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WOKINGHAM BOROUGH COUNCIL

A Meeting of the **AUDIT COMMITTEE** will be held in LGF4 - Civic Offices, Shute End, Wokingham RG40 1BN on **WEDNESDAY 15 SEPTEMBER 2021** AT **7.00 PM**

Susan Parsonage
Chief Executive

Published on 7 September 2021

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

Note: Although non-Committee Members and members of the public are entitled to attend the meeting in person, space is very limited due to the ongoing Coronavirus pandemic. You can however participate in this meeting virtually, in line with the Council's Constitution. If you wish to participate either in person or virtually via Microsoft Teams, please contact Democratic Services. The meeting can also be watched live using the following link: https://youtu.be/iiLVRjK8_vc

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

Maria Gee	Angus Ross	Daniel Sargeant (Chairman)
Imogen Shepherd-DuBey	Shahid Younis (Vice-Chairman)	Abdul Loyes
Ian Shenton		

ITEM NO.		WARD	SUBJECT	
23.			**APOLOGIES** To receive any apologies for absence.	
24.			**MINUTES OF PREVIOUS MEETING** To confirm the Minutes of the Meeting held on 28 July 2021.	**5 - 10**
25.			**DECLARATION OF INTEREST** To receive any declarations of interest	
26.			**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	
27.			**MEMBER QUESTION TIME** To answer any member questions	
28.	None Specific		**2019/20 ANNUAL AUDIT LETTER** To receive the 2019/20 Annual Audit Letter.	**11 - 44**
29.	None Specific		**2020/21 INDICATIVE AUDIT PLANNING REPORT** To receive the 2020/21 Indicative Audit planning report	**45 - 94**
30.	None Specific		**TREASURY MANAGEMENT OUTTURN 2020-21** To receive the Treasury Management Outturn 2020-21 report.	**95 - 104**
31.	None Specific		**REVIEW OF AUDIT COMMITTEE EFFECTIVENESS**	**105 - 118**

		To receive a report regarding the review of the Audit Committee Effectiveness.	
32.	None Specific	**2021-22 INTERNAL AUDIT AND INVESTIGATION WORK PROGRAMME AND PROGRESS UPDATE TO 31 AUGUST 2021** To receive the 2021-22 Internal Audit and Investigation Work Programme and Progress Update to 31 August 2021 report.	**119 - 128**
33.	None Specific	**CORPORATE RISK REGISTER** To receive and consider the Corporate Risk Register update report.	**129 - 154**
34.	None Specific	**FORWARD PROGRAMME** To receive the forward programme for the remainder of the municipal year.	**155 - 156**

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 28 JULY 2021 FROM 7.00 PM TO 8.15 PM

Committee Members Present
Councillors: Angus Ross, Daniel Sargeant (Chairman), Imogen Shepherd-DuBey, Abdul Loyes and Ian Shenton

Also Present
Helen Thompson, Ernst and Young
Stephan Van Der Merwe, Ernst & Young
Madeleine Shopland, Democratic & Electoral Services Specialist
Michael Bateman, Children's Services Complaints Manager
Andrew Moulton, Assistant Director Governance
Daneet Penny, Customer Delivery Officer
Jackie Whitney, Service Manager Customer Services Operations
Bob Watson, Assistant Director Finance

12. APOLOGIES
An apology for absence was submitted from Councillor Maria Gee.

13. MINUTES OF PREVIOUS MEETING
The Minutes of the meeting of the Committee held on 2 June 2021 were confirmed as a correct record and signed by the Chairman subject to the inclusion of Councillor Gee in the attendance record.

Councillor Shepherd-DuBey commented that she had asked a question regarding the former Marks and Spencer's building was considered Property, Plant and Equipment or Commercial Property and that the Assistant Director Finance was yet to provide a written response. The Assistant Director Finance agreed to follow this up.

14. DECLARATION OF INTEREST
Councillor Imogen Shepherd-DuBey declared a Personal Interest regarding Item 17 EY-verbal update on 2019/20 and 2020/21 audit on the grounds that she had money in the Berkshire Pension Fund.

15. PUBLIC QUESTION TIME
There were no Public questions.

16. MEMBER QUESTION TIME
There were no Member questions.

17. EY - VERBAL UPDATE ON 2019/20 AND 2020/21 AUDITS
The Committee received an update on the EY 2019/20 and 2020/21 audits.

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

- Helen Thompson indicated that the 2019/20 audit was close to being finalised and published by the end of the month. Reasons for the delay had included the change in accounting policies to incorporate the Group Accounts, and the delay in the receipt of the pension assessment to enable the formation of an audit opinion.

- With regards to the delay to the completion of the Berkshire Pension Fund, Members were advised that EY had received the relevant letter in May. Differences had been identified in the pension membership data as of 31 March and 1 April. EY had to be satisfied that the differences would not have a material impact. The Assistant Director Finance added that taking time to ensure that the accounts were fully correct provided a sense of reassurance.
- The final audit results report would be circulated to the Committee. It was noted that the Annual Audit Letter would be presented at the September Committee meeting.
- Councillor Loyes asked for a precise date for when the accounts would be finalised. Officers indicated that they would be finalised by the end of the month, but they could not provide a precise date.
- Councillor Shepherd-DuBey sought reassurance that there would not be similar delays in future. The Assistant Director Finance indicated that an audit plan beginning September had been produced. Assurances had been provided with regards to the pension fund element. As the pandemic was still ongoing there was potential for timescales to slip, however, it was anticipated that the draft 2020/21 accounts would be available for November.
- Councillor Sargeant asked whether the delay regarding the Berkshire Pension Fund element had impacted the production of the accounts of the other Berkshire authorities. Helen Thompson indicated that it had for those authorities whose audits were conducted by EY.
- Councillor Shepherd-DuBey commented that Slough Council had issued a Section 114 notice and asked what impact this would have on Wokingham. Helen Thompson commented that EY did not have significant concerns over the Council's arrangements with regards to Value for Money. The Assistant Director Finance indicated that he had produced a briefing note for the Chief Financial Officer to provide assurance that Wokingham was not in a similar situation. Members asked that this be shared with the Committee if possible.

RESOLVED: That the update on the EY 2019/20 and 2021 audits be noted.

18. ANNUAL CORPORATE COMPLAINTS REPORT 2020 - 21 WOKINGHAM

The Committee received the Annual Corporate Complaints Report 2020-21.

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

- Covid had had an impact on the number and type of complaints received. Many of the issues raised were familiar, but may have been made worse by the pandemic (e.g. maintenance repairs).
- There had been an upward trend in the number of complaints resolved early.
- Key learnings included the importance of clear communication. Customers regularly felt that responses received lacked clarity, for instance, overusing technical jargon. This had been discussed by the Complaints Focus Group.
- The Committee noted a breakdown of formal complaints received at each stage and when they had been submitted. In Quarter 1 there had been less received than in previous years for this quarter. Numbers had increased sharply and then evened out by Quarter 4, resulting in a 16% increase in complaints. Improved complaints reporting and co-ordinated responses had impacted on this. The volume of customer interactions and work levels had increased, particularly in areas where complaints had increased such as housing maintenance and adult social care.

However, comparatively speaking formal complaints had not increased significantly. This mirrored the national picture.

- The 16% increase came in the main from customers wishing to escalate to Stage 2 and also included those that had not gone on to proceed to a Stage 2 investigation. Members were informed that the rise in complaints was something to be monitored rather than worried about.
- Members noted a breakdown of complaints by Directorate. Housing maintenance repairs continued to make up a significant proportion of complaints. This work had proved more challenging with Covid and social distancing requirements. Complaints in Resources and Assets had decreased whist they had increased in Communities, Insight and Change. This could be partially attributed to the move of Housing Services from Resources and Assets to Communities, Insight and Change. Aside from this, the distribution of complaints was consistent with previous years.
- Members were updated with regards to complaints considered under the Children's Social Care complaints process. There had been an increase in the number of complaints resolved at early resolution stage. There had been a reduction in the number of Stage 1 complaints compared with the previous two years (down 37% compared to 2019/20). There had been a small increase in escalations to Stage 2. A case-by-case review would be carried out to identify if anything more could have been done to resolve the case any earlier. A further three cases had been escalated to Stage 3 panel, two of which had been resolved. Reasons for complaints included alleged inaccuracies in assessments, dissatisfaction with assessment reports or perceived poor attitude or conduct of staff.
- Key learnings from complaints considered under the Children's Social Care complaints process, included that some parents felt that they had not been kept sufficiently involved in the process or that there was bias in favour of the other parent. Practice consultants had been running bite sized training for social care staff around issues of consent, use and tone of language in assessments and evidence-based assessments. This would continue over the next financial year.
- Members were updated on corporate complaints regarding Children's Services. There had a slight increase in the number of formally recorded complaints.
- Members noted a sample of compliments received across the year. A Customer Feedback Survey specifically for complaints had been developed. This would gather feedback following complaint resolution. Customers would be asked to give feedback and an overall rating of their experience and for their views on how their complaint had been dealt with. Customers would be asked how easy it had been to submit a complaint and for feedback on those who had dealt with the complaint.
- The Complaints Focus Group looked at how the Council could improve the way it dealt with complaints. The Complaints Policy had been rebranded and awareness raised across the Council around the Complaints Policy. Complaints training was being developed and an online complaints form had been launched.
- Councillor Shenton asked whether the number of complaints escalated above Stage 1 varied or was fairly static. He was informed that it did vary but levels had been fairly static for the last few years. With regards to Children's Social Care complaints, if a customer complaint was dealt with at Stage 1 and the customer felt that their complaint had not been satisfactorily resolved, it could be escalated to Stage 2.
- Councillor Loyes commented that the number of complaints received in Quarter 3 seemed high and asked whether policies needed to change. He was informed that the Council was trying to give clearer, simpler responses to complaints, across the Council.

- Councillor Ross asked if it was possible to analysis the complaints given the unusual situation of Covid. He also asked how the Complaints Team were made aware of what was considered jargon. The Service Manager Customer Services Operations commented that people had been home more because of Covid and had noticed more issues. There had been a number of complaints around housing maintenance which had had to reduce its activities because of Covid restrictions. It was important to manage expectations around timescales. In addition, the Ombudsman had closed from March-July which had had an impact on the number of complaints dealt with. With regards to jargon, a Learning and Development Plan was being developed which would detail how to write and convey responses to complaints.
- Councillor Shepherd-DuBey commented that she was hearing a lot of dissatisfaction regarding grass cutting and questioned when information regarding these complaints would be available. She was informed that the cut off for the annual report had been March, so grass cutting reports would likely appear in the next quarter report.

RESOLVED: That the Annual Corporate Complaints Report 2020-21 be noted.

19. CORPORATE RISK REGISTER

The Committee considered the Corporate Risk Register.

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

- Since the Committee's previous meeting, Directors and Assistant Directors had reviewed their directorate risk registers and considered whether any new risks had emerged. Changes made since the last meeting fall into the category of either presentational or new/removed risks.
- No risks had been removed since the previous update to the Committee.
- The Assistant Director Governance outlined the changes made to headline assessments of existing risks. He referred to the self-assessment undertaken to ensure that the Council was in a good place financially and had controls in place to ensure that a similar situation to that of Slough Council did not occur. The risk register had been updated to reflect internal controls to manage the 'Budgeting and financial management risk.' It was noted that strategies around procurement and commercialisation were being presented to the Executive that week.
- With regards to Corporate Governance, an internal audit of this area had been planned in this quarter. There would also be a Local Government Association Peer Review in October.
- With regards to the Local Plan risk, the Executive was receiving a report on the Local Development scheme which would set out the timetable for the adoption of the Plan, giving more clarity and certainty around managing that particular risk.
- Risk 8 had been broadened to include cyber security.
- More work was expected through the Corporate Risk Management Group over the coming months.
- It was noted that the Committee was due to look at the Risk Management Policy at its September meeting and would be able to assure themselves that the policy remained effective.
- Training around strategic risk management had been proposed.
- Councillor Shenton commented that whilst he was not surprised that the Public Protection Partnership had been added as a risk, he was surprised that it had not been scored higher. The Assistant Director Governance agreed to feed this back.

He commented that the Community and Corporate Overview and Scrutiny Committee had received a detailed update at their previous meeting on the matter.
- Councillor Shepherd-DuBey commented that the new domestic abuse service provider currently did not have a refuge provision in place and questioned whether this should be included on the Corporate Risk Register. The Assistant Director Governance agreed to feed this back.

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

20. 2021/22 INTERNAL AUDIT AND INVESTIGATION QUARTER 2 WORK PROGRAMME AND QUARTER 1 PROGRESS UPDATE

The Assistant Director Governance presented the 2021/22 Internal Audit and Investigation Quarter 2 Work Programme and Quarter 1 Progress Update.

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

- The report detailed the Quarter 2 report July to September. More details of the outcomes of the work undertaken by the team would be presented at the September and November meetings.
- The links between the planned work for internal audit and the Corporate Risk Register were being reenforced.
- Members were informed that the Royal Borough Windsor and Maidenhead Council had given notice that they intended to leave the Shared Service from1 April 2022 and the transition process was being moved through. Councillor Shepherd-DuBey questioned why notice had been given on the Shared Service and what RBWM intended to do instead. The Assistant Director Governance stated that a report would be going to their September Audit Committee meeting. No indication had been given with regards to any direct dissatisfaction with the Shared Service itself.
- Councillor Loyes asked about the financial impact of the dissolution of the Shared Service and was informed this was still being considered. The team was clear about its focus on Wokingham and working towards Wokingham's internal audit plan. Members were reminded that the team also provided audit services for a number of other councils.
- Councillor Ross questioned whether the separation of the Shared Service would cost money.
- Councillor Shenton queried whether the Public Protection Partnership transition could be scheduled in the Internal Audit Plan. It was suggested that it could be built into the Quarter 3 plan.

RESOLVED: That the 2021/22 Internal Audit and Investigation Quarter 2 Work Programme be approved and the progress of work against the Quarter 1 Work Programme be noted.

21. AUDIT COMMITTEE TRAINING & DEVELOPMENT PROGRAMME

The Audit Committee considered a proposed training programme.

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

- A mixed approach towards training and development was detailed within the report. A series of training sessions or briefings were proposed an hour before the committee meetings, or on a separate day, as was preferred by the Committee.

- Members would continue to be sent the quarterly CIPFA bulletins.
- An Audit Committee self-assessment would be presented at the next committee meeting. The Chairman indicated that further training requirements may be identified via the self-assessment.
- Councillor Shepherd-DuBey commented that many Members outside of the Committee were unaware of its role. The Assistant Director Governance suggested raising awareness via the annual report to Council.

RESOLVED: That the proposed training programme be agreed.

22. FORWARD PROGRAMME

The Committee considered the forward programme for the remainder of the municipal year.

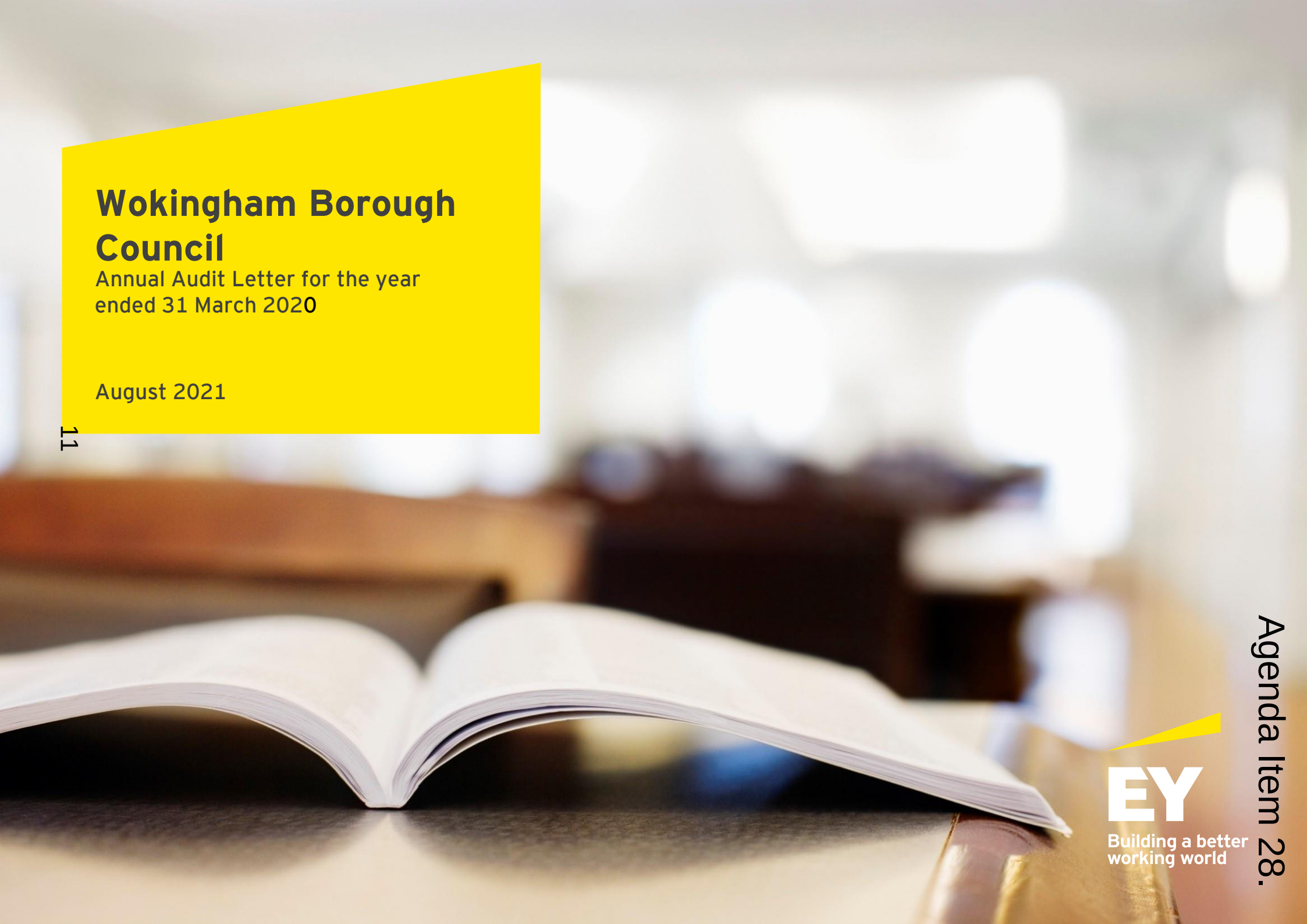
It was confirmed that the September Committee had moved to 15 September.

RESOLVED: That the forward programme be noted.

Wokingham Borough Council

Annual Audit Letter for the year ended 31 March 2020

August 2021



Building a better working world

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). [**OR** As part the Auditor Engagement process, we have agreed with you the respective responsibilities of auditors and audited bodies. Copies of the Engagement Letter and Terms and Conditions of our appointment are available from the Chief Executive or via the bodies minutes on their website].

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 sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities of Engagement. 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 Hywel Ball, 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.

Section 1

Executive Summary

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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 2020. Covid-19 had an impact on a number of aspects of our 2019/20 audit. We set out these key impacts below.

Area of impact	Commentary
Impact on the delivery of the audit	
► Changes to reporting timescales	As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404 were published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.
Impact on our risk assessment	
► Valuation of Property Plant and Equipment	The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty were included in the year-end valuation reports produced by the Council's valuer. We considered that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of land and buildings and investment property.
► Disclosures on Going Concern	Financial plans for 2020/21 and medium term financial plans required revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Council would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Council's actual year end financial position and performance.
► Events after the balance sheet date	We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic would need to be disclosed. The amount of detail required in the disclosure would need to reflect the specific circumstances of the Council.
Impact on the scope of our audit	
► Information Produced by the Entity (IPE)	We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the Council due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk: ► Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and ► Agree IPE to scanned documents or other system screenshots.
► Consultation requirements	Additional EY consultation requirements concerning the impact on auditor reports. The changes to audit risks and audit approach changed the level of work we needed to perform.

Executive Summary (cont'd)

The tables below set out 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 2020 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.

Executive Summary (cont'd)

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.

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 6 August 2021.
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 6 August 2021.

The audit for 2019/20 has been protracted, and 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

Section 2

Purpose and Responsibilities

Ref: EY-000092651-01

Purpose

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 which was circulated to the Audit Committee. representing those charged with governance, on 6 August 2021. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities

Responsibilities of the Appointed Auditor

Our 2019/20 audit work has been undertaken in accordance with the Audit Plan that we issued on 3 June 2020 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 2019/20 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 £500m. 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.

Section 3

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 6 August 2021.

Our detailed findings were reported to the Audit Committee in March 2021, and the final audit results report was shared with members of the Audit Committee via email on 6 August 2021.

The key issues identified as part of our audit are set out on the following pages:

Financial Statement Audit (cont'd)

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

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.
	In response to this risk, we:
	• identified fraud risks during the planning stages, which reflect the significant fraud risk recognised in this report (the risk of incorrect capitalisation of expenditure).
	• inquired of management about risks of fraud and the controls put in place to address those risks.
	• understood 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.
	• determined an appropriate strategy to address those identified risks of fraud which is reflected in the significant risks documented on this file.
	• performed mandatory procedures regardless of specifically identified fraud risks, including:
	  • testing journals at year-end to ensure there are no unexpected or unusual postings. We were satisfied that those journals tested did not contain evidence of management override.
	  • undertaking a detailed review of accounting estimates for evidence of bias (such as the valuation of land, buildings and investment property) and substantively tested unusual or unexpected transactions. No evidence of bias, or unusual transactions, was identified.

Financial Statement Audit (cont'd)

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

Significant Risk	Conclusion
Risk of fraud in revenue and expenditure recognition – incorrect capitalisation of 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. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.	We focused on the Council's judgements to classify expenditure as either revenue or capital in nature. In response to this risk, we: • Tested a sample of PPE and IP additions to ensure that the expenditure incurred and capitalised was clearly capital in nature and that the transaction was supported by sufficient evidence to verify its value and the period it related to. • Identified and tested significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year. This provided assurance that the transactions were adequate, supported by evidence and valid. • Tested a sample of Revenue expenditure funded from capital under statute (REFCUS), to ensure that it was appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources. As with PPE additions, we also ensured these items were supported by sufficient evidence to verify the value and the period it related to. Based on the work completed: • we were satisfied that the PPE and IP transactions tested were supported by evidence which confirmed the valuation, nature of the expenditure, period to which it related to and confirmed that it was appropriately capitalised. • our review of journal items provided assurance that the transactions posted were adequate, supported by evidence and valid. We identified two issues from our work in this area: **REFCUS** The Council's draft accounts recorded a material REFCUS balance of £9.7m. This included £6.7m paid by the Council to one of its subsidiaries, Berry Brook Homes, for a lease premium relating to the Peach Place affordable housing scheme. The grant paid to Berry Brook Homes would appear to meet the REFCUS criteria. However, the lease premium is for an asset owned by the Council and therefore the treatment as REFCUS was not compliant with the CIPFA Code. Officers amended the accounts and reclassified this as a revenue grant.

Financial Statement Audit (cont'd)

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

Significant Risk	Conclusion
Risk of fraud in revenue and expenditure recognition – incorrect capitalisation of expenditure (cont'd)	**Flexible Use of Capital Receipts** We challenged the Council's use of £1.3m of capital receipts on revenue expenditure for staff salaries for people working on the Council's 21st Century Transformation Project as normally salary expenditure for officers would be a service revenue expense. However, we agreed that the capitalisation of these salaries was appropriate for this "invest to save" project in line with the guidance on the flexible use of capital receipts to generate service efficiencies. The legislation and guidance for use of these flexibilities requires that the strategy for the flexible use of capital receipts should be approved in advance. The Council included details of the transformation projects in the 2019/20 Medium Term Financial Plan; and the flexible use of capital receipts formed part of the agreement to the four-year financial settlement with MHCLG. For completeness, officers agreed the use of the £1.3m of capital receipts used under this initiative would be reported retrospectively in the 2021/22 Capital Strategy. This was approved at the February 2021 Council meeting.

Financial Statement Audit (cont'd)

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

Significant Risk	Conclusion
Valuation of Land and Buildings – Property, Plant and Equipment and Investment Properties 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.	We focused on those assumptions that directly impact the valuation of these assets – such as the use of information based on areas of the economy under stress (such as retail), location factors, useful lives and estimation of year on year valuation movements. In response to this risk, we undertook the following procedures: • Challenged the assumptions used by the Council's valuer by reference to external evidence and our valuation specialists. This included considering significant or unusual movements in valuation and investments in areas of the economy under stress, such as retail. The work of our EY valuation specialist was extended to consider also the material uncertainty disclosed by the Council's valuer's in their valuation report to the Council which arose due to Covid-19. • Considered the work performed by the Council's internal valuer and confirmed that the scope of the work performed was adequate, they had the appropriate professional capabilities to complete the work and the results of their work was in line with our expectations. • Sample tested key asset information used by the valuer in performing their valuation (e.g. building areas to support valuations based on price per square metre). • Confirmed that the valuation was undertaken to ensure all assets required to be valued in line with the Council's five year rolling programme had been completed, and that all investment property had been revalued in year as required by the Code. • Assessed those assets not subject to valuation in 2019/20 to confirm that the remaining asset base was not materially misstated; and • Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements. We also undertook the following audit procedures in response to the Covid-19 pandemic: • considered the Council's asset base by type of asset and valuation methodology, as impacts were likely to be more significant for assets valued on the basis of data from market transactions.

Financial Statement Audit (cont'd)

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

Significant Risk	Conclusion
Valuation of Land and Buildings – Property, Plant and Equipment and Investment Properties (cont'd)	• ensured the appropriate disclosure has been made in the accounts concerning the material uncertainty included in the Council's valuation report which arose due to the Covid-19 pandemic. We completed our planned procedures and identified a number of findings. These were reported in more detail in our audit results report, and are summarised here. <u>1. Assumptions used by the valuer:</u> • Following our challenge. management undertook an exercise to corroborate and correct, where necessary, the supporting evidence for the valuations which resulted in valuation adjustments to the Other Land and Buildings. <u>2. Assets not valued at 31 March 2020:</u> • The fixed assets register and Statement of Accounts did not account for the revaluations of four properties included in the property investment group valuation • Significant additions were made to the Peach Place development during the year which were not revalued at the year end. • Significant transfers of Other Land and Buildings from Assets under Construction were made during the year without having been valued in line with the CIPFA Code which requires operational assets to be valued on either existing use value where there is an active market, or depreciated replacement cost using the instant build approach in the absence of an active market. • Other Land and Buildings of £222.7m were not revalued as at 31 March 2020, nor were these properties' values reviewed to ensure materially accurate reporting thereof in the Statement of Accounts. Management corrected the financial statements which resulted in downward valuation of Other Land and Buildings amounting to £45.7m.

Financial Statement Audit (cont'd)

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

Significant Risk	Conclusion
Valuation of Land and Buildings – Property, Plant and Equipment and Investment Properties (cont'd)	3. Council dwellings: • The Council Dwelling Valuation Report incorrectly included properties that were previously derecognised from the Council's records, and accounted for shared ownership properties at 100% of its value instead of the percentage owned by the Council. Management subsequently corrected the overstatement of these properties which resulted in adjustments to the value of Council Dwellings in the Statement of Accounts. 4. Use of EY Real Estate: • We engaged our real estate specialist (EYRE) to review the revaluations of 11 assets selected from Land and Buildings and Investment Property. From this review, four properties were found to have a value outside of a reasonable range of valuations established by EYRE for each asset. Following discussions between EYRE and the Council's expert, management reviewed the valuation assumptions for each of these assets, and amendments were made to the final statement of accounts. For one asset, Carnival Pool Multi Storey Car Park, the revised valuation remained outside our acceptable range, and we reported the difference of £4.65m as an unadjusted judgemental difference. PPE and IP Valuation – Emphasis of Matter We identified that the Council had not initially adequately disclosed the material uncertainty highlighted within the Valuers' Report. The financial statements were updated to include relevant disclosures within Notes 4: Major sources of estimation uncertainty, Note 24: PPE and Note 25: Other Non Current Assets of the financial statements. We included an Emphasis of Matter within our audit report to draw the attention of the reader of the accounts to the Council's disclosure relating to the material uncertainty included in the valuer's report. We note this is not a qualification of the audit opinion.

Financial Statement Audit (cont'd)

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

Significant Risk	Conclusion
Pension Liability Valuation 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.	We review the assurances over the information supplied to the actuary by the pension fund administrators, the work of the pension fund actuary and the accounting entries and disclosures in the Council's financial statements. We had ongoing discussions with the Pension Fund auditor to understand the timetable for their work, and we received their final assurance letter towards the end of May 2021. **Pension accounting entries and disclosures:** The Council requested an updated IAS19 report from the Berkshire Pension Fund actuary following the identification of a downward valuation of about £31.5m in the value of the Pension Fund assets arising from Covid-19 and a lag in pricing of the Pension Fund's alternative investments as at 31 March 2020. The updated report also included a revised longevity insurance contract value as at 31 March 2020. We reviewed the amended pension accounting entries and disclosures within the Council's financial statements and concluded the increase of £7.775m in the total pension liability is appropriate. However, the IAS 19 report did not include the potential impact of the Goodwin Case. Our pensions expert determined that the impact thereof would result in a judgemental misstatement in the range of 0.1% to 0.2% of the pension fund liability at year end. This was not adjusted in the financial statements. **IAS 19 assurances:** We reviewed the audit assurances received from the Berkshire Pension Fund auditors in late May 2021 and raised a number of queries on the work that has been carried out. We identified differences in membership data used to compile the IAS19 reports by the Pension Fund actuaries. We engaged our pensions expert to determine the impact of these differences, and as a consequence, identified a judgemental misstatement in the range of 0.25% to 0.31% of the pension fund liability value at year end. This was not adjusted in the financial statements. The impact of these potential misstatements on the pension fund liability at 31 March 2020 was an understatement of £2,205k in the total liability. As the difference is not material, we concluded that the net pension liability was fairly stated.

Financial Statement Audit

Key Issues

Other audit risks on the Council audit

Disclosures on going concern and events after the balance sheet date - The provisional accounts did not include a detailed disclosure on going concern. Officers produced an assessment of the impact of Covid-19 on the Council's finances and used that to draft a new going concern disclosure note which was included in the draft accounts. We scrutinised the financial assessment, cashflow, liquidity and borrowing forecasts, known outcomes, sensitivities, mitigating actions and key assumptions. We reviewed and further challenged the revised going concern disclosure, which appears at Note 1 in the Statement of Accounting Policies (Section 11 within the Statement of Accounts), and were satisfied that it was an adequate reflection of management's assessment that it remains appropriate to prepare the financial statements on a going concern basis. We considered the need to draw the attention of a reader of the accounts to the Council's updated disclosure through the inclusion of an emphasis of matter paragraph in our audit report but we concluded this was not necessary.

Private Finance Initiative (PFI) – We were satisfied the Council's material PFI arrangements have been correctly accounted for in the financial statements.

Group accounting disclosures – The Council prepares group accounts which involves consolidating the financial statements of its following four subsidiaries:

- Optalis Holdings Ltd provides Adult Social Care Services;
- WBC Holdings (WBCH) Ltd provides social and affordable housing. WBCH also includes Wokingham Housing Ltd, Loddon Homes Ltd and Berry Brook Homes Ltd.

We reviewed the work carried out by the component auditors and had no issues to report. However, our work identified the accounting policies of the subsidiary accounts were not aligned to those of the Council. Management has subsequently amended the group accounts to correct this. However, non-material adjustments in the preparation of the consolidated financial statements could not be appropriately substantiated by management, and were reported in our audit results report.

Financial Statement Audit (cont'd)

Our application of materiality

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

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £6.665m (2019: £6.269m) for both the Council and the Group, which is 2% of gross expenditure on provision of services reported in the accounts of £333.2m. We consider gross expenditure on provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £333k (2019: £313k) for both the Council and the Group.

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 audit these fully given their inherent sensitive nature.
- Related party transactions. We consider any related parties in terms of the underlying relationship and potential influence, and not simply the overall values disclosed.

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

Section 4

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.

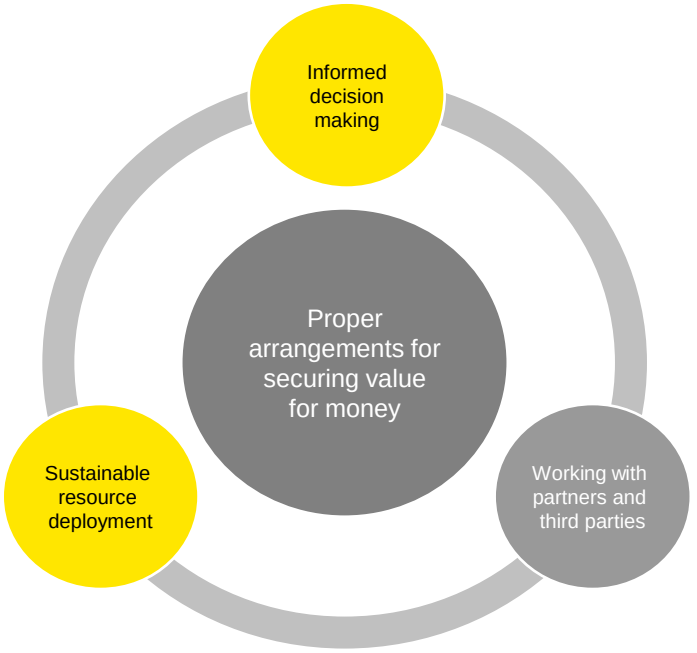
Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

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

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider NHS bodies' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

We identified two significant risks in relation to these arrangements. The tables below present the findings of our work in response to the risks identified and any other significant weaknesses or issues to bring to your attention.

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



Value for Money (cont'd)

We therefore issued an unqualified value for money conclusion on 6 August 2021.

Significant Risk	Conclusion
Commercialisation and the purchase of investment properties The Council has plans to develop some £85m 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 £3.3m of savings over 2019/20, which is in additional to some 22.8m 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 authorities 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.	We concluded that: • The Council's key strategic documents are well aligned, with both the Investment and Capital strategies showing planned increases to future investment. The Council's investment portfolio is well developed, with a portfolio of £79m returning a net yield of 5.25%. The overall aims of the Council with regards to commercialisation are consistent, with targets clearly outlined. • Property purchases are supported by clearly defined process, utilising desktop appraisals, Property Investment Group review, purchase proposals, and cost & yield analysis. The Council obtains external legal and property advice throughout the purchase process to supplement the due diligence undertaken. To assess the process, we reviewed the acquisition of the Denmark Street Car Park. • There is a clear governance structure in place for key decision making. The 2017 Investment Strategy provides the Deputy Chief Executive and S.151 Officer with the authority to make investment decisions, and he is supported by key individuals within the Council, who all attend PIG meetings throughout the year. • The Council has a Treasury Management Strategy that assesses the requirements of the Prudential Code, and provides necessary information to address these requirements, ensuring compliance with the statutory investment guidance and the Code. This allows the Council to comply with the guidance and make informed decisions on financial investments, which in turn allows for sustainable resource deployment. The Council sets aside MRP of 10% of the value of the asset over 15 year to cover any reduction in value if needed. We suggested the Council should consider formalising its process for analysing decisions to retain or sell properties, to manage the risk of any loss in market value of the investment. The Council should also establish a risk register for the new Community Investment Group to review as part of its Terms of Reference and highlight and record any issues that need to be considered at a strategic level in the Corporate Risk Register.

Value for Money (cont'd)

Significant Risk	Conclusion
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, the strengths and areas for improvement could be better disclosed in the 2019/20 Annual Governance Statement. In term of more effective governance, we found, to date, that: ▸ the Risk Management Strategy and Guidance 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.	The Council's 2019/20 Annual Governance Statement states that there has been "a renewed focus on organisational risks and are overseen by the Risk Management Strategy, Corporate Risk Register and Directorate / Service risk registers. ". A risk management champions group, comprising representatives from across the Council, has been established in 2020/21 to help drive and co-ordinate the Council's approach to risk management. However, risk management needs to be better embedded in the day to day business and reporting of the Council as follows: • Work is underway to develop a new service plan template for 2021/22 which will align directly to the Council Plan priorities and Key Performance Indicators (KPIs). We suggest that the Corporate Risk Register and underpinning service risk registers, as part of the new service planning process, are also aligned to these objectives. • The Risk Management Policy & Guidance sets out the Council's approach to risk appetite, however the Corporate Risk Register does not clearly record the Council's residual risk so it is difficult to see whether the Council is operating within its risk tolerance. The Council has agreed to consider this further. • Embedding and developing the role of the Audit Committee to provide overall assurance to the Council over the effectiveness of the Council's Risk Management Framework arrangements. • Reviewing the Audit Committee's work programme to ensure it covers all CIPFA audit committee best practice requirements. • Considering the implementation of an overarching assurance framework which is a structured means of identifying and mapping the main sources of assurance, and co-ordinating them to best effect.

Section 5

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

The Council is below the specified audit threshold of £500m. 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 had no matters to report

Report in the Public Interest

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

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

Written Recommendations

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

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

Objections Received

We did not receive any objections to the 2019/20 financial statements from members of the public.

Other Powers and Duties

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

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 28 July 2021. 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.

Other Reporting Issues (cont'd)

Control Themes and Observations

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

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

We considered whether circumstances arising from Covid-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

However, we note below issues included in our audit results repory.

Adequacy of challenge of PPE and IP valuation

The number of adjustments to the accounts arising from the PPE valuation audit work is high. Whilst appreciating that valuations are a matter of professional judgement, management should critically appraise the information provided to valuers to ensure it is accurate and understood, assess the methods and assumptions used against the accepted accounting practices and challenge where potential anomalies arise. Management should then document their challenge of the significant estimates made by experts so they can satisfy themselves that the entries in the financial statements are reasonable.

Amendment to the cyclical PPE valuation programme

We understand that management are proposing to employ an external valuer to value the Council's PPE assets for the 2020/21 financial statements, as it does for its annual valuation of its investment properties The intention will be that the Council's internal valuer will provide an initial challenge of the external specialist's assumptions, and provide greater assurance to the finance team preparing the financial statements. We agree this will provide the opportunity for additional challenge as set out above. We recommend that the valuer values a proportion of all the Council's asset types each year (rather than by category type every 5 years) so that the Council has a benchmark for indexation should it need it.

Capacity of the finance department

We have found that the finance officers have been stretched during both the preparation and the audit of the Council's financial statements, exacerbated by the level of work associated with Covid-19 reporting. We suggest that senior management review the finance department's deliverables and staff capacity so the two are fairly aligned. This will improve the Council's accounts production process and reduce the amount of time required for the audit.

Bank reconciliations of imprest bank accounts

There are a number of imprest bank accounts in the Council's portfolio that are not reconciled on a regular basis, resulting in unexplained differences between the Council's accounting records and statements from the relevant financial institutions. Whilst appreciating that these differences are not material, reconciliations should be performed on a regular basis to ensure appropriate record keeping and prevent any undetected irregularities.

Approval of transfers to/from earmarked reserves

Transfers to/from earmarked reserved are generally processed in the accounting records without proper substantiating approval at the appropriate level. Proper documented approval mechanisms should to be implemented by management to substantiate reported approvals to/from earmarked reserves in the accounting records.

Other Reporting Issues (cont'd)

Control Themes and Observations (cont'd)

Group accounts

Group information and disclosures within the Council's Statement of Accounts required several material corrections. In particular, we found challenges around the disclosure of the group Cash Flow Statement. Proper mechanisms that allow for the revision of underlying consolidation records and workings should therefore be implemented to ensure that this information is accurately presented and properly substantiated by sufficient appropriate accounting records. We are likely to include this as an area of audit focus in future audits.

Section 6

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	The CIPFA LASAAC Local Authority Accounting Board has recently announced the implementation of this standard will be deferred until the 2022/23 financial year. This is in response to the ongoing pandemic and the impact on local authority finance teams. The Board has indicated this will be for one year only and there is no intention to grant any further extensions based on lack of preparedness. Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.	Whilst there is a further delay in implementation, it is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.

Section 8

Audit Fees

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Audit Fees

Our fee for 2019/20 is set out in the table below.

Description	Final Fee 2019/20 £	Planned Fee 2019/20 £	Scale Fee 2019/20 £	Final Fee 2018/19 £
PSAA Scale Fee – Code work (Note 1)	81,325	81.325	81,325	81,325
Scale fee rebasing (Note 1)	TBC	58,655	-	-
Additional procedures – Code work (Note 2)	TBC	Nil	Nil	16,600
Non-audit work – Housing Benefit Subsidy claim (Note 3)	47,000	10,000	Nil	20,490
Total fees	**TBC**	**149.980**	**81,325**	**118,415**

The final fee for our Code work will be confirmed upon completion of the audit. We will report the final fee to the Audit Committee in our Annual Audit Letter. For 2019/20, the final fee has been impacted by a range of factors which has resulted in additional work. We set out an estimate of the potential additional fee for this below which we will discuss in detail with Deputy Chief Executive (S151 officer) and will be subject to approval by PSAA.

Note 1: Our fee above does not include the scale fee review which is currently under review with PSAA to agree whether the scale fees for local government need to be rebased to account for the increased audit and quality requirements as well as increased regulatory challenge on the depth and quality of assurance provided by audit suppliers. There is now greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. Discussions with PSAA remain ongoing.

Audit Fees

(cont.)

Note 2: There will be additional fees for 2019/20 because of the additional work required on the following:

- Using EY Real Estate experts to assess the impact of Covid-19 on land and building valuations and the material uncertainty clause in the Council's valuation report; to review a sample of valuations of investment properties and other land and buildings valued on the basis of existing use value assets, 11 assets in total.
- Responding to the errors identified in the valuation of land and buildings more widely, and ensuring the accounting entries were properly disclosed.
- Extended testing of the group accounting disclosures and subsequent amendments to the accounts.
- Responding to the membership data issues identified in the Pension Fund auditor's assurance letter, which included the use of EY Pension experts.
- Reviewing governance arrangements and testing Covid-19 expenditure.
- Extended testing of unrecorded liabilities and subsequent events due to delays in completing the audit.
- Additional procedures to consider the Council's going concern assessment.
- Consultation requirements concerning the impact on the auditor's report from the land and building valuations material uncertainty clause and going concern assessment.
- Additional work in respect of the Council's value for money significant risks.

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Note 3: From 2018/19 onwards the Housing Benefit subsidy audit work falls outside the PSAA regime and is subject to a separate fee proposal and engagement terms. We have been contracted to undertake agreed upon procedures (AuP) by the Council in order to certify the housing benefit subsidy claim. The planned fee of £10,000 relates only to the agreed fee for the initial testing. Significant additional testing was required to meet the AuP requirements. We completed these procedures for 2019/20 and expect to agree the proposed fee of £47,000 with officers.

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Wokingham Borough Council

Audit planning report

Year ended 31 March 2021

September 2021

Building a better working world

3 September 2021

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

Dear Audit Committee Members

Provisional 2020-21 Audit Planning Report

We are pleased to attach our Provisional 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 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 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 Provisional Audit 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, specifically in relation to the new requirements for the value for money conclusion. We will report our value for money risk assessment and inform the Audit Committee if there are any significant changes or revisions to our strategy for the financial statements audit upon completion of these procedures at the following meeting of the Committee.

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 15 September 2021 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

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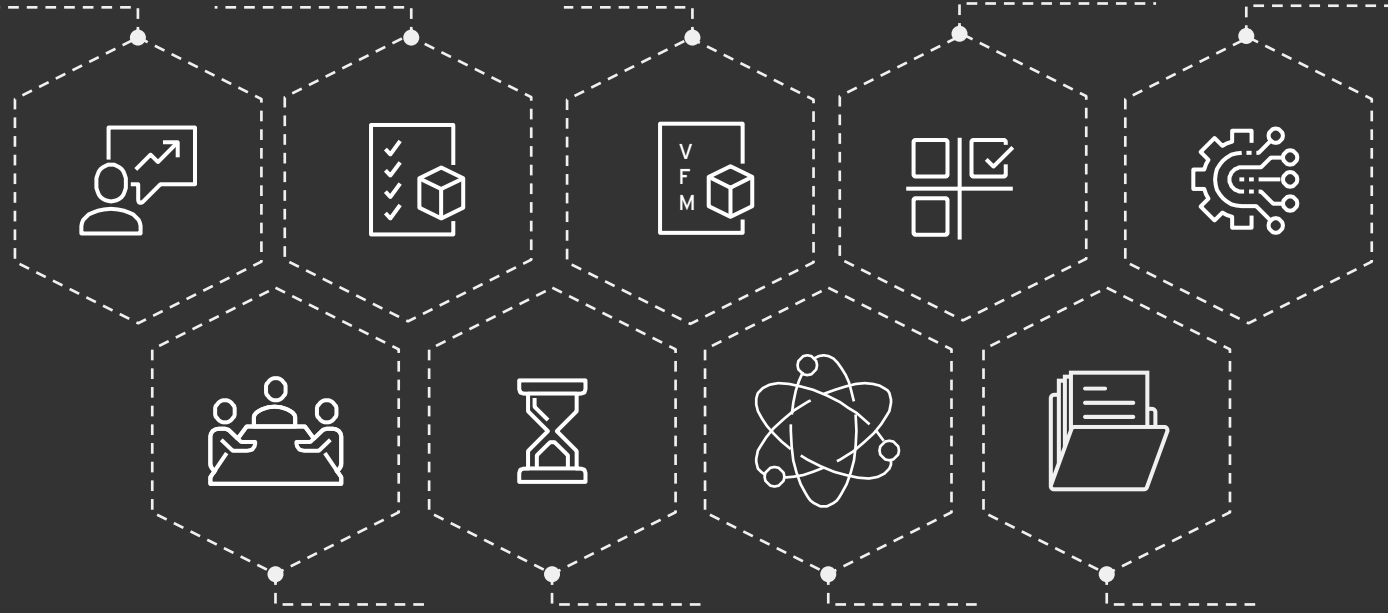

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).The Statement of responsibilities 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 Audit Committee and management of Wokingham Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Wokingham Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Overview of our 2020/21 audit strategy

Overview of our 2020/21 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 (management override)	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, through inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We believe the risk of manipulation is most likely to manifest in the incorrect capitalisation of revenue expenditure through either inappropriate additions to Property, Plant and Equipment (PPE) and Investment Property (IP) or incorrect classification of expenditure as Revenue Expenditure Funded from Capital Under Statute (REFCUS), as there is an incentive to reduce expenditure which is funded from Council Tax.
Valuation of Land & Buildings in PPE and IP	Significant risk	No change in risk or focus	The value of land & buildings in PPE and in IP represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a high degree of 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. We identified a high number of errors in the previous audit which reduced the total value of assets by £47.09m.
Accounting for Covid-19 Grant Income	Inherent risk	New area of focus	The Council has received a significant level of government funding in the relation to Covid-19. There is a need for the Council to ensure that it is has recognised and accounted for these appropriately, taking into account any associated restrictions and conditions.

Overview of our 2020/21 audit strategy (cont.)

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
Pension Liability Valuation	Inherent risk	Changed from significant risk in the PY to area of focus in the CY	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 the Royal Borough of Windsor & Maidenhead, the Berkshire Pension Fund Administrator. The Council's pension fund asset is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Pension Fund. 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. In 2019/20, late changes were required to disclosures in the financial statements arising from the McCloud legal judgement. The impact for 2020/21 is not yet known.
Going Concern Disclosure	Inherent risk	No change in risk or focus	Covid-19 has created a number of financial pressures throughout local government, increasing service demand and expenditure. The Council has incurred additional expenditure in a number of areas of its operations and has experienced some income losses. The extent of support from MHCLG has developed over time, but does not include all financial consequences of Covid-19. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. *(Details continued on next slide)*

Overview of our 2020/21 audit strategy (cont.)

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 Disclosure	Inherent risk	No change in risk or focus	*(Details continued from previous slide)* However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.
Accounting for Public Finance Initiative (PFI)	Inherent risk	No change in risk or focus	The PFI liability and associated expenditure represent material figures within the Council's financial statements. The accounting for a PFI scheme involving reliance on historic accounting models and a number of judgements. Errors within the models or changes in judgement can have a material impact on the financial statements. We therefore recognise the PFI scheme as an area of audit focus. There is a risk the Council fails to account properly for the PFI contract. Due to the size and complexity of the PFI and associated transactions, we believe there is a potential to have an impact on the financial statements. In 2018/19, we commissioned a detailed review of the RE3 Waste PFI arrangements for Bracknell, Reading and Wokingham Councils by our PFI specialist. This included a review of the assumptions used in the RE3 PFI accounting model and commenting on local adjustments made to the model. Our work will focus on any changes to estimates within the model and accounting plus future inflation assumptions.

Overview of our 2020/21 audit strategy (cont.)

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
Cash and cash equivalents	Inherent risk	New area of focus	The Council has a number of imprest bank accounts within its portfolio that were not reconciled on a regular basis in prior years, resulting in unexplained differences between the Council's accounting records and statements from the relevant financial institutions. Although these differences were not material, there is a need to perform reconciliations on these accounts to ensure appropriate record keeping and prevent any undetected irregularities.
Group Accounting	Inherent risk	No change in risk or focus	The Council prepares group accounts which involves consolidating the financial statements of its following four subsidiaries: • Optalis Holdings Ltd that provides Adult Social Care Services; • WBC Holdings (WBCH) Ltd that provides social and affordable housing. (WBCH also includes Wokingham Housing Ltd, Loddon Homes Ltd and Berry Brook Homes Ltd as its subsidiaries) These subsidiaries contain accounting entries and balances that can be considered material or significant to the group, and will be classified as either full or specific scope audits. During the prior year, misstatements in group consolidation entries and workings, group cash flow calculations, and the misalignment of accounting policies between the group accounts and those of the subsidiaries required numerous corrections to the consolidated group accounts.

Overview of our 2020/21 audit strategy (cont.)

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.

Materiality

Materiality has been set at £8.45m, which represents 2% of the current year's gross expenditure on provision of services.

Performance materiality has been set at £6.34m which represents 75% of materiality.

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, housing revenue account and collection fund) greater than £422k. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

Overview of our 2020/21 audit strategy (cont.)

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 give a true and fair view of the financial position as at 31 March 2021 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 independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors 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 or any other risks 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 we identify during the audit.

Misstatements due to fraud or error *

Financial statement impact

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

What is the risk?

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.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- Identifying fraud risks during the planning stages;
- Inquiry of management about risks of fraud and the controls put in place to address those risks;
- Understanding the oversight given by those charged with governance of management's processes over fraud;
- Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- Performing mandatory procedures regardless of specifically identified fraud risks, including:
    - Testing of journal entries and other adjustments in the preparation of the financial statements.
    - Reviewing accounting estimates for evidence of management bias.
    - Evaluating the business rationale for significant unusual transactions.

Our response to significant risks (cont.)

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 and REFCUS *

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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 PPE.

In 2019/20, the Council incurred additions to PPE of £134.44m and to IP of £18.59m, of which REFCUS represented £4.33m.

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 consider the risk applies to capitalisation of revenue expenditure and revenue expenditure funded from capital under statute (REFCUS). Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charged to the comprehensive income and expenditure account.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- 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;
- 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; and
- Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources.

Our response to significant risks (cont.)

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.

Valuation of Land & Buildings in PPE and IP *

Financial statement impact

Values of Land & Buildings in PPE and IP were £698.01m and £32.57m respectively as at 31 March 2020.

What is the risk?

The value of land & buildings in PPE and in IP represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a high degree of material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Given the nature of Covid-19 and the fact that 2020/21 was predominantly influenced by local and national lockdowns, we anticipate that the valuer will not be able to conduct site visits due to the restrictions that are in place and that the valuer will have to perform a remote approach to valuing the properties which will further increase the risk around these valuations.

Several misstatements were furthermore identified in property valuations during the prior year's audit that required subsequent material adjustments to PPE and IP.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Consider the Council's asset base by type of asset and valuation methodology, as impacts are likely to be more significant for assets valued on the basis of data from market transactions as a result of the Covid-19 pandemic.
- Challenge the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists as necessary – for example, significant or unusual movements in valuation; or investments in areas of the economy under stress such as retail;
- Sample testing key asset information used by the valuers in performing their valuation (e.g. building areas to support valuations based on price per square metre);
- Consider the annual cycle of valuations to ensure that all relevant properties have been valued within a 5 year rolling programme as required by the Code for PPE, and annually for IP. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Review any properties not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- Consider changes to useful economic lives as a result of the most recent valuation;
- Test accounting entries have been correctly processed in the financial statements.

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.

What is the risk/area of focus?	What will we do?
Accounting for Covid-19 related grant funding The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.	We will: ▸ Consider the Council's judgement on material grants received in relation to whether it is acting as: ▪ An agent, where it has determined that it is acting as an intermediary; or ▪ Principal, where the Council has determined that it is acting on its own behalf. ▸ For grants received where the Council acted as principal, we will further consider whether any associated restrictions and conditions have been met and that grants have been claimed and recognised in accordance with the scheme rules.

Other areas of audit focus (cont.)

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.

What is the risk/area of focus?	What will we do?
Pension Liability Valuation 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). The Council's pension fund liability is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2020 this totalled £259.60m. The information disclosed is based on the IAS 19 report issued to the Council by the actuary. 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.	We will: ▸ Liaise with the auditors of Berkshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Wokingham Borough Council; ▸ 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 the National Audit Office 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. ▸ Where outturn information is available at the time we undertake our work after production of the Council's draft financial statements (for example the year-end actual valuation of pension fund assets), we will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

Other areas of audit focus (cont.)

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.

What is the risk/area of focus?	What will we do?
Going Concern Covid-19 has created a number of financial pressures throughout local government, increasing service demand and expenditure. The Council has incurred additional expenditure in a number of areas of its operations and has experienced some income losses. The extent of support from MHCLG has developed over time, but does not include all financial consequences of Covid-19. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.	In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we will seek documented and detailed consideration to support management's assertion regarding the going concern basis. Our audit procedures to review these will include consideration of: ▸ Current and developing environment; ▸ Liquidity (operational and funding); ▸ Mitigating factors; ▸ Management information and forecasting; and ▸ Sensitivities and stress testing. Due to the impact of Covid-19, we will consult internally, if required, with our risk department over the level of appropriate disclosure.

Other areas of audit focus (cont.)

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.

What is the risk/area of focus?	What will we do?
Accounting for Public Finance Initiative (PFI) The Council has one waste PFI arrangement with the Waste Recycling Group RE3 Limited. This is a joint PFI contract entered into with Reading and Bracknell Forest Councils in 2006/07 for the disposal of waste. The total outstanding value of the contract is estimated to be £111.30m as at 31 March 2020, 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 £41.40m 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 £8.09m as at 31 March 2020, are recognised as Property, Plant and Equipment on the Council's Balance Sheet. The liability resulting from the contract, at the end of March 2020, was reported as £5.75m.	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, Work conducted 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 2020/21 audit, our work will include: ▸ a review of the assumptions used in the Waste PFI accounting model; ▸ commenting on local adjustments, made by the Council, following any changes to the accounting model held by the host council, Reading Borough Council; ▸ review the planned entries and disclosures for the Council's 2020/21 accounts.

Other areas of audit focus (cont.)

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.

What is the risk/area of focus?	What will we do?
Cash and cash equivalents There are a number of imprest bank accounts within it Council's current portfolio included in Cash and Cash Equivalents of £60.60m as at 31 March 2020. In the prior year these imprest bank accounts contained a number of unreconciled differences between the Council's accounting records and statements from the relevant financial institutions. Although these differences were not material, there is a risk relating to appropriate record keeping and prevention of undetected irregularities in the absence of these reconciliations performed on a regular basis.	We will increase our focus on these imprest bank accounts to confirm that regular bank reconciliations are performed to ensure that there are no unexplained differences between the Council's accounting records and statements from the relevant financial institutions.

Other areas of audit focus (cont.)

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.

What is the risk/area of focus?	What will we do?
Group Accounting IFRS 10, 11 and 12 set out the requirements which must be followed when assessing and disclosing group and joint arrangements. Where the Council has interests in other entities, it needs to undertake qualitative and quantitative assessments to inform its decisions as to whether group accounts are required. The Council is therefore required to prepare group accounts which involves consolidating the financial statements of its following subsidiaries: ▸ Optalis Holdings Ltd that provides Adult Social Care Services; ▸ WBC Holdings (WBCH) Ltd that provides social and affordable housing. (WBCH also includes Wokingham Housing Ltd, Loddon Homes Ltd and Berry Brook Homes Ltd as its subsidiaries) These subsidiaries contain accounting entries and balances that can be considered material or significant to the group, and will be classified as either full or specific scope audits. During the prior year, misstatements in group consolidation entries and workings, group cash flow calculations, and the misalignment of accounting policies between the group accounts and those of the subsidiaries required numerous corrections to the consolidated group accounts. This is consequently an area of potential complexity and judgment requiring regular review.	We will: ▸ Consider if these subsidiaries are individually material or significant to the group, and classify them either full or specific scope audits; ▸ request that the auditors of these subsidiaries (Hazlewoods Ltd for Optalis Holdings Ltd; and Haslers for WBCH Ltd and its subsidiaries) undertake a programme of work; ▸ Seek assurances from the auditors of these subsidiaries to ensure their 2020/21 financial statements do not contain material misstatements which may impact the consolidated group financial statements; ▸ Review consolidation entries and workings to ensure that financial performances and balances of the four subsidiaries have been appropriately consolidated into the Authority's financial statements; and ▸ Review the Group Cash Flow Statement in the consolidated group financial statements and its workings to ensure appropriate disclosure in accordance with IAS 7.

03 Value for Money Risks

Value for money

Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

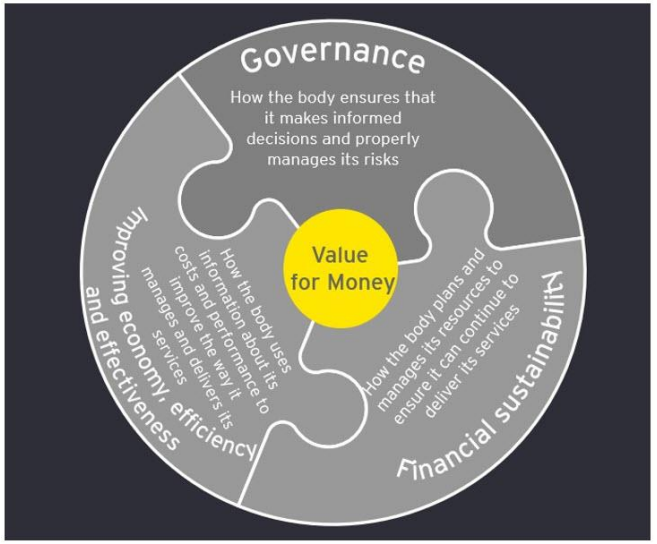
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in an annual governance statement. In preparing its annual governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer one overall evaluation criterion on which we need to conclude. Instead the 2020 Code requires us to design our work to provide sufficient assurance to enable us to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
  How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
  How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
  How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



Value for money risks

Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes, where the NAO required auditors, as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- The Council's Annual Governance Statement;
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies; and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes – or could reasonably be expected to expose – the Council to significant financial loss or risk;
- Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to – or could reasonably be expected to lead to – unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.

Value for money risks

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit Committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

The new Code promotes more timely reporting by auditors. So where we have sufficient evidence to determine that there is a significant weakness on VFM related arrangements we can report that weakness, and an associated recommendation for improvement, at that time and not wait until we issue our Audit Results Report on the audit of the statement of accounts.

Status of our 2020/21 VFM Planning

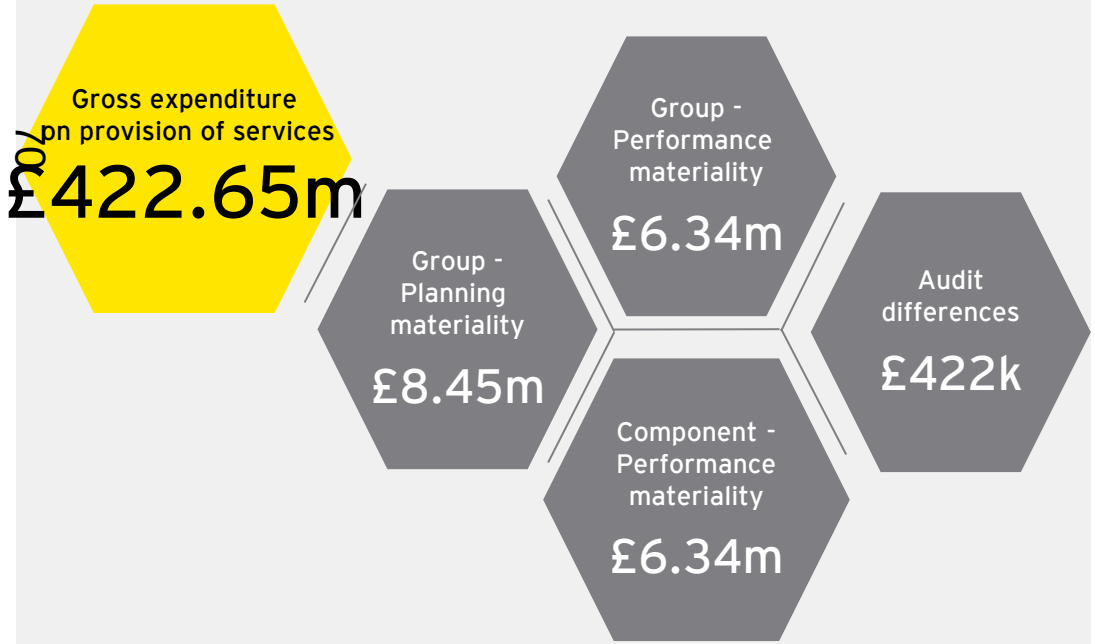
Delays in the completion of the 2019/20 audit have impacted on our planning time. Our risk assessment is therefore not yet complete. However, based on the planning procedures we have completed to date, we have not identified any significant weaknesses in your arrangements. We will update the Committee once our risk assessment is complete to confirm whether any further risks have been identified, and the work which will be undertaken to address them.

04 Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2020/21 has been set at £8.45m. This represents 2% of the Council's current year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.



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 £6.34m which represents 75% of planning materiality. The rationale for using 75% is based on the anticipation of identifying few or no errors in routine processing of transactions throughout the year that could result in pervasive errors. This expectation has been built on our experience of the Council in the prior year.

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, housing revenue account and collection fund that have an effect on income or that relate to other comprehensive income.

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 Audit Committee, or are important from a qualitative perspective.

Specific materiality – We can set a lower materiality for specific accounts disclosure e.g. remuneration disclosures, related party transactions 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 this. Where we do this we will notify you.

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 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 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 (cont.)

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 2020/21 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 Audit Committee.

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.

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations 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 within those locations. These procedures are detailed below.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below. We provide scope details for each component within Appendix E.

4/4

Optalis Holdings Ltd — A — Full scope audits

WBC Holdings (WBCH) Ltd — B — Specific scope audits

including

- Wokingham Housing Ltd;
- Loddon Homes Ltd; and
- Berry Brook Homes Ltd

Scope definitions

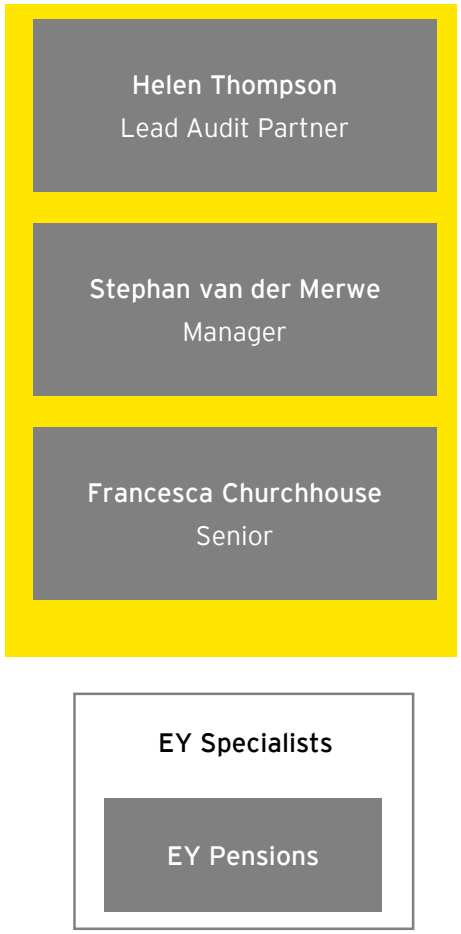
Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

06 Audit team

Audit team

Audit team structure:



Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2020/21 audit.

We will continue to keep our audit approach under review to streamline it where possible.

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	EYRE specialists Management specialist: Council's Internal Valuer for PPE and IP
Pensions disclosure	EY pensions specialists and PWC Actuary commissioned by the NAO Management specialist: Barnett Waddington – Actuary

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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 a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle for 2020/21. This timeline is indicative, and may alter as circumstances change. In the previous two years, Pension Fund auditor assurances have been delayed; and last year the audit was adversely affected by the impact of the Covid-19 pandemic on the capacity of the finance team to address audit queries. The planned timescale is very tight, and we will update the Audit Committee if there are any changes to the timetable.

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

Reporting our independence, risk assessment, planned audit approach and the scope of our audit

Audit Plan

Provide the Audit Committee with an update on the VfM risk assessment and any other changes to the Audit Plan

Reporting our conclusions on key judgements and estimates and confirmation of our independence

Audit Results Report

The Auditor's Annual Report will be provided following completion of our audit procedures

Auditor's Annual Report

Apr '21 | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan '22 | Feb | Mar

Planning

Walkthroughs

Planning

Risk assessment and setting of scopes

Walkthroughs

Walkthrough of key systems and processes

Year End Audit

Work commences on our year end audit. Most of the audit work to be performed during this period as no interim audit will be performed in the current year.

08 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 December 2019, 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.	► 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; ► Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner; ► 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 all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; 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 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% and this has not been exceeded, therefore no additional safeguards are required.

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.

Relationships, services and related threats and safeguards (cont.)

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.

Familiarity threats

Engagement lead appointments are subject to rotation every 5 years with any extensions subject to approval by Public Sector Audit Appointments Ltd (PSAA). Helen Thompson has been the engagement lead for Wokingham Borough Council for the past 5 years and 2020/21 will be the sixth year. Due to the significant changes to the VFM approach this year, the firm requested approval from PSAA for the 2 year extension to engagement lead appointments. This has been approved by PSAA and we have obtained approval from this Committee as well as management, with no perceived independence threats.

Other threats

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

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

Other communications

EY Transparency Report 2020

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 end 1 July 2020:

https://www.ey.com/en_uk/who-we-are/transparency-report-2020

09 Appendices

Appendix A

Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2020/21 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.

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£	£	£
Total Fee – Code work	£81,325	£81,325	£81,325
Scale Fee Rebasing: Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1)	£58,655	£Nil	£58,655
Revised Proposed Scale Fee	**£139,980**	**£81,325**	**£139,980**
Scale Fee Variation:			
• Additional work required for Going Concern (Note 2)	TBC	£Nil	TBC
• Additional work required for significant risks included in Audit Plan (Note 2)			
○ Asset valuation	TBC	£Nil	TBC
○ Value for Money	TBC	£Nil	TBC
○ Other	TBC	£Nil	TBC
• Additional Covid-19 related costs (Note 2)	TBC	£Nil	TBC
• Additional work required for Value for Money (Note 3)	TBC	£Nil	£Nil
Total Scale Fee Variation	**TBC**	**£Nil**	**TBC**
Non-audit work – Housing Benefit Subsidy claim (Note 4)	£51,236 (est)	£Nil	£47,000
Total fees	**TBC**	**£81,325**	**TBC**

All fees exclude VAT

Fees

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.

Notes:

(1) We outlined in our 2019/20 Annual Audit Letter (AAL) the basis on which the scale fees are set by PSAA. We also outlined a combination of factors which mean that we do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity and therefore it endangers the sustainability of Local Audit in the future.

Based on these factors, and in light of requests from PSAA to provide further detailed analysis we have estimated the impact on the Council, which has been shared with management but we did not reach agreement on that rebasing. This has been submitted to PSAA for review.

(2) We outlined in our 2019/20 AAL the basis for the additional Scale Fee Variation expenses to be determined, relating to additional work required for Going Concern and significant risks, as well as additional Covid-19 related costs. Due to annual leave in August, following the completion of the 2019/20 audit, we have not yet determined a fee to discuss with management. We intend to do so before the end of September for discussion and agreement with management prior to submitting for PSAA review.

All additional fees will be subject to approval by PSAA.

(3) Additional Value for Money work required due to changes in the Code of Audit Practice.

(4) From 2018/19 onwards the Housing Benefit subsidy audit work falls outside the PSAA regime and is subject to a separate fee proposal and engagement terms. The final proposed HB fee for 2019/20 of £47,000 and the fee for 2020/21 is an estimate based on the quoted fee for the initial testing of £14,326 and an estimated fee of £37,000 for the additional 40+ testing required.

Appendix B

Required communications with the Audit Committee

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 – September 2021
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 ▸ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)	Audit Results Report – November 2021

Appendix B

Required communications with the Audit Committee (cont.)

		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 – November 2021
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 – November 2021
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 – November 2021
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 – November 2021

Appendix B

Required communications with the Audit Committee (cont.)

		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 – September 2021; and Audit Results Report – November 2021
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures	Audit Results Report – November 2021
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 Audit Committee may be aware of	Audit Results Report – November 2021
Internal controls	▸ Significant deficiencies in internal controls identified during the audit	Audit Results Report – November 2021
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report – November 2021
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report – November 2021

Appendix B

Required communications with the Audit Committee (cont.)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – November 2021
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 – September 2021; and Audit Results Report – November 2021

Appendix C

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 92	▸ 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. ▸ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee 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 locations at which we conduct audit procedures to support the opinion given on the Council's financial statements; and
- 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.

EY | Assurance | Tax | Transactions | Advisory

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ED None

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TITLE	**Treasury Management Outturn 2020-21**
FOR CONSIDERATION BY	Audit Committee on 15 September 2021
WARD	None specific
LEAD OFFICER	Deputy Chief Executive - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

To demonstrate that the Council's treasury function has effectively managed the Council's debt and cash balances to support the funding of the delivery of the Council's key priorities.

RECOMMENDATION

The Audit Committee is asked to support the Treasury Management Outturn Report 2020-21 and recommend it to Council and note:

1) that all approved indicators set out in the Treasury Management Strategy have been adhered to;

2) the contents of "Table A", as set out in the report, which shows the net benefit per council tax band D equivalent, from the income generated less the financing costs on all borrowing to date equates to £10.22 per band D for 2020/21. This credit provides income to the Council to invest in its priority services. This net benefit has increased from the £7.20 benefit estimated in the treasury mid-year report;

3) that the total external general fund debt is £458m, which reduces to £121m after taking into account cash balances (net indebtedness);

4) that although the Council is taking the opportunity of new borrowing at low interest rates in 2020/21, external debt is expected to reduce to c£350m by March 2022 as a result of repayment of legacy debt on maturity;

5) the Council's realisable asset value of approximately £400m, of which its commercial assets are estimated at approximately £240m.

SUMMARY OF REPORT

This report provides a summary of the Treasury Management operations during the financial year of 2020/21. It is presented for the purpose of monitoring and review, in accordance with Council's treasury management practices. The Council adhered to all agreed prudential indicators except for a temporary breach in investment limits outlined below. This includes ensuring the necessary liquidity to deliver on the day-to-day operations of the Council. There are two aspects of treasury performance: debt management which relates to the Council's borrowing and cash investment which relates to the investment of cash balances.

Key highlights to note are:

- **The annual benefit from the income generated less the financing costs on all borrowing to date equates to £10.22 per council tax band D property for 2020/21.**

- **Net indebtedness after cash balances is £121m at end of March 2021.**
- **Realisable asset value of £408m at end of March, meaning an asset to net indebtedness ratio cover of 3.37:1.**

A detailed breakdown of the Council's performance in these areas is summarised below.

Prudential Indicators Debt and Investment

During 2020-2021, the Council adhered to all of its prudential indicators.

On one occasion the Council had to exceed a counterparty limit (not a prudential indicator) by investing with another local authority. Due to additional funds from central government during the pandemic, the Council found itself with surplus funds in its transactional bank account (NatWest). In accordance with MHCLG investment guidance, for security of monies reasons, the treasury team sought to invest the surplus funds with another local authority; as other authorities were also in surplus funds the only suitable counterparty at the time was Thurrock Council and although we were at our maximum limit specified in the investment strategy, it was considered more secure to invest with them than leave the money in our transactional account. The investment was short term and has already been repaid back to the Council.

Investments with local authorities are within the MHCLG Investment guidance where they are determined to be low risk and high credit quality investments. In addition, the local government act 2003 contains protections for lenders to local authorities with all money borrowed by a local authority.

Council's Net Indebtedness

Net indebtedness represents the underlying debt position the Council holds. The table below shows how this is calculated.

	Mid Year £m	Outturn £m
General Fund – Capital Financing Requirement	£449m	£365m
Less Internal funded borrowing	(£125m)	£93m
External Debt Total	£324m	£458m
Less Cash investment balances	(£241m)	(£337m)
Net Indebtedness Total	**£83m**	**£121m**

As at March 2021, total external debt for the general fund was £458m and treasury investments were £337m resulting in net indebtedness of £121m. The HRA borrowing is excluded from this calculation as it is a ringfenced account with external debt funded from housing tenants rental income.

The increase in both external debt and cash investments represents the differing nature of external debt and cash investments, external debt is long term and based on supporting the approved capital programme spend as expected. Short term investments which are based on cash balances at a point in time. Cash balances have also improved during the year due to more government grants being paid upfront to help the impact from Covid-19. External debt is within the prudential limits set in the treasury management strategy. The Authorised Limit (maximum external debt allowed) was set at £533m, the actual year end external debt (including HRA) position was £529m, within the limit set. The Council continues to aim to manage its debt in the most financially effective way whilst adhering to statutory requirement including the CIPFA's Prudential Code.

General fund external debt has increased from the mid year forecast of £324m to £458m, an increase of £134m. The increase in borrowing is due to many reasons which include;

- Whilst interest rates have remained at historically low levels during the pandemic, the Council have been taking advantage of this for borrowing and with a forecast that rates are expected to rise in the near future, coupled with the forecast borrowing agreed in the treasury management strategy, the Council have taken some loans out early to take advantage of the best rates. The average interest rate has fallen from 2.46% to 1.48% over the past year which is a saving of 0.98%.
- Due to COVID and the uncertainty around cashflow for many local authorities, the traditional markets where we would access short-term borrowing e.g. Local Authorities, has become more difficult with less short-term options available on the days we need to borrow.
- Reporting the debt position at any point in time can be a little misleading because some borrowing is repaid in short periods of time. For example, external debt shown in the table above is forecast to reduce to c£350m by the end of the current financial year, March 2022.

The movements in the Council's external debt through 2020/21, are shown in table below.

	Opening @ 01/04/2020	New Borrowing	Repayments of Borrowing	Closing @ 31/03/2021
	£m	£m	£m	£m
General Fund	£204m	£373m	(£119m)	£458m
Housing Revenue Account	£75m	£0m	(£4m)	£71m
Total	**£279m**	**£373m**	**(£123m)**	**£529m**

Cost of Financing Debt

The table below shows the gross financing costs of servicing the external debt. Gross financing costs reflect the annual interest costs payable and an amount for Minimum Revenue Provision (MRP). To understand the true cost of this, it is important to take into account the income from treasury investments, contributions from 'invest to save' schemes, income from investment / commercial properties which all contribute to reducing the annual cost of this financing. Furthermore for completeness and transparency the table has been

extended to show additional income the Council receives from our assets which contributes towards the funding of key services the Council provide. This is the income over and above the amount used to contribute towards the financing costs of the borrowing.

Taking these factors into account, for the general fund the net annual benefit from the income generated less the financing costs on all borrowing to date equates to £10.22 per council tax band D property for 2020/21 as set out below.

TABLE A

	Mid Year Forecast	Outturn
	£,000	£,000
General Fund – Financing Cost (Interest and MRP debt repayment)	7,784	8,118
Less contributions towards financing costs from following areas:		
- Treasury investments	(815)	(1,406)
- Commercial investments	(2,820)	(2,659)
- Town centre regeneration	(2,536)	(2,622)
- Housing companies	(568)	(727)
- Invest to save schemes	(503)	(418)
	(7,242)	(7,832)
Net Annual Financing Cost	542	286
Include additional income over and above the contributions shown above:		
- Commercial investments	(1,061)	(1,022)
- Town centre regeneration*	0	0
Net Annual Benefit to the taxpayer	**(519)**	**(736)**
Net Annual Benefit £,000	(519)	(736)
Divide by Council Tax Base (no. of band D equivalent properties)	72,037	72,037
Benefit per band D property - £	**£7.20**	**£10.22**

*Income from this investment goes to repay its costs. When the scheme is fully operational, the surplus income is expected to be c£2m per annum. Over the fulness of time when debt is fully repaid, the surplus will be in the region of £5m - £6m per year.

The net benefit per council tax payer, from the income generated less the financing costs on all borrowing to date equates to £10.22 of the average band D council tax charge. This income is used by the Council to continue to provide priority services for the borough residents.

Asset Value

Whilst it is important to understand the net borrowing for the Council, it is also essential to consider the asset value that this borrowing generates as part of the Council's capital programme. Using the value of assets from our draft annual accounts, the estimated asset value for the Council is £953m at 31st March 2021. Realisable asset value is based on annual accounts valuation and any individual disposal would seek to maximise the receipt to the Council at the time of sale.

	£m	£m
Asset Value as per balance sheet 31 March 2021		953
Less;		
Highways & Transport assets	250	
Schools' assets	277	
Other non-realisable assets	17	
		545
Value of realisable assets		408
Of which are;		
Operational Assets		167
Commercial Assets		241
- Wokingham Town Centre	117	
- Community Investment Group	78	
- Housing Companies	47	

Asset Ratio

Taking the value of realisable assets and dividing by the external debt or net indebtedness gives a good indication of the debt cover our assets provide.

- Asset cover* to External Debt – 1.63:1
- Realisable Non Current Assets cover to Net Indebtedness – 3.37:1

*Asset cover = value of realisable assets plus cash investment balances.

Investment of Cash Balances

Cash flow balances vary significantly throughout the year due to differences in timing of income (council tax, developer contributions, grants, etc.) and timing of expenditure (running costs - revenue, and investment in assets and services – capital). During times when the council holds cash balances, investments will be made based on security, liquidity, and yield (in this order). Due to the uncertainty around Covid-19, whilst the council have been fortunate with the cashflow support from central government (e.g. grants paid earlier than planned) over the past year, more investments were made on a short term and secure basis across. This has ensured the liquidity is available to meet Covid-19 pressures however has meant returns on investments are lower due to the duration of the investment and lower risk counterparties (e.g. lending to other local authorities).

The table below shows the Council's investments by type, including performance and year-end balance.

	Average Invested	Interest Received	Average rate of return	31st March 2021 Balance
	£m	£m	%	£m
Investment Properties	£79.0m	£2.7m	2.63%	£85.9m
Loans to Subsidiaries	£31.5m	£1.1m	3.65%	£33.2m
Fund Managers	£0.65m	£0.01m	1.49%	£0.65m
Local Authorities	£168.5m	£1.4m	0.80%	£332.0m
Money Markets	£9.5m	£0.04m	0.43%	£5.0m
Total	**£289.0m**	**£5.3m**	**1.82%**	**£456.7m**

As part of the Council's policies on property investment the Council has invested £85.9m of its own balances, these generate £3.7m in annual revenues which is a return of 4.31%. Monetary investments achieve a return of c.1.5% over a similar investment term.

Peak Debt and Capital Financing Requirement (CFR)

As highlighted previously, the Council continue to invest significant amounts into the capital programme generating assets such as roads, schools, housing, regeneration properties and many more. The graph below sets out the expected repayment of this debt aswell as the asset value generated.

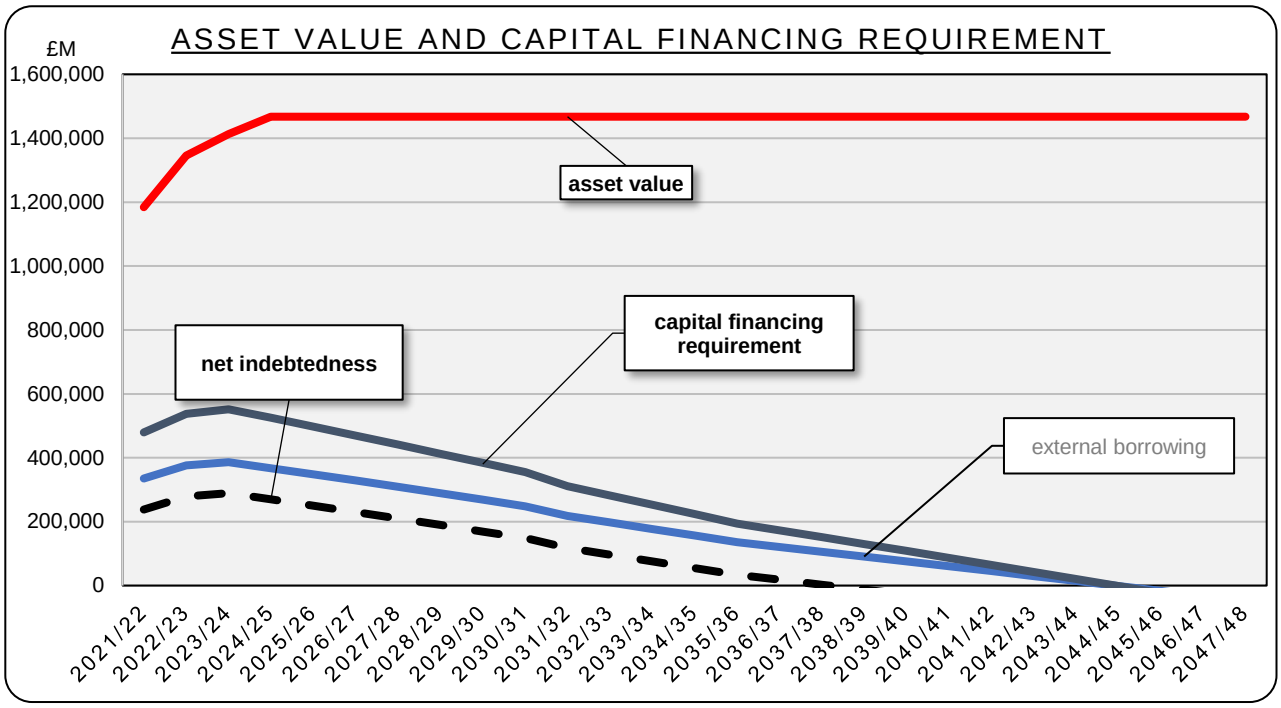
The graph includes three key lines in reference to debt;

- Capital financing requirement (CFR) - A technical calculation of historic capital expenditure less that already paid for, required to arrive at the annual level of debt repayment.
- External debt – this is the actual amount borrowed with third parties. The difference between CFR and external debt is referred to as internal borrowing.
- Net indebtedness – this is external debt less treasury (i.e. liquid) investment balances. It is important that these are considered together as treasury investments could be used to repay external debt.

The Council are expecting debt to rise over the next three years in line with the capital programme and then it is expected to reduce over time as income is generated from these projects and cost savings are realised.

CFR and external debt will reduce as borrowings are repaid through income and will reach a point in time when debt is fully repaid, and the ongoing income will be transferred to benefit the general fund.

The graph is based on general fund only and excludes HRA as this is ringfenced. The original CFR levels before commercialisation, forward funding and regeneration projects were approximately £100m.



After the first three years, the expectation is that the CFR, external debt and net indebtedness will start to reduce as repayments of borrowing start to increase, capital receipts and developer funding are received. The position for the peak CFR has also reduced from what was forecast in the treasury management strategy, falling from a peak CFR of £671 million to £552 million. This is due mainly to changes in capital expenditure profiling.

The asset value used in the graph above are calculated using the total asset value from the Council's balance sheet, and an estimate of capital expenditure over the next three years. This is a prudent approach to asset value as it would be expected that asset value would also increase over time.

Capital Financing Requirement

An important part of the treasury management strategy is to highlight the level of borrowing need. This is known as the capital financing requirement (CFR) and is an accounting concept which monitors how much capital expenditure has been incurred but not yet paid for.

A major source of funding for the Council's capital programme is borrowing. This is described in two forms, supported borrowing and general fund borrowing. A significant part of the Council's capital programme is either self-financing or makes a surplus where the income generated is greater than the cost of financing and therefore is available to fund other council services. These are referred to as "supported borrowing". General fund borrowing is funded through existing base budget and supports general investment to maintain Council assets and continue to provide services to customers and residents.

A summary of the general fund CFR position at the end of March 2021 is shown below. This has been split into supported borrowing and general fund borrowing.

2020/21	Supported Borrowing	General Fund Borrowing
	£m	£m
Opening balance	231	97
Expenditure in year	44	19
Repayments in year	(22)	(3)
Closing balance	**253**	**113**

It is important to note that the CFR balance does not reflect the level of debt the Council holds. Where the Council hold surplus balances such as reserves, unspent grants and working capital, this avoids the need to borrow externally saving on interest costs. This is known as internal borrowing. Furthermore, it is important to take into account any treasury investment balances when looking at external debt to understand a more accurate debt figure.

The housing revenue account also has a CFR which is ringfenced and repaid through tenants rental income. The CFR for the HRA as at 31st March 2021 was £83m.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe funding pressures, particularly in the face of the COVID-19 crisis. It is therefore imperative that Council resources are focused on the vulnerable and on its highest priorities.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	See other financial information	Yes	Revenue
Next Financial Year (Year 2)	To be confirmed	Yes	Revenue
Following Financial Year (Year 3)	To be confirmed	Yes	Revenue

Other financial information relevant to the Recommendation/Decision
• net benefit per council tax payer, from the income generated less the financing costs on all borrowing to date equates to £10.22. This income is used by the Council to continue to provide priority services for the borough residents. • total external general fund debt is £458m and the Councils net indebtedness after cash balances is £121 million. • the Council's realisable asset value of £408m, of which its commercial assets is estimated at £241m.

Cross-Council Implications
None

Public Sector Equality Duty
N/A – this paper is reporting past financial information

List of Background Papers
None

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TITLE	**Review of Audit Committee Effectiveness**
FOR CONSIDERATION BY	Audit Committee on 15 September 2021
WARD	None Specific;
LEAD OFFICER	Deputy Chief Executive - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

The purpose of this report is to present a self-assessment of Audit Committee arrangements undertaken with reference to the good practice recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

RECOMMENDATION

It is recommended that the Audit Committee:

(a) considers and endorses the self-assessment of our Audit Committee arrangements against the good practice guidance recommended by CIPFA, attached as Annex A;

(b) notes the Action Points included in Annex B to help ensure that all aspects of CIPFA's good practice can be reflected;

(c) agrees that the self-assessment undertaken will form the basis of an annual report from Audit Committee, which will be prepared for presentation to Council in March 2022, demonstrating how Audit Committee meets its Terms of Reference and providing a summary of the work of the committee during the year.

SUMMARY OF REPORT

CIPFA provides detailed guidance on the features of an effective audit committee in a local authority. This guidance has been used to undertake a self-assessment of the current arrangements for the Audit Committee at Wokingham Borough Council and highlight any areas for further consideration and/or improvement.

The self-assessment has identified five action points which are set out in detail in annex B.

Background

The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

The Audit Committee is an important source of assurance about the Council's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance.

Audit committees in local authorities and police bodies are necessary to satisfy the wider requirements for sound financial management and internal control. The Accounts and Audit (England) Regulations 2015 state that a local authority is responsible "for a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk". In addition, section 151 of the Local Government Act 1972 requires every local authority to "make arrangements for the proper administration of its financial affairs".

Self-Assessment

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee. A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION
The Council faces severe funding pressures, particularly in the face of the COVID-19 crisis. It is therefore imperative that Council resources are focused on the vulnerable and on its highest priorities.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£0	Yes	Not applicable
Next Financial Year (Year 2)	£0	Yes	Not applicable
Following Financial Year (Year 3)	£0	Yes	Not applicable

Other financial information relevant to the Recommendation/Decision
None.

Cross-Council Implications
The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

Public Sector Equality Duty
This is an information report.

List of Background Papers
CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2018) CIPFA Audit Committees – Practical Guidance for Local Authorities and Police (2018)

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CIPFA The Chartered Institute of Public Finance & Accountancy

CIPFA's Position Statement: Audit Committees in Local Authorities and Police

The scope of this Position Statement includes all principal local authorities in the UK, the audit committees for PCCs and chief constables in England and Wales, and the audit committees of fire and rescue authorities.

1 Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.

2 The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

3 Authorities and police audit committees should adopt a model that establishes the committee as independent and effective. The committee should:

- act as the principal non-executive, advisory function supporting those charged with governance
- in local authorities, be independent of both the executive and the scrutiny functions and include an independent member where not already required to do so by legislation
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups
- be directly accountable to the authority's governing body or the PCC and chief constable.

4 The core functions of an audit committee are to:

- be satisfied that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives
- in relation to the authority's internal audit functions:
  - oversee its independence, objectivity, performance and professionalism

  - support the effectiveness of the internal audit process
  - promote the effective use of internal audit within the assurance framework
- consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations
- monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption
- consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control
- support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
- review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

5 An audit committee can also support its authority by undertaking a wider role in other areas including:

- considering governance, risk or control matters at the request of other committees or statutory officers
- working with local standards and ethics committees to support ethical values
- reviewing and monitoring treasury management arrangements in accordance with Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA, 2017)
- providing oversight of other public reports, such as the annual report.

6 Good audit committees are characterised by:

- a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. The political balance of a formal committee of a council will reflect the political balance of the council, however, it is important to achieve the right mix of apolitical expertise
- a membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
- a strong independently minded chair – displaying a depth of knowledge, skills and interest. There are many personal qualities needed to be an effective chair, but key to these are:
  - promoting apolitical open discussion
  - managing meetings to cover all business and encouraging a candid approach from all participants
  - an interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime
- unbiased attitudes – treating auditors, the executive and management fairly

- the ability to challenge the executive and senior managers when required.

7 To discharge its responsibilities effectively the committee should:

- meet regularly – at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the CFO(s), the chief executive, the head of internal audit and the appointed external auditor. Other attendees may include the monitoring officer (for standards issues) and the head of resources (where such a post exists). These officers should also be able to access the committee, or the chair, as required
- have the right to call any other officers or agencies of the authority as required, while recognising the independence of the chief constable in relation to operational policing matters
- report regularly on its work to those charged with governance, and at least annually report an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities.

Additional guidance to support those acting as audit committee members in local authorities can be found in CIPFA's publication *Audit Committees: Practical Guidance for Local Authorities and Police* (2018), available from www.cipfa.org.uk/publications

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Annex B

CIPFA Audit Committee Self-Assessment- September 2021

Audit Committee Arrangements: Initial Self-Assessment of Good Practice (August 2021) (taken from CIPFA, Audit Committees, Practical Guidance for Local Authorities and Police, published 2018). CIPFA states that this checklist provides a high level review that incorporates the key principles set out in CIPFA's Position Statement on Audit Committees in Local Authorities, and the wider Practical Guidance publication referred to above.

CIPFA states: "Where an audit committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee. A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report."

Good practice questions	Yes	Partly	No	Comments and Action Points
Audit Committee purpose and governance				
1. Does the authority have a dedicated audit committee?	✓			Dedicated Audit Committee established as a full, politically-balanced committee of Council.
2. Does the Audit Committee report directly to full Council?	✓			The terms of reference for Audit Committee are set out in the Constitution (paras 4.4.1 – 4.4.12). The Audit Committee makes formal recommendations to Council as appropriate. The Minutes of the Committee are formally recorded and received by Council. The Chairman of the Audit Committee shall draw to the attention of Council any issues that require action.
3. Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	✓			

Good practice questions	Yes	Partly	No	Comments and Action Points
4. Is the role and purpose of the audit committee understood and accepted across the authority?	✓			
5. Does the audit committee provide support to the authority in meeting the requirements of good governance?	✓			Members of Audit Committee are diligent in their reading of reports and this is reflected in debate within the Committee meeting itself. A range of appropriate and challenging questions are asked by Committee members to report authors. In addition, the Annual Governance Statement is reviewed by the Committee each year.
6. Are the arrangements to hold the committee to account for its performance operating satisfactorily?	✓			Council receives an annual report from the Audit Committee.
Functions of the committee				
7. Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?				
• good governance	✓			
• assurance framework, including partnerships and collaboration arrangements	✓			
• internal audit	✓			
• external audit	✓			
• financial reporting	✓			
• risk management	✓			
• value for money or best value	✓			
• counter fraud and corruption	✓			
• supporting the ethical framework	✓			
8. Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?		✓		**Action Point 1** – As part of the preparation and consideration of the Audit Committee's annual report, this evaluation will be formalised (i.e. Audit Committee February 22, Council March 22).

Good practice questions	Yes	Partly	No	Comments and Action Points
9. Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	✓			The Audit Committee ToR already covers the following areas beyond those of its core purpose:- • considering governance, risk or control matters at the request of other committees or statutory officers • working with local standards and ethics committees to support ethical values • reviewing and monitoring treasury management arrangements in accordance with Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA, 2017) A further suggested area is providing oversight of other public reports, such as the annual report. **Action Point 2.**
10. Where coverage of core areas has been found to be limited, are plans in place to address this?	✓			See questions 3 and 7 above.
11. Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	✓			
Membership and support				
12. Has an effective audit committee structure and composition of the committee been selected? This should include: • separation from the executive • an appropriate mix of knowledge and skills among the membership • a size of committee that is not unwieldy • consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement)	✓ ✓ ✓		✓	CIPFA's guidance sets out the benefits of having at least one independent member. It is proposed that this issue in advance of the 2022/23 municipal year. **Action Point 3.**

Good practice questions	Yes	Partly	No	Comments and Action Points
13. Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?			✓	Not applicable – see previous question.
14. Does the chair of the committee have appropriate knowledge and skills?	✓			The committee chairman is a CIMA qualified accountant who has worked in a variety of finance roles in large corporations.
15. Are arrangements in place to support the committee with briefings and training?	✓			Committee members receive CIPFA's quarterly briefing for Audit Committees alerting them to issues of strategic and topical importance. In addition, the Committee agreed a programme of training/briefing sessions for 2021/22,
16. Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			✓	CIPFA guidance on Audit Committees in Local Authorities (2018) includes a 'core knowledge and skills' framework' for Audit Committee members. This framework and required knowledge and skills will be subject to a report to next meeting of the Audit Committee **Action Point 4.**
17. Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	✓			
18. Is adequate secretariat and administrative support to the committee provided?	✓			
Effectiveness of the committee				
19. Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			✓	
20. Are meetings effective with a good level of discussion and engagement from all the members?	✓			

Good practice questions	Yes	Partly	No	Comments and Action Points
21. Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	✓			The Assistant Director Governance, Assistant Director Finance, and Head of Internal Audit routinely attend the Committee. The Chief Executive and her directors attend to present updates on risk management. As Audit Committee receives reports on matters of governance, risk management and control throughout the course of the year, Audit Committee determines whether it would be beneficial to the Committee's work to invite appropriate Heads of Service to attend a meeting of the Committee.
22. Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	✓			
23. Has the committee evaluated whether and how it is adding value to the organisation?		✓		Partly addressed in previous annual reports to Council. The March 2022 annual report will more explicitly address this question. **Action Point 5.**
24. Does the committee have an action plan to improve any areas of weakness?	✓			The Action Plan arises from this self-assessment.
25. Does the committee publish an annual report to account for its performance and explain its work?	✓			

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TITLE	**2021-22 Internal Audit and Investigation Work Programme And Progress Update for First Five Months To 31 August 2021**
FOR CONSIDERATION BY	Audit Committee on 15 September 2021
WARD	None Specific;
LEAD OFFICER	Deputy Chief Executive - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

Public assurance about the Council's risk, control and governance environment.

RECOMMENDATION

The Audit Committee (AC) is asked to approve the 2021/22 Internal Audit and Investigation Work Programme (including Quarters 1 and 2, previously approved) and note the progress in achieving this Work Programme in the first five months of the year to 31 August 2021 (attached as Appendix A).

SUMMARY OF REPORT

The AC approved the 2021/22 Audit and Investigation Strategy at its meeting on 22 February 2021. This included agreement to move to a quarterly planning cycle rather than an annual one due to the impact of the Covid-19 pandemic on the council's services and the associated internal audit work programme. The AC initially approved the Quarter 1 and 2 Work Programmes on 22 February and 28 July respectively. As working arrangements begin to normalise and we enter the second half of the financial year, this report updates and presents to Members the internal audit work programme for the full year, incorporating audits for the remainder of the year (end Quarter 2, Quarters 3 and 4). In addition, it presents, for Members to note, the progress in achieving the 2021/22 Work Programme in the first five months of the year to 31 August 2021. These recommendations are being made to ensure the Council has adequate Internal Audit and Investigation coverage for 2021/22 and that the Council meets its legislative requirements. In addition, to meet the requirements of the AC's Terms of Reference and to enable the Chief Audit Executive to give an overall opinion on the Council's internal control and risk framework at the end of the financial year.

Background

The overall 2021/22 Internal Audit Strategy, outlining the role, scope and purpose of Internal Audit, the 2021/22 Audit Planning process, resourcing, reporting arrangements and Internal Audit's requirements to conform to the Public Sector Internal Audit Standards (2017) was presented to this AC on 22 February 2021

As part of this Strategy, at this meeting, the AC agreed that for the 2021/22 financial year, the Shared Audit and Investigation Service (SAIS) would move to a quarterly planning cycle rather than an annual plan. This was to enable the service to remain flexible and agile in planning its work and to be responsive to changes during the period of uncertainty due to the Covid-19 pandemic and whilst the Council adapts to its changing risk profiles. In addition, to enable internal audit to focus efforts on providing advice and support to services over the Council's control environment, especially where significant changes to working practices have been required, as well as enabling the team to focus on areas such as preventative fraud in areas, for example, with the increased Government Grants and payments being made by Councils.

The audit Work Programmes for Quarters 1 and 2 of the 2021/22 financial year were subsequently approved by AC on 22 February and 28 July respectively.

As the Council moves through the recovery period and the situation normalises, it is proposed that for the work programme for the full year, incorporating the remainder of the 2021/22 financial year, now be presented to AC for approval.

This will enable the AC to have an overview of the audits being undertaken during the year that will contribute to informing the Chief Audit Executive's Annual Opinion on the Council's internal control, risk management and Governance framework, as required under the Public Sector Internal Audit Standards and to ensure there are no significant gaps in coverage, that could potentially occur with quarterly planning.

Developing the programme of work for the 2021/22 financial year has included managements' assessment of risk and our own risk assessment of the Council's major systems and other auditable areas and work undertaken to date. It has involved consultation with Corporate Leadership Team, the review of risk registers and external guidance where appropriate. Work over the financial year, as previously reported, will focus on a number of the Council's Key Corporate risks, which will also aim to further strengthen the links between the Council's Corporate Risk Register and the Internal Audit and Investigation Plan. In addition, ensuring coverage of key financial systems in areas where coverage was reduced during 2020/21 due to the impacts of the Covid-19 pandemic on service areas, as well as including audit activity in the areas of governance, servicing the business and investigations.

Appendix A includes progress on achieving the 2021/22 Audit and Investigation Plan in the first five months of the year. The Interim Internal Audit and Investigation Report on the work of internal audit and investigations for the first six months of the year will be reported to management and then AC on 30 November 2021, in addition to ongoing periodic update reports on progress and performance of the service.

We are working with our partner to the SAIS, RBWM, who gave notice in April 2021 that they do not intend to continue the Shared Service Partnership beyond 31 March 2022. As previously reported, this has impacted on resourcing within the team as recruitment

to vacant posts has been put on hold during the transition period of dissolving the Shared Service partnership. This is being carefully managed through the transition period so as to reduce, as far as possible, the impact on the delivery of the Audit and Investigation Plan. As part of this, a review is currently in progress to ensure that the shape of the WBC Internal Audit and Investigation function meets the requirements of the Council and its clients going forward from the 2022/23 financial year.

Analysis of Issues

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

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe funding pressures, particularly in the face of the COVID-19 crisis. It is therefore imperative that Council resources are focused on the vulnerable and on its highest priorities.

	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
Nil

Cross-Council Implications
Not applicable

Public Sector Equality Duty
Please confirm that due regard to the Public Sector Equality Duty has been taken and if an equalities assessment has been completed or explain why an equalities assessment is not required.
This report is a non-decision-making report and hence an Equality Impact Assessment is not required. In undertaking our audit and investigative work, we ensure we have regard for equalities.

List of Background Papers
None

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APPENIDIX A WOKINGHAM BOROUGH COUNCIL 2021-22 AUDIT & INVESTIGATION WORK PROGRAMME (AND PROGRESS TO AUGUST 2021)

Details

Section 1- Corporate Risks
With reference to the Council's Corporate Risk Register, these audits are intended to provide assurance to management that the expected mitigating actions and controls to manage risks are operating as expected. All key corporate risks are expected to be covered over a two-to-three-year period.

Audit	Reason for Audit	Outline Scope	Progress to 31 August 2021
Climate Emergency	Key Corporate Risk	As proposed by Overview and Scrutiny, to provide objective assurance on the application and delivery of the Council's climate emergency programme.	Initial Scoping meeting arranged early September. WBC now engaged with a Framework Agreement to undertake specific specialist aspect of the work to compliment the overall internal audit review. Fieldwork to commence Quarter 3.
SEND Reforms	Key Corporate Risk	To provide assurance on the efficacy of the mitigating actions being taken to address this corporate risk.	Initial scoping meetings held. Audit deferred from Quarter 1 due to OFSTED inspection in area of Children's Services. To resume Quarter 3 / 4.
Corporate Governance	Key Corporate Risk	To provide assurance on the application of the Local Code of Corporate Governance (as approved by Council in November 2020).	Late Quarter 2/3 in preparation for Peer Review in October 2021.
Adult Services - Safeguarding - Provider market	Key Corporate Risks	To provide assurance on the efficacy of the mitigating actions being taken to address these corporate risks.	Late Quarter 2 / 3 fieldwork. Initial scoping meetings held; Terms of Reference prepared and being agreed with management.
Diversity and Equality:– • 2020/21 Follow up • Equalities Framework • Data Collection	Key Corporate Risk/Management Request	To ascertain progress on implementing countermeasures from 2020/21 audit review Specific audits requested to be undertaken in Q3, at request of Director of Communities, Insights and Change	Completed. Terms of Reference scoped for both audits and agreed. Fieldwork to commence in Quarter 3.

Audit	Reason for Audit	Outline Scope	Progress to 31 August 2021
Information and Data Management	Key Corporate Risk	To ascertain progress on implementing countermeasures from 2020/21 audit review	Completed
Public Protection Partnership	Key Corporate Risk	Request of Audit Committee. To review progress addressing the risks during the period of transition to an in house service	Quarter 3 / 4

Section 2- Key Financial Systems
The Service will be continually reviewing this coverage in consultation with the Deputy Chief Executive (section 151 officer) and Assistant Director Finance (Deputy S151 Officer) in year to ensure that audit coverage is relevant and focused correctly.

Audit	Reason for Audit	Outline Scope	Progress to 31 August 2021
Payroll	Key financial system	To provide assurance on Payroll operations	Quarter 1 - completion 2020/21 audit. Follow up of progress Quarter 4.
Income Systems & Debtors	Key financial system	To provide assurance on Income Systems & Debtors operations	Quarter 4
Purchase Ledger / Creditors Consultancy	Key financial system/management request	To provide advisory / consultancy review following the introduction of automatic invoice matching and the introduction of early payment programme (EPP), at the request of the Assistant Director Finance (Deputy S151 Officer)	Completed
General Ledger	Key financial system	To provide assurance on General Ledger operations	Terms of Reference prepared. Late Quarter 2 / 3 fieldwork.

Audit	Reason for Audit	Outline Scope	Progress to 31 August 2021
Cash & Bank Reconciliation	Key financial system	To provide assurance on Cash and Bank Reconciliation operations	Quarter 1 (April) - completion of 2020/21 audit. 2021/22 audit - Follow up of progress to be undertaken in Quarter 4.
Treasury Management	Key financial system	To provide assurance on Treasury Management operations	Quarter 1 (April) - completion of 2020/21 audit. Follow up of progress Quarter 4.
Housing Rents	Key financial system	To provide assurance on Housing Rents operations	Completed
Benefits/CTRS	Key financial system	To provide assurance on Benefit/CTRS operations.	Terms of Reference being prepared and agreed. Quarter 3 – fieldwork.
Council Tax & NNDR	Key financial system	To provide assurance on Council tax and NNDR collection and recovery processes.	Quarter 3
Capital Accounting	Key financial system		Quarter 3 / 4

Section 3 - Governance Building Blocks

These reviews cover the key governance elements and are necessary for the formation of the Chief Audit Executive (CAE) and Annual Governance Statement (AGS)

Audit	Reason for Audit	Outline Scope	Progress to 31 August 2021
Annual Governance Statement 2020/21	Governance Building Block	To support and advise management on the completion of the AGS 2020/21 and provide assurance on the follow-up actions taken in respect of the 2019/20 AGS and monitor progress with 2020/21 actions.	Completed in respect of 2020/21 Annual Governance Statement process and preparation. Ongoing to monitor progress in implementing 2020/21 actions.

Section 5 - Fraud and Investigation

Activity	Reason for Audit	Outline Scope	Progress to 31 August 2021
Reactive Investigations	Fraud referrals including, Council Tax Reduction Scheme; Housing; whistleblowing and disciplinary, procurement etc.	Specific to individual investigation/investigation exercise	Ongoing
Proactive Investigations	Proactive counter fraud work in respect of new Government Covid-19 Business Rate Grants assurance work and associated risk assessments to support Revenues and Benefits Team)	Continued work on Government Covid-19 Grants and Restart Grants; Fraud risk assessments; Empty Property Relief exercise commenced in Q2	See below
Proactive Investigations	Empty Property Relief Exercise	Requested by management, results of which to feed into Empty Property Relief calculation	In progress
Proactive Investigations	Covid-19 Grants e.g. Restart Grants	Support to management process to reduce potential for fraud	Ongoing as grants made available
Proactive Investigations	BFIS Fraud Risk Assessments	Central Government return required for assessment of fraud risk in respect of Covid-19 grants	Ongoing, as grants made available
National Fraud Initiative	Management of Council's provision of data and investigation of matches.	Mandatory national data matching exercise.	Data matches received. Ongoing - review of matches to be undertaken quarter 3 / 4.

Section 6 - Auditor Judgement and Servicing the Business

Reason for Audit	Outline Scope	Reason for Audit	Progress to 31 August 2021
Grant Certifications	Troubled Families Grants	Mandatory certification of grants received from central government	Quarterly. Quarter 1 Completed; Quarter 2 Grant claim work programmed
	Bus Subsidy Operators Grant	Mandatory certification of grants received from central government	Quarter 3
	Disabled Facilities Grant	Mandatory certification of grants received from central government	Quarter 3
	DfT Transport Capital Grant	Mandatory certification of grants received from central government	Quarter 3
Advice on demand	Requests for ad-hoc advice on control, risk management and governance issues.	Advice to support the assurance, internal control and governance framework, as required	Ongoing through year
Racism at Work Council Workstream	Audit advice, at request of management, in reviewing all Council Diversity and Equalities Policies and setting up corporate training	Audit input to support the Governance process in this workstream	Ongoing through year
Follow up countermeasures and testing	Very high/high priority only	To ensure high priority issues identified from internal audit work are being addressed by management within agreed timescales	Ongoing through year

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TITLE	**Corporate Risk Register**
FOR CONSIDERATION BY	Audit Committee on 15 September 2021
WARD	None Specific
LEAD OFFICER	Deputy Chief Executive - Graham Ebers

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 governance arrangements and helps demonstrate the effective use of resources and sound internal controls. The council's Corporate Risk Register (CRR) demonstrates that the council is pro-actively identifying and managing its significant risks.

RECOMMENDATION

The Audit Committee is asked to consider and note the risks and mitigating actions of the Council's corporate risks as detailed in the attached CRR (Appendix A).

SUMMARY OF REPORT

One of the roles of the Audit Committee is to provide assurance on the adequacy of the Council's Risk Management Strategy and associated control environment. It does this by periodically reviewing the Strategy, and evaluating the effectiveness of the Corporate Risk Register.

At its previous meeting on 29 July, the Audit Committee received an update on the latest Council Corporate Risk Register (CRR). Since the last meeting, a "light-touch" update has been undertaken prior to a more comprehensive review by Directors and their risk management representatives ready for the November meeting of the Committee. The details of the CRR is attached to this report (Appendix A).

There have been no new risks added or removed to the register since the last report to the Committee.

Background

1.1 The Council's Constitution sets out the remit of the Audit Committee as follows with regard to Risk Management.

> *Extract from Constitution (paragraph 4.4.3.2 (d))*
> *To provide an independent assurance of the adequacy of the Risk Management Strategy and the associated control environment. In particular:-*
>
> *i) To receive the annual review of internal controls and be satisfied that the Annual Governance Statement properly reflects the risk environment and any actions required to improve it;*
>
> *ii) To receive quarterly reports reviewing implementation of the Council's Risk Management Policy and Strategy to determine whether strategic risks are being actively managed;*
>
> *iii) To review, revise as necessary and recommend adoption of the Risk Management Policy and Strategy to Executive when changes occur;*
>
> *iv) To have the knowledge and skills requisite to their role with regard to risk management and to undertake awareness training in respect of Enterprise Risk Management (ERM) as and when specific training needs are identified.*

1.2 The Audit Committee has historically received a report on the Corporate Risk Register at each meeting (ii above). The remit of the Committee is to gain assurance on the risk management process as opposed to a detailed analysis of individual risks. In discharging this responsibility, the Committee is advised to focus its review in seeking assurance that the risk management framework ensures that new key risks are identified, that risk mitigations are in place and are effective, and that management action ensures a match with the risk appetite of the Council.

Corporate Risk Register

2.1 The Enterprise Risk Management Policy (ERMP) states that the Corporate Leadership Team (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.

2.2 The changes to this update of the register are solely to reflect where mitigating actions have been achieved.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe funding pressures, particularly in the face of the COVID-19 crisis. It is therefore imperative that Council resources are focused on the vulnerable and on its highest priorities.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£0	Yes	Revenue
Next Financial Year (Year 2)	£0	Yes	Revenue
Following Financial Year (Year 3)	£0	Yes	Revenue

Other financial information relevant to the Recommendation/Decision
Effective risk management mitigates financial risks associated with the Council achieving its objectives.

Cross-Council Implications
Risk management influences all areas of the Council – effective risk management is one of the ways assurance is provided that the Council's key priorities and objectives will be achieved.

Public Sector Equality Duty
This is a report to note. An equalities impact assessment is not therefore required.

List of Background Papers
Previous Corporate Risk Register papers to Audit Committee Enterprise Risk Management Strategy and Policy

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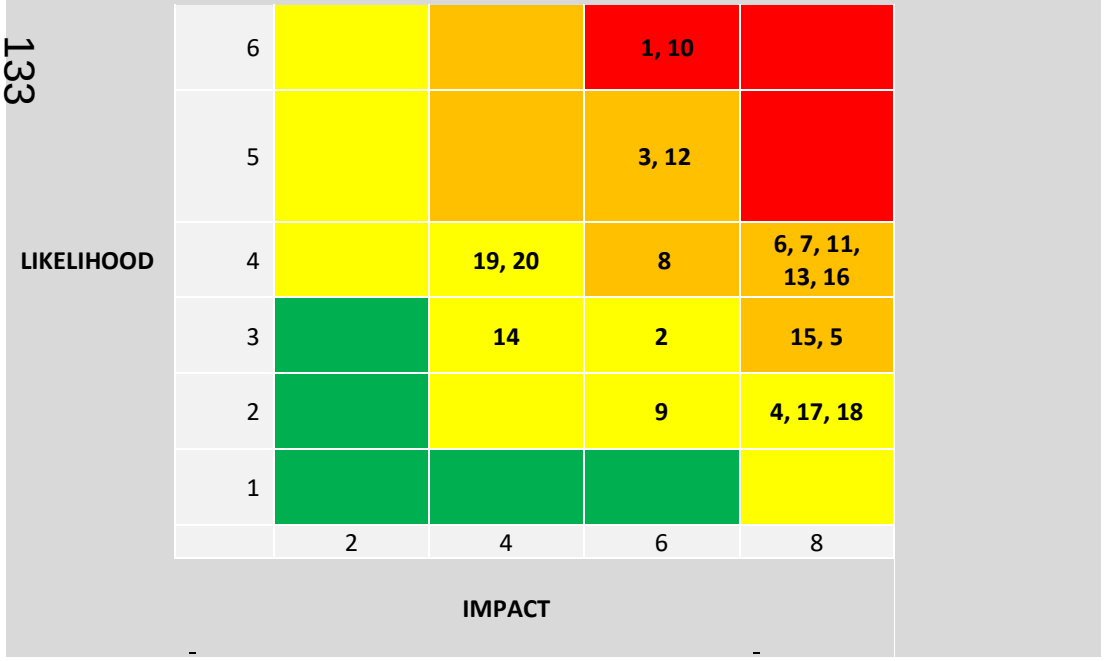
Corporate Risk Register
Summary Page
Updated 1/9/2021

APPENDIX A

Key

Current Score (pre-mitigation):	VH = Very High	H = High	M = Medium	L = Low

Risk Matrix



Summary of Corporate Risks

1 Budgeting & financial mgt (inc forecasting demand & investment and commercial strategy)
2 Corporate Governance
3 Workforce
4 Local Plan Delays & Appeals (including five year land supply)
5 Delivering SEND Reforms
6 Safeguarding Children and Young People
7 Safeguarding Adults
8 Data Management & Cyber Security
9 Health and Safety
10 Inspections Regulatory
11 Adult Social Care Provider Market
12 Climate Emergency
13 High Needs Block
14 Telephony
15 IT Infrastructure
16 Equalities Duty
17 Pandemics
18 Housing Numbers
19 Market failure
20 Public Protection Partnership

Key to Abbreviations

JH	Cllr John Halsall, Leader of Council
JK	Cllr John Kaiser, Dep Leader & Exec Member for Finance
PJ	Cllr Pauline Jorgensen, Exec Member for Highways & Transport
PB	Cllr Parry Batth, Exec Member for Environment & Leisure
SM	Cllr Stuart Munro, Exec Member for Business & Economic Development
GH	Cllr Graham Howe, Exec Member for Children's Services
CM	Cllr Charles Margetts, Exec Member for Health, Wellbeing & Adult Services
BS	Cllr Bill Soane, Exec Member for Neighbourhood & Communities
WS	Cllr Wayne Smith, Exec Member for Planning & Enforcement
GM	Cllr Gregor Murray, Exec Member for Resident Services, Comms & Emissions
SP	Susan Parsonage, Chief Executive
GE	Graham Ebers, Deputy Chief Executive & Director of Resources & Assets
SH	Keeley Clements, Director of Communities, Insight & Change
CC	Carol Cammiss, Director of Children's Services
SM	Steve Moore, Interim Director of Place & Growth
MP	Matt Pope, Director of Adult Social Services
AM	Andrew Moulton, Assistant Director Governance & Monitoring Officer
AC	Audit Committee
O&S	Overview & Scrutiny Management Committee

Key Priorities (from Community Vision and Council Plan)

1. Safe, strong communities
2. Enriching lives
3. Right homes, right places
4. Keeping the Borough moving
5. A clean and green Borough
6. Changing the way we work
7. Be the best we can

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
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		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. The report to Executive in June 2021 set out the outturn positon for 2020/21, the latest position and forecast for 21/22. The Council meeting on 17th February will consider budget proposals for 2022/23. CLT has reassessed the risk as "very high" due to the uncertainties around local government funding from 2023	• Chief Financial Officer's report (annual) • MTFP approved by Council • Revenue Budget Monitoring (quarterly report to Executive) • Capital Strategy • Treasury Management Strategy • Financial Regulations (Section 12 of Constitution) • Procurement and Contract Rules & Procedures (Section 13 of Constitution)	• Investing in the Community Strategy to be approved by Executive. • Commercialisation Strategy to be approved by Executive. • Overview & Scrutiny (through Community & Corporate Sub Committee) to review 2022/23 budget proposals and report to Council on 17/2/22 • Budget Council on 17/2/22 will consider "balanced budget" proposals for 2022/23 • Ongoing response to internal/external audits and sources of external assurance including implementation of recommendations. • Lobbying re Local Government Finance Settlement for 2021 and	29/7/21 (Done) 29/7/21 (Done) 17/2/22 17/2/22 Ongoing Ongoing	GE GE GE GE GE	JK JK JK JK JK	6	6	VH

Ref	Risk			Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		
	Cause	Consequence/ Impact on Key Priorities	Impact of COVID			Timescale	Officer	Member	Impact	Likelihood	Current Score
136	For further details, please refer to Chief Finance Officer's Report (section 6) as noted by Executive on 28/1/21. *Investment and Commercial Strategy* 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:- • Financial shortfall • Negative PR • Loss of rental income • Scheme slippage / downsizing **This is a permanent, long-term risk to the Council.** **Key Priorities – 1 to 7**		and beyond, and the continuing financial uncertainty associated with the Covid-19 pandemic.		beyond (see letter attached to Chief Finance Officer's report to Executive – Jan 21)						

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
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:- 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		Clear governance arrangements for managing and responding to COVID-19 emergency including communications plan, engagement political group leader, maintenance of Council decision-making through virtual meetings.	• Council and Borough Plan processes. • Up to date Code of Local Corporate Governance • Constitution (e.g. Member/Officer protocol, delegations, Code of Conducts etc) • Staff training (Code of Conduct e learning Nov 18) • Internal Audit reported results of Risk Management audit to Audit Committee in Sept 2020. • Internal Audits of Corporate Governance, and Performance Management and implementation of recommendations.	i. Annual Governance Statement (and improvement action plan) in place. ii. Internal Audit of Corporate Governance arrangements iii. Audit Committee to review progress on AGS actions at its November meeting iv. LGA Corporate Peer Review scheduled for autumn 2021. **Audit Committee to monitor progress**	2/6/21 (Done) 31/10/21 30/11/21 31/12/21	SP AM AM SP	JH JH JH JH	6	3	M

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
	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 f. Clarity of officer/member boundaries and relationships to avoid politicisation of officers. **This is a permanent, long-term risk to the Council.** **Key Priority – 7**										
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		The 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. **Personnel Board and Overview & Scrutiny to monitor (through oversight of Performance reports)**	2021	KC	JK	6	5	H

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
	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.** **Key Priority - 7**										
4	**<u>Local Plan Delays & Appeals and 5 year housing land supply</u>** Increased number of speculative planning applications and appeals, with associated costs. Significant pressure on finance & staffing resource Attraction/retention of qualified staff to robustly assess planning applications, defend appeals and undertake enforcement.		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 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.	Local Development Scheme (i.e. timetable for adoption of local plan) to be considered by Executive in July.	29/7/21 (Done)	SM	WS	8	2	M
5	**<u>Delivering SEND Reforms</u>** Role of the Council in SEND in an environment of academies and national formulas for education budgets, and increasing special needs.		The SEND Improvement Board is continuing to meet, but has temporarily scaled down membership.	• CWD Team Review (post Ofsted) • CIN 1 / 2 Review (post Ofsted)	SEND strategy consultation with public closed 31 January 2021 with the aim	31/12/21	CC	GH	8	3	H

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
140	Risks:- a. Relationship with education partners and schools 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.** **Key priority - 1**		All Task & Finish Groups have delivered a business continuity plan in respect of continued activity during the Coronavirus Outbreak.	• Move of Transitions team to ASC • Team stability within CWD • Development of Written Statement of Action (WSoA) (Post CQC/Ofsted) • SEND Strategy Published • Launch and Development of the SEND Improvement Board • Key focus on Task & Finish group work towards WSoA • Increased engagement with parents & carers via SEND Voices Wokingham and SENDIASS • Improved relationships with statutory and non-statutory partners. • Introduction of weekly performance tracker • Introduction of annual review tracker to ensure outcome and provision in EHCP's are reviewed in line with SEND CoP.	of agreeing final strategy by end of year. Reduce High Needs Block overspend. SEND innovation & improvement programme **Children's Services Overview & Scrutiny to monitor**						
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		• Reduction in agencies having contact and engagement with vulnerable children • Increase in Domestic Abuse	• BWSCP Child Protection Procedures and Safeguarding Partnership • Staff Training: informed by professional knowledge and skills statement	• Continuous Improvement Programme (CIP) for Children's Services to incorporate risks including increasing demand	Ongoing	CC	GH	8	4	H

Ref	Risk					Lead			Risk Rating		
	Cause	Consequence/ Impact on Key Priorities	Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Timescale	Officer	Member	Impact	Likelihood	Current Score
141	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 **This is a permanent, long-term risk to the Council.** **Key priority - 1**		• 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 • Increase in LAC numbers • Disruption of placements • Not being able to locate or source a placement • Staff Shielding • Staff becoming unwell/infected	• Case Reviews and learning from cases • Policy and Procedures up to date and easily accessible to all staff • Clear Practice Framework that is implemented by all social work staff • Regular and high quality Staff Supervision • Quality Assurance Framework embedded across service • Regular Case Audits • Recruiting and retaining a skilled workforce • Growth of budget based on growth of need • Increase in work force to reflect increase in workloads • Reduction of case loads • Increase in line managers, reduction in span of control • Increase in Practice consultants to support all social care staff • Grip and Grasp of placement spend and budget • OFSTED informed action plan to improve service delivery	• Ongoing response to internal/external audits and sources of external assurance including implementation of recommendations. • Staff Supervision training and support • Strengthen partnership working to ensure thresholds are understood **Children's Services Overview & Scrutiny to monitor** -						

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
				• Children's Services Improvement Programme focussing on agreed priorities and projects within agreed timescales							
7	**Safeguarding adults** 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 • Not managing the transition from Children's Services **This is a permanent, long-term risk to the Council.**		ASC has reviewed and updated this risk due to the fundamental impacts of COVID-19	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 quality of safeguarding policy and practice. • Risk assessment for safeguarding completed. • LGA Peer Review covered safeguarding.	• 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	Ongoing	MP	CM	8	4	H

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
	Key priority – 1										
8	**<u>Data Management & Cyber Security</u>** Risk of a significant fine and reputational damage due to loss of confidential/ sensitive data. Risk of service disruption due to cyber-attack. 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. • Loss of access to systems to information • Financial loss through fraud **This is a permanent, long-term risk to the Council.**		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 • Information Security & Acceptable Use of ICT Policy (Aug 2020) • Encrypted IT equipment • Secure storage/ lockers at council offices • Robust policies in this area • Mandatory refresher programme recently undertaken by all staff • Archiving of physical records • Training for staff on document / information handling and basic information security practice • Secure e-mail solution • Document marking scheme	Cyber Security Project Information Governance Group being re-established to take forward IG strategy.	Ongoing 30/9/21	GE AM	JK JK	6	4	H

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
	Key priority - 7			• GDPR implemented for 25/5/18 to address new obligations • Training for new members • Audit Committee monitoring of data protection performance - ref 25/9 Audit Committee . • Additional resource to deal with Subject Access Requests and FoI requests							
9	**Health and Safety** 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)		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	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.	Ongoing	KC	JK	6	2	M

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
145	f. Publicity Order (Corporate Manslaughter only) g. Removal of key staff h. Reputational damage 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.** **Key priority - 7**			to Health and Safety obligations • Incident reporting, following Health and Safety process should death or serious injury occur • Training of managers and staff - Health and Safety training • Annual historical benchmarking review of all Corporate Manslaughter and relevant Health and Safety cases in order to identify the key risk area • Review across the Council of the arrangements in place to protect staff against violence at work • Health and Safety training included in the Management Induction Programme for all new managers.	Internal Audit follow-up review of Health & Safety confirmed category 2 "good" level of assurance. Building maintenance of schools – discharging Council responsibilities.						
10	**<u>Regulatory Inspections</u>** **<u>Regulatory Inspections</u>** Children's Services are inspected regularly by the regulators. ILACs is an inspection 'system' that		All regulatory inspection ILACS, Local AREA SEND, JTAI and focus visits have recommenced (following suspension during COVID national lockdown). We	• Performance data • Self-evaluation • Intelligence captured in relation to all forms of external scrutiny that help	• Address actions arising. • Wokingham Local Area SEND Written Statement of Action	Ongoing	CC	GH	6	6	VH

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
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146	includes: Annual Self-evaluation and an Annual Conversations between Ofsted & the Local Authority. This leads to the Inspection activity being planned by Ofsted and includes a full ILACS graded outcomes Inspection at least every 3 years and potential Focussed Visits on identified themes in each calendar year, wider SEND inspection activity with a re-inspection due later this year or early next year. There is also a possibility of a JTAI (Joint Targeted Area Inspection) which takes place rotationally and are thematic in nature, Wokingham had it's last JTAI on the theme of Neglect in May 2017, therefore, we expect a further JTAI in the coming months. The directorate are not given notice of when the inspections will occur as they are all unannounced in nature. 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.		submitted our Annual Evaluation to Ofsted in February in line with the timeline for our Ofsted Annual Conversation which took place on 5th March. We have revised practice standards to reflect the lockdown requirements and how we have approached visits to families during these periods. • The challenges remain, 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 • Diversion of people from Annex A activity to undertake other activities	to drive improvement e.g. Peer Reviews & Audits	• Wokingham SEND Improvement Board • Children with Disabilities Improvement Board • Service Plans for Children's Services • Getting to Good Board						

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	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
147	Risks:- a. The embedding of improvements in services to be Good could be affected if resources and action plans are redirected 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		• Diversion of people from Policy work to undertake other activities • Delay in strategies being completed and delivery being affected. • Improvement work delayed and the reframing of the direction of travel due to the journey we have taken due to Covid- 19								
11	**Adult Social Care Provider Failure** Stability and sustainability of the adult social care market is of major importance in order to ensure the continued safety, health and wellbeing of vulnerable adults with a range of eligible social care support needs. COVID-19 has had a significant impact on the adult social care provider market. The market has become more volatile, with providers facing increased costs (PPE and workforce) and reduced demand leading to greater financial pressure. Adult Social Care has seen an increase in the number of providers experiencing financial difficulties. This will only increase with the ongoing pressure of COVID-19 and economic downturn.		ASC has reviewed and updated this risk due to the fundamental impacts of COVID-19	• Annual Uplift Process; agreed for 2020/21 • Quality Assurance Framework • An improved funding deal for providers we contract with plus ability to apply for additional temporary funding (sustainability fund) • Help with supply of PPE • Regular advice and guidance • Testing for staff with symptoms.	• Establish a rigorous contract management process that builds on provider engagement • Develop and implement a rigorous contract management system (CMS) • Review of the current commissioning pathway to ensure oversight of home care providers • Establish a market sustainability strategy, including a long term	Ongoing	MP	CM	8	4	H

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	Under the COVID Procurement Policy Notice, contracting authorities must ensure suppliers at risk are in a position to resume normal contract delivery once the outbreak is over. Adult Social Care retains a responsibility to ensure continuity of care if services are likely to fail. This applies to the whole market including self-funders which is a significant increase in responsibility to the local authority in Wokingham			• Offer of access to staff in an emergency Infection control hotline established	financial support package • Ensure flow of additional government COVID funding to providers in need • Establish a market sustainability strategy (inc uplift policy)						
12	**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 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 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.		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 • On 23/7/20 the Council approved the Climate Emergency Action Plan, endorsing the targets where available for carbon dioxide reduction and the related actions proposed for Wokingham Borough Council	• Ongoing work of working group with further report back to Council in July 2021 on progress against targets. • Internal Audit of Climate Emergency commissioned by Audit Committee for delivery in Q1 of 2021/22 with report of findings to future meeting of Committee.	31/7/21 (Done) 31/10/21	GE GE	GM GM	6	5	H

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
	Key priority - 5			to play as full a role as possible in achieving a carbon neutral Borough by 2030, but notes that much more work needs to be done before it can hope to achieve that aim.							
13	**<u>High Needs Block</u>** 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.		This was a pre-Covid-19 risk	• 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	• 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.	Ongoing	CC	GH	8	4	H

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
150				completed further reduce the need for expensive out of area placements. • At its meeting of September 2020, the Executive approved a new special school at Winnersh Farm. • 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.							
14	**Telephony** There are a number of risks associated with telephony which include the age of the current kit, capacity issues and the location of the telephony hardware. The impact of failure in this area would be significant affecting one of the key customer channels and impacting the wider service delivery capability of the Council. Priority - 6		This risk has been acerbated by Covid-19 which is why it has been escalated to the Corporate Risk Register.	• Operational monitoring of capacity • Operational maintenance • Additional investment in telephony as part of 2021/22 budget setting agreed by Council.	• Implementation of telephony improvements during this financial year.	2021/22	KC	JK	4	3	M

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
15	**IT Infrastructure** There are a number of risks associated with the IT infrastructure including capacity. The impact of failure in this area would be very significant affecting all aspects of the wider service delivery capability of the Council. Priority – 6		This risk has been acerbated by Covid-19 which is why it has been escalated to the Corporate Risk Register.	• Operational monitoring of capacity • Operational maintenance • Additional investment in the IT infrastructure as part of 2021/22 budget setting agreed by Council.	• Implementation of IT infrastructure improvements during this financial year.	2021/22	KC	JK	8	3	H
16	**Equalities Duty** The Council has made significant progress with all key decisions taken in the context of Equality Impact Assessments. However, further embedding of the Public Sector Equality Duty is required including review of equality objectives which is required at least every 4 years – the objectives were last updated in March 2017. Priority – 6		The impacts of Covid-19 have been experienced differentially by different parts of the local community. The updated Equalities Plan together with the Council's approach to tackling poverty (as agreed by Executive on 28/1/21) forms key parts of the Council's response to this risk.	• Equality Impact Assessments conducted to support decisions wherever appropriate. • Equality Champions Group in place. • Equality Plan signed off by Council in March 2021. • Council approach to talking poverty agreed by Executive in Jan 2021. • Internal Audit of Equalities completed	• Implement Delivery Plan for Equalities through 2021/22 with project board and quarterly milestones in place.	2021/22	KC	JH	8	4	H
17	**Planning for Pandemics** The Council's emergency planning and response arrangements have been tested in extremis during the previous 5 months and proved effective in enabling the Council to respond to the Covid-19 emergency.		The Covid-19 emergency has demonstrated our initial and ongoing response plans have been effective but also renewed focus on recovery and the need to ensure post	• Emergency Plan in place and subject to periodic testing. • See O&S Management Committee report of 24 June setting out existing controls/mitigations. • Overview & Scrutiny review of Council wide response to	• Covid-19 Recovery Plan in place and signed off by Executive.	30/6/21 (in place)	SP	JH	8	2	M

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
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	The risk is now focused on ensuring lessons are put in place as appropriate. Priority – 1 & 7		emergency lessons are put in place.	Covid-19 including recovery programme reported to Executive on 18/2 identifying any improvements and/or learning.							
18	**Housing Numbers in the Borough** On 6 August 2020, the Government launched a 12 week consultation "Planning for the Future." The proposals contained in the consultation indicate the possibility that the new house-building requirement in the Borough would increase from c800pa to 1,600pa. The potential impacts of this risk are financial (re-distribution of CIL/s106 across the country), on achieving climate emergency targets, and on the quality of life for residents if insufficient infrastructure is in place to support additional households. The Government announced amendments to their original proposals in December 2020. Priority – 1, 2, 3 & 4		There are no specific Covid-19 related impacts.	• IEMD on 22/9/20 to respond to Government consultation • Leaflet drop to residents informing of the proposals • Lobbying through Govt Ministers	Residual risk following mitigating actions to be kept under review.	Ongoing	SM	WS	8	2	M
19	**Market Failure** Given the uncertain economic climate, there is a higher risk of failure of key providers of WBC services across the Council leading to potential impact of reduced/loss of service temporarily and additional financial cost to the Council. Priority – 1 to 6		The Covid-19 pandemic has led to significant economic impacts across various markets on which the Council relies especially for the delivery of key services.	• Financial risks monitored through ongoing revenue monitoring. • Service provision risks monitored at a Directorate level.	Adopting processes to ensure early warning flags for key providers.	Ongoing	GE	JK	4	4	M

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
20	**Public Protection Partnership** On 18 March 2021, Full Council decided that the regulatory services currently provided by the three borough Public Protection Partnership – hosted by West Berkshire Council – should be brought back in-house. The partnership operates under a contractually binding Inter Authority Agreement to which Wokingham is a signatory. This requires that a partner may leave under a no-fault basis, provided it gives 12-months written notice of their intention to terminate their participation in the partnership. The risk has been escalated to the Corporate Risk Register in recognition of importance of public protection services to residents and ensure the transition programme is delivered successfully. Priority – 1		There are no specific Covid-19 related impacts.	• Transition programme plan in place. • Lead Programme Manager in place.	Delivery of programme Community & Corporate Overview & Scrutiny monitoring this issue – see meeting of 21/7/21	31/3/22	SM	PB/ JK	4	4	M

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WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE FFICER
Tuesday 30 November 2021	1.	Treasury Management Mid-Year Report 2021/22	**Graham Ebers, Deputy Chief Executive**
	2.	Corporate Risk Register Update	**Graham Ebers, Deputy Chief Executive**
	3.	Internal Audit and Investigation Q3 Plan	**Shared Audit and Investigation Service**
	4.	Annual Governance Statement	**Graham Ebers, Deputy Chief Executive**
	5.	Statement of Accounts (or February)	**Graham Ebers, Deputy Chief Executive**
	6.	Ernst & Young – Audit results report (or February)	**EY**

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Wednesday 2 February 2022	1.	Corporate Risk Register Update	**Graham Ebers, Deputy Chief Executive**
	2.	Internal Audit and Investigation Q4 Plan	**Shared Audit and Investigation Service**
	3.	2021-22 Outline Audit Plan	**EY**
	4.	2020-21 Annual Audit Letter	**EY**
	5.	Compliments and complaints	**Customer Services**
	6.	Treasury Management Strategy 2022/23	**Graham Ebers, Deputy Chief Executive**

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