Risk Register	Coverage of risk mitigations as per risk register	15	15
Base info (JSNA etc)	Env Risk Register	Coverage of risk mitigations as per risk register	30	0
<b>SUB TOTALS</b>			<b>140</b>	<b>40</b>

<b>Fraud and Investigation</b>				
<b>Activity</b>	<b>Outline Scope</b>	<b>Original Days</b>	<b>Revised Days</b>	
Reactive Investigations	Investigation of ad hoc referrals, including whistleblowing work where suspected irregularity has been detected	See below	60	
Proactive Investigations	Proactive counter fraud work that includes targeted testing of processes with inherent risk of fraud (Council Tax Reduction, Council Tax Discounts, New Homes Bonus) – to be undertaken jointly with any audits in the same area	See below	40	
National Fraud Initiative	Management of Council's provision of data and investigation of matches	See below	4	
Member Code of Conduct investigations	Investigations into breaches of Code of Conduct on behalf of the Monitoring Officer	See below	20	
Disciplinary investigations	Investigations on behalf of management	See below	0	
Training	Development and delivery of Fraud Awareness Sessions - authority wide and service specific	See below	3	
Other	Continued development of Counter Fraud policies in line with current legislation and best practice; providing Statutory data such as Transparency information.	See below	3	
		450	130	

<b>Servicing the Business</b>			
<b>Reason for Audit</b>	<b>Outline Scope</b>	<b>Original Days</b>	<b>Revised Days</b>
Optalis	Jointly commissioned by WBC and RBWN as the shareholders.	60	60
Health & Safety	Requested by management	15	15
21 <sup>st</sup> Century Council	Follow on from 16/17 audit work	35	35
Schools Finance	Undertake testing of the following areas; Governance, Financial Stability, Budget Setting, Budget Monitoring, Payroll and Income.	35	20
IT audit	To cover a number of IT audits	30	0
Development of new systems/special projects		10	0
Effectiveness of internal audit	Mandatory QA review	7	5
Advice on demand		10	8
Grant certifications	Statutory compliance e.g. DfT, Troubled Families	10	10
Follow ups	High risk only	10	5
Contingency		50	30
<b>SUB TOTALS</b>		<b>272</b>	<b>128</b>

**WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME –  
2017/18 MUNICIPAL YEAR**

<b>DATE OF MEETING</b>	<b>ITEM No.</b>	<b>ITEM DESCRIPTION</b>	<b>RESPONSIBLE OFFICER</b>
<b>Wednesday 6 September 2017</b>	1.	External Audit Annual Governance Report 2016/17	<b>Ernst &amp; Young</b>
	2.	External Audit Annual Audit Letter 2016/17	<b>Ernst &amp; Young</b>
	3.	Financial Statements 2016/17	<b>Graham Ebers, Director of Corporate Services</b>
	4.	Corporate Risk Register Update	<b>Shared Audit and Investigation Service</b>
	5.	Internal Audit and Investigations Q1 Progress Report 2017/18	<b>Shared Audit and Investigation Service</b>
	6.	Corporate Risk Register Refresh	<b>Shared Audit and Investigation Service</b>
	7.	Update on 21st century Council governance arrangements	<b>Andrew Moulton, Assistant Director Governance</b>

**WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME –  
2017/18 MUNICIPAL YEAR**

<b>DATE OF MEETING</b>	<b>ITEM No.</b>	<b>ITEM DESCRIPTION</b>	<b>RESPONSIBLE OFFICER</b>
<b>Monday 4 December 2017</b>	1.	External Audit Progress Report	<b>Ernst &amp; Young</b>
	2.	Treasury Management Mid-Year Report 2017/18	<b>Graham Ebers, Director of Finance and Resources</b>
	3.	Internal Audit and Investigation Q2 Progress Report 2017/18	<b>Shared Audit and Investigation Service</b>
	4.	Corporate Risk Register Update	<b>Shared Audit and Investigation Service</b>
	5.	Complaints and compliments update	<b>Customer Services</b>

<b>DATE OF MEETING</b>	<b>ITEM No.</b>	<b>ITEM DESCRIPTION</b>	<b>RESPONSIBLE OFFICER</b>
<b>Wednesday 7 February 2018</b>	1.	Certification of Claims and Returns – Annual Report 2016/17	<b>Ernst &amp; Young</b>
	2.	Certification of Claims and Returns – Claims and Returns Organised by Local Authorities.	<b>Graham Ebers, Director of Corporate Services</b>
	3.	Treasury Management Strategy 2018/19	<b>Graham Ebers, Director of Corporate Services</b>
	4.	Corporate Risk Register Update	<b>Shared Audit and Investigation Service</b>
	5.	Internal Audit and Investigation Q3 Progress Report 2017/18	<b>Shared Audit and Investigation Service</b>