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WOKINGHAM
BOROUGH COUNCIL

A Meeting of the **AUDIT COMMITTEE** will be held virtually on **WEDNESDAY 3 JUNE 2020** AT **7.00 PM**

Susan Parsonage
Chief Executive

Published on 26 May 2020

This meeting will be filmed for inclusion on the Council's website.

Note: The Council has made arrangements under the Coronavirus Act 2020 to hold the meeting virtually via Team Meetings, the meeting can be watched live at the following link: https://youtu.be/6GHT8BPMjQA

Please note that other people may film, record, tweet or blog from this meeting. The use of these images or recordings is not under the Council's control.

WOKINGHAM
BOROUGH COUNCIL

Our Vision

A great place to live, learn, work and grow and a great place to do business

Enriching Lives

- Champion outstanding education and enable our children and young people to achieve their full potential, regardless of their background.
- Support our residents to lead happy, healthy lives and provide access to good leisure facilities to complement an active lifestyle.
- Engage and involve our communities through arts and culture and create a sense of identity which people feel part of.
- Support growth in our local economy and help to build business.

Safe, Strong, Communities

- Protect and safeguard our children, young and vulnerable people.
- Offer quality care and support, at the right time, to prevent the need for long term care.
- Nurture communities and help them to thrive.
- Ensure our borough and communities remain safe for all.

A Clean and Green Borough

- Do all we can to become carbon neutral and sustainable for the future.
- Protect our borough, keep it clean and enhance our green areas.
- Reduce our waste, improve biodiversity and increase recycling.
- Connect our parks and open spaces with green cycleways.

Right Homes, Right Places

- Offer quality, affordable, sustainable homes fit for the future.
- Build our fair share of housing with the right infrastructure to support and enable our borough to grow.
- Protect our unique places and preserve our natural environment.
- Help with your housing needs and support people to live independently in their own homes.

Keeping the Borough Moving

- Maintain and improve our roads, footpaths and cycleways.
- Tackle traffic congestion, minimise delays and disruptions.
- Enable safe and sustainable travel around the borough with good transport infrastructure.
- Promote healthy alternative travel options and support our partners to offer affordable, accessible public transport with good network links.

Changing the Way We Work for You

- Be relentlessly customer focussed.
- Work with our partners to provide efficient, effective, joined up services which are focussed around you.
- Communicate better with you, owning issues, updating on progress and responding appropriately as well as promoting what is happening in our Borough.
- Drive innovative digital ways of working that will connect our communities, businesses and customers to our services in a way that suits their needs.

MEMBERSHIP OF THE AUDIT COMMITTEE

Councillors

Dianne King (Vice-Chairman)	Rachel Burgess	Maria Gee
Angus Ross	Daniel Sargeant	Imogen Shepherd-DuBey
Bill Soane		

ITEM NO.	WARD	SUBJECT	PAGE NO.
66.		**APOLOGIES** To receive any apologies for absence	
67.	None Specific	**MINUTES OF PREVIOUS MEETING** To confirm the Minutes of the Meeting held on 5 February 2020.	**5 - 14**
68.		**DECLARATION OF INTEREST** To receive any declarations of interest	
69.		**PUBLIC QUESTION TIME** To answer any public questions A period of 30 minutes will be allowed for members of the public to ask questions submitted under notice. The Council welcomes questions from members of the public about the work of this committee. Subject to meeting certain timescales, questions can relate to general issues concerned with the work of the Committee or an item which is on the Agenda for this meeting. For full details of the procedure for submitting questions please contact the Democratic Services Section on the numbers given below or go to www.wokingham.gov.uk/publicquestions	
70.		**MEMBER QUESTION TIME** To answer any member questions	
71.	None Specific	**COMPLAINTS AND COMPLIMENTS** To receive a report on corporate complaints and compliments.	**15 - 42**
72.	None Specific	**WOKINGHAM BOROUGH COUNCIL ANNUAL AUDIT LETTER YEAR ENDED 31 MARCH 2019** To receive the Wokingham Borough Council Annual Audit Letter year ended 31 March 2019.	**43 - 72**
73.	None Specific	**WOKINGHAM BOROUGH COUNCIL - AUDIT PLANNING REPORT YEAR ENDED 31 MARCH 2020** To receive the Wokingham Borough Council – Audit	**73 - 116**

		Planning Report – year ended 31 March 2020.	
74.	None Specific	**UPDATE ON CHANGES TO ACCOUNTING POLICIES** To receive an update on changes on accounting policies.	**117 - 140**
75.	None Specific	**CORPORATE RISK REGISTER** To consider the Corporate Risk Register.	**141 - 162**
76.	None Specific	**FORWARD PROGRAMME** To consider the forward programme	**163 - 164**

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 5 FEBRUARY 2020 FROM 6.30 PM TO 9.05 PM

Committee Members Present
Councillors: Dianne King (Vice-Chairman, in the Chair), Rachel Burgess, Maria Gee, Barrie Patman, Angus Ross and Imogen Shepherd-DuBey

Other Councillors Present
Councillors: John Halsall, John Kaiser and Malcolm Richards

Also Present
Madeleine Shopland, Democratic & Electoral Services Specialist
Helen Thompson, Ernst and Young
Andrew Moulton, Assistant Director Governance
Mark Thompson, Chief Accountant
Bob Watson, Head of Finance

53. APOLOGIES
An apology for absence was submitted from Councillor Daniel Sargeant.

54. MINUTES OF PREVIOUS MEETING
The Minutes of the meeting of the Committee held on 6 November 2019 were confirmed as a correct record and signed by the Vice Chairman.

Some Members asked that the Constitution Review Working Group be asked to look at the matter of if a Chairman should be appointed to a Committee if there was only one meeting remaining in the municipal year and the Vice Chairman was available to attend the meeting.

55. DECLARATION OF INTEREST
Councillor Imogen Shepherd-DuBey declared a Personal interest regarding item 57 Statement of Accounts on the grounds that she had a deferred benefit in the Berkshire Pension Fund.

56. PUBLIC QUESTION TIME
In accordance with the agreed procedure, the Chairman invited members of the public to submit questions to the appropriate Members.

56.1 Chris Wallace had asked the Chairman of the Audit Committee the following question. Due to her inability to attend the following written answer was provided:

Question:
At the November 2018 Audit Committee meeting, I asked when the recommendations of the 2016 WBC Report on Rent Arrears Management would be implemented. In that report, it stated at 1.1.1 that “WBC offers a range of payment options. DD is promoted as the preferred method.”

With the recommendation at 6a.13 implement operational improvements – arrears prevention: Action - Ensure that DD can be set up for payment on any day and at any frequency. Benefit – Increased take-up of DD & Reduced transaction costs. This change has yet to be implemented, meaning that Tenants wishing to pay by DD are forced to pay

monthly in advance, (the Tenancy Agreement only requires a week's rent in advance) and leads to erroneous statements showing either false arrears or false credits. If it has been agreed to charge monthly then the charges to the rent account should reflect that contract and not the weekly charges that are currently applied. Tenants no longer have any trust that their statements are correct so are unlikely to bother if it shows an unusual amount of arrears. If the Tenants statements are incorrect then the reports generated by the system must also be incorrect.

Given the above could you tell me when this recommendation, made 4 years ago, is going to be implemented?

Answer
Any day any frequency direct debits – the Rental Income Team have been completing an improvement plan, and while this was being implemented, the Rental Income Team were not included as part of the 21st Century Programme.

The programme was designed to pick up on and deliver improvements such as implementing any day direct debits. In the future, the Council's Continuous Improvement Programme will review the work of the Rental Income Team and any day direct debits will be considered.

Being forced to pay in advance - residents are not forced to pay either by direct debit or monthly in advance. The tenancy agreement says the rent is payable on a Monday in advance, so if residents choose to pay monthly, then the payment needs to be in advance as otherwise the account will go into arrears.

Residents have the option to pay by direct debit on the 1st, 10th or 20th of each month. The total weekly payments for the year are added up and divided by 12 months, so the direct debit payments are paid in twelve monthly instalments. For any day direct debits, residents would choose the day of the month and this would not always fall on a Monday when the rent is due. Therefore, the key is residents are paying in advance so the rent account is not falling into arrears during the month.

Residents can set up a standing order for any day of the month, or set up a standing order for weekly payments.

57. MEMBER QUESTION TIME
There were no Member questions.

58. STATEMENT OF ACCOUNTS
The Committee considered the Statement of Accounts.

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

- The Committee had first seen the accounts at its July meeting. They had since been updated following adjustments to the pension fund information.
- The Head of Finance took the Committee through the report recommendations. Members were informed that while the accounts were complete from a Council position, there remained some audit issues around the pension fund information. Helen Thompson of EY clarified the position.

- Members were assured that the accounts had been compiled correctly in accordance with accounting guidance and standards (CIPFA Code of Practice and IFRS).
- With regards to Note 16 Related Parties, Members queried the reference to £100. It was confirmed that this figure was correct. The prior year figure was also confirmed as accurate.
- Councillor Gee suggested that reference to 'Property Investment Fund – Stapletons Peterborough' should be included in Note 25 Other Non-Current Assets instead of Note 24 Property, Plant and Equipment. The Head of Finance explained that capital commitments for property, plant and equipment and investments had been aggregated into Note 24 split but agreed with Councillor Gee that the commitment for Stapletons Peterborough would be moved to Note 25.
- With regards to Note 25, Councillor Gee asked about 'Rental Income from Investment Property' and disclosing interest incurred. The Head of Finance indicated that investment income and debt financing costs information were covered elsewhere. The Council did disclose the full cost of properties, both gross and net, on the Council's website. Councillor Gee suggested that this information be included in the accounts in future. The Head of Finance explained that the disclosure had been carried out in accordance with the relevant code. If the information were also included within the accounts, it could increase the audit fee, as any additional information in the accounts would need to be audited.
- The Committee discussed the readability of the accounts.
- In response to a Member question, it was clarified that PFI assets were referred to within Note 24.
- Councillor Gee asked what was meant by 'Simplified Approach – Customers' under the section 'Amounts arising from Expected Credit Losses'. The Chief Accountant commented that it was likely debtors.
- Helen Thompson clarified the reporting arrangements around investments in companies. It was clarified that the reference within the statement executive summary of the 2018/19 Audit results report to the Council not currently producing Group accounts, was incorrect and would be amended.
- Members agreed that should there be any significant changes to the accounts prior to their signing, they should be brought to the attention of the Committee.

RESOLVED: That the Audit Committee:

1) approve the delegation of signing on behalf of Audit Committee the letter of representation from WBC to their Auditors, Ernst & Young (EY) to the Vice Chairman outside of the committee meeting upon receiving assurance from EY that the statement of accounts represent a true and fair view of the Council's finances and are free from material error, subject to there being no significant changes prior to signing.

2) Approve the delegation of signing on behalf of Audit Committee the statement of responsibilities to the Vice Chairman outside the committee meeting upon receiving assurance from the Council's Auditors (Ernst & Young) that the statement of accounts represent a true and fair view of the Council's finances and are free from material error, subject to there being no significant changes prior to signing.

3) Note the letter of representation and statement of responsibilities will also be signed by the Deputy Chief Executive & S151 Officer.

59. 2018/19 AUDIT RESULTS REPORT

The Committee considered the 2018/19 Audit results report.

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

- Helen Thompson advised Members that the Audit Results report had been produced largely in advance of the Committee's July meeting. Since September, Ernst & Young had been seeking an update from the pension fund auditors. A completed audit opinion had been issued on the Pension Fund on 10 December. Under the 'IAS 19 protocol', the pension fund auditor should carry out a number of procedures to enable the Council's auditors to issue their own assurance. The IAS 19 letter had been received on 24 January and the pension fund auditor had not completed all the requested work, stating that some of it had been outside the scope of their audit. Council officers had requested an updated actuary's report from the pension fund from which a revised set of statements had been produced. Ernst & Young had been reviewing the revisions. Since the IAS 19 letter had been received, discussions had been had regarding how the required assurance could be received, in order to issue an audit opinion. Assurance had not been received on the value of benefits paid on the Council's behalf, but the remainder of the audit had been completed. A further statement of accounts would be produced once the IAS19 work had been fully completed, and any other adjustments made.
- In response to a Member question, it was confirmed that an adjustment had been made for the McCloud judgement.
- Councillor Gee asked why there was a need to value the benefits paid to pensions. Helen Thompson emphasised that the figure sat on the balance sheet. The pension liabilities for the Council was £291m and £298m for the Group. She went on to refer to Note 19 of the Statement of Accounts, Defined Benefit Pension Schemes. In response to a Member question, Helen Thompson confirmed that the way in which the pension fund would be audited had been previously agreed.
- Councillor Burgess asked about the summary of unadjusted differences. Helen Thompson indicated that the reference to 'NNDR appeals provision included in accounts as only 90% of calculated gross provision: as such, this is understated in the CIES by 10%' - £441k should be removed, as this was no longer a judgemental difference.
- It was noted that the total value of investments within the Pension Fund had been revised, with the valuation of these assets being reduced by £74.5m in total. Councillor Gee questioned whether this would increase the amount the Council would pay regarding pension contributions. It was confirmed that the latest triennial review (December 2019) had included both the asset valuation and the impact of the McCloud settlement in its assessment and this had increased the cost to the Council over the review period. Budget provision had already been made for this.
- Councillor Shepherd-DuBey asked whether a change in political leadership and senior management was still considered a value for money risk. Helen Thompson explained that the value for money arrangements covered 1 April 2018 to 31 March 2019 and that the next year's report would reflect that the situation had become more settled.
- With regards to the preparation of the Medium Term Financial Plan (MTFP), Councillor Gee felt that Members not having sufficient time to review the MTFP was a risk. The Head of Finance indicated that they were published within the access to information deadline and also that parts of the budget had already been taken to Overview and Scrutiny. Councillor Gee suggested that Members be given more time to review the documents.

- Councillor Shepherd-DuBey asked about the Audit of Accounts – Notice of Public Rights. Helen Thompson clarified that members of the public had had the appropriate time to review the accounts; however, the exact timeframe had been incorrect. The deadlines set through the Audit and Accounts Regulations had changed over the last couple of years, and this had not been picked up.
- In response to a Member question, the Head of Finance indicated that officers tried to make the accounts process as smooth as possible. Councillor Gee asked whether officers could look at the date for the closure and publication of the accounts. The Assistant Director Governance suggested that the Committee could respond to the consultation on the Government's independent review (the 'Redmond review') on the accounts deadlines when it was issued.

RESOLVED: That the 2018/19 Audit results report be noted.

60. WBC AUDIT PROGRESS REPORT JANUARY 2020

Members received the WBC Audit Progress Report January 2020.

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

- Helen Thompson advised Members that due to the delay in producing the audit opinion the production of the Annual Audit Letter had been delayed. This would be produced within one month of the issuing of the audit opinion.
- The delay had had an impact on the audit plan for the next year. It was agreed that the external audit, audit plan would be circulated to Members prior to the start of purdah if possible, or as soon as possible following the appointment of the Audit Committee in the 2020/21 municipal year.

RESOLVED: That the WBC Audit Progress Report January 2020 be noted.

61. TREASURY MANAGEMENT STRATEGY 2020/21

The Head of Finance presented the Treasury Management Strategy 2020/21.

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

- The Treasury Management Strategy formed part of the budget.
- Members were advised that the period for loans from the Council to other local authorities had been extended to a maximum of 5 years and up to £10m with a single counterparty: this was in response to a change in market position following the Treasury increasing the Public Works Loan Board rates by 1%. Local authorities did not have a rating unless they issued their own bonds however; they were underwritten by central Government and thus were deemed to have the UK Sovereign rating.
- Councillor Burgess asked about the Council's position on ethical investments and climate emergency investments. The Head of Finance indicated that the Council tended to invest in line with local policy, with local authorities. The Council did not have control over what money markets invested in.
- The Chief Accountant commented that the Council had in the past used fund managers but that investments were now primarily with other local authorities.
- The Head of Finance commented that the Committee could recommend that ethical and climate emergency investments be looked at, however, the counter party requirements would need to be met and the security of the funds would be primary.

- Councillor Burgess stated that the Strategy should emphasise the Council's priorities and that ethical considerations should be a high priority. Councillor Ross suggested that ethical investments should be considered within the implementation of the 2020/21 Treasury Management Strategy.
- Councillor Shepherd-DuBey proposed that the Property Investment Group be asked to consider ethical concerns within their decision-making.
- Councillor Gee suggested that all investments should be reviewed in the next year.
- Councillor Burgess referred to the Capital Programme 2022/23. She felt that some of the items included under the Climate Emergency section were already happening and that it was not £50m of new spending on climate emergency.
- Councillor Gee was of the opinion that a number of the climate emergency items were not capital but were repairs or maintenance. The Assistant Director Governance commented that there were strict rules as to what could or could not be considered capital expenditure. The Head of Finance emphasised that officers were bound by the prudential code and code of practice and could reject items as capital expenditure if it was felt that it did not meet the necessary requirements. The Assistant Director Governance went on to suggest that more on revenue and capital could be included in Members' training in the new municipal year.
- In response to a Member question, it was clarified that Bulmershe Leisure Centre was considered 'infrastructure' with regards to the Capital Financing Requirement. Councillor Shepherd-DuBey suggested that the reference to 'Town Centre regeneration' should be amended to 'Wokingham Town Centre regeneration.'
- Councillor Gee asked a number of questions about the Council's borrowing position. The Head of Finance agreed to clarify the figures.
- Councillor Gee asked whether the non-treasury investments were gross returns or net returns and was informed that they were gross returns on investments.

RESOLVED: That

1) the Committee recommend the following to Council for approval

a) Capital Prudential Indicators 2020/21;

b) Borrowing Strategy 2020/21;

c) Annual Investment Strategy 2020/21;

d) MRP Policy;

e) Treasury indicators: limits to borrowing activity 2020/21;

2) it be recommended that consideration be given to ethical and climate emergency investments in future and that the Property Investment Group consider ethical concerns in their decision making.

62. TREASURY MANAGEMENT - MID YEAR REPORT

The Committee considered the Treasury Management Mid Year report.

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

- The report provided a summary review of Treasury Management activities during the first six months of 2019/20. The report reviewed the performance of the treasury management function.
- Members were informed of the forecast outturn saving of £500k (an over achievement on investments £390k, and saving on debt charges of £110k).

RESOLVED: That

1) the Committee recommend to Executive the mid-year position on the treasury management portfolio;

2) it be noted that the Council has worked within approved parameters;

3) the forecast outturn saving of £500k (an over achievement on investments £390k, and saving on debt charges of £110k), be noted

63. CORPORATE RISK REGISTER

The Committee considered the Corporate Risk Register.

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

- The Assistant Director Governance updated the Committee on a number of risks.
- *Risk 1 - Budgeting and financial Management (inc forecasting demand & investment and commercial strategy)* – Overview and Scrutiny had been involved in the review of the budget proposals for 2020/21. In addition, a CIPFA independent assessment of financial resilience had rated the Council within the top 20 for financial sustainability.
- *Risk 2 – Corporate Governance* – the Assistant Director Governance indicated that he would circulate guidance notes on how to deal with receiving online abuse, to all Members.
- *Risk 3 – Workforce (inc Capacity)* - the results of the Employee Engagement Survey were currently being considered by managers.
- *Risk 4 – Local Plan (including Five year land supply)* – the Local Plan consultation had been launched.
- *Risk 10 – Brexit* – the officer working group had been stood down. It may be reconvened later in the year dependent on the Brexit negotiations.
- *Risk 13 – Climate Emergency* – the initial Climate Emergency Action Plan had been presented to Council in January.
- *Risk 14 – High Needs Block* – a new risk had been added to the Corporate Risk Register around the High Needs Block. This had been escalated from the Children's Services departmental risk register.
- Councillor Burgess asked whether the results of the Employee Engagement Survey would be presented to Overview and Scrutiny. Members were advised that staff focus groups would be held.
- In response to a Member question, the Assistant Director Governance agreed to establish the current status of the SEND Strategy.
- Councillor Burgess commented that she felt that actions relating to the Climate Emergency risk could be more strongly worded. The Assistant Director Governance agreed to take this forward. Councillor Burgess went on to state that it was important that the Council had a full action plan with carbon targets which could be monitored. She felt that the risk should be scored Very High instead of High. Councillor Burgess also questioned the inclusion of developing mitigation measures

to adapt to the impacts of extreme weather events on Council services and activities, as a mitigating action.

- Councillor Shepherd-DuBey agreed that more information was required in Risk 13.
- Councillor Shepherd-DuBey questioned whether the forthcoming retirement of the Director Customer and Localities would be considered a risk. The Assistant Director Governance commented that it would not.
- Councillor Gee asked about the Council's response to the risk of coronavirus. The Assistant Director Governance indicated that it would respond through the Public Health team as part of a national response. The Head of Finance stated that the Council's business continuity plan included provision for pandemics.

RESOLVED: That the Corporate Risk Register be noted

64. 2019/20 INTERNAL AUDIT AND INVESTIGATION Q3 PROGRESS REPORT

The Committee considered the 2019/20 Internal Audit and Investigation Quarter 3 Progress Report.

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

- The Assistant Director Governance indicated that more information had been given regarding those audits that had attracted the third category of audit opinion; housing rents, debtors and Public Health.
- With regards to the Public Health audit, significant progress was being made and the full follow-up audit findings would be reported to senior management during Q4 and an update provided to the next Audit Committee meeting.
- With regards to the housing rents audit, some follow up work was being undertaken but a positive trajectory was underway.
- With regards to debtors, the Head of Finance confirmed that the debtors team had been under resourced for some time but this was being addressed.
- Councillor Gee asked for more information about the Shared Building Services (follow up) audit which had also been awarded the third category of audit opinion. The Assistant Director Governance agreed to provide a written update.

RESOLVED: That the 2019/20 Internal Audit and Investigation Quarter 3 Progress Report be noted.

65. 2020/21 INTERNAL AUDIT AND INVESTIGATION PLAN AND INTERNAL AUDIT CHARTER

The Assistant Director Governance presented the 2020/21 Internal Audit and Investigation Plan and Internal Audit Charter.

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

- The Plan included a previous request from the Committee to audit CIL in order to provide assurance on the CIL administration and collection processes.
- Members were reminded that the Plan was flexible.
- Councillor Burgess asked about the column headed 2019/20 in the Internal Audit Plan. The Assistant Director Governance indicated that it referred to whether audit work had or had not been carried out on the particular area in 2019/20.
- In response to a Member question, the Assistant Director Governance confirmed that all the internal audit work was undertaken by an in-house team.
- Members noted proposed minor amendments to the Internal Audit Charter.

- It was confirmed that the approval dates on the Plan and the Internal Audit Charter would be updated.

RESOLVED: That

1) the 2020/21 Internal Audit and Investigation Plan be approved

2) the content of the Internal Audit Charter be noted

66. CERTIFICATION OF CLAIMS AND RETURNS – CLAIMS AND RETURNS ORGANISED BY LOCAL AUTHORITIES

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

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

- There were certain grants that the Council received that were required to be audited: Teachers' Pension Return, Pooling of Housing Capital Receipts Return and Review of Sub Contracting Arrangements for the Skills Funding Agency (SFA).
- Members were advised that the deadline for Pooling of Housing Capital Receipts Return had changed from 30 November to 7 February resulting in no Audit result at the time of the meeting. Members would be informed of any queries that arose from this audit.
- It was also noted that the Council no longer had an audit on the Review of Sub Contracting Arrangements for the Skills Funding Agency (SFA) as the level of spend on sub-contracting arrangements had fallen below the £100k threshold for Audits.
- The Committee was asked whether they wished to keep this report as an annual item on the Committee's work programme. It was agreed that in future it should be reported by exception.

RESOLVED: That

1) the Audit Certification Reports 2018/19 for the Teachers' Pension Return be noted;

2) it be noted that the deadline for Pooling of Housing Capital Receipts Return has changed from 30th November to 7th February resulting in no Audit result at the time of this meeting however Audit Committee to note the information provided which is subject to the Audit.

3) it be noted that the Council no longer have an audit on the Review of Sub Contracting Arrangements for the Skills Funding Agency (SFA) as the level of spend on sub-contracting arrangements have fallen below the £100k threshold for Audits.

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WOKINGHAM
BOROUGH COUNCIL

Annual Corporate Complaints Report

Complaints Received

2019 - 20

WOKINGHAM BOROUGH COUNCIL

- The following is a report on those complaints *received* by the Council in 2019-'20 financial year.

- **Stage 1** corporate complaints have slightly increased in volumes from **104** in 2018-'19 to **128** in 2019-'20.

- We have also seen **Stage 2** and **Ombudsman** cases slightly increase in line with this. There were **27** complaints escalated to Stage 2 and **19** that were received via the ombudsman – comparisons shown with previous years on slide 9.

- Whilst high level volume data for Children's Services statutory complaints have been included within this report, further detailed figures and commentary can be found in the separate annual report prepared by Children's Services.

- There continues to be close partnership working between Customer Delivery and all other key service areas organisation wide, which has particularly aided in the management of some of our more complex cases.

- **Please note, calculations for total volumes can not always be achieved by adding cases received at each stage together. There will be some cases that have been received directly via the Ombudsman because:**
  - **the case was considered at appeal as opposed to the complaints process, following an appeal the next stage is referral to the ombudsman**
  - **a customer has approached the ombudsman directly and they have decided to investigate**
  - **a complaint crosses over financial years**

WOKINGHAM BOROUGH COUNCIL

The Council has a corporate complaints process made up of 1 early resolution stage, and 3 official stages, outlined below:

Early Resolution

Contact the complainant to discuss the matter and see what solution(s) is/are possible to put things right

Act on remedial action

Learn from the complaint and act on any improvements within service

Stage 1

Investigation by the service/department involved in the complaint

15 working days to respond

Response signed off by Service Manager or Assistant Director

Learn from the complaint and act on any improvements within service

Stage 2

- Investigation by the Customer Relations Team
- 20 working days to respond
- Response signed off by the Assistant Director or Director
- Learn from the complaint and act on any improvements within service

Ombudsman

Referral to the Local Government and Social Care Ombudsman (LGSCO) or the Housing Ombudsman (HO)

Customer Relations acts as the 'link' for the LGSCO/HO

Provision of information as requested by the LGSCO/HO

Ombudsman liaises with the complainant and provides a draft then final decision

Note: there is a separate appeals process for cases regarding Home to School Transport, Blue Badge applications, and School Admissions. This means that there are some complaints we receive from the Ombudsman that have been considered through the appeals process, not the above complaints process

WOKINGHAM BOROUGH COUNCIL

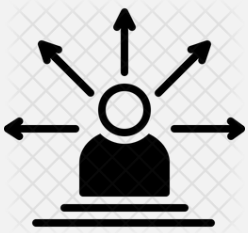
Total Figures

Responded to at Stage 1

Escalated to Stage 2

Received via Ombudsman

Headline Topics...

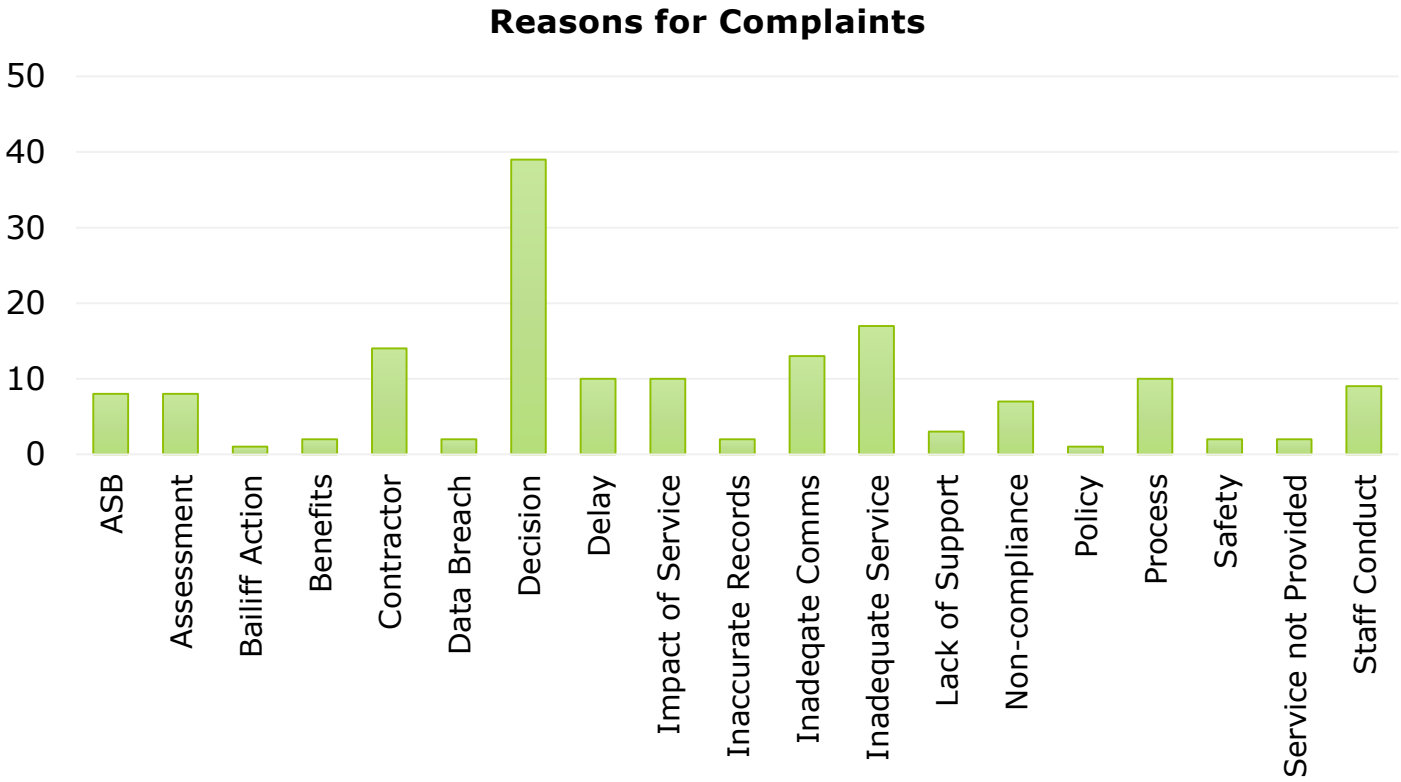


Decision

Contractor

Inadequate Service

WOKINGHAM BOROUGH COUNCIL



As is consistent with the last 3-4 years, our customers most frequently complain about the **Decisions** we make – most often in respect of planning applications

Where our customers have complained about **Inadequate Service**, the majority of cases have been where they have been dissatisfied with repairs in Housing properties; however, these cases have all been resolved at either Early Resolution or Stage 1

Other reasons for complaints have remained relatively close in terms of volumes which – again – is consistent with what we have seen over the last 3-4 years

Annual Complaints Report I Customer & Localities

WOKINGHAM BOROUGH COUNCIL

Total Figures

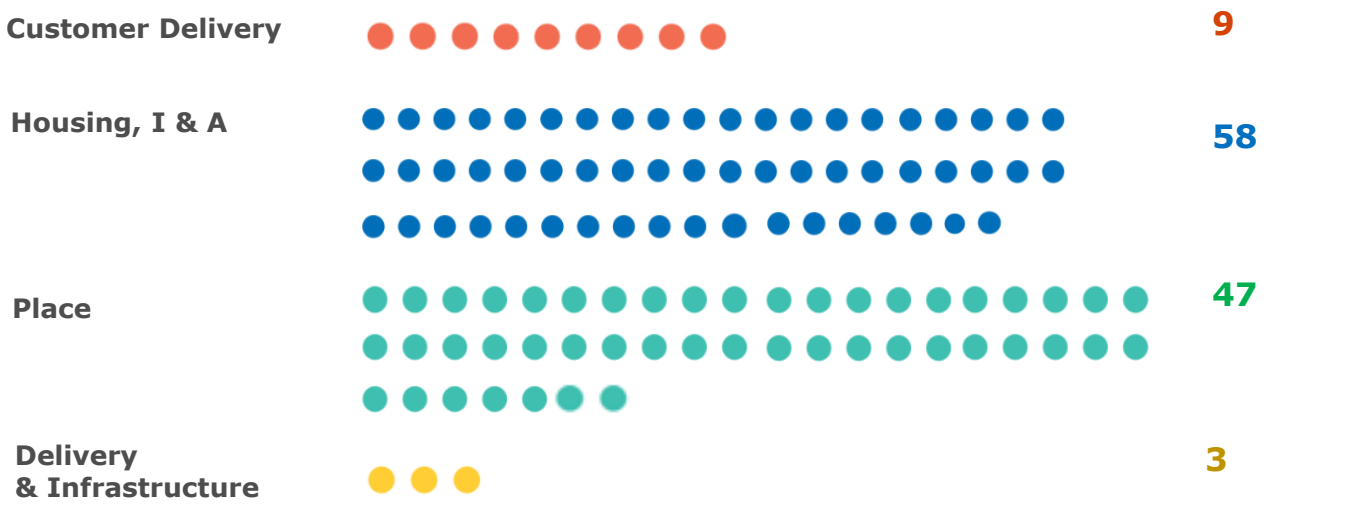
Responded to at Stage 1

Escalated to Stage 2

Received via the Ombudsman

Complaints by Department

Volumes of complaints



Of the complaints received...

3

Ombudsman cases were not upheld

12

Stage 2 cases were not upheld

36

Residents raised complaints about decisions

Annual Complaints Report I Children's Services (Corporate)

WOKINGHAM BOROUGH COUNCIL

Total Figures

Responded to at Stage 1

Escalated to Stage 2

Received via the Ombudsman

Complaints by Department

Volumes of complaints

Of the complaints received...

5

Ombudsman cases were not upheld

1

Stage 2 case was not upheld

5

Ombudsman cases where learning was identified

7

Of the Ombudsman cases were made about School Transport decisions

Annual Complaints Report I Children's Services (Statutory SC Complaints)

WOKINGHAM BOROUGH COUNCIL

Total Figures

Progressed at Stage 1

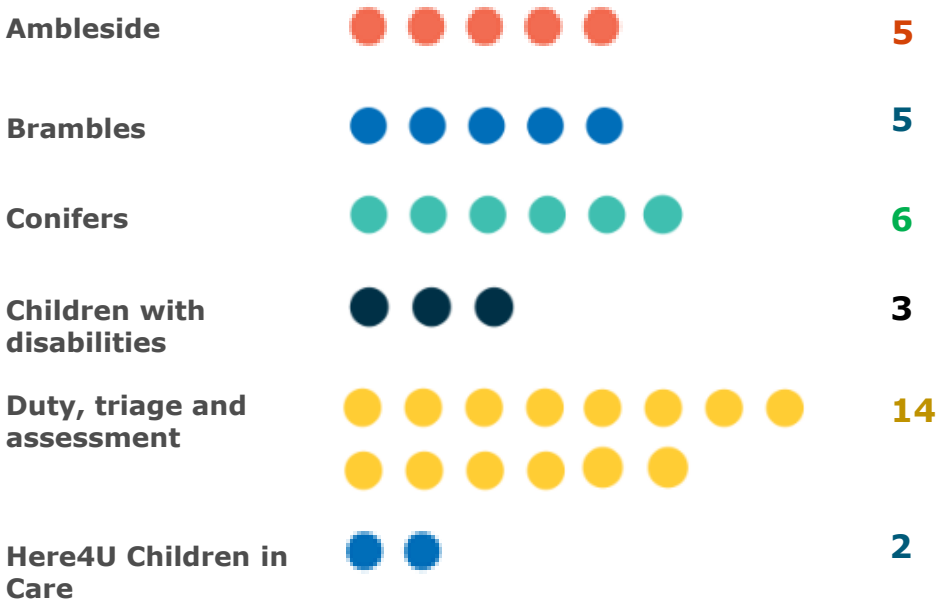
Escalated to Stage 2

Escalated to Stage 3

Received via the Ombudsman

Complaints by Social Work Team – 55 contacts to Children's service complaints, 18 were out of scope, 35 progressed under stage 1

Volumes of complaints



Of the complaints received…

18

Other complaints received were considered out of scope

1

Stage 2 case was not upheld

91%

Stage 1 responses completed within 20 day timescale

58

Compliments received

Annual Complaints Report I Adult Social Care

WOKINGHAM BOROUGH COUNCIL

Total Figures

Responded to at Stage 1

Escalated to Stage 2

Received via the Ombudsman

Complaints by Department

Volumes of complaints

Of the complaints received...

1

Case of Early Resolution

2

Cases escalated to the Ombudsman in respect of Blue Badge decisions

1

Of these cases was upheld and learning identified

Annual Complaints Report I Corporate Services

WOKINGHAM BOROUGH COUNCIL

Total Figures

Responded to at Stage 1

Escalated to Stage 2

Received via the Ombudsman

Complaints by Department

Volumes of complaints

Business Services 1

Governance 3

Of the complaints received…

2

Of Ombudsman cases were not upheld

1

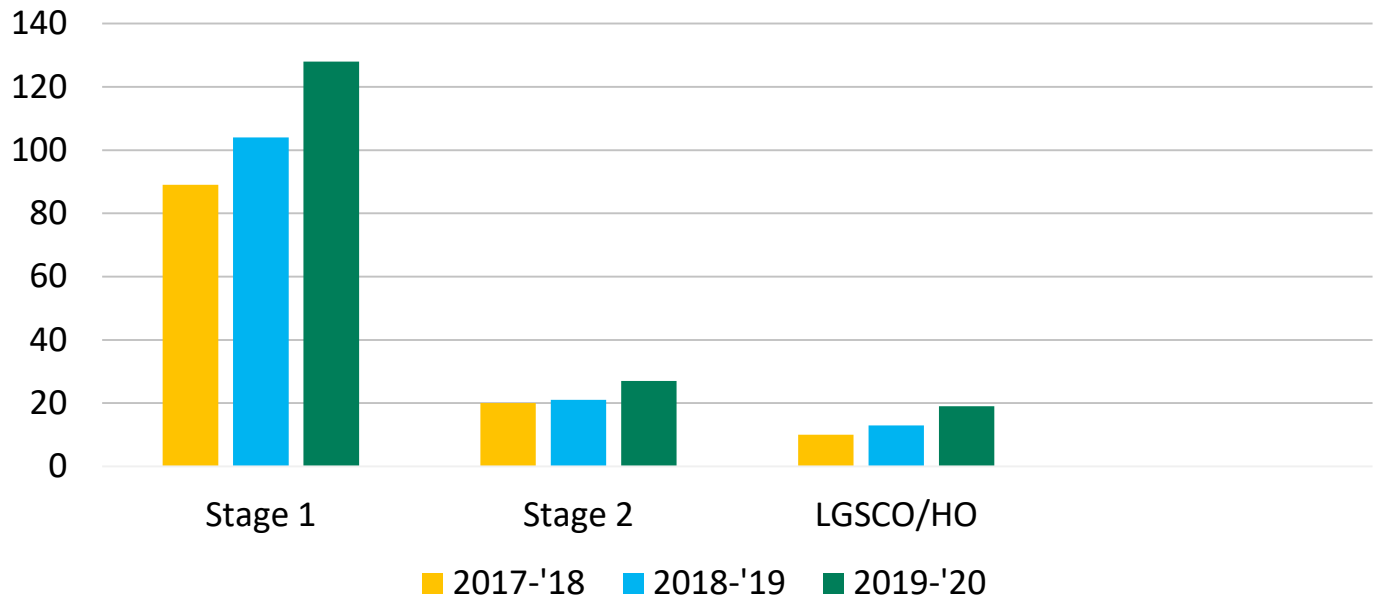
Stage 2 case was not upheld

2

Ombudsman cases were regarding decisions made

Annual Complaints Report I Volume Comparison

WOKINGHAM BOROUGH COUNCIL



Comments/Observations

1. We have seen a slight increase of cases received at Stage 1 across each of the formal stages compared with the last two financial years.

2. There has also been a slight increase in Stage 2 and Ombudsman cases – which is to be expected where this has also been the case for Stage 1s.

3. Whilst volumes have increased slightly, the demand on our services has also increased due to the growing number of households.

Annual Complaints Report I Ombudsman Cases

WOKINGHAM BOROUGH COUNCIL

The following figures are for those Ombudsman cases that were *received* in the 2019-20 financial year

Directorate	Upheld	Not Upheld	Partially Upheld	Awaiting Decision
Corporate Services	0	2	0	0
Customer & Loc.	0	3	1	0
Adult Social Care	1	1	0	1
Children's Services	5	5	0	0
Totals	**6**	**11**	**1**	**1**

19 Cases were received in total from the Ombudsman

13 Cases were received directly from the Ombudsman – meaning they were not investigated internally

7 Where the Council had to implement recommended actions

100% Of these actions have been implemented

61% Of these cases were not upheld by the Ombudsman…

…compared to the national average for local authorities which is around **50%**

7 Cases were regarding School Transport decisions – which is normal given they are considered internally through the appeals process: **not** the complaints process

Annual Complaints Report I Learning

WOKINGHAM BOROUGH COUNCIL

Whilst there is more learning and improvement that has been identified and implemented Council-wide, the following are some examples of the learning achieved through the complaints process

School Admissions

- Improved working in partnership with schools around making decisions for 'out of year' requests for summer born children
- Both Panel making decisions and parent 'out of year' requests are now fully in line with directives received from LGSCO and national guidelines

Home to School Transport

- A revision has been made to the 'Home to School Transport' policy to provide more clarity around the Council's appeal arrangements
- Tightened process around offering stage two appeal hearings – as residents were often approaching the Ombudsman immediately after stage one. Now an improved process for listening to customer concerns.

Building Control Solutions

- Complaints highlighted issue with delay in completion certificates being issued
- Identified that no automated notifications were sent to service once payments had been made and certificate should be issued; this has now been resolved
- Set up group e-mail accounts for service to improve on timeliness of responding to customer correspondence leading to a better experience, and resilience within service

Annual Complaints Report I Respond SaaS

WOKINGHAM BOROUGH COUNCIL

In April 2020, the Council upgraded it's complaints management software to a system called Respond SaaS. We anticipate this upgrade will bring the following benefits:

Enhanced reporting functionality that will allow us to provide both high level and/or management information as and when required

Automated scheduling which will remove manual input when it comes to reporting and task/diary management

We have configured the system to meet our precise needs, meaning we are now able to centrally record, monitor and report on essential complaints data – including learning from complaints

Our increased license/user base will allow us to have officers logging and monitoring cases *within* service, which will improve both capture of cases and resilience

WOKINGHAM BOROUGH COUNCIL

With the Respond upgrade having been completed we can now improve the way we gather complaints information, and empower services more to record, update and identify learning.

One of the ways we consider this can be achieved is by setting up a 'Complaints Working Group' with members from each Directorate/key service area. It is considered that such a group could bring the following benefits.

Share

An opportunity to collaborate and share any learning from complaints that could benefit other services

Highlight

Put a spotlight on any trends/patterns in cases received so that they can be highlighted where necessary

Action

Discuss and agree appropriate actions for any issues raised and take these forward

Continuous Improvement

WOKINGHAM BOROUGH COUNCIL

The Council has also received a high volume of positive feedback from customers! Here are some of the things they had to say about us:

"I salute the efforts of you and your colleagues in dealing with current extraordinary circumstances, maintaining the service you already provided!"

"A huge thanks for responding to my recent FOI request so fully!"

"A big thank you to the waste management team… the good weather and lockdown is generating a significant increase in all types of waste and the Council should be congratulated on its approach to this"

"She's the best Social Worker I've ever had – she listens and understands me and basically, her visits aren't a tick box exercise, she always prioritises what is important to me."

"What a wonderful and supportive social worker he is. He very ethical, fair to all (including professionals) and very intuitive. We are in a difficult situation but he's made us feel so content and relaxed by making everything so clear and understanding."

"I want to say a big thank you to all Council staff for your sterling efforts to keep services running during this difficult period"

"Thank you for maintaining the rubbish and garden waste collections, this is so helpful and very much appreciated by us all"

WOKINGHAM
BOROUGH COUNCIL

Complaints Benchmarking Report

Complaints Benchmarking Report I Summary

WOKINGHAM BOROUGH COUNCIL

- Various sized neighbouring Local Authorities were compared in the benchmarking exercise.

- Information on demographic differences between each neighbouring authority was collected.

- The latest complaints data on the Local Government and Social Care Ombudsman website was used, for 2018/19. This includes all complaints the Ombudsman received, however may have chosen not to investigate some cases where they were outside of their jurisdiction.

- The Ombudsman's data standardised the variables, so that Councils are placed on the same scale. This allows comparisons between the Council's to be drawn whilst mitigating against possible biases.

- There are limitations to using only the data - the data lacks nuance and does not consider whether the patterns drawn are replicated at each stage of the Council's internal complaints process.

Complaints Benchmarking Report I How Wokingham compares

WOKINGHAM BOROUGH COUNCIL

- We are comparable with other LA's around the types of complaints received

- We are also comparable with our neighbouring LAs in respect of both (i) the volumes of complaints received and (ii) the number of cases which are upheld/not upheld

- WBC has fewer complaints upheld when compared against the national average for Ombudsman cases investigated in 2018/19 and there is an indication that this has further improved in 2019/20 at 39% upheld

- The next ombudsman annual report for comparison is due in July 2020

Complaints Benchmarking Report I National issues/challenges faced

WOKINGHAM BOROUGH COUNCIL

- There has been an ongoing increase in Children's complaints, but with the focus shifting significantly towards education, specifically SEND.

- This shift seems to have coincided with legislation changes arising from SEND 14.

- Formal government legislation on school admissions will be easier to follow when the new School Admissions Code is released.

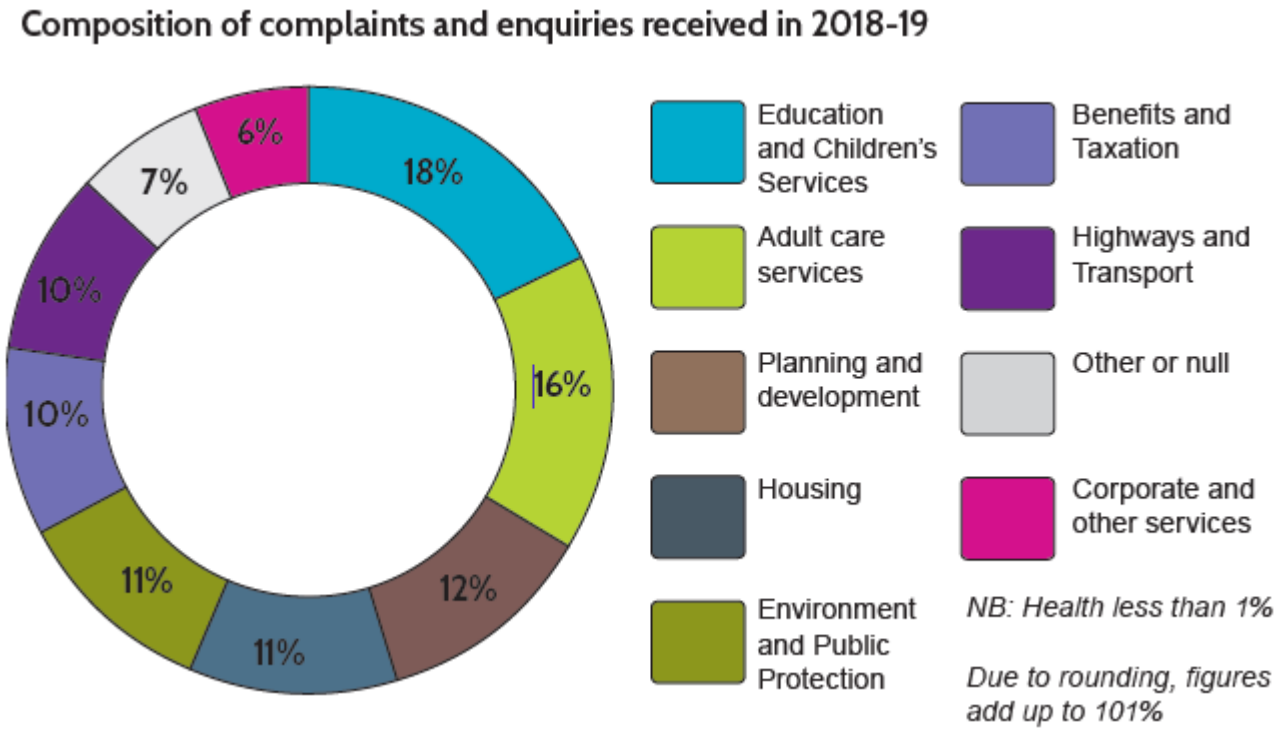
Complaints Benchmarking Report I Number of complaints received by the Ombudsman in 2018-19 (per 1000 households)

WOKINGHAM BOROUGH COUNCIL

Local Authority	Complaints received by Ombudsman per 1000 household's
Rushmoor Borough Council (ASC and Children's Services provided by Hampshire County Council)	0.26
Bracknell Forest Council (unitary authority)	0.52
West Berkshire Council (unitary)	0.59
Wokingham Borough Council	0.69
Royal Borough of Windsor and Maidenhead (unitary)	0.72
Reading Borough Council	0.95

Complaints Benchmarking Report I Pattern of complaints received Nationally

WOKINGHAM BOROUGH COUNCIL



The composition of complaints received by the Ombudsman for each Local Authority used in the benchmarking exercise, were similar to that found across England and Wales. The top three categories Education and Children's Services, Adult care Services, Planning and Development were represented as the number one area of complaint for 7 out of the 8 Local Authorities sampled. Only Reading was different, with Highways and Benefit and Taxation being the number one area for Ombudsman complaints

LOCAL AUTHORITY – Types of complaints	Highest	Second Highest	Third Highest
Rushmoor Borough Council	Planning and Development (60%)	Environmental Services, Public Protection and Regulation (20%)	Benefits and Tax/Housing (Joint at 10% each)
Bracknell Forest Council	Education and Children's Services (46%)	Environmental Services, Public Protection and Regulation (23%)	Adult Social Care (19%)
West Berkshire Council	Education and Children's Services (28.2%)	Adult Social Care (20.5%)	Planning and Development (17.9%)
Wokingham Borough Council	Planning and Development (33%)	Education and Children's Services (22.2%)	Environmental Services, Public Protection and Regulation (11.1%)
Royal Borough of Windsor and Maidenhead Council	Adult Social Care (29.5%)	Education and Children's Services (20.4%)	Corporate and Other Services/ Housing (Joint at 11.3% each)
Reading Borough Council	Highways and Transport/Benefits & Tax (Joint at 12% each)	Adult Social Care (17.4%)	Education and Children's Services (15.8%)

Complaints Benchmarking Report I Local Authorities compared

WOKINGHAM BOROUGH COUNCIL

Local Authority	Population Size	Household Size
Wokingham	167,979	64,791
Bracknell Forest Council	121,676	49,666
Reading Borough Council	163,203	66,000
Royal Windsor and Maidenhead	150,906	61,000
West Berkshire Council	158,527	66,018
Rushmoor Borough Council	95,100	38,000

SOURCE: Office of National Statistics (ONS)
ONS mid-2018 population estimate
ONS mid-2016 household projections

Complaints Benchmarking Report I Age demographic

WOKINGHAM BOROUGH COUNCIL

Local Authority	% under 20	20-39	40-59	60-79	80+
Wokingham Borough Council	(25.7%) 43,255	(21.9%) 36,795	(29.3%) 49,294	(18%) 30,385	(4.9%) 8,250
Bracknell Forest Council	(32%) 39,003	(27.6%) 33,703	(38.2%) 46,521	(26%) 31,719	(6.2%) 7,581
Reading Borough Council	(25.6%) 41,888	(33.4%) 54,610	(24.4%) 39,918	(12.8%) 20,998	(3.5%) 5,789
Royal Windsor and Maidenhead	(24.8%) 37,544	(22.2%) 33,508	(29.1%) 43,972	(18.2%) 27,499	(5.5%) 8,383
West Berkshire Council	(24.6%) 39,003	(21.2%) 33,703	(29.3%) 46,521	(20%) 31,719	(4.7%) 7,581
Rushmoor Borough Council	(23.8%) 22,700	(28.4%) 27,100	(28.2%) 26,900	(15.5%) 14,800	(3.7%) 3,600

Complaints Benchmarking Report I Ombudsman Complaints Received 2018-'19

Authority Name	Adult Social Care	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environmental Services, Public Protection and Regulation	Highways and Transport	Housing	Planning and Development	Other	Total
Rushmoor Borough Council	0	1	0	0	2	0	1	6	0	10
Bracknell Forest Council	5	0	0	12	6	0	0	**3**	0	26
West Berkshire Council	8	2	1	11	5	2	2	7	1	39
RBWM Council	13	2	5	9	4	1	5	4	1	44
Wokingham Borough Council	3	4	2	10	5	4	1	15	1	45
Reading Borough Council	11	12	4	10	8	12	3	2	1	63

Complaints Benchmarking Report I Ombudsman Complaints Decided 2018-'19

WOKINGHAM BOROUGH COUNCIL

Authority Name	Invalid or Incomplete	Advice Given	Referred Back for Local Resolution	Closed after Initial Enquiries	Not Upheld	Upheld	Total	Uphold Rate (%)	Average uphold rate (%) of similar authorities
Rushmoor Borough Council	0	0	4	4	1	0	9	0	43
Bracknell Forest Council	1	0	10	7	6	1	25	14	55
West Berkshire Council	1	1	5	15	5	5	32	50	55
Wokingham Borough Council	1	0	8	12	10	10	41	50	55
RBWM Council	3	0	15	11	5	12	46	71	55
Reading Borough Council	1	1	22	29	7	9	69	56	55

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Wokingham Borough Council

Annual Audit Letter for the year ended 31 March 2019

March 2020

EY
Building a better working world

Contents

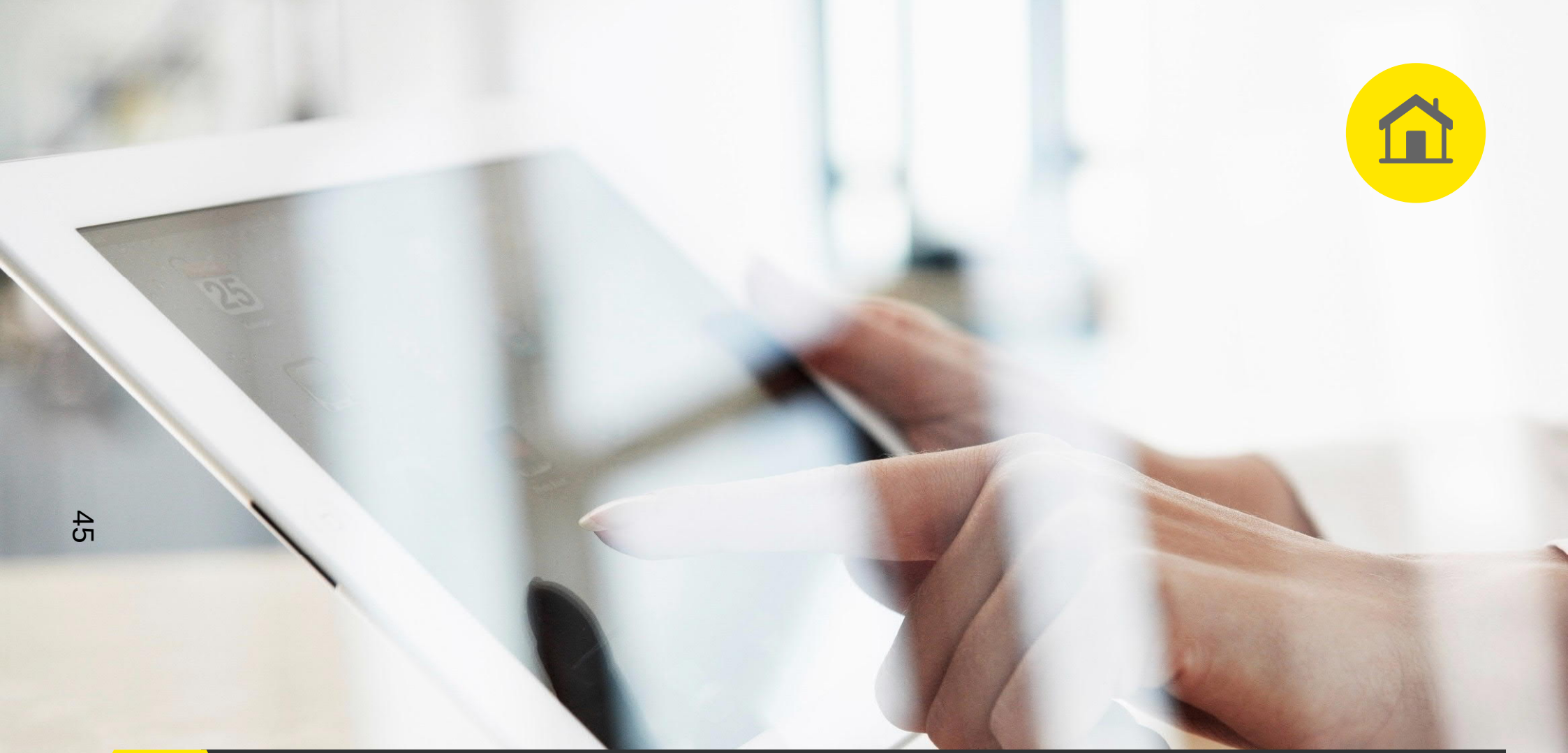
Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

This 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 April 2018)' issued by PSAA set 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 and Terms of Appointment. 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 2019.
Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ► Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended.
► 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.

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 13 March 2020.
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 13 March 2020

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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

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 2019/20 Audit Results Report to the 5 February 2020 Audit Committee, representing those charged with governance. We reissued our Report on 13 March 2020 at the conclusion of the audit. 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 2018/19 audit work was undertaken in accordance with the Audit Plan that we issued on 15 January 2019, and the update issued in June 2019, and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- Expressing an opinion:
  - On the 2018/19 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 (AGS). In the AGS, 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.

03 Financial Statement Audit

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 other guidance issued by the National Audit Office and issued an unqualified audit report on 13 March 2020.

Our detailed findings were reported to the 5 February Audit Committee, with an updated Audit Results Report issued on 13 March 2020.

Delay to the completion of the audit

On 24 July 2019, we were notified by the auditor of the Pension Fund that they were unable to complete their audit and issue the letter that we require to obtain assurance over the information supplied to the actuary in relation to Wokingham Borough Council. The delay in the certification of the Pension Fund audit was due to audit concerns about two specific issues: the valuation of a longevity hedge and the valuation of a convertible bond. As a consequence, the Pension Fund accounts were revised, with the valuation of these assets being reduced by £74.5m in total, and their accounts were signed on 10 December 2019. Your officers requested a fully revised report from the Pension Fund to update the IAS19 disclosures within the Council's statements. We received the revised statements from officers on 6 January 2020; and we received the assurance letter from the Pension Fund auditor on 24 January 2020. The auditor of the Pension Fund did not complete all the work we requested, and we carried out additional procedures to ensure we have the appropriate audit evidence.

Financial Statement Audit

Significant Risk	Conclusion
Misstatements due to fraud or error The financial statements as a whole are not free of material misstatements whether caused by fraud or error. 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. Our assessment of risk led us to create a series of criteria for the testing of journals, focusing specifically on areas that could be open to management manipulation. We also focused specifically on capitalisation of expenditure as a potential area of manipulation, which is recorded as a separately identified significant risk.	Our approach focused on: • Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. • Assessing accounting estimates for evidence of management bias. • Evaluating the business rationale for significant unusual transactions. Further to this, we: • Inquired of management about risks of fraud and the controls put in place to address those risks, as well as gaining an understanding of the oversight given by those charged with governance of management's processes over fraud. • Considered the effectiveness of management's controls designed to address the risk of fraud. We completed our work and we did not identify any: • evidence of material management override. • instances of inappropriate judgements being applied or other management bias both in relation to accounting estimates and other balances and transactions. • transactions during our audit which appeared unusual or outside the Council's normal course of business.

Financial Statement Audit

Significant Risk	Conclusion
Risk of incorrect capitalisation of revenue expenditure. Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. From our risk assessment, we assessed that the risk manifests itself solely through the inappropriate capitalisation of revenue expenditure to improve the financial position of the general fund. Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts, so we focused on the judgement applied to these classifications. We focused our substantive testing on the risk of incorrectly classifying revenue expenditure as capital additions, This would decrease the net expenditure from the general fund, and increase the value of non-current assets.	Our approach focused on: • For significant additions, we examined invoices, capital expenditure authorisations, leases and other data that support these additions. We reviewed the sample selected against the definition of capital expenditure in IAS16. • We extended our testing of items capitalised in the year by lowering our testing threshold. We will also reviewed a larger random sample of capital additions below our testing threshold. • We tested revenue expenditure funded from capital under statute (REFCUS) to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources. • We identified and reviewed the basis for significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year. Our sample testing of additions to property, plant and equipment found that they had been correctly classified as capital and included at the correct value. Our sample testing of additions to property, plant and equipment did not identify any revenue items that were incorrectly classified. Our sample testing of REFCUS transactions found that they had been correctly classified and the expenditure met the definition of allowable expenditure, or was incurred under direction from the secretary of state. Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.

Financial Statement Audit (cont'd)

Other Key Findings	Conclusion
Pension Liability 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 and Maidenhead Council. 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. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. 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. An additional level of risk arose following the issue of the Audit Plan. A national issue resulted in the consideration of the need for a relatively late change to the Council's accounts and IAS19 disclosures. It related to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft accounts did not recognise this issue as it was considered not to be sufficiently material to disclose a contingent liability. However, following the year-end there was additional evidence, including the legal ruling by the Supreme Court on 27 June 2019 which denied the Government leave to appeal, which suggested that the amounts should in fact be able to be fully calculated and so included in the IAS19 liability disclosed within the financial statements.	We: • Liaised with the auditors of The Royal County of Berkshire Pension Fund and obtained assurances over the information supplied to the actuary in relation to Wokingham Borough Council. • Assessed the work of the Pension Fund actuary (Barnett Waddingham) including the assumptions they used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant comments from the review by the EY actuarial team. • Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. • Considered the materiality of the 'McCloud judgement' on the Council's IAS19 disclosures and agreed the figures to updated actuarial reports. The Council requested a revised IAS19 report from the Pension Fund, following the completion of the Pension Fund audit in December 2019. The Council revised its disclosures for the IAS19 liability, including the impact of the McCloud judgement. We agreed the revisions made to the financial statements by officers to the revised IAS19 report. We concluded that we could rely on the work of the Pension Fund actuary. We carried out additional procedures to ensure we had the appropriate audit evidence following receipt of the assurance letter from the Pension Fund auditor. We concluded the values and entries from the actuarial report were materially correct within the Authority's financial statements.

Financial Statement Audit (cont'd)

Other Key Findings	Conclusion
Valuation of Property Plant and Equipment/Investment Property The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances, at £776.1m and £6.1m respectively for the year ended 31 March 2018, in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet	We: • Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work. • Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre). • Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. • Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated. • Considered changes to useful economic lives as a result of the most recent valuation. • Tested accounting entries have been correctly processed in the financial statements. There were no issues that needed to be brought to the attention of the Audit Committee.
Group accounts As part of our year end audit, we reviewed our preliminary scoping decisions which had been reported to the Audit Committee in June 2019. As a result, we concluded that: • Optalis Ltd is a full scope audit; • Berry Brook Homes Ltd is a specific scope audit; and • Wokingham Housing Ltd is a review scope audit. We therefore sought assurances from the component auditor and carried out appropriate audit procedures under ISA600 to support our audit opinion.	For Optalis Ltd and Berry Brook Homes Ltd, we obtained copies of the working papers to support material balances and reviewed to ensure they provided us with sufficient assurance over the consolidated balances. For Wokingham Housing Ltd, we undertook a high level review of consolidated balances to ensure they were in line with our expectations given the balances were not material. For all three entities, we obtained copies of the final signed financial statements and audit opinions, the letters of management representation and the reports to those charged with governance. We also obtained a number of confirmations and assurances from the auditor of the three entities to ensure they are appropriately qualified to complete the work, to confirm their independence and to confirm their findings. Finally, we reviewed the consolidation exercise to ensure inter-company balances were appropriately removed and the group financial statements had been properly consolidated.

Financial Statement Audit (cont'd)

Other Key Findings	Conclusion
PFI accounting	
The Council has one PFI arrangement with Waste Recycling Group RE3 Ltd, which is material to our audit. This is a joint PFI contract (entered into in 2006/07) with Reading Borough Council and Bracknell Forest Council for the disposal of waste. The total value of the contract is estimated to be £467m as at 31 March 2018, to be shared between the councils on relative throughput. Actual payments are based on the contractor's performance as well as that of the individual councils in waste collection. Estimated payments to be made by Wokingham Borough Council under the contract are £192.9m over the next 15 years of the contract. As part of the contract, the contractor built a transfer station, materials recycling facility and other amenities. The Council's share of the assets, valued at £8.9m as at 31 March 2018, are recognised as Property Plan and Equipment on the Council's Balance Sheet. The liability resulting from the contract, at the end of March 2018, was reported as £7.1m. PFI accounting is a complex area, and a detailed review of these arrangements was undertaken by our internal expert in 2016/17. We will review the accounting entries and disclosures in relation to PFI in detail in 2018/19, with a focus on any significant changes since the expert's review in the previous year.	PFI is a complex area and we commissioned a detailed review of the RE3 arrangements, for the three councils involved, namely Wokingham Borough Council, Bracknell Forest Council and Reading Borough Council. Our PFI specialist: • Included a review of the assumptions used in the RE3 PFI accounting model and compared these to a parallel model. • Provided comment on local adjustments made to the output from the RE3 model held by the host council, Reading Borough Council. • Reviewed the planned entries and disclosures for the Council's 2018/19 statement of accounts and ensured they were consistently reported across the three councils. Our specialist noted non-material net differences of around £1.1 million between the parallel PFI model and the RE3 accounting model. Upon investigation, these differences were down to two factors; assumptions applied to the profit on fixed assets and the profit on capital costs. Once these were factored into the parallel model, the net difference between the models was reduced to £132,000, which is below our threshold for reporting misstatements of £313,000. We are satisfied that we have appropriate assurance that the PFI accounting model produces figures which are materially correct.
IFRS 9 financial instruments	
This new accounting standard is applicable for local Authority accounts from the 2018/19 financial year and will change: • How financial assets are classified and measured; • How the impairment of financial assets are calculated; and • The disclosure requirements for financial assets. There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 9.	We: • Assessed the Council's implementation arrangements which included an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19; • Considered the classification and valuation of financial instrument assets; • Reviewed the new expected credit loss model impairment calculations for assets; and • Checked additional disclosure requirements for compliance with the CIPFA Code. We concluded that the Council's disclosures were in line with Code requirements.

Financial Statement Audit (cont'd)

Other Key Findings	Conclusion
IFRS 15 Revenue from contracts with customers This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. 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. The 2018/19 CIPFA Code of Practice on Local Authority Accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised. The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.	We: • Assessed the Council's implementation arrangements and impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19; • Considered application to the Council's revenue streams; and • Checked additional disclosure requirements for compliance with the CIPFA Code. We have reviewed and agree with the Council's impact assessment that the revenue is recognised on an accrual basis and, as most of the transactions for providing goods and services are immaterial, there is no impact of IFRS15 to the accounting or disclosure requirements for the Council. As such, no restatement of the accounts was required.

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 updated our planning materiality assessment using the draft financial statements and also reconsidered our risk assessment. Based on our materiality measure of 2% of gross expenditure on provision of services, we updated our overall materiality assessment to £6.269m (audit planning report – £6.975m). This results in updated performance materiality, at 75% of overall materiality, of £4.701m, and an updated threshold for reporting misstatements of £0.313m. These figures did not require updating once the final audited statements were received. We consider gross revenue expenditure 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 audit differences in excess of £0.313m.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits: we apply no materiality threshold to these balances given their inherent sensitivity and public interest.
- Related party transactions: we apply no materiality threshold to these balances given their inherent sensitivity and public interest.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

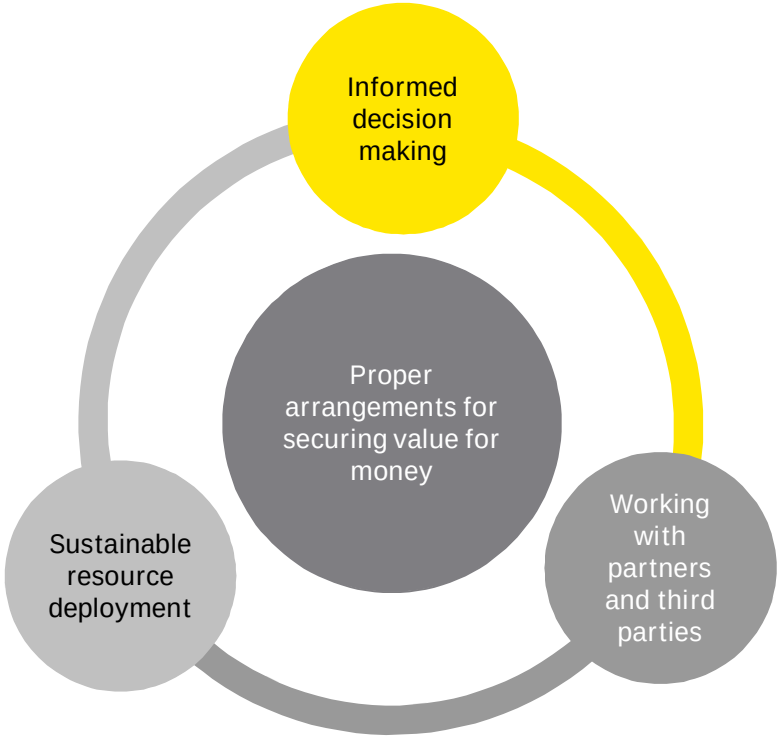
04 Value for Money

Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in 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 our Audit Planning Report, but subsequently raised a risk which was reported to the Audit Committee, through our Audit Progress Report, on 5 June 2019. The table below presents our findings in response to this risk.

We performed the appropriate procedures and we did not identify any significant weaknesses in the Council's arrangements.

Value for Money (cont'd)

Significant Risk	Conclusion
During 2018 there were significant changes within the top management team and political leadership at the Authority. This uncertainty could potentially give rise to a lack of clarity in role accountability and responsibility regarding delivery of the annual and medium term budget and savings targets, which could manifest itself in the presentation and ownership of the Medium Term Financial Plan (MTFP), and other key Authority financial documents. We are content that the Authority's financial plans are fully balanced with no budget gaps, however, this risk would be inherent at any local government body that has faced the levels of senior staff attrition that Wokingham Borough Council has faced over the past year.	We concluded that the Authority has appropriate reporting flows and processes in place to ensure that the MTFP is properly prepared and approved in line with the Authority's financial and governance framework. We also determined that the decision-making processes are strong and that key financial decisions are properly challenged and subjected to a good level of scrutiny, all of which is made available to external stakeholders. We also concluded that the Authority ensures appropriate oversight of subsidiaries through the subsidiaries' board selection and monthly board meetings attended by the Authority officers and the Chief Finance Officer. We found that the Authority's budgeting processes are strong and medium term budgets are fully balanced. However, we found the presentation of the information in the MTFP difficult to follow and extract, resulting in a lack of clarity which, on a presentational level, compromises the strength of the underlying financial data. The MTFP does not signpost the impact of budget proposals on service levels, which potentially makes it difficult to see the complete financial picture and could impact members' ability to make informed decisions. Capacity within the Finance team remains an ongoing concern and the Authority is working hard to address this, but there is a risk that while solid arrangements are in place for MTFP and financial statements preparation, they may not be followed if the finance team is over-stretched. An example of this was observed in our final accounts audit where expenditure samples from our interim visit were still outstanding in July.

We issued an unqualified value for money conclusion on 13 March 2020.

05 Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes.

The Council is below the specified audit threshold of £500 million. Therefore, we were not required to perform any audit procedures on the consolidation pack.

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 completed this work and did not identify any areas of concern.

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.

Objections Received

We did not receive any objections to the 2018/19 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.

Other Reporting Issues (cont'd)

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 13 March 2020. 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.

Control Themes and Observations

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process.

Draft accounts presented for audit

The draft accounts presented for audit were missing group accounting information, the cashflow statement and the Annual Governance Statement. Significant adjustments were also made to Property, Plant and Equipment (PPE) balances before they were ready for audit. Not having the general ledger fully agreed to the trial balance at the commencement of the audit meant that maintaining a log of ledger adjustments was difficult, and this was particularly the case when trying to agree the final version of the financial statements to the trial balance. The Authority should endeavour to ensure that the draft financial statements published in May are as complete as possible from the outset as this eases the pressure on both auditor and client time during the accounts audit. Once submitted for audit, adjustments to the ledger should only then occur as a result of agreed audit amendments.

General ledger data analytics

We obtain downloads of all 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. We initially could not use the General Ledger analytics data because the Council extracted the data before the ledger was closed, and another £70 million was posted after the original data run. This rendered the original analytics tool unusable and we had to use the Council's system generated trial balance to extract out testing samples. By the time the data was re-run in mid-July, there was no efficiency in using the tool other than for assurance over data completeness.

06 Data Analytics

Use of Data Analytics in the Audit

[Data analytics – Area of the Financial Statements e.g., revenue recognition]

Analytics Driven Audit

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 2018/19, 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 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. We initially could not use the General Ledger analytics data because the Council extracted the data before the ledger was closed, and another £70 million was posted after the original data run. This rendered the original analytics tool unusable and we had to use the Council's system generated trial balance to extract out testing samples. By the time the data was re-run in mid-July, there was no efficiency in using the tool.

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.

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 16 Leases	It had been proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year. In response to the developing COVID-19 emergency situation, CIPFA has been working directly with Government departments in helping to support the sector. As a consequence, the Financial Reporting Advisory Board (FRAB) recently proposed revisions to the financial reporting requirements for 2019/20 and these were considered by the CIPFA/LASAAC Local Authority Code Board in late March. It was agreed to defer the implementation of IFRS 16 Leases for one year (so an effective date of 1 April 2021) in-line with the FRAB's proposals for Central Government.	CIPFA/LASAAC will need to consider the impact of this deferral on the 2020/21 Code and also on the consultation process for 2021/22. However, what remains clear is that the Council needs to undertake a detailed exercise to identify all leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.
IASB Conceptual Framework	The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year. This introduces; – new definitions of assets, liabilities, income and expenses – updates for the inclusion of the recognition process and criteria and new provisions on derecognition – enhanced guidance on accounting measurement bases - enhanced objectives for financial reporting and the qualitative aspects of financial information. The conceptual frameworks is not in itself an accounting standard and as such it cannot be used to override or disapply the requirements of any applicable accounting standards. However, an understanding of concepts and principles can be helpful to preparers of local authority financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.	It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements. However, Authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.

08 Audit Fees

Audit Fees

Our fee for 2018/19 is in line with the scale fee set by the PSAA but also includes scale fee variations as detailed below.

Description	Final Fee 2017/18 £	Planned Fee 2018/19 £	Scale Fee 2018/19 £	Final Fee 2018/19 £
Total Audit Fee – Code work	105,617	81,325	81,325	81,325
Total Audit Fee – Scale fee variation	1,066*	0	n/a	16,600***
Total Audit Fee	106,683	81,235	81,235	97,925***
Non-audit work – Claims and returns	8,397**	20,490****	n/a	tbc

- * The scale fee variation of £1,066, in relation to work done in 2017/18, related to our review of the restated balances following a restructure of the Council's portfolios. This work is outside the scope covered by the scale fee. The fee variation was agreed with management and approved by PSAA.
- ** The total includes a fee variation of £1,214, in relation to additional work carried out in 2017/18 over and above that undertaken in the year on which the scale fee was based (2015/16). The fee variation has been agreed with management and approved by PSAA.
- *** This is the scale fee variation for extra work involved in gaining assurance over the VFM significant risk, the additional work associated with the IAS19 disclosures, PFI specialist review, and the work incurred due to delays and errors in the initial set of financial statements. This has was agreed with management on 28 April 2020, and is now subject to approval by PSAA.
- **** This is based on the engagement letter value cost of £14,990, plus extra work required to complete mandated 40+ testing. This has yet to be agreed with management.

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Wokingham Borough Council

Audit planning report

Year ended 31 March 2020

March 2020

Building a better working world

Audit Committee
Civic Offices,
Shute End
Wokingham, RG40 1BN

13 May 2020

Dear Audit Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. Our planning procedures remain ongoing, and we will update the Audit Committee should any further matters come to our attention that impact the assessment of key issues or our audit scope.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 3 June 2020 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

Contents

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).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 and further guidance (updated April 2018)" 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 Governance and 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 Governance and 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 Overview of our 2019/20 audit strategy

Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 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 would otherwise appear to be operating effectively.
Risk of fraud in revenue and expenditure recognition – incorrect capitalisation of expenditure	Fraud risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Valuation of Land and Buildings	Significant risk	Increase in risk or focus	The value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet, covering both those assets that are revalued within the year and the continuing material accuracy of those valued in prior periods.
Pension Liability Valuation	Significant risk	Increase in risk or focus	The Local Authority 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 Windsor & Maidenhead Council, the Berkshire Pension Fund Administrator. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates. In 2018/19, late changes were required to disclosures in the financial statements arising from the McCloud legal judgement. There could be further impact for 2019/20 should any further developments arise.

Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Going concern	Inherent risk	Increase in risk or focus	Going Concern Compliance with ISA 570. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee.
PFI Estimates	Inherent risk	No change in risk or focus	PFI is a complex area and we commissioned a detailed review of the RE3 Waste PFI arrangements for Bracknell, Reading and Wokingham Councils by our PFI specialist for the 2018/19 financial statements. This included a review of the assumptions used in the RE3 PFI accounting model, comment on local adjustments made to the model. We will review the planned entries and disclosures for the Council's 19/20 accounts.

Overview of our 2019/20 audit strategy

Materiality

Planning materiality
£6.353m

Materiality has been set at £6.353m, which represents 2% of the prior year's gross expenditure on provision of services.

Performance materiality
£4.764m

Performance materiality has been set at £4.764m, which represents 75% of planning materiality.

Audit differences
£318k

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, and collection fund) greater than £318k. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

Overview of our 2019/20 audit strategy

Audit scope

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

- Our audit opinion on whether the financial statements of Wokingham Borough Council, and the group, give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and

- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

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

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

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

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

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to assess independently the risks associated with providing an audit opinion, and to undertake appropriate procedures in response to that assessment. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditor's assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit, with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these are relevant in the context of Wokingham Borough Council's audit, we will discuss these with management as to the impact on the scale fee.

02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by *) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues identified during the audit.

Misstatements due to fraud or error*	What is the risk?	What will we do?
Financial statement impact Misstatements that occur in relation to the risk of fraud and error could materially affect the income and expenditure accounts. While there are no statutory financial performance targets in local government, management remains under pressure to ensure that the Council balances its annual budgets as central funding continues to reduce.	The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK) 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.	Our procedures include: • asking management about risks of fraud and the controls to address those risks; • understanding the oversight given by those charged with governance of management's processes over fraud; and • considering the effectiveness of management's controls designed to address the risk of fraud. We also perform mandatory procedures regardless of specifically identified fraud risks, including: • testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • assessing accounting estimates for evidence of management bias; and • evaluating the business rationale for significant unusual transactions. As well as our overall response, we specifically consider where these risks may occur, and identify separate fraud risks as necessary.

Our response to significant risks (continued)

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure*

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Financial statement impact

We have assessed that the risk of fraud in revenue and expenditure recognition is most likely to occur through the inappropriate capitalisation of revenue expenditure. This would have the impact of reducing revenue expenditure and increasing additions to Property, Plant and Equipment (PPE).

The value of PPE additions in 2018/19 was £111m. This risk might be extended to cover Revenue Expenditure Funded from Capital Under Statute (REFCUS), if the value is material for 2019/20.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed that the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure, as there is an incentive to reduce expenditure which is funded from Council Tax. This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

What will we do?

We will:

- review and test revenue and expenditure recognition policies;
- review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias;
- develop a testing strategy to test material revenue and expenditure streams, and review and test any material revenue cut-off at the year end;
- review in-year financial capital projections and compare them to the year-end position;
- test PPE additions using lowered testing thresholds, to ensure they are appropriately supported by documentary evidence, and that the expenditure incurred and capitalised is clearly capital in nature; and
- seek to identify and understand the basis for any significant journals transferring expenditure from non-capital codes to PPE additions or from revenue to capital codes on the general ledger at the end of the year.

This risk might be extended to cover REFCUS, if the value is material for 2019/20.

Our response to significant risks (continued)

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Valuation of land and buildings – Property Plant and Equipment and Investment Properties

Financial statement impact

The Council's land and buildings valuation is a material item. Small changes in assumptions when valuing them can have a material impact on the financial statements.

We have reflected on the significance of the valuations in the Council's balance sheet, as well as the complexity involved in applying the correct valuation methodology for each type of asset.

What is the risk?

The Local Authority Accounting Code of Practice require the Council to make extensive disclosures within its financial statements regarding its land and buildings.

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represents a significant balance, at £871.405 million and £17.077 million respectively, in the Council's accounts as at 31 March 2019 and are subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Given the fact that the Council has purchased a significant number of Investment Properties during 2019/20 and given the current uncertainty in the property market, we classify this as a significant risk.

What will we do?

We will:

- Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre) and challenge the key assumptions used by the valuers;
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Property. We will also consider if there are any specific changes to assets that have occurred and whether these have been communicated to the valuers;
- Review assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated at 31 March 2020;
- Consider changes to useful economic lives as a result of the most recent valuation; and
- Test to confirm that accounting entries have been correctly processed in the financial statements.

In considering the above, we will assess the Council's approach to recognise any impact on valuations at 31 March 2020 arising from COVID-19. We will be asking our EY Real Estate specialists to assist us in this work.

Our response to significant risks

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Pension Net Liability Valuation

Financial statement impact

The Council's pension fund deficit is a material and sensitive item. Small changes in assumptions when valuing it can have a material impact on the financial statements. The Code requires the Council to disclose this net liability on the Council's Balance Sheet.

We have reflected on the significance of the liability to the Council's balance sheet, as well as the difficulty in valuing some of the pension fund assets caused by their nature and size, in the current uncertain economic environment, and classified this as a significant risk.

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Berkshire County Council Local Government Pension Scheme, administered by the Royal Borough of Windsor and Maidenhead (RBWM).

At 31 March 2019 the pension fund deficit totalled £291.272 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Pension Fund Administrator.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

In the prior year, the 'McCloud' judgement impacted the estimate and resulted in an amendment of the net pension liability. We anticipate this will again be a key assumption in estimating the pension liability. We would expect the Council's actuary to be basing their assumptions taking into account the Council's specific membership profile and how it has been impacted by the judgement. We also note that there may be further developments in this area, potentially again coming after the balance sheet date.

What will we do?

We will:

- liaise with the auditors of the Berkshire County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Wokingham Borough Council. We discuss the issue of the planned scoping and reporting of their work in the next section "Working together".
- assess the work of the Pension Fund actuary (Barnett Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

We have had an early discussion with the Pension Fund auditor to understand the timetable for their work. This was before the recent changes to local authority accounts deadlines, and so further discussions will be held to ensure there is a joint understanding of the timetable and the impact for Wokingham Borough Council.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
Going Concern Compliance with ISA 570 This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee. The CIPFA Guidance Notes for Practitioners 2019/20 accounts states 'The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.' NAO guidance notes to auditors accepts that whilst the technical position regarding the going concern basis of accounting is clear, there may be a tension between the going concern assumption and the significant resource issues some authorities are facing. It is therefore important that authorities and auditors are aware of the requirements for assessing going concern in the local government context and consider the requirements of IAS 1 and the accounting code. Where relevant, this may require the inclusion of appropriate disclosure, for example within the narrative report.	The revised standard requires: • auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias; • greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Authority obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements; • improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect. Whilst the Council are not one of the three entity types listed above, at the time of writing this report, it is not yet established what additional reporting requirements maybe required for those entities falling outside these definitions. We will ensure compliance with any updated reporting requirements once they are defined; • a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and • necessary consideration regarding the appropriateness of financial statement disclosures around going concern. The revised standard extends requirements to report to regulators where we have concerns about going concern. We will discuss the detailed implications of the new standard with finance staff during 2019/20 ahead of its application for 2020/21, and we will also consider the impact of Covid-19 on the disclosures for 2019/20.

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
PFI Accounting The Council has one waste PFI arrangement with the Waste Recycling Group RE3 Limited. This is a joint PFI contract (entered into in 2006/07) with Reading and Bracknell Forest Councils for the disposal of waste. The total value of the contract is estimated to be £117.3 million as at 31 March 2019, to be shared between the Councils based on usage. Actual payments are based on the contractor's performance as well as that of the individual councils in waste collection. Estimated payments to be made by Wokingham Borough Council under the contract are £43.64 million over the next 15 years of the contract. As part of the contract, the contractor built a transfer station, materials recycling facility, civic amenity site and offices. The Council's share of the assets, valued at £10.19 million as at 31 March 2019, are recognised as Property, Plant and Equipment on the Council's Balance Sheet. The liability resulting from the contract, at the end of March 2019, was reported as £6.45 million.	PFI is a complex area and we commissioned a detailed review of the RE3 arrangements, for the three councils involved, namely Bracknell Forest, Reading and Wokingham Borough Councils as part of the 2018/19 audit, Our work, by our PFI specialist, in 2018/19, included: • a review of the assumptions used in the RE3 PFI accounting model; and • comment on local adjustments, if any, by Wokingham Council, made to the output from the RE3 model held by the host council, Reading Borough Council. For the 2019/20 audit, we will review the planned entries and disclosures for the Council's accounts and ensure that they are consistently reported across the three councils.

03 Value for Money Risks

Value for Money

Background

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.

For 2019/20 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.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

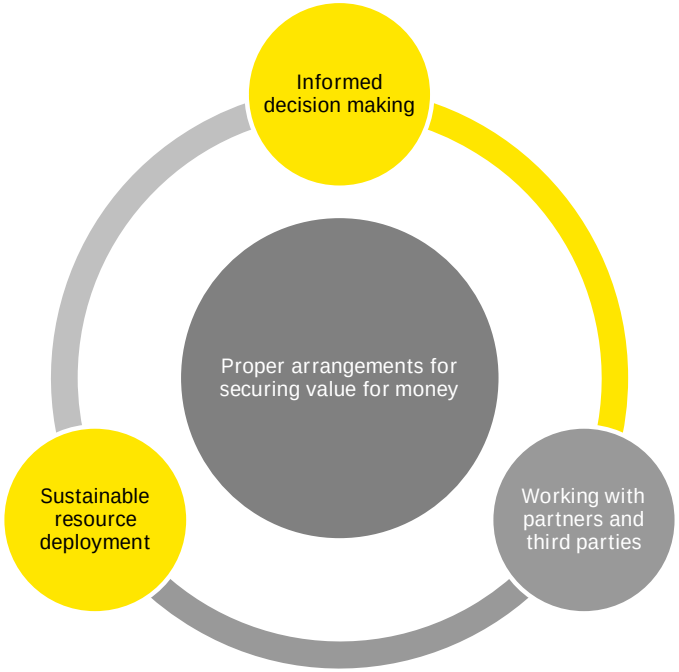
We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

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

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level.

Our risk assessment has, therefore, considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. At the time of our planning, this has resulted in the following significant risks relevant to our value for money conclusion:

- Commercialisation and the purchase of investment properties; and
- Effectiveness of the Governance and Risk Management Framework



Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
Commercialisation and the purchase of investment properties		
The Council has plans to develop some £85 million of significant commercial and investment opportunities to generate more income. The Council's 21st Century transformational change programme is critical in enabling the Council to delivering the level of savings needed for a sustainable financial future. Progress has been made against the target of £3.3 million of savings over 2019/20, which is in additional to some 22.8 million of savings delivered in the past four years. Paragraph 46 of the Statutory Guidance on Local Government Investments states that 'Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed'. However, para 47 of the Statutory Guidance also states that where a local authority has chosen to disregard the Prudential Code and the Guidance, additional explanations and disclosures will be required, including risk management. The Guidance also requires investments to have regard to Security, Liquidity and Yield in that order. Additionally, the Statutory Guidance on Minimum Revenue Provision (MRP) applying from 1 April 2019 includes the requirement to establish an MRP policies, and paragraph 45 states that the duty to make MRP extends to investment properties where their acquisition has been funded by an increase in borrowing or credit arrangements. The Guidance's commentary sets out this is to ensure Council's provide for debt taken on to finance the asset over the period of that debt, with a maximum period of 50 years, consistent with the maximum period of PWLB borrowing. The Council's current policy does not make MRP on its investment properties.	Deploy resources in a sustainable manner	We will review: • the underlying rationale for the Council's proposed investments and clarity on how this sits with the Council's strategy and objectives; • legal powers and other advice obtained e.g. tax, investment decisions; • compliance with sections 46 and 47 of Statutory Guidance on Local Authority Investments and the Prudential Code; • the Council's MRP policy; • clarity of governance arrangements for the Council's decision making with regard to their investment property purchases; • recognition and reporting of risks in the corporate/strategic risk register We will also consider the extent to which the Council has demonstrated the key Prudential Code considerations: • existence of capital expenditure plans and a clear strategy that has regard to have regard to; service objectives, stewardship of assets, value for money, prudence and sustainability, affordability and practicality • demonstrating value for money in borrowing decisions • security of borrowed funds • extent of borrowing for investments and borrowing overall • the nature of the investment • risks involved, including falling capital values, borrowing costs, illiquidity of assets.

Value for Money Risks

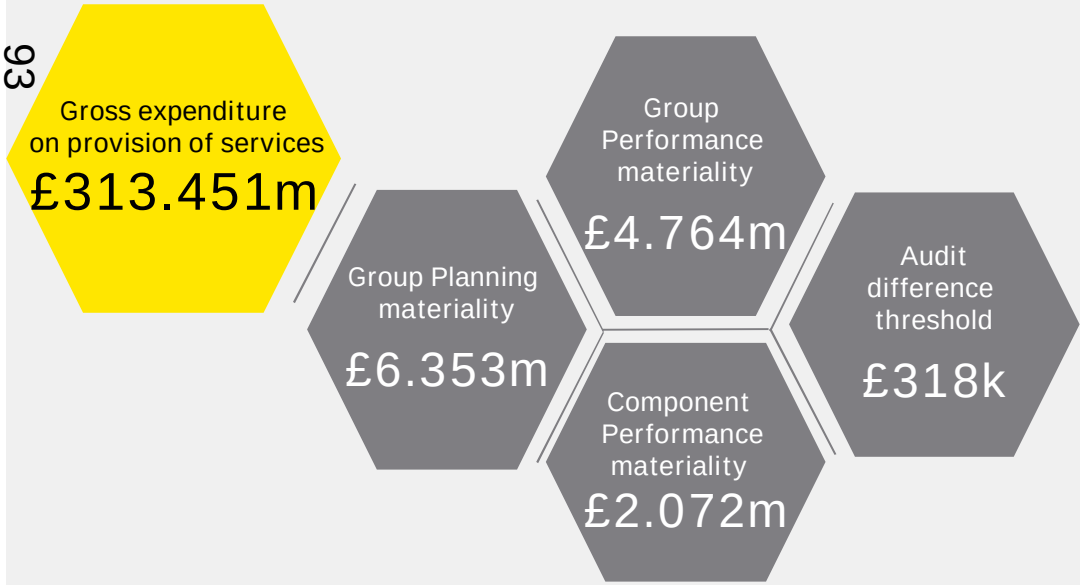
What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
Effectiveness of the Council's Governance and Risk Management Framework		
The Council's Local Code of Corporate Governance (LCCG) is a useful tool outlining the design of the Council's Governance and Risk Management Framework. The Council's Annual Governance Statement (AGS) states that governance is operating in accordance with its LCCG. However, from our audit planning work we have identified some areas where: • governance procedures could be more effective; and • strengths and areas for improvement could be better disclosed in the 2019/20 Annual Governance Statement. In term of more effective governance, we have found, to date, that: • the Risk Management Strategy and Guidance have not been updated since 2014 and do not reflect the current role of the Audit Committee in risk management; • risk management may be better embedded if corporate risks are aligned to the delivery of the Council's strategic objectives in the Council Delivery Plan; • the Council's risk profile is high with 11 of 13 risks at high (8) or very high (3), which is contrary to the Council's low risk targets in the Risk Register; • there are few clear actions documented on the Corporate Risk Register on how risk is to be effectively manged down to the lower targets. Adequate risk management is required for members and officers to take informed decisions. We will, therefore, review the effectiveness of the Council's Risk Management Framework and how this may be further improved. The disclosures in the 2019/20 AGS could be improved so that the AGS better describes the effectiveness of the Council's governance arrangements in year, any significant weaknesses and action plans for the resolution of prior year issues and issues going forward. The Council should be disclosing how the Council's Assurance Framework complies with its LCCG with a clearer statement on how the Council is achieving its strategic objectives and addressing areas for improvement. We will discuss the production of a more informative Annual Governance Statement for 2019/20 as part of our review of the Council's Governance and Risk Management Framework.	Take informed decisions	Our approach will focus on: ► review of the adequacy of the Council's risk management arrangements; ► compliance with the Council's Local Code of Corporate Governance; ► disclosures to be made in the Council's 2019/20 Annual Governance Statement on the effectiveness of the Council's Governance and Risk Management Framework.

04 Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2019/20 has been set at £6.353m. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have set materiality using gross revenue expenditure as our expectation is that users of the Council's accounts are focussed on how it uses its resources to provide services to local people. We have used 2% based on our assessment of the Council's financial position, levels of public interest, lack of planned reorganisations and sources of borrowing.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £4.764m which represents 75% of planning materiality. The rationale for using 75% is based on the anticipation of identifying few or no errors during the audit. This expectation has been built on our experience of the Council in prior years.

Component performance materiality range – we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, and collection fund. Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Committee, or are important from a qualitative perspective.

Specific materiality – We have also set a materiality of £1k for remuneration disclosures, related party transactions, members' allowances and exit packages, which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to these areas.

05 Scope of our audit

Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's Group and single entity financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

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

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

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

Procedures required by the Code

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

2. Arrangements for securing economy, efficiency and effectiveness (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.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2019/20 we plan to follow a substantive approach to the audit, as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

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

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

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Policy & Organisation Board. The successful use of analytics and a technologically enabled audit is an underpinning concept of our contract with PSAA.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit work, where they raise issues that could have an impact on the financial statements, the Narrative Statement or the Annual Governance Statement.

Scoping the Group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple components is risk based. We identify components as:

1. Significant components: A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
2. Not significant components: The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement. These procedures are detailed below.

Scoping by component

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Our preliminary audit scopes by component are set out below.

Optalis Holdings Ltd	A	Full scope audit
Berry Brook Homes Ltd	B	Specific scope audit
Wokingham Holdings Ltd (includes Loddon Homes Ltd and Wokingham BC Housing Ltd)	C	Review scope audit

Scope definitions

Full scope: For Optalis Holdings Ltd, we perform a full audit using the materiality levels assigned by the Group audit team, as this component has a gross spend of some £44.4 million which at 13.3% of the Group is material in size.

Specific scope: For Berry Brook Homes Ltd, we limit the audit to two specific accounts, namely PPE and long-term liabilities. These balances at £19.229 million and £14.593 million respectively, are material for the Group audit.

Review scope: Wokingham Holdings Ltd (which include Loddon Homes Ltd and Wokingham BC Housing Ltd) represent some 1.3% of the Group PPE balance but are not significant based on size. The risks recognised at group level do not raise risk of material misstatement in this component. We, therefore, carry out procedures which primarily consist of analytical procedures and inquiries of management to confirm that there is no risk of material misstatement.

06 Audit team

Audit team and Working together with

Audit team structure:

Helen Thompson
Associate Partner
hthompson2@uk.ey.com

Justine Thorpe
Manager
jthorpe@uk.ey.com

Francesca Churchhouse
fchurchhouse@uk.ey.com

Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2019/20 audit.

Specifically, given the current restrictions arising from COVID-19 and the changes in the local authority accounts reporting deadlines, we have arranged regular calls with the finance team to keep in touch and discuss emerging issues.

Changes to the audit team

Justine and Francesca have joined the audit team as Manager and Lead Senior for 2019/20. Justine has worked in public sector audit for some 20 years, having previously worked for the Audit Commission. Francesca has worked for EY for more than 4 years, and have both have significant experience of managing and leading teams across a range of local government clients.

Use of specialists

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

Area	Specialists
Valuation of Land and Buildings	Management specialist: Council's Internal Valuer for PPE and IP EY Specialist: EY Valuations ream
Pensions disclosure	Management specialist: Barnett Waddington EY Specialists: EY Actuaries and PWC Actuary commissioned by NAO

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

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

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

07 Audit timeline

Timetable of communication and deliverables

Timeline

Below is an indicative timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019/20. The final timetable will depend on our ability to obtain sufficient, appropriate audit evidence to support our audit opinion.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Committee Chairs as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit Committee timetable	Deliverables
Planning: Risk assessment and setting of scopes Walkthrough of key systems and processes	January / February		
Interim audit testing and completion of walkthrough of key systems and processes	March / April		
	June	3 June 2020	Audit Planning Report
Year end audit Audit Completion procedures	July / August	24 July 2020	Audit Progress Report
Audit Completion procedures	September	25 September 2020	Audit Results Report Audit opinions and completion certificates
	November	4 November 2020	Annual Audit Letter

08 Independence

Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
▸ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▸ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▸ The overall assessment of threats and safeguards; ▸ Information about the general policies and process within EY to maintain objectivity and independence. ▸ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard.	▸ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▸ Details of non-audit services provided and the fees charged in relation thereto; ▸ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▸ Written confirmation that all covered persons are independent; ▸ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▸ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▸ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

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

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

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non –audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

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

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%. At the time of writing, we have proposed to under take the role of reporting accountant for the DWP's Housing Benefit Assurance Process (HBAP). We have determined appropriate safeguards.

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

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

Self review threats

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

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

Management threats

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

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

Relationships, services and related threats and safeguards

Other threats

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

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

Other communications

EY Transparency Report 2019

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2019 and can be found here:

https://www.ey.com/en_uk/who-we-are/transparency-report-2019

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed. Note that currently the Council does not fall under the definition of a PIE.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
    - Tax advocacy services
    - Remuneration advisory services
    - Internal audit services
    - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from for 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

09 Appendices

Appendix A

Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2019/20 accounts of opted-in principal local government and police bodies.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Indicative fee 2019/20	Scale fee 2019/20	Final Fee 2018/18
	£	£	£
Total Code audit fee	81,325	81,325	81,325
Additional audit fees	Tbc (Note 3)	0	16,600 (Note 2)
Total fees	81,325	81,325	97,925
HB Assurance fee	(Note 1)	0	(Note 1)

All fees exclude VAT

Note 1: The HB final fee of £10,644 has yet to be agreed. We have yet to agree a fee for the 2019/20 Housing Benefits (HB) Subsidy Claim.

Note 2: We have proposed a total additional fee of £16,600, to cover additional work, for 2018/19, on value for money significant risks (£5,242), work relating to the pension fund (£6,066), PFI (£1,510) and work on the first draft of the financial statements (£3,782). The additional fee remains subject to agreement with officers and the PSAA.

Note 3: In addition we highlight the following areas where we anticipate a variation to the 2019/20 scale fee:

- There are additional risks presented by several areas of the Council's financial statements which require additional audit procedures and the need to engage specialists. This includes, but is not limited to work in relation to the valuation of PPE and the net pension liability as noted on pages 12 and 13.
- Additional work that will be required to address the value for money risks identified, as noted on pages 18 and 19.
- In addition, we are in an unprecedented period of change. A combination of pressures are impacting Local Audit and has meant that the sustainability of delivery is now a real challenge. As a an illustration, 85 organisations within the PSAA regime had not yet received their 2018/19 audit opinion as at the end of January 2020.

This in combination, is requiring us to revisit with PSAA the basis on which the scale fee was set. The factors behind this are explained in more detail on the following pages.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

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

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

Appendix A

Fees

A combination of factors mean that we do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity. In order to assist you to understand the reasons behind this, we have summarised the key factors below.

Summary of key factors
1. Status of sector. Financial reporting and decision making in local government has become increasingly complex, for example from the growth in commercialisation, speculative ventures and investments. This has also brought increasing risk about the financial sustainability / going concern of bodies given the current status of the sector. • To address this risk our procedures now entail higher samples sizes of transactions, the need to increase our use of analytics data to test more transactions at a greater level of depth. This requires a continual investment in our data analytics tools and audit technology to enhance audit quality. This also has an impact on local government with the need to also keep pace with technological advancement in data management and processing for audit. 2. Audit of estimates. There has been a significant increase in the focus on areas of the financial statements where judgemental estimates are made. This is to address regulatory expectations from FRC reviews on the extent of audit procedures performed in areas such as the valuation of land and buildings and pension assets and liabilities. • To address these findings, our required procedures now entail higher samples sizes, increased requirements for corroborative evidence to support the assumptions and use of our internal specialists. 3. Regulatory environment. Other pressures come from the changing regulatory landscape and audit market dynamics: • Parliamentary select committee reports, the Brydon and Kingman reviews, plus within the public sector the Redmond review and the new NAO Code of Audit practice are all shaping the future of Local Audit. These regulatory pressures all have a focus on audit quality and what is required of external auditors. • This means continual investment in our audit quality infrastructure in response to these regulatory reviews, the increasing fines for not meeting the requirements plus changes in auditing and accounting standards. As a firm our compliance costs have now doubled as a proportion of revenue in the last five years. The regulatory lens on Local Audit specifically, is greater. We are three times more likely to be reviewed by a quality regulator than other audits, again increasing our compliance costs of being within this market.

Fees

Summary of key factors (cont'd)

4. As a result public sector auditing has become less attractive as a profession, especially due to the compressed timetable, regulatory pressure and greater compliance requirements. This has contributed to higher attrition rates in our profession over the past year and the shortage of specialist public sector audit staff and multidisciplinary teams (for example valuation, pensions, tax and accounting) during the compressed timetables.
   - We need to invest over a five to ten-year cycle to recruit, train and develop a sustainable specialist team of public sector audit staff. We and other firms in the sector face intense competition for the best people, with appropriate public sector skills, as a result of a shrinking resource pool. We need to remunerate our people appropriately to maintain the attractiveness of the profession, provide the highest performing audit teams and protect audit quality.
   - We acknowledge that local authorities are also facing challenges to recruit and retain staff with the necessary financial reporting skills and capabilities. This though also exacerbates the challenge for external audits, as where there are shortages it impacts on the ability to deliver on a timely basis.

Next steps

- In light of recent communication from PSAA, we will need to quantify the impact of the above to be able to accurately re-assess what the baseline fee is for the Council should be in the current environment. Once this is done we will be able to discuss at a more detailed level with you.

Appendix B

Required communications with Those Charged with Governance

We have detailed the communications that we must provide to the Audit Committee.

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report (this report)
Significant findings from the audit	• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process	Audit results report (September 2020)

Appendix B

Required communications with Those Charged with Governance (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements	Audit results report (September 2020)
Misstatements	• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management	Audit results report (September 2020)
Fraud	• Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud	Audit results report (September 2020)
Related parties	• Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity	Audit results report (September 2020)

Appendix B

Required communications with Those Charged with Governance (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence	Audit planning report Audit results report (September 2020)
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures	Audit results report (September 2020)
Consideration of laws and regulations	• Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of	Audit results report (September 2020)
Internal controls	• Significant deficiencies in internal controls identified during the audit	Audit results report (September 2020)
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report (September 2020)
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report (September 2020)
Auditors report	• Any circumstances identified that affect the form and content of our auditor's report	Audit results report (September 2020)
Fee Reporting	• Breakdown of fee information when the audit plan is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work	Audit planning report Audit results report (September 2020)

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards	• Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. • Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. • Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. • Concluding on the appropriateness of management's use of the going concern basis of accounting. • Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. • Reading other information published with the financial statements, and reporting whether it is materially inconsistent with our understanding and the financial statements; and • Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The level of work performed on individual account balances and financial statement disclosures.

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

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TITLE	**Update on changes to accounting policies**
FOR CONSIDERATION BY	Audit Committee on 3 June 2020
WARD	None Specific
LEAD OFFICER	Deputy Chief Executive - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

The report provides the Audit Committee with information on the proposed changes to accounting policies for inclusion in the Statement of Accounts for the year ended 31 March 2020.

RECOMMENDATION

That the revised Statement of Accounting Policies as per Appendix A are approved for inclusion in the Statement of Accounts for the year ended 31 March 2020.

SUMMARY OF REPORT

The Statement of Accounting Policies have been reviewed for appropriateness and amended, where appropriate, to take into account changes in the CIPFA Code of Practice.

Details of the changes are summarised in Appendix B. For 2019/20, there have been no significant changes to any policies except for general clarification around terminology, grammar, duplications, etc. The changes have been more akin to a tidying up exercise than changes in policies.

DEFERRAL OF THE IMPLEMENTATION OF IFRS 16 – LEASES

Although not related to the accounting policies for 2019/2020 financial accounts, the Audit Committee should note the delay of the implementation of changes on the accounting standard IFRS 16 – Leases.

The CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) has agreed to defer the implementation of IFRS 16 Leases for one year in-line with the government's Financial Reporting Advisory Board's proposals for central government departments. This will mean the effective date for implementation is now 1 April 2021.

CIPFA/LASAAC will consider the impact of that deferral on the 2020/21 Accounting Code and also on the consultation process for 2021/22. The consultation process would traditionally take place over the summer. It is the Local Authority Accounting Panel's (LAAP) understanding that further updates will follow once an action plan has been agreed.

In light of the deferral, WBC Officers will still continue to collate information needed for the implementation of this standard to ensure a smooth and accurate transition from 1st April 2021. Further updates on progress will be shared with the committee.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council continues to face severe financial challenges over the coming years as a result of reductions to public sector funding and growing pressures in our statutory services. It is estimated that Wokingham Borough Council will be required to make budget reductions of approximately £20m over the next three years and all Executive decisions should be made in this context

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

Other financial information relevant to the Recommendation/Decision
None

Cross-Council Implications
None

Public Sector Equality Duty
The accounting policies are produced in relation to the statement of accounts which report on what has happened over the past financial year. Public Sector Equality Duty will be considered at the time the decision to spend money is made which is earlier in the process and doesn't relate to the statement of accounts.

Reasons for considering the report in Part 2
N/A

List of Background Papers
Appendix A - Accounting Policies 2019-20 Appendix B - Summary of Changes to Accounting Policies 2019-20

Contact Mark Thompson	**Service** Business Services
Telephone No Tel: 0118 974 6555	**Email** mark.thompson@wokingham.gov.uk

11. STATEMENT OF ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's and Group transactions for the 2019/20 financial year and its position at 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require them to be prepared in accordance with proper accounting practices.

The Statement of Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2019/20 supported by International Financial Reporting Standards (IFRS) and have been produced in accordance with the statutory framework established by sections 3 and 20 of the Local Audit and Accountability Act 2014.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The single entity financial statements are also defined as including the income, expenditure, assets, liabilities, reserves and cash flows of the local authority maintained schools within the control of the Council. Local authority maintained schools are those schools categorised in the School Standards and Framework Act 1998, i.e. community, voluntary controlled, voluntary aided, foundation, community special, foundation special and nursery schools.

The Statement of Accounts reflect the requirements of International Financial Reporting Standards (IFRS) by adopting the core accounting principles and concepts of:

- **Accruals Basis -** the financial statements have been prepared on an accruals basis and report transactions that have been recorded in the accounting period for which the goods and services were received or supplied rather than in which the cash was received or paid.

- **Going Concern -** the financial statements have been prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

- **Understandability -** the financial statements have been prepared to ensure they are as easy to understand as possible.

- **Relevance** - the financial statements provide information about the Council's performance and position that is useful to the users of the accounts to assess the stewardship of public funds and for making economic decisions.

- **Reliability -** the financial information faithfully represents the substance of the transactions, the activities underlying them and other events that have taken place, are free from deliberate or systematic bias and material error, are complete within the bounds of materiality and cost and have been prudently prepared.

- **Comparability -** the information has been prepared consistently and with adequate disclosures so that it can be compared with prior years and other local authorities.

- **Materiality -** the statements only disclose items of a certain value and nature such that they provide a fair presentation of the financial position and transactions of the Council. Where there are items below this threshold or are considered to have no impact on fair presentation in the accounts they are not included.

- **Legality -** where the accounting principles and specific legislation requirements are in conflict, the financial statements have been prepared to reflect legislative requirements

  Where the Council is acting as an agent for another party (e.g., in the collection of business rates and council tax), income and expenditure items are recognised only to the extent that commission is receivable by the Council for the agency services or the Council incurs expenses directly on its own behalf in rendering the services.

1. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place and when a right to consideration exists, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies and services are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet
- Expenses in relation to services received, including services provided by employees, are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected
- Where payments are made or received in advance of a service being provided or received a payment or receipt in advance is recognised as a debtor or creditor in the Balance Sheet
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure

2. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of less than 24 hours.

Cash equivalents are highly liquid investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with little risk of change in value.

3. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Adjustments applicable to prior years arising from changes in accounting policies are accounted for by restating the comparative figures for the preceding period and by adjusting opening balances as if the new policy had always been applied.
Changes in accounting estimates are accounted for in the current and future years affected by the change but do not give rise to a prior period adjustment.

Material errors are corrected retrospectively by restating the comparative figures for the preceding period and by adjusting the opening balances.

5. Charges to Revenue for Non-Current Assets

Service accounts, support services and trading accounts are charged with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- Amortisation of intangible fixed assets attributable to the relevant service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. It is required, however, to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis by the Council in accordance with the approved Minimum Revenue Provision policy. Depreciation, revaluation and impairment losses and amortisations are, therefore, replaced by the Minimum Revenue Provision (MRP). This adjusting transaction is included in the Movement in Reserves Statement with the Capital Adjustment Account being charged with the difference between the two.

6. Employee Benefits

i. Benefits Payable During Employment

Short term employee benefits are those to be settled within 12 months of the year end, for example wages and salaries, paid annual and sick leave, bonuses and non-monetary benefits such as cars. They are charged to the accounts in the period within which the employees worked. An accrual is made for the cost of any leave earned but not taken before the year end and which can be carried forward by the employee into the next financial year. The accrual is made at the wages and salaries rate in the new financial year as that will be when the employee will benefit. The charge is made to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement and then reversed out by a credit to the Accumulating Compensated Absences Adjustment Account through the Movement in Reserves Statement, allowing the benefit to be charged to revenue in the period in which the leave occurs.

ii. Termination Benefits

Amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy are charged on an accruals basis to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Termination benefits involving pension enhancements are required by statutory provisions to be charged to the General Fund balance on the basis of the amount payable by the

Council to the pension fund or the pensioner in the year not the amount calculated according to relevant accounting standards.

Appropriations are required to and from the Pensions Reserve in the Movement in Reserves Statement to remove the notional debits and credits for pension enhancement termination benefits and to replace them with debits for the cash paid to the pension fund, the pensioners and any amounts payable but unpaid at the year end.

iii. **Post-Employment Benefits**

Employees of the Council are members of two separate pension schemes:

- The Teacher's Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The Local Government Pension Scheme, administered by the Royal Borough of Windsor and Maidenhead Council

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The arrangements for the teacher's scheme mean that liabilities for these benefits cannot be specifically identified to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme with no liability for future payments of benefits recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers Pensions in the year.

Local Government Pension Scheme

The Local Government Pension Scheme provides members of the scheme with defined benefits related to pay and service. The level of the employer's contribution is determined by a triennial actuarial valuation. The latest review was undertaken as at 31 March 2019. Under Superannuation Regulations, the contribution rates are set to meet all the liabilities of the fund.

The Balance Sheet includes a Pension Reserve which includes the attributable share of the fund's assets and liabilities that relate to the Council. Employer contributions will be adjusted in future years to account for any projected deficit.

The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate determined by the actuary, which has been chosen to meet the requirements of IAS 19 and with consideration of the duration of the employer's liabilities. This is consistent with the approach used at the previous accounting date.

The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The valuation of quoted securities for the pension scheme is based on bid price rather than mid-market value.

The change in the net pension liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of the services for which the employees worked.
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- net interest on the net defined liability i.e. net interest expense for the Council– the change during the period in the net defined liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability at the beginning of the period, taking into account any changes in the net defined liability during the period as a result of contribution and benefit payments.

Re-measurement comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made in the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Berkshire County Council Pension Scheme – cash paid as employer's contributions to the pension fund in settlement of liabilities is not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund, pensioners and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Details of the methods adopted in the valuation of scheme assets and liabilities are set out in the notes to the Balance Sheet.

7. Events after the Balance Sheet Date

These are events both favourable and unfavourable, which occur between the end of the Balance Sheet date and the date when the Statement of Accounts is authorised for issue:

Adjusting Event
The Statement of Accounts is adjusted to reflect events where there is evidence that conditions existed at the Balance Sheet date

Non-Adjusting Event
Where an event is indicative of conditions that arose after the Balance Sheet date, the Statement of Accounts are not adjusted. The following, however, will be disclosed for each material category of non-adjusting event:

- the nature of the event, and
- an estimate of the financial effect, or a statement that such an estimate cannot be made reliably.

The date when the Statement of Accounts was authorised for issue and who gave the authorisation is disclosed in the notes to the accounts.

8. Financial Instruments

i. Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The Council does not issue bonds.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be

spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

ii. Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument). The Council does not hold any financial assets that are measured at FVPL and FVOCI.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are

initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in section 1.27 Fair Value Measurement.

Any gains and losses that arise on the derecognition of a financial asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

9. Government Grants and Contributions

Whatever their basis of payment, Government grants and other contributions or donations are accounted for on an accruals basis. They are recognised on the relevant service line or the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement if there are no conditions or once the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Where conditions have not been satisfied, the grant or contribution is carried in the Balance Sheet as a creditor.

Capital grants credited to the Comprehensive Income and Expenditure Statement are reversed out of the General Fund Balance in the Movement in Reserves Statement. Grants which have not yet been used to finance capital expenditure are transferred to the Capital Grants Unapplied reserve. When an amount in the Grants Unapplied Reserve is applied to fund capital expenditure, it is transferred to the Capital Adjustment Account through the Movement in Reserves Statement. There is no deferral of grant expenditure to match against the depreciation of the underlying asset the grant was used for.

Donated assets transferred to the Council for nil consideration are recognised at fair value in the Comprehensive Income and Expenditure Statement once any conditions attaching to them have been met.

Community infrastructure levy
The Council has elected to charge a community infrastructure levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area. The CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure, however, a proportion of the charges may be used to fund administration expenditure.

10. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item in Property, Plant and Equipment. Expenditure on the development of websites is not capitalised

if the enhancement is primarily intended to promote or advertise the Council's goods or services. Intangible assets include purchased licenses. Expenditure on application software is capitalised as an intangible asset when it will bring benefits to the Council for more than one reporting period. Intangible assets are recognised where they have a cost in excess of £10,000.

The intangible assets held by the Council are measured at depreciated historical cost as readily ascertainable market values are not available. Intangible assets are amortised on a straight-line basis over their remaining useful lives varying between 5 years and 25 years and charged to the relevant service lines in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised as a result of impairment are treated as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance up to the amount of the accumulated gains
- If there is insufficient or no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

The reversal of an impairment loss is only recognised in the Comprehensive Income and Expenditure Statement if the value is directly attributable to the reversal of the event which caused the original impairment loss. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve for any sale proceeds greater than £10,000.

11. Interests in Companies and Other Entities

The Council has interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded in the Balance Sheet if the company has share capital, as financial assets at cost less any provision for losses. The Council records the name, business, shareholding, net assets and results of operations and other financial transactions of any related companies including cross-reference to where the accounts of the related companies may be acquired.

12. Long-Term Contracts

A long-term contract is 'A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or of a combination of assets or services which together constitute a single project) where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods'. Long-term revenue contracts are charged to services in the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year and long-term capital contracts are charged to capital on the basis of the valuation certificate.

13. Investment Property

Investment properties are those that are used solely to earn rentals and / or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Where the Council acquires properties for rental income but have an element of economic development and/or regeneration these are classified as operational land and buildings as such properties are not solely used for investment purposes.

Refer to Note 25 in the Statement of Accounts for explanations of the basis of the valuation of properties, and the categorisation required under IFRS 13.

Investment properties are measured initially at cost and subsequently at fair value (Highest and Best Use), based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually, according to market conditions at the year end. Gains and losses on revaluation or disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement with the carrying value of the asset transferred to the Capital Adjustment Account and the sale proceeds above £10,000 transferred to the Capital Receipts Reserve.

14. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, they are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

i. The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at the lower of its fair value, measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.
Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as an expense in the periods in which they are incurred.

Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the asset-applied to write-down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Assets recognised under finance leases are accounted for using the policies applied generally to Property, Plant and Equipment, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise council tax to cover depreciation, revaluation or impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Where assets are acquired by the Council (as a lessee) under operating leases, the lease rentals payable are charged to the revenue accounts of those services that use the assets as they are made.

Any hire purchase contracts that have similar characteristics to an operating lease are accounted for as an operating lease and disclosed in a note to the Balance Sheet.

ii. The Council as Lessor

Finance Leases

The Council has not entered into any finance leases as lessor.

Operating Leases

An asset held by the Council for use in operating leases by a lessor is retained in the Balance Sheet and depreciated over its useful life. Rental income from operating leases, excluding charges, is recognised in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as income is received.

This policy is a departure from the Code which states that rentals receivable should be charged to revenue on a straight-line basis over the term of the lease, even if this does not match the pattern of the payments. The Council believes that this departure from the Code is not material.

15. Overheads and Support Services

The costs of overheads and support service costs (e.g., legal, human resources and finance) are charged to the relevant teams and departments (i.e., the front line service departments) in accordance with the Council's arrangements for accountability and financial performance. The total absorption costing principle is used in that the full cost of overheads and support services are shared between users in proportion to the benefit received.

16. Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment (PPE).

i. Recognition

Items of PPE that qualify for recognition will be measured at cost and capitalised on an accruals basis. Cost is defined as either purchase price, costs attributable to bringing the asset to location and condition necessary for it to be capable of operating in the manner intended by management or the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

ii. De-Minimis

Capitalisation of expenditure on PPE is not necessary where the amounts involved are not material to the true and fair presentation of the financial position and transactions of the authority and to an understanding of the Statement of Accounts by a reader. The Council has agreed a de-minimus level of £10,000 for expenditure to be capitalised, with the exception of capital works for schools where the de-minimus level is £1,000, and in order to utilise ring-fenced funding no de-minimus is applied.

iii. Measurement

Assets are disclosed and valued on the Balance Sheet using the following bases:

Asset Category	Valuation Method
Assets under Construction	Historic Cost
Infrastructure Assets	Depreciated Historic Cost
Council Dwellings	Fair Value (Existing Use Value – Social Housing) EUV-SH
Community Assets	Depreciated Historic Cost or Valuation in accordance with section 4.10 of the Code
Other Land and Buildings	Fair Value (Existing Use Value) EUV or DRC*
Vehicles, Plant and Equipment	Depreciated Historic Cost
Surplus Assets	Fair Value (Highest and Best Use)
Heritage Assets	Individual Asset Valuation

* Depreciated Replacement Cost (DRC) using the 'instant build' will be used if Existing Use Value (EUV) cannot be determined.

A full valuation of a property is conducted by the Council's internal valuer, Mrs I Kearns, the Council's Senior Estates Surveyor and also a Professional Member of the Royal Institution of Chartered Surveyors (RICS). The valuations have been prepared in accordance with the Practice Statements and UK Practice Statements contained in the RICS Appraisal and Valuation Standards.

The asset valuations have been prepared using the following assumptions:-

a) The Council has good title free from encumbrances;
b) There are no hazardous substances or latent defects in the properties and there is no contamination present;
c) The properties have permanent planning permission and any other necessary statutory consent for their current use;

d) Plant and machinery is included in the valuation of the property, where applicable;
e) No special circumstances beyond those likely to be considered by a prospective purchaser in the open market have been taken into account;
f) No allowance has been made for any liability to taxation, which may arise on disposal, nor for costs of acquisition or realisation.
g) All transactions agree with the Council's de-minimus level

Not all properties are specifically inspected for the purpose of asset valuations. This is neither practicable, nor considered by the valuer to be necessary, for the purpose of the valuation. However, regular inspections are made by the Council's Property Section of all the Council's property assets. The inspections and report do not purport to be a building survey.

The Council operates a 5 yearly revaluation cycle for all assets, with the exception of Council Dwellings and Investment properties which are reviewed on an annual basis as per the Code's requirements.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

iv. Depreciation

Depreciation is provided for on all Property Plant and Equipment by the allocation of their depreciable amounts over their useful lives, in line with IAS 16. An exception is made for assets without a determinable useful life (e.g. freehold land and some community assets) and assets not yet available for use (e.g. assets under construction). The useful lives of assets are estimated on a realistic basis and are reviewed on a regular basis and, where necessary, revised. Where the useful life of a fixed asset is revised, the carrying amount of the fixed asset is depreciated over the revised remaining useful life. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been charged based on their historical cost being transferred from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation is calculated on the amount at which the asset is included in the Balance Sheet, whether current cost or historical cost. Depreciation has been calculated as follows:

- All assets are depreciated on the straight line basis over the useful life of the asset taking into account land value and residual value. The range of estimated lives of each asset is set out in note 24.

- Investment Properties are not depreciated as per the Code's guidance; instead they are revalued on an annual basis.
- Newly acquired assets are not depreciated in the year of acquisition, while assets under construction are only depreciated once the asset becomes operational.
- Community assets are also exempt from depreciation requirements as a determinable finite useful life cannot be obtained.
- Assets are depreciated for a full year in the year of disposal.

A change from one method of providing depreciation to another is only made where the new method will give a fairer presentation of the results and of the financial position. Such a change does not, however, constitute a change of accounting policy; the carrying amount of the fixed asset is depreciated using the revised method over the remaining useful life, beginning in the period in which the change is made.

Componentisation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item should be depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In practice this can be achieved by only separately accounting for significant components that have different useful lives and/or depreciation methods.

The Council's policy is to componentise part of assets where the part subject to componentisation is more than £500k or 10% or more of the building value of the asset and the value of the building itself is greater than £5m. Any amounts below these levels would not be considered material enough for componentisation purposes.

v. Impairment

The value at which each category of assets is included in the Balance Sheet is reviewed at each year-end. Where there is reason to believe that its value has changed materially in the period, the recoverable amount of the asset is estimated and where this is less than the carrying amount, an impairment loss is recognised for the shortfall.

Events and changes in circumstances that indicate a reduction in value may have incurred include:

- a significant decline in an asset's market value during the period
- evidence of obsolescence or physical damage to the asset
- a significant adverse change in the statutory or other regulatory environment in which the Council operates
- a commitment by the Council to undertake a significant reorganisation.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains
- If there is insufficient or no balance in the Revaluation Reserve , the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount

of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

vi. Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered through a sale rather than continuing use, it is reclassified as an Asset Held for Sale, but only if the following criteria are met:

a) The asset must be available for sale in its present condition subject to terms that are usual and customary for sales of such assets.
b) The sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
c) The asset must be actively marketed for a sale at a price that is reasonable in relation to the current value.
d) The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Immediately before reclassification the asset is revalued and carried at the lower of this figure and fair value (Highest and Best Use) less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Assets Held for Sale are not depreciated.

If an asset no longer meets the criteria to be classified as Assets Held for Sale, they are classified back to non-current assets at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised if they had not been classified as Held for Sale) and their recoverable amount at the date of the decision not to sell. Assets that are abandoned or scrapped are not reclassified as Assets Held for Sale.

When an item of Property, Plant, Equipment or Asset Held for Sale is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal.

Amounts received in excess of £10,000 are categorised as capital receipts. The proportion that is required to be paid over to Central Government for housing disposals is appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

Where a fixed asset is disposed of for other than a cash consideration, or payment is deferred, an equivalent asset is recognised and included in the balance sheet at its fair value.

The written-off value of disposals is not a charge against council tax because the cost of fixed assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from General Fund Balance in the Movement in Reserves Statement.

17. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. The Council has one PFI contract with Reading and Bracknell Councils for waste disposal under the RE3 Partnership. The Council receives the benefit of the services that are provided under its PFI scheme and ownership of the property, plant and equipment will pass to the partnership at the end of the contract for no additional charge. The Council carries its share of the property, plant and equipment used under the contract on the Balance Sheet.

The original recognition of these assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge of 7.5% on the outstanding Balance Sheet liability, debited to Financing and Investment Income line in the Comprehensive Income and Expenditure Statement
- contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs – these are included within the fair value of services and not recognised as additions to Property, Plant and Equipment as the amounts involved are not material and details of the actual spend is not readily available.

18. Provisions, Contingent Liabilities and Contingent Assets

i. Provisions

Provisions are made for any liabilities of uncertain timing or amount that have been incurred. Provisions are recognised when:

- the Council has a legal or constructive obligation as a result of a past event
- it is probable that a transfer of economic benefits or service potential will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation. The amount recognised as a provision is the best estimate taking into account the risks and uncertainties surrounding the events. When payments for expenditure are incurred to which the provision relates they are charged direct to the provision carried in the Balance Sheet. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised as income for the relevant service only when it is virtually certain that reimbursement will be received if the obligation is settled.

In the case of a provision for bad or doubtful debts, the carrying amount of debtors is adjusted and known uncollectable debts are written off.

ii. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in the notes to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in the notes to the accounts.

19. Reserves

Transfers to and from reserves are distinguished from service expenditure. The movements in reserves available to this Council are detailed in a note to the financial statements. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so there is no net charge against council tax for the expenditure.

Most capital reserves are not available for revenue purposes and some of them can only be used for specific statutory purposes. The Revaluation Reserve and Capital Adjustment Account are non-distributable reserves. The Capital Receipts Reserve is a reserve established for specific statutory purposes.

The Major Repairs Reserve is required by statutory provision to be established in relation to the HRA in England.

20. Revenue Expenditure Funded from Capital under Statute

Revenue expenditure classified as capital under statute, formerly known as deferred charges, represents expenditure that may be capitalised but does not result in the creation of non-current assets. The expenditure has been charged to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing,

a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

21. VAT

VAT payable is included as an expense, whether of a capital or revenue nature, only to the extent that it is irrecoverable. VAT receivable is excluded from income.

22. Group Accounts

The Code requires the Council to consider all of its interests and to prepare a full set of group accounting statements where there are material interests in subsidiaries, associates and joint ventures. The Council has investigated all potential interests that could qualify for group accounts and has determined it has five group relationships which qualify for the preparation of, and inclusion in, group accounts. The companies all operate the same financial year and follow the same accounting policies as Wokingham Borough Council.

The Council has a holding company, WBC (Holdings) Ltd, whose main purpose is to enable group tax relief to be claimed, and in addition to coordinate the management of the Council's interests in the companies included in the group accounts, which are summarised below. The company is 100% owned by the Council. WBC (Holdings) Ltd wholly owns three housing companies: Wokingham Housing Ltd, Loddon Homes Ltd and Berry Brook Homes Ltd. All of these companies' accounts are consolidated into the group accounts.

Optalis Ltd is a partially owned subsidiary of Wokingham Borough Council with the other 45% owned by the Royal Borough of Windsor and Maidenhead. The company was established in June 2011 and became operational during 2011/12. 2017/18 has been the first year of joint operation with the Royal Borough of Windsor and Maidenhead. Optalis Ltd is consolidated on a subsidiary basis at 100%, with RBWM's 45% share disclosed as a minority interest on the group balance sheet.

23. Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge and culture. The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Council so that heritage assets must be shown separately on the balance sheet. The Council undertook a detailed review and at present does not have any material heritage assets.

24. Tax Income (Council Tax, and Non-Domestic Rates)

The Council acts as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including Central Government for NDR) and, as principals, collecting council tax and NDR for themselves. The Council is required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Non-Domestic rates (NDR)

- Retained Business Rates income included in the Comprehensive Income and Expenditure Statement for the year is treated as accrued income.

- Levy expenditure included in the Comprehensive Income and Expenditure Statement for the year is treated as accrued expenditure

Council Tax

- Council Tax income included in the Comprehensive Income and Expenditure Statement for the year is treated as accrued income

Both NDR income, less tariff and levy expenditure, and Council tax are recognised in the Comprehensive Income and Expenditure Statement in the line Taxation and Non-Specific Grant Income. As a billing authority the difference between the NDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is transferred to the Collection Fund Adjustment Account through the Movement in Reserves Statement. Each preceptor's share of the accrued NDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

The income for Council Tax, and NDR, is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council and the amount of the revenue can be measured reliably. Revenue relating to such things as council tax, business rates, etc., shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

25. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

Wokingham Borough Council

Summary of Changes to Accounting Policies

Year ended 31 March 2020

Details of the proposed changes to the Council's accounting policies are detailed below. Full details are included in the accounting policies document.

Main Changes

1.1 Accounting Policy 8-Financial Instruments
Deletions of definitions of input levels deleted and cross-referenced to fair value note (Note 1.27) to avoid duplication.

1.2 Accounting Policy 9-Foreign Currency Translation
This policy has been deleted, as these types of transactions are not material.

1.3 Accounting Policy 9 (Previously 10)-Government Grants and Contributions
Additional paragraph added with regard to the Community Infrastructure Levy.

1.4 Accounting Policy 10 (Previously 11)-Intangible Assets
Narrative with regard to internally generated assets deleted as the Council does not have such assets. Slight revision to remainder of note.
Paragraph on landfill allowances has been deleted as this no longer appropriate.

1.5 Accounting Policy 12 (Previously 13)-Long-Term Contracts

Deletion of references to inventory as no stocks held.

1.6 Accounting Policy 15- Jointly Controlled Operations and Jointly Controlled Assets
This policy has been deleted, as WBC does not have any such arrangements.

1.7 Accounting Policy 14 (Previously 16)- Leases
Deletion of section relating to finance leases as lessor as the Council does not have any such leases

2. Other

2.1 Various changes to the wording in the accounting policies with regard to terminology, grammar, duplications etc. These represent a tidying up exercise rather than changes in policies as such.

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TITLE	**Corporate Risk Register**
FOR CONSIDERATION BY	Audit Committee on 3 June 2020
WARD	None Specific
LEAD OFFICER	Chief Executive - Susan Parsonage

OUTCOME / BENEFITS TO THE COMMUNITY

Enterprise Risk Management (ERM) provides for robust and transparent decision-making. Effective ERM is therefore an integral part of the Council's control environment and helps demonstrate the effective use of resources and sound governance. The Council's Corporate Risk Register (CRR) demonstrates that the council is pro-actively identifying and managing its significant business risks.

RECOMMENDATION

That the Audit Committee notes the update.

SUMMARY OF REPORT

The Corporate Risk Register is regularly reviewed by the Corporate Leadership Team.

Since the last report to the Committee, the impact of COVID-19 has materially changed the Council's risk environment. The 14 corporate risks on the register have been assessed in the light of COVID-19 (with an additional column added to the register to this effect). However, as Members will appreciate this is a fast moving situation which is being kept under regular review. Details of the register can be found at Appendix 1.

The Chief Executive and Deputy Chief Executive will attend the meeting to explain the major risks in the Council, the initial assessment of the impact of COVID-19, and the key actions being taken to mitigate these risks.

Background

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

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

Analysis of Issues

The main changes to the CRR since last reviewed by the Audit Committee are that each of the corporate risks have been re-assessed in the light of COVID-19. This is an initial assessment and further work will be needed in the weeks ahead to ensure the Council continues to effectively manage risks impacting the achievement of its corporate priorities.

As this is a fast-moving situation and we remain mid-crisis, the detailed assessment of each risk (impact and likelihood) is under review and has been removed from this report (as is the overall summary matrix usually found at the start of the register). A comprehensive register will be presented to the next meeting of the Committee in July.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council continues to face severe financial challenges over the coming years as a result of reductions to public sector funding and growing pressures in our statutory services. It is estimated that Wokingham Borough Council will be required to make budget reductions of approximately £20m over the next three years and all Executive decisions should be made in this context

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

Other financial information relevant to the Recommendation/Decision
There are no financial implications to be noted as a result of this update. However there are risks within the register that should they materialise, would have a significant financial impact on the authority.

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

Reasons for considering the report in Part 2
Not applicable

List of Background Papers
Corporate Risk Register Enterprise Risk Management Strategy and Policy

Contact Andrew Moulton	**Service** Governance
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CORPORATE RISK REGISTER – 20 MAY 2020

Introduction

The following register sets out the Council's corporate risks at the above date. Each risk has been updated with an additional column "impact of COVID-19" providing an initial "light-touch" review of the risk. However, as this is a fast-moving situation and we remain mid-crisis, the detailed assessment of each risk (impact and likelihood) is under review and has been removed from this report (as is the overall summary matrix usually found at the start of the register). A comprehensive register will be presented to the next meeting of the Committee in July.

Key to Abbreviations

JH	Councillor John Halsall
PJ	Councillor Pauline Jorgensen
PB	Councillor Parry Batth
SM	Councillor Stuart Munro
UC	Councillor Ullakarin Clark
JK	Councillor John Kaiser
CM	Councillor Charles Margetts
WS	Councillor Wayne Smith
CHT	Councillor Charlotte Haitham Taylor
GM	Councillor Gregor Murray
SP	Susan Parsonage, Chief Executive
GE	Graham Ebers, Director of Corporate Resources & Deputy Chief Executive
SH	Sarah Hollamby, Director of Locality & Customer Service
CC	Carol Cammiss, Director of Children's Services
MP	Matt Pope, Director of Adult Social Services
AC	Audit Committee
O&S	Overview & Scrutiny Management Committee

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead	
	Cause	Consequence/ Impact				Officer	Member
1	**<u>Budgeting and financial Management (inc forecasting demand & investment and commercial strategy)</u>**. *Budgeting* - Effectively and efficiently achieving outcomes for the community as per the Council's Plans and Priorities. Risks: a budget that is:- a. Value for money b. Achieves priorities c. Meets statutory duties d. Sustainable in the long term e. Owned and managed by those responsible and accountable f. Controlled and monitored to targets set *Demand* - Effectively managing demand-led services in areas such as Adult Social Care and Children's Social Care and special needs. Risks:- a. Forecasting and profiling the demand for the long term. b. Managing increasing public expectations to be realistic to the resources available c. Prevention strategies based on analyses of nature of demand d. Reviewing existing services and/or placements to reduce demand and enable independent living *Investment and Commercial Strategy*		Significant impact on additional costs for the vulnerable, loss of income e.g. car parking, and inability to enact in year savings targets. Also potential significant impact on capital funding. Measures in place includes a weekly monitoring report, ensuring we receive Government funding available and freezing expenditure where possible, particularly with regard to the capital programme. Despite this, the financial risks have inevitably increased.	• Medium term financial (MTFP) planning processes over three years. • Budget management and monitoring controls as set out in financial regulations • Internal Audit programme covering major financial systems • Reduce capital programme in line with delay in receipts • Increase borrowing • Closer monitoring of on-site schemes • Quarterly refresh of capital programme • Refreshed corporate asset management plan • Annual capital bidding system and capital programme in place • Programme Board for Town Centre Regeneration Project • Forward Funding • Asset Review Programme • Meeting the Council's strategic capital requirement, incorporating Strategic Development Locations (SDL) in the	• Performance management framework implemented and embedded covering Council Plan, Executive Priorities, Services Plans, individual staff appraisals • Continuous Improvement Programme (CIP) for ASC to incorporate risks including increasing demand. • Continuous Improvement Programme (CIP) for Children's Services to incorporate risks including increasing demand. • Ongoing response to internal/external audits and sources of external assurance including implementation of recommendations. • Lobbying re Local Government Finance Settlement for 2021 and beyond. **Audit Committee to monitor progress**	SP MP CC GE GE	JH CM UC JK JK

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead	
	Cause	Consequence/ Impact				Officer	Member
	Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning The Council has significant investment aspirations including Strategic Development Locations (SDL's), Town Centre Regeneration, school rebuilds and housing provision. This is in the context of limited resources and a complex funding source. The Council needs to ensure it guards against any unmet critical needs and prioritise its aspirations over the long term. Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning. Risks:- • Insufficient school places for children with additional needs within the Borough • Financial shortfall • Negative PR • Loss of rental income • Scheme slippage / downsizing **This is a permanent, long-term risk to the Council.**			medium term financial plan. • Resource planning for Strategic Development Locations (SDL) infrastructure needs. • £100m commercial investment approved. • Establishment of Capital Review Group (CRG) and Investment Group with appropriate senior representation. • Establishment of healthy reserve balances in line with good practice. • Overview & Scrutiny reviewed 2020/21 budget proposals (from Sept 2019) • CIPFA independent assessment on financial resilience – shows Wokingham BC rated in top 20 for financial sustainability. • Commercial Council launched.			
2	**Corporate Governance** (inc Political Governance) Governing effectively to ensure achievement of the Council's purpose and priorities within the resources available and achieving value for money. Risks:-		Clear governance arrangements for managing and responding to COVID-19 emergency including communications plan,	• Council and Borough Plan processes. • Code of Local Corporate Governance	• Internal Audits of Corporate Governance, Performance Management and Risk Management and implementation of recommendations.	SP	JH

Ref	Risk					Lead	
	Cause	Consequence/ Impact	Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Officer	Member
	a. Assurance framework for carrying out different types of assurance activity that is understood and discharged effectively b. Leadership culture and tone models good governance (i.e. Nolan principles of standards in public life) c. Effective risk management d. Effective decision making tools that inform value for money proportionate to the risk e.g. evidenced in business cases e. Effective arrangements for the safe delivery of services and programmes for the delivery of projects. Effective political governance that sets priorities to deliver purpose, allocate resources, and holds to account through development of policies and strategies Risks:- a. Leadership and culture sets the tone that models and holds to account, motivates, and learns from delivery b. Quality decisions that are based on balancing evidence, public perceptions and political considerations c. Effective monitoring of priorities, risks and business cases d. Effective Administration and effective political opposition supported to achieve outcomes for the community e. Members partake in development and training to effectively discharge their responsibilities		engagement with political group leader, maintenance of Council decision-making through introduction of virtual meetings.	• Constitution (e.g. Member/Officer protocol, delegations, Code of Conducts etc) • Staff training (Code of Conduct e learning Nov 18)	• LGA Peer Review action plan completion from 2017 and consideration of new Peer Review. **Audit Committee to monitor progress**	SP	JH

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead	
	Cause	Consequence/ Impact				Officer	Member
	f. Clarity of officer/member boundaries and relationships to avoid politicisation of officers. **This is a permanent, long-term risk to the Council.**						
3	**<u>Workforce (inc Capacity)</u>** A workforce that is stable, motivated and attracted to work for the Council with an organisational workload that is aligned to capacity available. Resources are allocated proportionate to priority and risk. Risks:- a. Reward and recognition policies b. Recruitment policies c. Value for money d. Sustainable e. Career development opportunities f. Clarity of roles g. Empowerment – staff have appraisal and development that gives clarity to objectives, nurtures and develops, in addition to holding to account. h. Clarity of offer i. (Over)Reliance on key members of staff j. Capacity on the front-line **This is a permanent, long term risk to the Council.**		For our frontline care staff there is a significant risk of catching the virus for WBC and Optalis staff. This is being managed through training and supply of PPE, following national guidelines and testing. The other workforce risks associated with COVID-19 are being managed and mitigated through the governance arrangements in place as described above (risk 2) and health & safety arrangements (risk 9).	• People strategy • Corporate People Dashboard • Management training • Employee Engagement survey action plans	• Updated People strategy including HR continuous improvement plan. **Overview & Scrutiny to monitor (through oversight of Performance reports)**	GE	JK

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead	
	Cause	Consequence/ Impact				Officer	Member
4	**Local Plan (including five year land supply)** Risk of the council's planning policies being viewed as out-of-date and carrying less weight in decision taking. Risks: • Not maintaining a 5 year land supply. • Increased number of speculative applications and planning appeals. • Increased consultancy costs (legal counsel) to defend appeals. • High level of pressure on existing staff. • Potentially poor quality decisions with reduced amenity and infrastructure. • Lack of ability to address local needs through planning process. • Lack of ability to access infrastructure funding from government and LEP. • Loss of reputation. • Loss of confidence by stakeholders. • Intervention by MHCLG.		Difficulty in demonstrating a deliverable five year housing land supply due to uncertainties in the rate of housebuilding and sales. Potential increased speculation by developers utilising the difficultly in demonstrating a five year housing land supply. Potential delays to preparation the of evidence base supporting the preparation of a new local plan.	• Project plan in place to prepare a new local plan. • Resources allocated to deliver project plan for a new local plan. • Executive approved consultation on Draft Local Plan on 15 Jan 2020. • Regular monitoring of housing developments.	Increased levels of monitoring of housing developments. Government lobbying on housing numbers. Government lobbying on temporary amendments to five year housing land supply guidance and decision taking.	SH SH SH	WS WS WS
5	**Delivering SEND Reforms** Role of the Council in SEND in an environment of academies and national formulas for education budgets, and increasing special needs. Risks:- a. Relationship with education partners and schools		The SEND Improvement Board is continuing to meet, but has temporarily scaled down membership. All Task & Finish Groups have delivered a business continuity plan in respect of continued	• SEND Improvement Board (and associated task and finish groups) in place • Children & Young People's Plan (CYPP) set up.	SEND strategy consultation from 31 January 2019 with the aim of agreeing final strategy in autumn or earlier. Will include plans to reduce High Needs Block overspend.	CC	UC

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead	
	Cause	Consequence/ Impact				Officer	Member
	b. Future services and delivery models that are fit for purpose c. School places meeting the growth in population d. Managing special needs demand and public expectations of Council resources e. Financial. **This is a permanent, long term risk to the Council.**		activity during the Coronavirus Outbreak.				
6	**<u>Safeguarding children and young people</u>** Risk of serious or significant harm to a vulnerable child or young person with whom the council is working. WBC has a duty to care for the needs of, and to provide safeguarding services for the most vulnerable children and young people in the Borough. Risks:- • Avoidable harm to a vulnerable child • Damage to reputation • Litigation • Low staff morale – loss of staff, unstable workforce – poor outcome for future children, impact on budget. • Impact of being judged inadequate by Ofsted could lead to statutory/government intervention. • Not managing the transition to Adult Services		• Reduction in agencies having contact and engagement with vulnerable children • Increase in Domestic Abuse • Increase in mental health and emotional wellbeing issues/challenges • Reduction in direct home visits by children's social care. • Impact on the quality of assessments and the judgments that people can made. • The ability to monitor and implement plans, as welfare becomes the primary focus	• Berkshire West Safeguarding Partnership • Children's Overview & Scrutiny Committee • Policies and Procedures in place • Staff appraisal. Supervision, training • Practice Framework implementation • Quality Assurance System and framework • Recruitment and retention strategy embedded		CC	UC

Ref	Risk			Existing controls	Further Actions to Mitigate Risk	Lead	
	Cause	Consequence/ Impact	Impact of COVID			Officer	Member
	This is a permanent, long-term risk to the Council.		• Increase in LAC numbers • Disruption of placements • Not being able to locate or source a placement • Staff Shielding • Staff becoming unwell/infected				
153	**<u>Safeguarding adults</u>** Risk of avoidable serious harm or death of a vulnerable adult for whom the council has a responsibility. WBC has a statutory duty to meet the care needs of, and safeguard the most vulnerable adults in the Borough. It is vital to ensure continued focus on Safeguarding systems and procedures. Risks:- • Damage to reputation and public confidence in services • Possible external intervention from statutory agencies such as DH, CQC or Police) • Disruption of service provision • Litigation • Impact on staff morale • Recruitment and retention problems • Removal and replacement of senior managers		Big increase in risk to vulnerable adults of catching the virus, illness and death. Particularly in care homes Extensive mitigation actions in place Supply of PPE, promotion of testing, forming a care home task force and restricting hospital admissions to care homes Extensive wider support to vulnerable adults in the community though ASC and Vol sector, 5,000 contacts made. Support includes	Policies and Procedures (multi-agency) in place • Referral system and assessment processes • Management and supervision of staff • Staff Training and awareness • Berkshire West Safeguarding Board operating effectively • Optalis contract as emergency provider in case of external provider failure • Care Governance Quality Assurance system for providers • Market Failure Protocol in place • Appointment of Principal Social Worker to provide additional tier of scrutiny and oversight to lead to improved	• Set up new ASH (Adult Safeguarding Hub). • Implement actions from the safeguarding risk assessment. • Implement safeguarding actions from Peer Review. • ASH will lead to process change • PSW to train on evidence management oversight • Increased capacity by appointing Locums	MP	CM

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead	
	Cause	Consequence/ Impact				Officer	Member
	• Not managing the transition from Children's Services **This is a permanent, long-term risk to the Council.**		Food, emotional support, medication etc	quality of safeguarding policy and practice. • Risk assessment for safeguarding completed. • LGA Peer Review covered safeguarding.			
8	**Information and Data Management** Risk of a significant fine and reputational damage due to loss of confidential/ sensitive data. The Council holds information of a confidential and sensitive nature. There have been past breaches of information security and it is an area under intensive scrutiny from the Information Commissioner. The primary risk is likely to concern paper based documents. Loss of confidential or sensitive data, leading to a significant fine and reputational damage for the council, with a potentially damaging impact on the resident/ customer to which the information relates. Risks:- • Imposition of a substantial fine • Reputational damage/ bad media coverage • Breach of contract and payment of damages • Loss of future business • Increased number of complaints • Loss of trust from partner organisations/contractors.		Guidance from the Information Commissioner and Government on data/information management with regards to COVID-19 response is being applied across the Council ensuring continuing compliance with requirements.	• Information Security Management System - governance for this area including SIRO & IGG roles • Encrypted IT equipment • Secure storage/ lockers at council offices • Robust policies in this area • Mandatory refresher programme recently undertaken • Archiving of physical records • Training for staff on document / information handling and basic information security practice • Secure e-mail solution • Document marking scheme	Internal compliance review of information and data management arrangements. Audit Committee monitoring of data protection performance - ref 25/9 Audit Committee. Online data protection training being updated to be launched in spring 2020.	GE	JK

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead	
	Cause	Consequence/ Impact				Officer	Member
	This is a permanent, long-term risk to the Council.			• GDPR implemented for 25/5/18 to address new obligations • Training for new members • Additional resource to deal with Subject Access Requests and FoI requests			
9	**<u>Health and Safety</u>** If the council fails to protect the health and safety of its employees and other persons who come into contact with the services provided by the authority there is a risk of serious injury or death. There is a risk that a health and safety failing could result in an intervention by a relevant enforcement agency and potential enforcement action or conviction. Risks:- a. Enforcement notices and HSE fines for intervention b. Unlimited fine c. Custodial Sentence d. Publicity Order (Corporate Manslaughter only) e. Remedial Order (Corporate Manslaughter and HSWA) f. Publicity Order (Corporate Manslaughter only) g. Removal of key staff h. Reputational damage		Exposure to virus and redeployed staff increases risk. Also, risk re mental health and even domestic abuse from isolation at home. Risk mitigation measures include; PPE, training, wellbeing calls, online support, guidance re physical and psychological protection. As part of the above, there is an overarching corporate health & safety risk assessment.	• Risk profile - Awareness of high risk areas • Ongoing compliance with statute policies and procedures • Seeking Assurance programme • Compliance with Health and Safety policies and procedures • Management and Member performance monitoring reporting from Health and Safety staff • Contracts with third parties include a Health and Safety clause, setting out what the Council expects from the contractor in relation to Health and Safety obligations • Incident reporting, following Health and Safety process should death or	Training for managers and staff who procure and manage contracts to ensure that the Council as a client discharges its H&S duties. To set up a Lone Working and Work-related Violence Task & Finish Group with representatives from all services to develop a short term and long term improvement plan. Latest statutory Health & Safety report for 2018/19 refers to current plans – see 27/6/19 Executive for details. Internal Audit of Health & Safety reported April 2018 giving a category 2 “good” level of assurance. Building maintenance of schools – discharging Council responsibilities.	GE	JK

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead	
	Cause	Consequence/ Impact				Officer	Member
	i. Service delivery loss due to depleted resources j. Damage to individuals wellbeing k. An avoidable death or injury **This is a permanent, long-term risk to the Council.**			serious injury occur • Training of managers and staff - Health and Safety training • Annual historical benchmarking review of all Corporate Manslaughter and relevant Health and Safety cases in order to identify the key risk area • Review across the Council of the arrangements in place to protect staff against violence at work Health and Safety training included in the Management Induction Programme for all new managers. •			
10	**BREXIT** As the UK prepares to implement the result of the 2016 Referendum there is a risk that the Council fails to plan for the implications and impacts of BREXIT. There is also the risk that Government focus on Brexit, delays or postpones decisions on other areas e.g. Children's Services (SEND agenda), Adult Social Care, and local government financing. **This is a temporary, shorter term risk to the Council.**		Ongoing monitoring of the Government's position re the negotiations with EU.	• Self-assessment of preparedness undertaken • Corporate Working Group established to develop more detailed responses. • Business Continuity Plans updated • BREXIT risk register established	• Corporate Working Group met regularly to early Jan 2020 – now stood down but will be re-introduced later in year if necessary **Overview & Scrutiny to monitor**	SP	JH

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead	
	Cause	Consequence/ Impact				Officer	Member
11	**Regulatory Inspections** Children's Services are inspected regularly by the regulators. ILACs is an inspection 'system' that includes: Annual Conversations between Ofsted & the Local Authority; Inspection at least every 3 years and possible Focussed Visits on identified themes. This means that Children's Services is under regular scrutiny from Ofsted that is carried out in a cyclical process. In addition the Local Area could be subject to a Joint Targeted Area Inspection focussing on a set theme. The Local Area is also inspected under the SEND inspection Framework. The directorate are not given notice of when the inspections will occur as they are unannounced. The SEND inspection took place in March 2019 and the Local Area had to produce a Written Statement of Action (WSoA) in response to 6 major areas identified to be requiring improvement. The WSoA was submitted to Ofsted & CQC in August 2019. The Local Area will be re-inspected under the SEND Inspection framework 18 months to 2 years following the submission of the WSoA - so between Feb 2021 and August 2021. The ILACS inspection took place in June 2019 and the Local Authority was found to be Requiring Improvement to be Good. Risks:- a. The embedding of improvements in services to be Good could be affected if resources and action plans are redirected		The regulatory inspections such as ILACS, Local AREA SEND and focus visits are currently suspended. The annual Ofsted conversation was also suspended. However, Wokingham requested that the annual conversation proceed in June and this has been agreed. Ofsted plan to re-introduce focus visits from September and we Wokingham will receive one in the calendar year. We have revised practice standards to reflect the lockdown and how we approach visits to families. • The challenge of maintaining safeguarding activity during Covid-19 and the recovery could divert/deflect resources away from improvement activity • Learning and development program needing to be re developed and delayed	• Performance data • Self-evaluation • Intelligence captured in relation to all forms of external scrutiny that help to drive improvement e.g. Peer Reviews & Audits	• The continuous improvement board set up from February 2019 to address actions arising. • Wokingham Local Area SEND Written Statement of Action • Wokingham SEND Improvement Board • Children with Disabilities Improvement Board • Service Plans for Children's Services	CC	UC

Ref	Risk			Existing controls	Further Actions to Mitigate Risk	Lead	
	Cause	Consequence/ Impact	Impact of COVID			Officer	Member
	due to a Focused Visit or other inspection activity b. Impact of being judged inadequate by Ofsted could lead to statutory/government intervention. c. Lack of evidence of improvement in services could lead to reputational damage		• Performance data ceases to reflect the activity • Diversion of people from Annex A activity to undertake other activities • Diversion of people from Policy documents undertake other activities • Delay in strategies being completed • Improvement work delayed and the reframing of the direction of travel due to the journey we have taken due to Covid- 19				
12	**Adult Social Care Provider Market** WBC has a duty to understand its local market of care providers and stimulate a diverse range of care and support services to ensure that people and their carers have choice over how their needs are met and that they are able to achieve the things that are important to them. Sustainability of the adult social care market is of major importance in order to ensure the safety, health and wellbeing of vulnerable adults with a range of eligible social care support needs. To		Significant increase in this risk due to COVID. Pressure on staffing levels, cost increases and reduction in income Mitigation includes increased funding deal, regular support and contact with the council	• Annual Uplift Process • Provider engagement • Quality Assurance Framework • Development of an MPS and Adult Social Care Strategy	• Develop provider market relationship through rigorous contract management (CMS) • Review of the current commissioning pathway • Establish a true 'Cost of Care' with the local provider market • Establish a market sustainability strategy (inc uplift policy)	MP	CM

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead	
	Cause	Consequence/ Impact				Officer	Member
	support the financial sustainability of our local market, ASC has invested in local provision through the annual uplift process. There is, however, an ongoing pressure from care providers for an annual financial uplift, reflecting inflation, cost of living and the local market. Circa 4/8% pa. Adults Social Care has seen a significant number of providers (Home Care) return care packages as they are no longer viable, adding an additional cost pressure to the service.						
	Climate Emergency On July 18th 2019, a motion was passed at council declaring a climate emergency. The council gave itself six months to establish the boroughs carbon footprint and develop an action plan setting how the council would achieve its targets by 2030. The world's leading climate scientists have warned there is only a 12 years to limit global warming to a maximum of 1.5C. This much earlier than the previously thought. Beyond this even half a degree will significantly worsen the risks of drought, floods and extreme heat The council needs to both • to reduce carbon emissions to slow climate change, and • adapt to the impacts of extreme weather events brought on by climate change		Meetings continue and further actions are being developed. Revised working practices across the borough have led to a positive impact on carbon emissions. Key issues include ensuring current changes in working behaviour can be maintained and built upon going forward. The positive impact on this Council objective means the risk of non-achievement has reduced.	• Cross Council officer group established • Cross party member climate emergency working group • Appointed a climate emergency strategy officer to deliver the climate emergency action plan	• Climate Change Initial Action Plan approved by council on 23 Jan 2020 • Regular monitoring and measurement of the initial action plan and targets to ensure targets will be achieved • Develop mitigation measures to adapt to the impacts of extreme weather events on council services and activities	GE	GM

Ref	Risk					Lead	
	Cause	Consequence/ Impact	Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Officer	Member
	There are an increasing number of extreme weather events, caused by climate change, affecting council services and the borough in general. This ranges from episodes of heavier more prolonged rainfall resulting in flooding or higher temperatures, which result in events such as heath fires or drought conditions.						
14	**High Needs Block** The high needs block spend forms part of the revenue dedicated budget for schools. Its purpose is to provide the necessary funding to support children with special educational needs or disabilities who have been assessed as requiring an Education, Health and Care Plan. This funding is ring fenced and cannot be used for other purposes. The budget provided by Government is significantly insufficient to meet the needs of Wokingham Borough children, the consequence of which means that year on year large deficit is carried forward. Most of the current expenditure is used to purchase special educational services from outside Wokingham Borough from independent school providers. Last year, the overspend on the budget was in excess of £1 million. This year it is projected to be significantly more.		• Government have asked that risk assessments are carried out on all EHCPs to determine if the child's provision is open. If provision is not open then a suitable alternative needs to be found which could increase the high needs block spend.	• The Authority is currently in the process of expanding current special needs provision at Addington School from 200 to 250 places. • In addition, the Council's pupil referral unit, is undergoing a major programme of refurbishment. This will improve facilities and provide resources that will reduce the need for agency placements. • Seven specialist resources are currently provided by local primary and secondary schools. Work is underway to improve these resources and improve the current level of funding for these placements. This will when completed further reduce	• The Council has reached agreement with the DfE to build a new 150 place special school in Wokingham to meet the needs of SEND children from the Wokingham/Reading area. This is planned to open 21/22. • Ongoing discussions are being held with the Education and Skill Funding Agency to ascertain whether additional funding can be provided as part of a deficit recovery programme.	CC	UC

Ref	Risk			Existing controls	Further Actions to Mitigate Risk	Lead	
	Cause	Consequence/ Impact	Impact of COVID			Officer	Member
				the need for expensive out of area placements. • Finally, the Council is in negotiation/discussion with the Department for Education to re-broker provision for Northern House School so as to introduce a new sponsor to improve provision for children with emotional and behavioural difficulties. This is a local specialist academy that has been judged by Ofsted as inadequate.			

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WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME 2020/21

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Wednesday 29 July 2020	1.	Corporate Risk Register Update	**Graham Ebers, Deputy Chief Executive**
	2.	Treasury Management Outturn Report	**Graham Ebers, Deputy Chief Executive**
	3.	Internal Audit and Investigation Q1 Progress Report 2020/21	**Shared Audit and Investigation Service**
	4.	Ernst & Young Audit progress report	**Ernst & Young**
	5.	Fraud Policies	**Shared Audit and Investigation Service**
	6.	2019/20 Annual Audit and Investigation Report	**Shared Audit and Investigation Service**

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Wednesday 23 September 2020	1.	Corporate Risk Register Update	**Graham Ebers, Deputy Chief Executive**
	2.	Statement of Accounts ***(Possibly November)***	**Graham Ebers, Deputy Chief Executive**
	3.	Annual Governance Statement	**Graham Ebers, Deputy Chief Executive**

WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME 2020/21

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Wednesday 4 November 2020	1.	Treasury Management Mid-Year Report 2020/21	**Graham Ebers, Deputy Chief Executive**
	2.	Corporate Risk Register Update	**Graham Ebers, Deputy Chief Executive**
	3.	Treasury Management Strategy 2021/22	**Graham Ebers, Deputy Chief Executive**
	4.	Internal Audit and Investigation Q2 Progress Report 2020/21	**Shared Audit and Investigation Service**

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Wednesday 3 February 2021	1.	Corporate Risk Register Update	**Graham Ebers, Deputy Chief Executive**
	2.	Internal Audit and Investigation Q3 Progress Report 2020/21	**Shared Audit and Investigation Service**
	3.	Annual Audit & Investigations Plan 2021-22	**Shared Audit and Investigation Service**
	4.	Audit Plan	**Ernst & Young**
	5.	Annual Audit Letter ***(possibly November)***	**Ernst & Young**
	6.	Compliments and complaints	**Customer Services**