



WOKINGHAM BOROUGH COUNCIL

A Meeting of the **AUDIT COMMITTEE** will be held in David Hicks 2 - Civic Offices, Shute End, Wokingham RG40 1BN on **WEDNESDAY 7 NOVEMBER 2018 AT 6.30 PM**

Heather Thwaites

Heather Thwaites
Acting Chief Executive
Published on 30 October 2018

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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

Chris Smith (Chairman)

David Chopping (Vice-Chairman)

Daniel Sargeant

Imogen Shepherd-DuBey

Oliver Whittle

ITEM NO.	WARD	SUBJECT	PAGE NO.
34.		<p>APOLOGIES To receive any apologies for absence</p>	
35.	None Specific	<p>MINUTES OF PREVIOUS MEETING To confirm the Minutes of the Meeting held on 25 July 2018 and the Minutes of the Extraordinary Meeting held on 18 September 2018.</p>	5 - 12
36.		<p>DECLARATION OF INTEREST To receive any declarations of interest</p>	
37.		<p>PUBLIC QUESTION TIME To answer any public questions</p> <p>A period of 30 minutes will be allowed for members of the public to ask questions submitted under notice.</p> <p>The Council welcomes questions from members of the public about the work of this committee.</p> <p>Subject to meeting certain timescales, questions can relate to general issues concerned with the work of the Committee or an item which is on the Agenda for this meeting. For full details of the procedure for submitting questions please contact the Democratic Services Section on the numbers given below or go to www.wokingham.gov.uk/publicquestions</p>	
38.		<p>MEMBER QUESTION TIME To answer any member questions</p>	
39.	None Specific	<p>WOKINGHAM BOROUGH COUNCIL AUDIT PROGRESS REPORT To receive the Wokingham Borough Council Audit Progress Report.</p>	13 - 26
40.	None Specific	<p>WOKINGHAM BOROUGH COUNCIL ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2018 To receive the Wokingham Borough Council Annual Audit Letter for the year ended 31 March 2018.</p>	27 - 52

41.	None Specific	TREASURY MID TERM REPORT To receive the Treasury Mid Term Report.	53 - 80
42.	None Specific	ANNUAL GOVERNANCE STATEMENT 2017-18 PROGRESS REPORT To receive the Annual Governance Statement 2017-18 - Progress Report.	81 - 84
43.	None Specific	CORPORATE RISK REGISTER To receive a verbal update on the Corporate Risk Register.	Verbal Report
44.	None Specific	2018/19 INTERNAL AUDIT AND INVESTIGATION Q2 PROGRESS REPORT To receive the 2018/19 Internal Audit and Investigation Q2 Progress Report.	85 - 94
45.	None Specific	FORWARD PROGRAMME 2018-19 To receive the forward programme for the remainder of the municipal year.	95 - 96

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 25 JULY 2018 FROM 7.00 PM TO 7.45 PM**

Committee Members Present

Councillors: David Chopping (Vice-Chairman, in the Chair), Daniel Sargeant and Imogen Shepherd-DuBey

Also Present

Madeleine Shopland, Democratic & Electoral Services Specialist
Helen Thompson, Ernst and Young
Andrew Moulton, Assistant Director Governance
Jonathan Ross, Senior Specialist - Finance
Bob Watson, Lead Specialist - Finance
Preeti Malik, Ernst & Young

19. APOLOGIES

Apologies for absence were submitted from Councillors Chris Smith and Oliver Whittle.

20. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 6 June 2018 were confirmed as a correct record and signed by the Vice Chairman.

21. DECLARATION OF INTEREST

There were no declarations of interest submitted.

22. PUBLIC QUESTION TIME

There were no Public questions.

23. MEMBER QUESTION TIME

There were no Member questions.

24. EXTERNAL AUDIT - AUDIT RESULTS REPORT 2017/18

The Committee considered the External Audit – Results Report 2017/18.

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

- This year the deadline for the submission of the Financial Statements had shifted from 30 September to 31 July.
- Helen Thompson, Ernst & Young, thanked Officers within the Council and Ernst & Young for their support and hard work to help with the completion of the audit.
- The materiality levels, which had been based on the draft Financial Statements, had been updated.
- Helen Thompson updated the Committee on the status of items listed in the report as 'Outstanding Matters:'
 - Property, plant and equipment and investment property – work was nearly complete on this area. A call with the valuer would be taking place the next day;
 - Short Term Debtors and Creditors – work regarding debtors was complete and work regarding creditors was nearing completion;
 - Borrowing – this had been completed;

- Officers Remuneration and Exit Packages – work on this area had been completed;
- Annual Governance Statement – this was completed and no issues had been identified;
- Cash Flow Statement – further work would be undertaken in this area in future;
- Earmarked Reserves – the final evidence had recently been received. No issues were anticipated;
- Group Accounts – these were completed
- There was little work which remained outstanding.
- It was likely that the audit opinion would be signed off on Tuesday 31 July.
- Helen Thompson indicated that one adjustment had been identified regarding creditors. An adjustment had since been made. Jonathan Ross, Senior Specialist – Finance explained that the best estimate available had been included at the time of publication. Once it had been worked through it had been found that it had been on the capital adjustment account and not creditors. Helen Thompson confirmed that Ernst & Young were satisfied with the adjustment made.
- There was one unadjusted audit difference arising from the audit. This was in relation to IAS 19 Asset values. This was for £6.726m which was just below the materiality level. Councillor Sargeant commented that he felt that it was not necessary to request a revised actuarial valuation and that the estimate received was legitimate.
- Two other adjustments had been made which were below the reporting threshold.
- It was anticipated that an unqualified value for money conclusion would be issued. It was likely that the financial challenges facing local government and councils would be further considered in the audit for the next financial year.
- Subject to completion it was anticipated that an unqualified opinion on the Financial Statements would be issued. Following this, the External Audit – Audit Results Report 2017/18 would be updated and circulated to the Committee members.
- Councillor Chopping asked what penalties if any, Councils that missed the 31 July deadline for the submission of the financial statements would face. Helen Thompson indicated that there was no legal or financial penalties and it was more around reputational risk. The missing of the deadline would also be highlighted in a report produced by the Public Sector Audit Appointments.

RESOLVED: That the External Audit – Audit Results Report 2017/18 be noted.

25. FINANCIAL STATEMENTS 2017/18

Jonathan Ross, the Senior Specialist –Finance took the Committee through the Financial Statements 2017/18.

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

- The draft financial statements for 2017/18 had been issued by the Chief Financial Officer on 31 May 2018 and had previously been circulated to the Audit Committee. With the external auditors' work continuing, changes had been made which had been highlighted to the Members. Further changes to the draft statements were likely until the end of the audit.
- The Financial Statements were consistent with the Outturn Report produced in May.
- Members were informed that the General Fund position remained unchanged.
- The Committee agreed that the Chairman would sign the accounts once they had been fully finalised. The Deputy S151 Officer would make any further necessary

amendments that might arise prior to this and inform Members of the Committee of any changes.

RESOLVED: That the Financial Statement 2017/18 and letter of representation be approved subject to authority being given the Deputy S151 Officer to make any further necessary amendments in consultation with members of the Audit Committee.

26. INTERNAL AUDIT CHARTER

Members considered the Internal Audit Charter.

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

- As part of the effectiveness of internal audit external review conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA) there were actions identified in relation to amending the Internal Audit Charter to bring it in line with the Public Sector Internal Audit Standards (PSIAS) that were revised in 2017.
- Andrew Moulton, Assistant Director Governance brought Members' attention to changes made:
 - Paragraph 5 – Addition of the Shared Audit and Investigation Service (SAIS) Mission Statement;
 - Para 5 – Clarification that the Assistant Director, Governance performed the Chief Audit Executive function for both Wokingham Council and the Royal Borough of Windsor and Maidenhead Council;
 - Paragraph 18 –Reference to the core principles of internal audit and other mandatory guidance and the replacement of the term 'board' with the 'Audit Committee;'
 - Paragraph 12 – Amendment of the audit charter and the audit protocol between the Shared Audit and Investigation Service and Wokingham Borough Council, to set out the potential impairment to the Chief Audit Executive's independence and objectivity from directly managing a range of services that the SAIS may review, and how and where the SAIS would report the results of audits carried out in these areas.
- Councillor Sargeant questioned why reference was not made to Internal Audit's involvement in code of conduct work. Andrew Moulton indicated that there was a separate Whistleblowing Policy and other Anti-Fraud policies which were included in the Council's Constitution. These were periodically reviewed by the Audit Committee. However, reference could also be made within the Internal Audit Charter.

RESOLVED: That the Internal Audit Charter, with the changes highlighted and also discussed at the meeting, be approved.

27. 2018/19 INTERNAL AUDIT AND INVESTIGATION Q1 PROGRESS REPORT

Andrew Moulton, Assistant Director Governance presented the 2018/19 Internal Audit and Investigation Q1 Progress Report.

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

- There were ten audits carried forward from 2017/18, three were at final report stage and seven at draft report stage. For 2018/19 audits there were thirteen that were work in progress and there was one grant certification.

- Members were updated on the Housing Rents audit follow up work. It was noted that considerable progress had been made to address the concerns raised the previous year. However, despite the work that had been done, the audit opinion remained third of four due to the amount of debt involved and the lack of reduction since the previous audit. Bob Watson, Lead Specialist – Finance indicated that the level of rent arrears was slowly reducing. The present focus was on reducing conversions from short term to long term arrears. Members requested an update on the progress made against the Housing Rents audit and whether progress made was sustainable, at the Committee’s February meeting.

RESOLVED: That the 2018/19 Internal Audit and Investigation Q1 Progress Report be noted.

28. FORWARD PROGRAMME 2018/19

The Committee considered the Forward Programme.

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

- Helen Thompson advised that the 2018/19 Audit Plan scheduled for the November meeting should be taken to the Committee’s February meeting.
- Andrew Moulton advised that the extraordinary meeting in September would be focusing on the Corporate Risk Register so it would not be presented at the November meeting.
- Bob Watson indicated that the Update on Financial Reporting Standard 15 would be taken to the Committee’s February meeting.
- An update on the progress made with regards to the housing rents audit work would be presented at the Committee’s February meeting.
- It was agreed that the November meeting would start at 6.30pm.

RESOLVED: That the forward programme be noted.

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 18 SEPTEMBER 2018 FROM 7.00 PM TO 8.10 PM**

Committee Members Present

Councillors: Chris Smith (Chairman), Daniel Sargeant and Imogen Shepherd-DuBey

Other Councillors Present

Councillor: Charlotte Haitham Taylor

Also Present

Madeleine Shopland, Democratic & Electoral Services Specialist

Manjeet Gill, Interim Chief Executive

Andrew Moulton, Assistant Director Governance

29. APOLOGIES

Apologies for absence were submitted from Councillors David Chopping and Oliver Whittle.

30. DECLARATION OF INTEREST

There were no declarations of interest submitted.

31. PUBLIC QUESTION TIME

No Public questions were received.

32. MEMBER QUESTION TIME

No Member questions were received.

33. CORPORATE RISK MANAGEMENT

The Committee discussed Corporate Risk Management.

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

- Andrew Moulton indicated that the Audit Committee had at its June meeting, requested that the Corporate Risk Register be refreshed. Two workshops had been held with the Corporate Leadership Team and Extended Corporate Leadership Team to identify the corporate risks. Andrew Moulton highlighted new corporate risks for review such as workforce.
- Previously there had been 9 corporate risks. Andrew Moulton commented that the Corporate Risk Register would be rebased and renumbered following the review, as over time risks had come on and off but had retained their original number. Members agreed that this would be easier to understand.
- Councillor Smith stated that he felt that the Corporate Risk Register was made up of a mixture of 'permanent' risks such as safeguarding children and young people, which would always be a concern and more 'time limited' risks. He was of the view that where appropriate, risks should be allocated to overview and scrutiny committees or the Audit Committee, for oversight.
- Councillor Smith also proposed that a risk regarding general infrastructure and meeting demand for housing in the Borough, be developed.
- Manjeet Gill commented that budget, corporate governance and workforce and capacity were common pressure points.

- Councillor Shepherd-DuBey suggested that the risk around Corporate Governance should be scored higher. Councillor Smith questioned whether a specific risk regarding senior management and managing if there were vacancies at this level, should be developed. Councillor Sargeant commented that this was covered by Risk 28 'Political and Organisational Leadership', but that the wording of this risk could be further clarified. Councillor Haitham Taylor stated that she felt that the existing controls for the corporate governance risk could be expanded to reference decision making and business cases, oversight by committees such as the Overview and Scrutiny Committees and the Health and Wellbeing Board and the Local Safeguarding Children's Board and Peer Reviews.
- Councillor Smith felt that a number of matters listed as controls were in fact actions, and that this should be tightened up.
- Manjeet Gill proposed that a risk be developed regarding effective delivery through partners, which would cover matters such as how the Council worked with the local authority trading companies, shared services, working with health partners, and the highways contract.
- The Committee considered the existing risks on the Corporate Risk Register and whether any changes should be made.
- With regards to Risk 2 'School Places', Councillor Haitham Taylor stated that the Council now had less control over the process with more schools becoming academies and developers building schools. Councillor Smith agreed that the nature of the risk had changed and that this should be reflected.
- With regards to Risk 7 'Safeguarding children and young people', it was agreed that there needed to be greater reference to oversight mechanisms.
- Councillor Shepherd-DuBey stated that she felt that reference should be made to the monitoring of home schooling.
- With regards to Risk 18 'Information/Data Management', the Committee agreed that this should be updated following the introduction of the General Data Protection Regulations (GDPR). In response to a Member question, Andrew Moulton clarified that there was online training available for all staff on GDPR.
- Members felt that Risk 20 '21CC Programme' should be updated to reflect progress made in the programme.
- With regards to Risk 27 'Sustainable Transformation Partnerships (STPs) align effectively with Borough governance' it was suggested that greater mention be made of the Council working with and through others.
- Councillor Shepherd-DuBey was of the view that Risk 28 'Political and organisational leadership' were in fact two distinct risks. Other Members felt that the risk should be expanded. Councillor Haitham Taylor commented the review of the appointment of the shared Director of Adult Services should be included as an action to mitigate the risk. It was also suggested that reference should be made to the learning culture within the Council and the taking up of opportunities.
- Councillor Smith put forward that Risk 29 'Budgeting, business forecasting and managing demand' be retitled 'Budgeting, managing and forecasting business demand.' Manjeet Gill questioned whether managing expectations should also be included. In response to a comment from Councillor Haitham Taylor regarding value for money and how this could be tested, Councillor Smith stated this was a broad risk which may need to be further split out.
- Members agreed that reference should be made to timings and the Five Year Land Supply for Risk 30 'Local Plan.'
- The Committee discussed whether the impact of Brexit was a risk which should be included. Manjeet Gill commented that the Council was working with the Local

Enterprise Partnership to monitor the impact on business and the Local Government Association with regards to the impact on workforce and retention, in particular. She went on to suggest that it would be helpful for Members to receive a briefing from the Local Government Association on the possible impact of Brexit locally. Councillor Sargeant suggested that Brexit was an environmental factor which played into a number of risks as opposed to a distinct risk.

- Councillor Smith asked whether there were any additional risks which should be added to the Corporate Risk Register.
- Manjeet Gill suggested that a risk around the Council's future education role be added as more schools became academies and the funding formula changed. It was important that the Council understood and adapted to the changing national schools agenda.
- Members agreed that it would be helpful to receive the Directorate Risk Registers to provide greater context to the Corporate Risk Register.
- Councillor Smith indicated that the updated Corporate Risk Register would be circulated to all Members for comment before being considered by the Executive. The Audit Committee would receive it at its November meeting and discuss how the Corporate Risk Register could be used going forwards. Manjeet Gill suggested that the Corporate Risk Register be baselined annually.
- The Committee also considered the Risk Management Policy and Guidance, to which minor amendments had been made. Andrew Moulton commented that the framework was sound.
- Councillor Shepherd-DuBey asked how a member of staff could highlight a risk that they had identified. Andrew Moulton indicated that there were a variety of ways such as raising the matter with their line manager. It was suggested that the risk management guidance and policy be advertised to staff.

RESOLVED: That

- 1) the updated Enterprise Risk Management policy and guidance be approved;
- 2) the risks and mitigating actions of the Council's Corporate Risks as detailed in the Corporate Risk Register be considered and noted.
- 3) the promotion and advertisement of the refreshed risk management policy and guidance to staff, be encouraged.

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A high-angle photograph of several people sitting around a white table, reviewing documents. One person's hand is pointing at a document. A smartphone is visible on the table. The scene is brightly lit, suggesting an office or meeting environment.

Wokingham Borough Council Audit progress report

Year ended 31 March 2019
7 November 2018

13

25 October 2018



Members of the Audit Committee
Wokingham Borough Council
Civic Offices, Shute End
Wokingham
RG40 1BN

Dear Committee Members

Audit Progress Report

We are pleased to attach our Audit Progress Report. The purpose of this report is to provide the Committee with an overview of our opinion against the Council's 2017/18 audit and 2018/19 audit timelines. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service 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 understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson
For and on behalf of Ernst & Young LLP
Enc

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Wokingham Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Wokingham Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Wokingham Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Update on 2017/18 audit



2017/18 audit

We are required to issue an annual audit letter to Wokingham Borough Council (the Council) following completion of our audit procedures for the year ended 31 March 2018. Below are the results and conclusions on the significant areas of the audit process that were presented to the Audit Committee in July 2018.

Area of Work	Conclusion
Opinion on the Council's:	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended.
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report. The Council was below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.

2017/18 housing benefit certification

Housing benefit certification

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2017/18, these arrangements require only the certification of the housing benefits subsidy claim. In certifying this we follow a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

We have completed the initial testing required, and our follow up work is in progress. We anticipate completing the certification in advance of the 30 November 2018 deadline.



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02

2018/19 audit



2018/19 audit

The following 'dashboard' summarises the key visits planned for the 2018/19 audit of your financial statements.

Audit Phase	Status	Details
Planning	In progress	<p>Audit planning scheduled w/c 22 October.</p> <p>Our audit planning report will be reported to the Audit Committee on 6 February 2019, as agreed with the Committee in July 2018.</p>
Interim testing	Not Started	<p>Our interim visit is scheduled w/c 4 March 2019 for 3 weeks. Focus will be to carry out walkthroughs of the key systems, including:</p> <ul style="list-style-type: none"> • Accounts payable • Accounts receivable • Adult Social care • Business rates • Cash & Bank • Council Tax • Financial Statement Close Process and Journals • Housing Benefits • Payroll • Property, Plant and Equipment • School System • Treasury Management <p>We will also carry out M1-10 substantive transaction testing.</p>
Year end	Not started	<p>Our final accounts visit is planned to start w/c 17 June 2019 for 5 weeks. The Audit Committee date has not yet been published.</p>

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Other matters

Other work we will complete in 2018/19

Value for money conclusion

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. For 2018/19 this is based on the overall evaluation criterion:

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

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

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

We are currently completing our initial risk assessment, based on our cumulative knowledge of the Council and issues arising during 2018/19. We will take into account updates to the Council's medium term financial planning and any implications arising from changes to senior officer appointments in our planning.

Housing benefit certification

The Council has appointed us as the reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that has been established by the DWP.

We will agree the engagement letter for this work with the Council over the coming months.



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03

Focussed on your future





Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> • How financial assets are classified and measured; • How the impairment of financial assets are calculated; and • The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> • Reclassify existing financial instrument assets • Re-measure and recalculate potential impairments of those assets; and • Prepare additional disclosure notes for material items.
IFRS 15 Revenue from Contracts with Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> • Leases; • Financial instruments; • Insurance contracts; and • For local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>Now that the 2018/19 Accounting Code of Practice for Local Authorities has been issued it is becoming clear what the impact on local authority accounting will be. As the vast majority of revenue streams of Local Authorities fall outside the scope of IFRS 15, the impact of this standard is likely to be limited.</p>	<p>As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; that due to the revenue streams of Local Authorities the impact of this standard is likely to be limited.</p> <p>The standard is far more likely to impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers. The Council will need to consider the impact of this on their own group accounts when that trading company is consolidated.</p>

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Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>

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ED None

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Wokingham Borough Council

Annual Audit Letter for the year
ended 31 March 2018

August 2018

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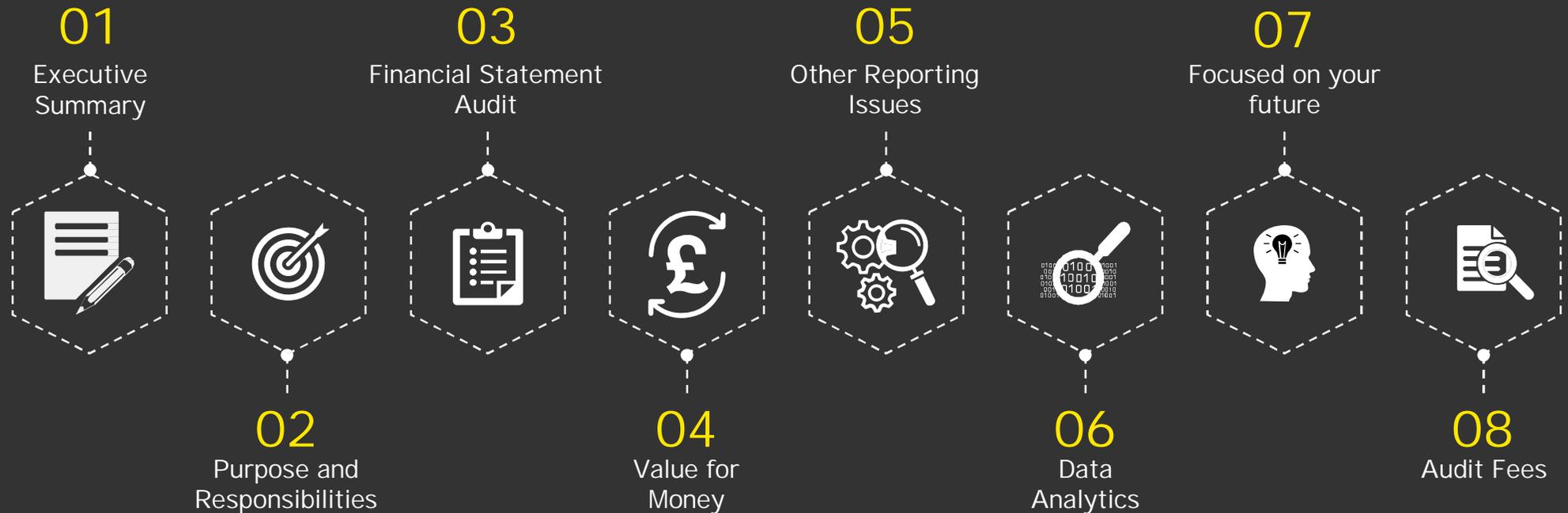
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Building a better
working world

Agenda Item 40.

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

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

The 'Terms of Appointment (updated 23 February 2017)' 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 Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. 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.



01 Executive Summary

Executive Summary

We are required to issue an annual audit letter to Wokingham Borough Council (the Council) following completion of our audit procedures for the year ended 31 March 2018. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's:	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended.
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report. The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.



Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 20 July 2018 and reported to Audit Committee on 25 July 2018. We reissued our report on 10 August 2018 to confirm our conclusions from the outstanding work.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 31 July 2018

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In November 2018 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken. We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Helen Thompson
Associate Partner
For and on behalf of Ernst & Young LLP



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02 Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2017/18 Audit Results Report to the 25 July 2018 Audit Committee, representing those charged with governance. We updated our report and reissued it to members of the Audit Committee on 10 August 2018. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the Audit Plan that we issued on 7 February 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

Expressing an opinion:

- ▶ On the 2017/18 financial statements; and
- ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

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



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03

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 30 July 2018. Our detailed findings were reported to the 25 July 2018 Audit and Accounts Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Misstatements due to fraud or error The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>We made enquiries of management about the risk of fraud and the controls in place to address those risks.</p> <p>We also considered the risk of management override and the areas of the financial statements that may be most susceptible to this risk. We concluded that the judgements we are focused on are items of non-routine income and expenditure, involving management estimation and judgement, rather than transactions created through routine invoicing processes.</p> <p>Our work on the risk of management override therefore focussed on reviewing manual journal entries, through the use of our data analytics tools, as this is the way in management would most easily be able to manipulate accounting records.</p> <p>We also examined data that supports significant additions and disposals during the period and reviewed the schedule of expenditure classified as REFCUS (revenue expenditure funded from capital under statute).</p> <p>We have not identified any:</p> <ul style="list-style-type: none"> material weaknesses in controls or evidence of material management override. instances of inappropriate judgements being applied. other transactions during our audit which appeared unusual or outside the Council's normal course of business.

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Key Findings	Conclusion
<p><u>Valuation of Land and Buildings</u> Land and buildings is one of the most significant balances in the Council's Balance Sheet. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.</p>	<p>We:</p> <ul style="list-style-type: none"> • Reviewed the data sent to, and the report produced by, the Council's valuer; • Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists; and • Tested the journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements. <p>Conclusion: We have completed our work on valuations and assessed we could rely on the internal valuer as a management specialist. We have nothing that we need to report from our work.</p>
<p><u>Pension Liability Valuation</u> The Local Council Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Royal Borough of Windsor & Maidenhead.</p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £279.5m.</p> <p>The information disclosed is based on the IAS 19 report issued by the actuary to Wokingham Borough Council. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We:</p> <ul style="list-style-type: none"> • Liaised with the auditors of the Royal Borough of Windsor & Maidenhead Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Council's scheme members. This did not identify any issues with the information provided to the actuary; • Assessed the work of the LGPS Pension Fund actuary (Barnett Waddingham) including the assumptions they used by relying on the work of PWC - Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team; and • Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. <p>Conclusion: As part of our review of IAS 19 asset values we identified a difference between the estimated fund value applied by the actuary as at 31 December 2018 and the actual outturn on the fund value of the Royal Borough of Windsor & Maidenhead Pension Fund as at 31 March 2018. This resulted in an overall difference of £8.645 million. Adjusted for the Wokingham Borough Council element this resulted in an unadjusted difference of £0.983 million.</p> <p>We found no other issues with IAS entries.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Key Findings	Conclusion
<p>Financial Statements Presentation Last year changes were made to the Code of Practice on Local Authority Accounting in the UK 2016/17 (the Code) changing the way financial statements are presented.</p> <p>The Council has made changes to its reporting structure in 2017/18 as well.</p>	<p>We have:</p> <ul style="list-style-type: none">• Reviewed the Expenditure & Funding Analysis, the CIES and any new notes to ensure that disclosure was in line with the Code;• Reviewed the analysis of how these figures have been derived focusing specifically on how the ledger system has been re-mapped to reflect the Council's internal reporting structure in 2017/18 and also how overheads have been allocated across the service areas reported;• Agreed the restated comparative figures back to the Council's segmental analysis and supporting working papers <p>Conclusion: We concluded there were no issues to bring to the attention of the Audit Committee.</p>
<p>37 PFI Accounting The Council has one waste PFI arrangement with Waste Recycling Group RE3 Limited, which is material to our audit. PFI is a complex area, and a detailed review of these arrangements was undertaken by our internal expert in 2016/17.</p> <p>We will review the entries and disclosures in relation to PFI in detail in 2017/18, with a focus on any significant changes since the expert's review in the previous year.</p>	<p>We have:</p> <ul style="list-style-type: none">• Reviewed assurances brought forward from prior years regarding the appropriateness of the PFI accounting models;• Reviewed the PFI accounting model for any significant changes. Following consideration of this we did not need to engage our internal experts as there were no significant changes in year;• Agreed the outputs of the model to the accounts, including balances and disclosures for Assets, Liabilities, and Expenditure and reviewed the completeness and accuracy of PFI disclosures. <p>Conclusion: We concluded our work on PFI Accounting and noted no material issues. Our PFI expert identified some non-material differences in the output from the Waste PFI model. We will discuss these differences with officers during our 2018/19 audit and will, if necessary, engage our internal experts.</p>

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £6.186 million (2017: £6.842million), which is 2% of gross expenditure on provision of services reported in the accounts. We consider gross expenditure on provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all uncorrected audit differences in excess of £341k (2016/17: £342k)

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They are:

- Remuneration disclosures including any severance payments, exit packages and termination benefits;
- Related party transactions; and
- Members' allowances.

These areas were audited using a nil materiality value and we would report all errors and findings to you.

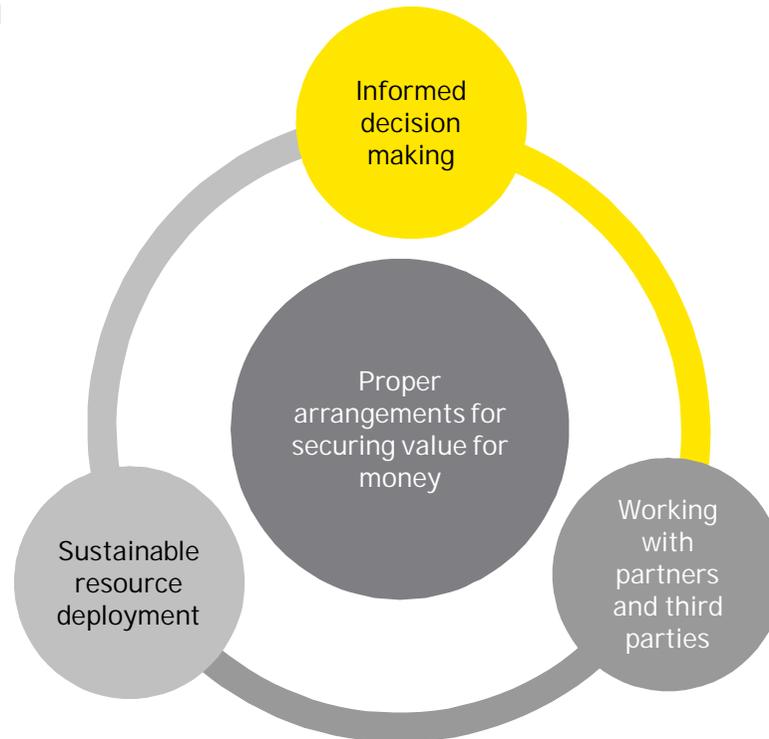


04 Value for Money

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

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

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.



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

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 31 July 2018.



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05 Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We had no issues to report.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We had no issues to report.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Other Reporting Issues (cont'd)

Objections Received

We did not receive any objections to the 2017/18 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 25 July 2018. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

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Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

Our audit did not identify any controls issues to bring to the attention of the Audit Committee.

Other Matters

2017/18 cashflow statement

This is one of the primary financial statements and we experienced ongoing problems throughout the audit agreeing the constituent figures to the rest of the financial statements and accounting records. This failure put at risk the timely signing of the auditor report and almost led to a late opinion. It resulted in a new cashflow statement and balance sheet having to be produced, the movements against which then had to be audited. We agreed these adjustments and the auditor report was signed but the Council should endeavour to ensure that all its primary financial statements are materially free from error and compliant with the Code of Practice on Local Authority Accounting.



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06 Data Analytics



Use of Data Analytics in the Audit

Data analytics – Journal entries and Payroll transactions

Analytics Driven Audit

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Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

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

In 2017/18, our use of these analysers in the Council's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all LG financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



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07 Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> • How financial assets are classified and measured; • How the impairment of financial assets are calculated; and • The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> • Reclassify existing financial instrument assets • Re-measure and recalculate potential impairments of those assets; and • Prepare additional disclosure notes for material items.
IFRS 15 Revenue from Contracts with Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> • Leases; • Financial instruments; • Insurance contracts; and • For local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>Now that the 2018/19 Accounting Code of Practice for Local Authorities has been issued it is becoming clear what the impact on local authority accounting will be. As the vast majority of revenue streams of Local Authorities fall outside the scope of IFRS 15, the impact of this standard is likely to be limited.</p>	<p>As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; that due to the revenue streams of Local Authorities the impact of this standard is likely to be limited.</p> <p>The standard is far more likely to impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers. The Council will need to consider the impact of this on their own group accounts when that trading company is consolidated.</p>

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Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>



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Audit Fees

Audit Fees

Our fee for 2017/18 is in line with the scale fee set by the PSAA and reported in our 25 July 2018 Annual Results Report.

Description	Final Fee 2017/18 £	Planned Fee 2017/18 £	Scale Fee 2017/18 £	Final Fee 2016/17 £
Total Audit Fee – Code work	105,617*	105,617	105,617	108,150
Total Audit Fee – Certification of claims and returns	TBC**	7,183	7,183	14,526
Total Audit Fee	112,800	112,800	112,800	122,676

* The 2017/18 financial statements included a prior year restatement, which is out of the scope of the PSAA's scale fee. We will discuss the implications with management and any extra fee request will be brought to Audit Committee.

** Our work on the Housing Benefit subsidy claim is not yet complete and the fee may therefore be subject to change.

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

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ED None

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TITLE	Treasury Management Mid-Year Report 2017-18
FOR CONSIDERATION BY	Audit Committee on 7 November 2018
WARD	None Specific;
DIRECTOR	Director of Corporate Services - Graham Ebers

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 are asked to:

- 1) Note the mid-year Treasury Management report for 2018/19.
- 2) Note the actual 2018/19 prudential indicators within the report.
- 3) Recommend the report to Council for approval.

SUMMARY OF REPORT

This report summarises the Treasury Management operations during the first six months of 2018/19. It is presented for the purpose of monitoring and review, in accordance with Council's treasury management practices.

As at 30 September 2018 the Council is forecast to exceed its investment return budget and there has been no external loan taken out in the first six months.

The Deputy Section 151 Officer confirms that as at 30 September 2018 there have been no breaches of the treasury management strategy 2018/19.

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 the council's 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 the first six months external debt did not increase as the Council took the opportunity to use internal funds and other sources to fund the capital programme. As at 30th September 2018 external debt was:

- General fund (Non- Housing Revenue Account): £65.5m
- Housing Revenue Account: £79.8m.

Capital Expenditure forecast year end outturn

As at 30th September 2018:

- General fund (Non- Housing Revenue Account): £130.9m
- Housing Revenue Account: £4.4m.

Investment forecast year end outturn

As at 30th September 2018:

- Returns on investments (external and internal companies): £3.4m

Appendices

The full Treasury Management strategy Mid-Year report for 2018/19

Appendix A

The Council's Prudential indicators

Appendix B

The Council's Current Loan Portfolio

Appendix C

The Council's Current Investments as at 30th September 2018

Appendix D

The Capital Strategy forecast outturn as at 30th September 2018

Appendix E

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)	£181.9m External Loans £3.4m 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)	To be determined through the Medium term financial plan		

Other financial information relevant to the Recommendation/Decision
N/A

Cross-Council Implications
N/A

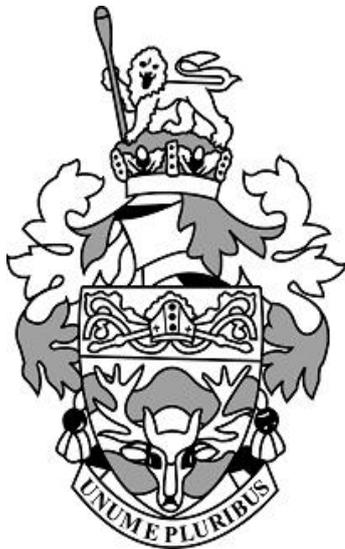
Reasons for considering the report in Part 2
N/A

List of Background Papers
Appendix A,B,C,D,E,F

Contact Martin Jones	Service Finance Services
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WOKINGHAM BOROUGH COUNCIL



WOKINGHAM BOROUGH COUNCIL

Treasury Management Mid-Year Treasury Management Report 2018-19

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Appendices

Prudential and Treasury indicators	Appendix B
Loan Portfolio	Appendix C
Investment Portfolio	Appendix D
Glossary of Terms	Appendix E

1. Introduction

This report presents the Council's mid-year treasury position for 2018-19 in accordance with the Council's treasury management practices.

It explains the current economic environment expectations for the near future. It then analyses the latest analysis of capital expenditure 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. The Economy and Interest Rates forecast

During the first six month Equities have continued to struggle. In October FTSE slipped to a seven month low as the index fell 1.24% as a broad sell off hit European stocks on a damaging mix of weak corporate results, global growth concerns, geopolitical tensions, led by the Saudi Arabia diplomatic row, and Italian budget concerns. The more UK centric FTSE 250 fell 2.2% to its lowest level since February 2017. Risk aversion saw traditional safe havens, such as gold, gilts and utility stocks, push higher.

UK

The October CBI Industrial Trends Survey reported that factory orders declined at the fastest pace for three years, in the three months to October, with the quarterly order book balance at -6, markedly lower than the +15 posted in July. The measure of manufacturers' optimism was the weakest since the Brexit vote back in 2016, while planned investment is being scaled back due to Brexit uncertainty.

Investments

The September MPC meeting delivered the expected no change vote with a unanimous 9-0 vote. The committee reaffirmed that further rate moves will likely be gradual, though inflationary pressures will be monitored. The markets are not factoring in another rate hike at any of the last three meetings this year, with December expectations now put at just a 2.8% chance. Uncertainty around a Brexit deal is resulting in swings of emotion around when the next UK rate hike will take place. With hopes of a Brexit deal seemingly receding by the day, markets have reined in expectations of the timing of the next rate rise. A February increase is now seen as a less than 30% possibility and May is edging towards just a 40% chance, while August prospects have been cut to only marginally above 50%.

The Council's treasury advisor, Link Asset Services, has provided forecasts for PWLB rates based on the certainty rate (minus 20 bps), as shown in table 1, below.

Table 1: Interest rate forecasts for bank rate and PWLB

Bank Rate	December 2018	March 2019	June 2019	September 2019	December 2019	March 2020	June 2020	September 2020
Bank Rate								
Link	0.75%	0.75%	0.75%	1.00%	1.00%	1.25%	1.00%	1.25%
Cap Econ	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.25%	1.25%
5Y PWLB RATE								
Link	2.00%	2.10%	2.00%	2.20%	2.30%	2.30%	2.40%	2.50%
Cap Econ	1.70%	1.70%	1.90%	2.20%	2.40%	2.40%	2.40%	2.40%
10Y PWLB RATE								
Link	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%
Cap Econ	2.10%	2.10%	2.30%	2.60%	2.80%	2.80%	2.80%	2.80%
25Y PWLB RATE								
Link	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%
Cap Econ	2.60%	2.60%	2.90%	3.10%	3.40%	3.40%	3.40%	3.40%
50Y PWLB RATE								
Link	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%
Cap Econ	2.40%	2.40%	2.70%	2.90%	3.20%	3.20%	3.20%	3.20%

The Council's Capital Expenditure and Financing 2018/19

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 council is forecasting as at 30th September to achieve 59% of its current capital budget including carry forwards. (See appendix E to a summary by key priority)

The actual capital expenditure forms one of the required prudential indicators. Tables 2 and 3 below show the actual capital expenditure and the funding.

Please note all budgets are based on the Medium Term financial plan budget set in February 2018

Table 2: General fund capital expenditure and financing

	2018/19 MTFP Budget	Quarter 1 2018/19 Year end forecast	Quarter 2 2018/19 Year end forecast
	£'000	£'000	£'000
Capital expenditure			
Financed in year	82,843	63,900	64,008
Funded by borrowing (borrowing requirement)	91,234	67,030	67,137
Total	174,077	130,930	131,145*

Note:* Slippage in the delivery of the capital programme has resulted in this reduction

Table 3: HRA capital expenditure and financing

	2018/19 MTFP Budget	Quarter 1 2018/19 Year end forecast	Quarter 2 2018/19 Year end forecast
Capital expenditure	£'000	£'000	£'000
Financed in year	5,900	4,357	4,357
Funded by borrowing (borrowing requirement)	0	0	0
Total	5,900	4,357	4,357

3. 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 2017/18 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).

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 2018/19 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 4: Capital financing requirement: General Fund

	2018/19 Budget	Quarter 1 2018/19 Year end forecast	Quarter 2 2018/19 Year end forecast
Opening balance £'000	198,804	182,899	182,899
Capital expenditure funded by Borrowing	91,234	67,030	67,137
Sub Total	290,038	249,929	250,036
Less Minimum Revenue Provision			
MRP Charge	(3,350)	(2,350)	(2,350)
PFI Principal Charge	(215)	(215)	(215)
Prior year adjustment (swap funding / forward funding)	(11,124)	(1,291)	(1,291)
Sub Total	(14,689)	(3,856)	(3,856)
Closing Balance	275,349	246,073	246,180
Movement		41,007	41,114

Note: * The opening balance for the budget was an estimate as at Jan 2018. The Actual closing balance for 2017/18 was higher than forecast, this has resulted in a higher 2018/19 opening balance.

Table 5: Capital financing requirement: Housing Revenue Account (HRA)

	2018/19 Budget	Quarter 1 2018/19 Year end forecast	Quarter 2 2018/19 Year end forecast
Opening balance	87,836	88,650	88,650
Closing Balance	87,836	88,650	88,650
Less Minimum Revenue Provision			
Repayment of Loan Principle	(3,482)	(3,482)	(3,482)
PFI Principal Charge			
Sub Total	(3,482)	(3,482)	(3,482)
Closing Balance	84,354	85,168	85,168
Movement		5,232	5,232

Table 6: Capital financing requirement: General fund and HRA

	2018/19 Budget	Quarter 1 2018/19 Year end forecast	Quarter 2 2018/19 Year end forecast
Opening balance £'000	286,640	271,549	271,549
Capital expenditure funded by Borrowing	91,234	67,030	67,137
Sub Total	377,874	338,579	338,686
Less Minimum Revenue Provision			
MRP Charge	(6,832)	(5,832)	(5,832)
PFI Principal Charge	(215)	(215)	(215)
Prior year adjustment (swap funding / forward funding)	(11,124)	(1,291)	(1,291)
Sub Total	(18,171)	(7,338)	(7,338)
Closing Balance	359,703	331,241	331,348
Movement		46,239	46,346

Note: All borrowing is within are authorised limits.

The capital expenditure funded by borrowing requirement includes the funding of the following:

- Town centre regeneration
- Loans to group companies
- Forward funded schemes

The above borrowing will be reduced when capital receipts are recovered, loans repaid and when developer contributions are received.

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.

4. External borrowing and compliance with treasury limits and prudential indicators

Table 7, below, demonstrates the current and forecast 2018/19 external borrowing.

Table 7: External Borrowing

	Actuals @ 30-09-18	Quarter 1 2018/19 Year end forecast	Quarter 2 2018/19 Year end forecast
	£'000		
Market	24,000	24,000	24,000
PWLB *	120,256	177,158	157,158
Local Enterprise Partnership **	1,000	750	750
local Authorities	0	0	0
Total borrowing	145,256	201,908	181,908

Note:* reduction due to a HRA self-financing loan repayment

Note:** reduction due to a Local Enterprise Partnership loan repayment

During the first six months of the 2018/19 financial year, the Council operated within the treasury limits as set out in treasury management strategy. The position for the treasury management prudential indicators is shown on the following page in table 8, below. These show that all prudential indicators have been complied with. Further detail on each of these indicators is included in Appendix B.

Table 8: Prudential Indicator – Debt

Forecast year-end position as at 30-09-17

**Has the limit/boundary
been broken**

Gross external borrowing exceeding CFR	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

Note: prudential indicators is shown in table 8 and full details are available in appendix B.

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

5. 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.

Table 9, below, shows the counterparties where cash deposits are held. Further detail is available in appendix D.

Table 9: Investment Type	Quarter 1 Actuals invested	Quarter 2 Actuals invested
Money Market funds	2,300	4,000
Local Authorities	86,000	89,000
Fund Mangers	601	601
Internal Companies investments (including the HRA)	76,080	75,416
Total	164,981	169,017

During the first six months of the 2017/18 financial 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.

Table 10 : Investments return	Quarter 1 Forecast cast outturn	Quarter 2 Forecast cast outturn
Money Market funds	20	22
Local Authorities	445	460
Fund Mangers	3	3
Internal Companies investments (including the HRA)	2,948	2,915
Total	3,416	4,000

Current forecast of investment return shows we will under achieve the budget (Budget £4,059,000 year end outturn forecast as at September is £3,646,000). This is due to loans budgeted to be made to our housing companies have not materialised, however this is offset by external borrowing has not need to be taken out. This has meant the council is under spending on the interest charges budgets.

6. Conclusion

The Director of Corporate Services confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2018/19 and that no difficulties are envisaged for the remaining six months in complying with the prudential indicators. The Council is operating in a stringent financial climate, but is still managing to deliver within budgeted interest levels.

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Prudential and treasury indicators as at 30th September 2018General Fund

Table B1 – Capital expenditure and In year borrowing requirement

General fund	202018/19 Budget	Quarter 1 2018/19 Year end forecast	Quarter 2 2018/19 Year end forecast
	£'000	£'000	£'000
Capital expenditure	174,077	130,930	131,145
Capital Financing Requirement (CFR)	275,350	246,073	246,180
Annual change in CFR		41,007	41,114
In year borrowing requirement	91,234	67,030	67,137

Table B2 - financing costs %

General fund	202018/19 Budget	Quarter 1 2018/19 Year end forecast	Quarter 2 2018/19 Year end forecast
	£'000	£'000	£'000
Ratio of financing costs to net revenue stream	4.40%	1.73%	1.75%

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

This is calculated as follows: financing cost divided by net revenue stream

As per budget 2018/19: £5,153k/ £117,128k = 4.40%

HRA

Table B3 - Capital expenditure and In year borrowing requirement

HRA	202018/19 Budget	Quarter 1 2018/19 Year end forecast	Quarter 2 2018/19 Year end forecast
	£'000	£'000	£'000
Capital expenditure	4,357	4,357	4,357
Capital Financing Requirement (CFR)	87,836	85,168	85,168
Annual change in CFR	(3,482)	(3,482)	(3,482)
In year borrowing requirement	0	0	0

Table B4 - financing costs %

HRA	£'000	Quarter 1 2018/19 Year end forecast	Quarter 2 2018/19 Year end forecast
	£'000	£'000	£'000
Ratio of financing costs to net revenue stream	18.92%	19.11%	19.23%

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 2018/19: £2,851k / £15,068k = 18.92%

General Fund & HRA

Table B5- Capital expenditure and In year borrowing requirement

General fund &HRA	202018/19 Budget	Quarter 1 2018/19 Year end forecast	Quarter 2 2018/19 Year end forecast
	£'000	£'000	£'000
Capital expenditure	178,434	135,287	135,502
Capital Financing Requirement (CFR)	363,186	331,241	331,348
Annual change in CFR	-3,482	37,525	37,632
In year borrowing requirement	91,234	67,030	67,137

Table B6- Upper limit - Debt only

General fund and HRA	2018/19 Budget	Quarter 1 (Apr-Jun) Actual	Quarter 2 (Jul-Sep) Actual
	£'000	£'000	£'000
Fixed rate exposures	180,000	145,256	145,256
Variable rate exposures	40,000	0	0

Table B7- Internal Borrowing

General fund and HRA	2018/19 Budget	Quarter 1 2018/19 Year end forecast	Quarter 2 2018/19 Year end forecast
	£'000	£'000	£'000
CFR (year-end position)	359,703	331,241	331,348
Less External Borrowing	(206,709)	(201,908)	(181,908)
Less Other long term liabilities	(8,600)	(10,000)	(10,000)
Internal Borrowing*	144,394	119,333	139,440
Movement		(25,061)	(3,664)
% of internal borrowing to CFR	40.14%	36.03%	42.08%

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 B8- Upper limit -Investments Only

General fund and HRA	2018/19 Budget	Quarter 1 (Apr-Jun) Actual	Quarter 2 (Jul-Sep) Actual
	£'000	£'000	£'000
Fixed rate exposures	(100,000)	(60,500)	(91,494)
Variable rate exposures	(40,000)	(601)	(601)
Upper limit for principal sums invested over 364 days	2018/19 Budget	Quarter 1 (Apr-Jun) Actual	Quarter 2 (Jul-Sep) Actual
	£'000	£'000	£'000
In house	0	0	0
Fund managers	10,000	(600)	(600)

Table B9- Internal investments: interest Received

General fund	2018/19 Budget	Quarter 1 2018/19 Year end forecast	Quarter 2 2018/19 Year end forecast
	£'000	£'000	£'000
HRA Internal loan from The General fund		(449)	(449)
Wokingham Housing		(879)	(846)
Wokingham town centre Regeneration loan		(1,620)	(1,620)
	(3,182)	(2,948)	(2,915)

Table B10- Internal investments: Investments held

General fund	Quarter 1 2018/19 Year end forecast	Quarter 2 2018/19 Year end forecast
	£'000	£'000
HRA Internal loan from The General fund	8,874	8,874
Wokingham Housing	20,495	17,245
Wokingham town centre Regeneration	53,046	53,046
Total	82,415	79,165

General Fund Loan portfolio at 30th September 2018

PWLB/Market	Loan no	Principle £'000	Interest Rate %	Maturity Date
General fund				
PWLB Loans	485805	976	4.88	01/08/2022
PWLB Loans	488876	2,343	4.95	01/02/2034
PWLB Loans	505948	6,000	2.30	31/03/2034
PWLB Loans	505949	8,000	2.34	31/03/2035
PWLB Loans	505950	4,000	2.37	31/03/2036
PWLB Loans	491456	1,431	4.35	30/09/2046
PWLB Loans	491320	2,929	3.85	01/08/2051
PWLB Loans	491474	5,587	4.40	01/08/2052
PWLB Loans	493309	9,764	4.60	31/03/2054
Market Loans	1c	4,882	4.88	06/02/2066
Market Loans	4	1,953	3.68	16/02/2066
Market Loans	5	4,882	3.73	19/10/2076
Market Loans	6	1,953	3.77	19/10/2076
Market Loans	2c	4,882	4.60	11/01/2077
Market Loans	3b	4,882	4.35	24/02/2077
Local Enterprise Board		380	0.00	01/12/2017
Local Enterprise Board		250	0.00	01/12/2017
Local Enterprise Board		750	0.00	01/12/2019
Total		65,844		

Note: All external borrowing is used in table B7 in appendix B

(£8,874 HRA loan is treated as internal)

Housing Revenue Fund Loan portfolio at 30th September 2018

PWLB/Market	Loan no	Principle £'000	Interest Rate %	Maturity Date
HRA				
RA Self Financing	501051	3,098	1.76	28/03/2019
HRA Self Financing	501036	1,988	1.99	28/03/2020
HRA Self Financing	501034	3,482	2.21	28/03/2021
HRA Self Financing	501038	4,199	2.40	28/03/2022
PWLB Loans	485805	24	4.88	01/08/2022
HRA Self Financing	501050	3,484	2.56	28/03/2023
HRA Self Financing	501049	4,116	2.70	28/03/2024
HRA Self Financing	501045	3,744	2.82	28/03/2025
HRA Self Financing	501048	3,971	2.92	28/03/2026
HRA Self Financing	501040	5,415	3.01	28/03/2027
HRA Self Financing	501046	5,981	3.08	28/03/2028
HRA Self Financing	501039	6,378	3.15	28/03/2029
HRA Self Financing	501047	6,789	3.21	28/03/2030
HRA Self Financing	501037	7,231	3.26	28/03/2031
HRA Self Financing	501035	8,516	3.30	28/03/2032
HRA Self Financing	501043	9,276	3.34	28/03/2033
PWLB Loans	488876	57	4.95	01/02/2034
HRA Self Financing	501044	1,000	3.37	28/03/2034
PWLB Loans	491456	35	4.35	30/09/2046
PWLB Loans	491320	71	3.85	01/08/2051
PWLB Loans	491474	135	4.40	01/08/2052
PWLB Loans	493309	236	4.60	31/03/2054
Market Loans	3b	118	4.35	24/02/2077
Market Loans	2c	118	4.60	11/01/2077
Market Loans	1c	118	4.88	08/02/2066
Market Loans	4	47	3.68	16/02/2066
Market Loans	5	118	3.73	19/10/2076
Market Loans	6	47	3.77	19/10/2076
General fund loan		8,874	4.50	
Total		88,666		

* 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 at 30th September 2018

	Actuals @ 30-09-18	Quarter 1 2018/19 Year end forecast	Quarter 2 2018/19 Year end forecast
	£'000		
Market	24,000	24,000	24,000
PWLB	120,256	177,158	157,158
Local Enterprise Partnership	1,000	750	750
Total borrowing	145,256	201,908	181,908

Note:* movement due to a reduction on the HRA self-financing loans (repayment) and additional General fund loans (Advance)

Note:** reduction due to a Local Enterprise Partnership loan repayment

Table 8: External Borrowing interest cost

	Quarter 1 2018/19 Year end forecast	Quarter 2 2018/19 Year end forecast
	£'000	£'000
Principle owing	201,908	181,908
£ interest to be paid in 2018/19	5,235	5,098
Average % rate in 18/19	2.59%	2.80%

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Current Investments as at 30th September 2018

Institution	Loan Number	Amount	Rate	Date Deal made	Maturity Date	Trade Date	Broker
Current lending							
Barnsley BC	S1095	2,000,000	0.39%	02/11/2017	31/10/2018	02/11/2017	Prebon
Doncaster Metropolitan Council	S1096	3,000,000	0.39%	02/11/2017	01/11/2018	02/11/2017	Prebon
Tewkesbury Borough Council	S1094	3,000,000	0.55%	02/11/2017	01/11/2018	02/11/2017	Tradition
Monmouthshire Council	S1097	5,000,000	0.58%	14/11/2018	13/11/2018	20/12/2017	Tradition
North Lanarkshire Council	S1102	5,000,000	0.72%	15/02/2018	15/11/2018	15/02/2018	Prebon
Blaenau Gwent County Borough Council	S1114	3,000,000	0.68%	06/08/2018	07/12/2018	07/08/2018	Tradition
Lancashire CC	S1098	5,000,000	0.65%	16/01/2018	15/01/2019	22/01/2018	Tradition
Blackpool BC	S1099	5,000,000	0.50%	17/01/2018	16/01/2019	03/04/2018	Tradition
Reading BC	S1100	5,000,000	0.60%	23/01/2018	22/01/2019	30/04/2018	Prebon
Eastleigh BC	S1104	3,000,000	0.70%	04/04/2018	23/01/2019	23/04/2018	Sterling
Fife Council	S1101	5,000,000	0.68%	06/02/2018	05/02/2019	27/02/2018	Tradition
Thurrock Borough Council	S1103	5,000,000	0.90%	28/03/2018	28/03/2019	03/04/2018	Tradition
Rotherham MBC	S1105	5,000,000	0.70%	04/04/2018	28/03/2019	10/05/2018	Tradition
Blackburn Council	S1106	5,000,000	0.70%	04/04/2018	28/03/2019	01/06/2018	Tradition
Corby Borough Council	S1108	3,000,000	0.75%	04/04/2018	04/04/2019	15/05/2018	Prebon
Salford CC	S1107	2,000,000	0.70%	04/04/2018	04/04/2019	22/05/2018	Prebon
Suffolk County Council	S1111	5,000,000	0.70%	08/05/2018	07/05/2019	22/06/2018	Tradition
Darlington Borough Council	S1115	5,000,000	0.70%	07/08/2018	16/05/2019	07/08/2018	Tradition
Leeds CC	S1113	5,000,000	0.70%	25/07/2018	16/05/2019	25/07/2018	Tradition
Surrey County Council	S1116	5,000,000	0.65%	00/01/1900	28/05/2019	20/08/2018	Prebon
Aberdeenshire Council	S1112	5,000,000	0.70%	07/06/2018	06/06/2019	12/07/2018	Tradition
Total		89,000,000					
Money Market Funds							
Invesco		4,000,000	Variable	Call			
Total		4,000,000					
Grand total		93,000,000					
Investments with internal companies / Properties							
Wokingham Holdings		13,495,435					
Wokingham Town Center Regeneration		53,046,410					
Total		66,541,845					
Grand Total		159,541,845					

Property portfolio	
Barclays Market Place Wokingham	
Cox Plastics Fishponds Rd Wokingham	
Mulberry Business Park Wokingham	
	Total
	14,645
Estimated Gross rental income for 18-19	(507)

Capital Strategy forecast outturn as at 30th September

Wokingham Borough Council's key priorities	Budget £'000 2018-19	Forecast Outturn as % of Budget
Improve educational attainment and focus on every child achieving their potential	18,913	73%
Improve the customer experience when accessing services	40,204	43%
Invest in regenerating towns and villages, support social and economic prosperity, whilst encouraging business growth	65,797	73%
Ensure strong sustainable communities that are vibrant and supported by well-designed development	27,270	69%
Maintain and improve waste collection, recycling and fuel efficiency;	133	100%
Tackle traffic congestion in specific areas	9,483	100%
Deliver quality in all that we do	9,374	98%
Improve health, wellbeing and the quality of life/ Look after the vulnerable;	23,440	81%
Provide affordable homes;	36,201	67%
Total	230,984	59%

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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.

TITLE	Annual Governance Statement 2017-18 - Progress Report
FOR CONSIDERATION BY	Audit Committee on 7 November 2018
WARD	None Specific
LEAD OFFICER	Andrew Moulton, Assistant Director-Governance (and Chief Audit Executive)

OUTCOME / BENEFITS TO THE COMMUNITY

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, highlighting issues that the Council wishes to improve.

This is an update on the progress of the issues highlighted within the 2017/18 AGS process. This will contribute towards the formation of the Chief Audit Executive's annual audit opinion on the Council's internal control and governance framework, which will form part of the 2018/19 Annual Governance Statement process.

RECOMMENDATION

The Audit Committee is asked to note the 2017/18 Annual Governance Statement Report progress report (attached).

SUMMARY OF REPORT

The report summarises the progress in the first 6 months of 2018/19 on the issues highlighted in the 2017-18 Annual Governance Statement, and enables the Committee to discharge its oversight function in relation to these.

The report provides the opportunity for the Assistant Director, Governance (and Chief Audit Executive) to provide details of the progress to date and highlight any areas of on-going weakness that the Committee should be aware of.

Background

The 2017/18 AGS was produced by the Corporate Leadership Team (CLT) and this review of progress of the issues highlighted has also been agreed by CLT. This followed consideration of the 'progress narrative' produced by the relevant Directors / interim Directors, in conjunction with their senior management teams.

This Progress Report facilitates the Audit Committee in holding management to account for managing weaknesses identified as part of the 2017-18 AGS process.

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)	£0	Yes	Revenue
Next Financial Year (Year 2)	£0	Yes	Revenue
Following Financial Year (Year 3)	£0	Yes	Revenue

Other financial information relevant to the Recommendation/Decision

Not Applicable

Cross-Council Implications

Not Applicable

Reasons for considering the report in Part 2

Not Applicable

List of Background Papers

Annual Governance Statement 2017-18

Contact Andrew Moulton	Service Governance
Telephone No 07747 777298	Email Andrew.Moulton@wokingham.gov.uk
Date 24 th October 2018	Version No. v1

Wokingham Borough Council
Audit Committee Report
Annual Governance Statement (AGS) -
Progress on 2017-18 Actions

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	AGS Actions	Progress as at mid-October 2018
Chief Executive	<p>1 The key risk of the new Commercial Property team currently is that of resource. The re-structure has enabled an additional two members of staff to come into the team together with a rationalisation of salaries which will lead to rapid recruitment of two long outstanding vacant posts. Through this transition period there is a concern about lack of resource which leads to a risk to process and control. Even when all of these are recruited to, management of expectations will be necessary to ensure safe delivery and efficient operation.</p> <p>2 Within the Commercial Property team, there has been an exception around the process for collecting and managing rental income which will be partially resolved when Technology Forge module becomes live. However, there is a limited process for understanding the detail of rental payments which is impacting upon our ability to properly manage the property portfolio. The issue is live with work being done to understand and resolve.</p>	<p>Recruitment process commenced in May 2018. So far, one successful placement out of the 3, who started in mid-September. A further process is being developed to recruit to the other 2 roles.</p> <p>Issue is being addressed, with a process review underway being led by Finance, with 21C involvement.</p>
Director of Corporate Services	<p>3 There have been several data breaches from housing services; these have been reported in line with the Council's policy and procedure.</p>	<p>To date in 2018/19, there have been no reportable breaches in this service area. Staff have undertaken data protection training earlier this year as part of GDPR implementation.</p>
Interim Director - Environment	<p>4 Managing a safe transition from the current Highways Alliance contract to a new contract commencing in 2019 whilst maintaining effective working relationships. Lack of engagement from partners of the Highways Alliance pending end of contract in 2019.</p>	<p>We have retained specialist support, and the contracts have been awarded and mobilisation has commenced and is progressing as planned. The current partners have continued to work with the council towards the end of the contract and there are no major issues identified</p>

Director of People Services

⁵ **Adults and Children's**

There were gaps at management levels including a number of temporary appointments that impacted on service continuity.

In August 2018, Angela Morris was appointed as the joint Director of Adults Social Care with RBWM. This was agreed for an initial period of nine months.

Carol Cammiss has been appointed as the Director of Children's Services and will take up her new role in November 2018.

The Assistant Director for People Commissioning has been in post since July 2018 and we are currently advertising for a permanent AD for both Children's Social Care and Education.

**C.21st Council Programme
Director**

⁶ Lack of leadership capacity at Customer and Localities AD level, due to acting up and interim arrangements to cover the Director role, have become more pressing as we move through service redesign, staff selection and recruitment and preparation for June 2018 go-live.

A permanent appointment was made in the summer. However, Josie Wragg was then successful in being appointed as Chief Executive at Slough Borough Council. Interim arrangements are in place and the post is being undertaken by Sarah Hollamby. Personnel Board is progressing a permanent appointment.

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Agenda Item 44.

TITLE	2018/19 Internal Audit and Investigation Q2 Progress Report
FOR CONSIDERATION BY	Audit Committee on 7 November 2018
WARD	None Specific;
DIRECTOR	Director of Corporate Services - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

The Internal Audit and Investigation Progress Report details the work of the team from the 1 April 2018 to 30 September 2018. This is an update on the progress towards the formation of the Chief Audit Executive's annual audit opinion on the Council's internal control and governance framework, which forms part of the Annual Governance Statement. It provides assurance through the Audit Committee to the Council and the wider public that the Council is managing its key risks and identifies any weaknesses identified in the governance, risk management and internal control environment. This assurance supports the Council in the achievement of its vision, priorities, principles and objectives and provides for better and improved outcomes for our residents.

RECOMMENDATION

That the Audit Committee note the 2018/19 Internal Audit and Investigation Quarter 2 Progress Report (attached).

SUMMARY OF REPORT

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

The report provides the opportunity for the Assistant Director, Governance (and Chief Audit Executive) to provide details of the work undertaken this financial year and highlight any areas of weakness the Committee should be aware of.

Background

This Progress Report fulfils two functions for the Audit Committee:

- It enables the Committee to hold the Assistant Director, Governance (and Chief Audit Executive) to account for the performance of internal audit and investigation.
- It facilitates the Audit Committee in holding management to account for managing weaknesses identified during the course of internal audit and investigation activities.

Analysis of Issues

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

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

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

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

Other financial information relevant to the Recommendation/Decision

Not applicable

Cross-Council Implications

Not applicable

Reasons for considering the report in Part 2

Not applicable

List of Background Papers

None

Contact Catherine Hickman	Service Governance
Telephone No Tel: 07917 265742	Email catherine.hickman@wokingham.gov.uk

Shared Audit and Investigation Service
Wokingham Borough Council Performance Report
2018/19 to 30 September 2018
Audit Committee 7 November 2018

2018/19 Quarterly Progress Report (to 30 September 2018)

1. Executive Summary

- 1.1 This report summarises the work of Internal Audit and Investigation to 30 September 2018.
- 1.2 The financial years 2017/18 and 2018/19 have seen a period of significant change within the Council as it goes through its 21 Century Council (CC) Transition Programme. It is therefore imperative to ensure during this period of change that the Council's overall Corporate Governance and internal control framework are maintained. In respect of Corporate Governance arrangements, we have found that there is scope for development in certain key areas, including the council vision, service planning, values and behaviours, performance reporting, the effectiveness of organisational culture and training for staff and members. Nevertheless, we have identified that, where possible, compensating controls have been established and a comprehensive work programme is underway to address areas identified for improvement.
- 1.3 We also recognise that the Council has needed to respond to financial constraints placed on the organisation and with the ongoing expectation of effective service delivery. A review of the benefits realised for phase 1 of the programme has been commissioned and will report on how effectively this is evidenced, communicated and shared across the organisation. In the wake of the new 21st Century Council, there is a real opportunity to work with Officers and Members in developing a corporate approach to both review and build an effective and positive culture that supports the new model and concludes the significant piece of work undertaken by Wokingham Borough Council.
- 1.4 Overall, Internal Audit are satisfied that controls over risk management, programme management (IT framework and financial reporting) and governance on the 21 CC Programme are operating effectively.
- 1.5 The 21CC Programme is stated as being on track to break even by the end of the four year period to 2019/20. Detailed financial reports are submitted to the key governance bodies – audit work is ongoing to substantiate the financial savings.

2. Internal Audit

Performance against Audit Plan to 30 September 2018

- 2.1 Appendix A(l) presents progress made against the approved 2018/19 Internal Audit and Investigation Plan approved at the meeting of this Committee on 7 February 2018. We are reporting progress as at the 30th September 2018 and are actively managing the Audit Plan to take account of developments regarding the 21st Century Council initiative to ensure that our audit work is focussed on assisting the organisation to achieve its objectives and to add value.

2.2 There were 10 audits carried forward from 2017/18, 5 are at final report stage and 5 at draft report stage. For 2018/19 audits there are 3 at final report stage, 7 at draft report stage, 3 are work in progress and there is 1 grant certification.

Third Category Audit Opinion Reviews

2.3 There have not been three audit reviews receiving the third or fourth category of audit opinion (Range of Risk Mitigation Controls is incomplete and risks are not effectively Mitigated) that has been completed to Final Report stage since the quarter 1 progress report submitted to the Audit Committee on 25 July 2018 that relate to the 2018/19 financial year. A summary of the audits is as follows:-

2017/18 Housing Rents - Considerable progress has been made to address the concerns raised in 2016/17, with the majority of countermeasures either implemented or near to being implemented. The former and current tenant arrears figures, however, have not reduced and collectively stand at approximately £900k as at 4 March 2018 (it should be noted that work has been carried out on the report data to ensure that all relevant information is captured; we cannot therefore be confident that we are comparing like for like). Despite the work that has been done, the audit opinion remains 3rd of 4 due to the amount of debt involved and the lack of reduction since the previous audit.

2017/18 Debtors - One of the concerns identified in the 2016/17 audit was the absence of management information to identify a true debt position and to inform senior management decision making. While this is still not available, it is not possible to assess any progress in the debt collection performance. It should also be ensured that all budget managers receive their aged debt report each month and there is a need to ensure that resources are sufficient, and that the changes from the 21 CCI initiative are managed, so that they do not have a detrimental effect on the organisation's collection of monies owed.

2017/18 Shared Property/Building Services - The direction of travel of the Shared Building Service is positive, and in view of the current and future changes it is progressing clearly towards a position where controls are substantially complete and generally effective. There are still, however, original risks remaining in the interim which will be re-visited in detail as part of the 2018/19 Internal Audit review. The four High Risks related to Reactive Maintenance work and Service Contracts relevant to WBC, with the concerns encompassing various elements relating to verifying payments, supporting documentation, Health & Safety and contract documentation.

2.4 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 in Quarter 2 of Very High or High concerns being tolerated by management.

2.5 Management is given one month between the draft and final reporting stage to address any countermeasures and, where applicable, improve the overall audit opinion. There were no audits (as shown in Appendix A(I)) during this second quarter where the opinion was improved from the draft to final report stage.

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

- Planning Controls – Draft
- Building Control – Work in progress
- Licensing – Work in progress
- Right to buy – Work in progress
- Fosters Extra Care Scheme – Work in progress

3. Corporate Investigations

3.1 Corporate investigations have been working on the areas of housing, disciplinary cases and code of conduct cases. In addition to this there is an ongoing investigation at a school which has been referred to the Police by the Shared Legal Services.

Regulation of Investigatory Powers Act

3.2 No new investigations have been undertaken during 2018/19 that has required Regulation of Investigatory Powers Act surveillance approval to be requested.

Audit and Investigation - Other Work Areas

Audit

IIA External Review Against the Public Sector Internal Audit Standards - Update

- 3.3. As reported in the Annual Report submitted to the Audit Committee on 6 June 2018, Internal Audit service providers are required to have an independent external assessment every five years. As such, a consultant representing CIPFA was engaged to complete this external assessment during quarter 4 of last year.
- 3.4 The report was received in April where the service achieved a “Generally Compliant” category which is the top opinion and a small number of recommendations were made to ensure full compliance with the Standards, plus a number of advisory points raised to assist the development of the Shared Service and the achievement of best practice going ahead.
- 3.5 The Audit Committee should note that progress against the recommendations and suggestions are continuing. Updates on progress will be reported to future meetings of the Audit Committee.

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**2018/19 Wokingham Borough Council Internal Audit Plan Status
(as at 30 September 2018)**

AUDIT TITLE	DIRECTORATE	STATUS	DRAFT AUDIT REPORT OPINION	FINAL AUDIT REPORT OPINION
<u>2018/19 Audits</u>				
<u>Key Financial Systems</u>				
BACS, CHAPS and Cheques	Corporate Services	WIP		
Fixed Asset Register	Corporate Services	WIP		
<u>Governance Building Blocks</u>				
Constitution	Cross Cutting	FINAL	2	2
Corporate Governance	Cross Cutting	DRAFT	3	
Performance Management	Cross Cutting	FINAL	2	2
Risk Management	Cross Cutting	DRAFT	2	
<u>Key Corporate Risks</u>				
21 st Century Council	Cross Cutting	DRAFT	2	
Vulnerable Child	People	WIP		
<u>Key Operational Risks</u>				
Shared Property Services (follow up review)	Corporate Services	FINAL	3	3
<u>Servicing the Business</u>				
Keep Hatch Primary School	Corporate Services	FINAL	2	2
Sonning C of E School	Corporate Services	DRAFT	2	
Walter Infant School	Corporate Services	DRAFT	2	
Emmbrook Secondary School	Corporate Services	DRAFT	1	
Hawthorn Primary School	Corporate Services	DRAFT	2	
Troubled Families Grant	People			C
<u>Consultancy</u>				
Planning Controls	Corporate Services	DRAFT	2	
Building Control	Customer and Locality Services	WIP		
Licensing	Customer and Locality Services	WIP		
Right to buy	Customer and Locality Services	WIP		
Fosters Extra Care Scheme	People	WIP		
<u>2017/18 Audits Carried Forward</u>				
<u>Key Financial Systems</u>				
General Ledger	Corporate Services	FINAL	2	2
Housing Rents	Corporate Services	FINAL	3	3
Benefits/CTRS	Corporate Services	DRAFT	1	
Budgetary Control and Reporting	Corporate Services	FINAL	2	2
Capital Programme	Corporate Services	FINAL	1	1

Creditors	Corporate Services	DRAFT	2	
Debtors	Corporate Services	FINAL	3	3
Payroll	Corporate Services	DRAFT	2	
Key Corporate Risks				
21 st Century Council	Cross Cutting	FINAL	2	2
Servicing the Business				
Colleton Primary School	Corporate Services	FINAL	2	1

Audit Opinion – Legend	
1. Complete and Effective	<ul style="list-style-type: none"> ♦ All necessary Treatment Measures are in place and are operating effectively. ♦ Residual risks have been reduced to an acceptable level ♦ There are no unacceptable financial implications. ♦ Concerns reported are minor. <p>(Risk management processes are strong and controls are adequate and effective).</p>
2. Substantially Complete and Generally Effective	<ul style="list-style-type: none"> ♦ Most key Treatment Measures are in place and these operate effectively. ♦ The majority of residual risks have been reduced to an acceptable level. ♦ There are some unacceptable financial implications. ♦ The majority of concerns are of a predominately moderate impact/likelihood. <p>(Risk management processes are good and controls are adequate although only partially effective).</p>
3. Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated	<ul style="list-style-type: none"> ♦ Not all key Treatment Measures are in place and / or do not operate effectively ♦ Residual risks have not all been reduced to an acceptable level ♦ There are some unacceptable financial implications associated with more than one risk mitigation control or because of a lack of risk mitigation control. ♦ There are a number of concerns that are predominantly of a major impact/likelihood. <p>(Risk management processes and controls are adequate but not effective in mitigating the identified risks).</p>
4. There is no effective Risk Management process in place	<ul style="list-style-type: none"> ♦ There are no appropriate Treatment Measures in place. ♦ Residual risks remain at an unacceptable level ♦ Reported concerns are predominantly of a catastrophic or major impact/likelihood. <p>(Risk management processes and controls are weak).</p>
C	Certification
E	Exempt from classification

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**WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME –
2018/19 MUNICIPAL YEAR**

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Wednesday 6 February 2019	1.	Certification of Claims and Returns – Annual Report 2017/18	Ernst & Young
	2.	Certification of Claims and Returns – Claims and Returns Organised by Local Authorities.	Finance
	3.	Treasury Management Strategy 2018/19	Finance
	4.	Corporate Risk Register Update	Finance
	5.	Update on changes to accounting policies	Finance
	6.	Internal Audit and Investigation Q3 Progress Report 2018/19	Shared Audit and Investigation Service
	7.	2018/19 Audit Plan	Ernst & Young
	8.	Update on International Financial Reporting Standard 15	Finance
	9.	Update on the progress made with regards to the housing rents audit work	Shared Audit and Investigation Service
	10.	Update on Town Centre regeneration	Bernie Pich, Regeneration

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Agenda Item 45.

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