



WOKINGHAM BOROUGH COUNCIL

A Meeting of the **AUDIT COMMITTEE** will be held in David Hicks 1 - Civic Offices, Shute End, Wokingham RG40 1BN on **WEDNESDAY 28 SEPTEMBER 2022 AT 7.00 PM**



Susan Parsonage
Chief Executive

Published on 20 September 2022

Note: Non-Committee Members and members of the public are welcome to attend the meeting or participate in the 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/UHqX8rb4RCs>

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

Our Vision
<i>A great place to live, learn, work and grow and a great place to do business</i>
Enriching Lives
<ul style="list-style-type: none"> • Champion excellent 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 enable healthy choices for everyone. • Engage and empower our communities through arts and culture and create a sense of identity for the Borough which people feel part of. • Support growth in our local economy and help to build business.
Providing Safe and Strong Communities
<ul style="list-style-type: none"> • Protect and safeguard our children, young and vulnerable people. • Offer quality care and support, at the right time, to reduce the need for long term care. • Nurture our communities: enabling them to thrive and families to flourish. • Ensure our Borough and communities remain safe for all.
Enjoying a Clean and Green Borough
<ul style="list-style-type: none"> • Play as full a role as possible to achieve a carbon neutral Borough, sustainable for the future. • Protect our Borough, keep it clean and enhance our green areas for people to enjoy. • Reduce our waste, promote re-use, increase recycling and improve biodiversity. • Connect our parks and open spaces with green cycleways.
Delivering the Right Homes in the Right Places
<ul style="list-style-type: none"> • Offer quality, affordable, sustainable homes fit for the future. • Ensure the right infrastructure is in place, early, 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, where it is needed most, to live independently in their own homes.
Keeping the Borough Moving
<ul style="list-style-type: none"> • Maintain and improve our roads, footpaths and cycleways. • Tackle traffic congestion and 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 in offering affordable, accessible public transport with good transport links.
Changing the Way We Work for You
<ul style="list-style-type: none"> • Be relentlessly customer focussed. • Work with our partners to provide efficient, effective, joined up services which are focussed around our customers. • Communicate better with customers, 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.
Be the Best We Can Be
<ul style="list-style-type: none"> • Be an organisation that values and invests in all our colleagues and is seen as an employer of choice. • Embed a culture that supports ambition, promotes empowerment and develops new ways of working. • Use our governance and scrutiny structures to support a learning and continuous improvement approach to the way we do business. • Be a commercial council that is innovative, whilst being inclusive, in its approach with a clear focus on being financially resilient. • Maximise opportunities to secure funding and investment for the Borough. • Establish a renewed vision for the Borough with clear aspirations.

MEMBERSHIP OF THE AUDIT COMMITTEE

Councillors

Rachel Burgess (Chairman)
Peter Harper
Mike Smith

Maria Gee (Vice-Chairman)
John Kaiser

David Davies
Tahir Maher

ITEM NO.	WARD	SUBJECT	PAGE NO.
24.		APOLOGIES To receive any apologies for absence	
25.	None Specific	MINUTES OF PREVIOUS MEETING To confirm the Minutes of the Meeting held on 27 July 2022.	5 - 12
26.		DECLARATION OF INTEREST To receive any declarations of interest	
27.		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	
28.		MEMBER QUESTION TIME To answer any member questions	
29.	None Specific	UPDATE ON 2020/21 STATEMENT OF ACCOUNTS To receive an update on the 2020/21 Statement of Accounts.	Verbal Report
30.	None Specific	WOKINGHAM BOROUGH COUNCIL AUDIT COMMITTEE - AUDIT PROGRESS UPDATE - INFRASTRUCTURE ASSETS To receive the Wokingham Borough Council Audit Committee - Audit progress update - Infrastructure Assets.	13 - 24

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| 31. | None Specific | <p>CORPORATE RISK REGISTER REVIEW
To consider the Corporate Risk Register Review.</p> | 25 - 50 |
| 32. | None Specific | <p>2022/23 INTERNAL AUDIT AND INVESTIGATION PLAN - QUARTER 1 PROGRESS UPDATE (TO 30 JUNE 2022) AND IN-YEAR REVIEW OF 2022/23 INTERNAL AUDIT AND INVESTIGATION PLAN (SEPTEMBER 2022)
To receive the 2022/23 Internal Audit and Investigation Plan - Quarter 1 Progress Update (to 30 June 2022) and In-Year Review of 2022/23 Internal Audit and Investigation Plan (September 2022)</p> | 51 - 70 |
| 33. | None Specific | <p>FORWARD PROGRAMME 2022-23
To consider the forward programme for the remainder of the municipal year.</p> | 71 - 72 |

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 27 JULY 2022 FROM 7.00 PM TO 8.40 PM**

Committee Members Present

Councillors: Rachel Burgess (Chair), Maria Gee (Vice-Chair), David Davies, Peter Harper and Mike Smith

Also Present

Madeleine Shopland, Democratic & Electoral Services Specialist
Stephan Van Der Merwe, Ernst & Young (online)
Michael Bateman, Complaints Manager - Children's Services (online)
Graham Cadle, Assistant Director Finance (online)
Andrew Moulton, Assistant Director Governance (online)
Mark Thompson, Chief Accountant (online)
Jackie Whitney, Head of Customer Excellence (online)
Clare Mundzar, Corporate Complaints Manager (online)

13. APOLOGIES

An apology for absence was submitted from Councillor Tahir Maher.

14. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 27 July 2022 were confirmed as a correct record and signed by the Chair subject to the following amendments:

Councillor Smith commented that Callum Wernham had been present at the meeting. In addition, he indicated that he had commented on the Risk Register on their timescales and how they were trending. Finally, he requested that future Minutes indicate if someone was attending the meeting virtually as opposed to in person.

It was confirmed that no comments had been received on the previous minutes from Members present at the meeting.

The Chair informed the Committee that progress was being made on appointing an Independent member of the Audit Committee, and the Committee would receive an update at its September meeting. With regards to training general Audit Committee training could be provided by a representative from CIPFA. The Chair indicated that she had set up monthly meetings with the Head of Internal Audit to discuss circulating internal audit reports and monitoring the internal audit recommendations.

15. DECLARATION OF INTEREST

There were no declarations of interest submitted.

16. PUBLIC QUESTION TIME

There were no Public questions.

17. MEMBER QUESTION TIME

There were no Member questions.

18. FORMAL COMPLAINTS - ANNUAL REPORT SUMMARY 2021/22

The Committee received the annual report summary 2021/22 from Jackie Whitney, Head of Customer Excellence, Clare Mundzar, Corporate Complaints Manager and Michael Bateman, Complaints Manager Children's Services.

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

- 71% of complaints (including enquiries as well as formal complaints) had been resolved early, using early resolution.
- The number of formal complaints handled in 2021/22 was 305 (from 203 individual customers) this was an increase of 61, compared to 2020/21. It was thought that the rise may be the result of customers feeling more confident to submit a complaint post Covid. Complaints had become more complex and therefore could take longer to resolve.
- Other local authorities had seen the same trend with their complaints.
- Members were informed of a new programme to improve writing skills to ensure that language used was easier to understand. A new approach was being taken to communication; the three C's; Care, Clarity, and Confidence.
- Jackie Whitney indicated that those who complained were asked how they felt that their complaint had been dealt with. Ratings were currently good.
- Michael Bateman added that a decrease had been seen in the volume of formal Children's Services complaints received and an increase of complaints resolved at the early resolution stage. The number of cases escalated to Stages 2 and 3 remained consistent with the last 2 years. There had been an increase in the number of cases dealt with via the Local Government and Social Care Ombudsman. However, the LGSO had been dealing with a heavy backlog due to the pandemic when they had closed for some time, and were only now beginning to catch up with cases once more. Members were informed that the number of formally recorded compliments outnumbered the number of complaints received in Children's Services.
- Michael Bateman advised Members that Children's Services complaints often related to alleged inaccuracies in social worker assessments or decisions reached by staff. Bite sized training sessions and staff supervision sessions had been run.
- Michael Bateman highlighted areas of development, including training for managers across Children's Services around the complaints process, and best practice of handling complaints. Sessions had been delivered on sharing the learning from complaints, with staff. Two sessions had been held so far and more would be undertaken.
- Councillor Harper noted that the data went back to Quarter 1 2021/22. He asked whether information could be circulated from several years as it was difficult to establish long term trends. Jackie Whitney agreed to provide the data going back 3-4 years. She indicated that the complaints process and recording had improved which might mean that the data was not fully comparable. An increase would be seen but this was partly the result of a tightened recording process. A new online system for recording complaints had been introduced and training had been carried out.
- In response to a question from Councillor Davies regarding early resolution, Jackie Whitney explained that early resolution was when a complaint came in, Officers apologised and the situation was quickly resolved or expectations managed, without it escalating to a Stage 1 formal complaint. The total number of formal complaints had increased by 61 on the previous year. Clare Mundzar clarified that early resolution had been in place in the previous year, but recording had improved.

- The Chair requested that the Committee be sent data on the level of early resolution from the previous year.
- Councillor Smith questioned if there was a mean time for the Local Government and Social Care Ombudsman to determine complaints by, and if there was a matrix of what matters were referred to the LGSO. He was noted that there were still several cases which were to be determined by the LGSO. Clare Mundzar explained that the LGSO looked to undertake its work within 6 weeks. However, closing during the pandemic had created a backlog as requests had continued to be sent in. The resultant backlog was starting to be addressed. The LGSO would only look at complaints which were under 12 months' old.
- With regards to corporate complaints, officers aimed to respond to Stage 1 complaints within 15 working days and within 20 working days for Stage 2 complaints.
- Councillor Harper asked whether officer time spent addressing complaints was recorded and was informed that it was not. There was a full-time officer who dealt with complaints at Stage 2 and the LGSO but information was also provided from the specific service area.
- Councillor Smith indicated that some residents had informed him that they had filled in an online form and had not received a response. He questioned whether such interactions were recorded. Clare Mundzar explained that if someone filled in an online form, they received an automated response acknowledging receipt from the Complaints Team, indicating that they should receive a response within 5 working days. The Complaints Team passed the correspondence to the relevant team for a response and reminded them of deadlines. More staff had been recruited to ensure that this was carried out. Jackie Whitney added that delays were more likely to occur if someone emailed an officer directly and copied in several others, for a number of reasons, for example, the officer was on leave, or there was confusion as to who was responsible for providing a response. Members were informed that a mediated process could also be run for those who could not access the online form.
- Councillor Smith asked whether many complaints were received regarding councillors not responding to residents and was informed that complaints regarding councillors were dealt with via a different route.
- Councillor Gee questioned how 71% of complaints had been resolved via early resolution when she had calculated that it was 58%. Clare Mundzar agreed to check on the calculations and feed back to Members.

RESOLVED: That the formal complaints annual reports summary 2021/22 be noted.

19. UPDATE ON 2020-21 STATEMENT OF ACCOUNTS

Members were updated on the 2020-21 Statement of Accounts by Graham Cadle, Assistant Director Finance.

- At the last Committee meeting it had been reported that there were two issues outstanding; the first being around Pensions, and the second around infrastructure assets, which was a national issue. Neither of those issues had yet been resolved.
- Graham Cadle advised that the Pension Fund was waiting on the completion of the audit of the Fund, which was administered by the Royal Borough of Windsor and Maidenhead. It was hoped that they were likely to conclude in August. At that point so long as there were no changes to their standing, this element could be signed off. Presently the only assurance that Deloitte, the pension fund auditors, would provide was that its work continued and that it did not expect any changes.

- Graham Cadle explained that the infrastructure issue related to infrastructure assets such as roads. Historically when money had been spent to re-lay the roads it had been added to the Capital Asset Value. At an audit sector meeting it had been raised that this was not appropriate and did not reflect the true value. CIPFA had undertaken a consultation in order to understand what the best approach may be, including an interim arrangement to help Councils close their more immediate accounts. The Council had participated in the consultation but had not yet received the outcomes. Options should there continue to be a delay were, to ask to close the accounts with a gap, undertake work on what it was believed would be required, or continue to wait. Officers proposed continuing to wait and then updating at the next Committee meeting.
- Councillor Harper questioned whether a deadline should be set for making a decision. The Chair proposed that the Committee receive the update at the September meeting and if there was no further progress, a decision be made on how to proceed.
- With regards to the infrastructure issue, Councillor Gee questioned whether the bottom line would be impacted because it was expected that assets where the cost was greater than the accumulated depreciation, but no proceeds were received, were removed. She went on to ask that if this was the case what the extent of derecognition of these assets were. Graham Cadle responded that the bottom line was not impacted. The current process did not truly reflect the value of what a road would be. There was not a material impact on the bottom line in the accounts.
- Councillor Burgess also questioned why the infrastructure matter was now an issue of concern. Stephan Van Der Merwe indicated that the issue related to the actual accounting of the infrastructure and whether or not these were at a granular level to enable Councils to be able to derecognise components within the infrastructure that had been replaced. A more detailed explanation on how the assets were accounted for, if they were recorded at cost or accumulated depreciation, if the Asset Register was accurate, and an estimate of the amount taken out of cost and accumulated depreciation, would be provided to Members outside of the meeting. Councillor Gee requested that the response be included in the Minutes of the meeting.
- In response to a question from Councillor Davies, the assets impacted by the infrastructure issue were clarified.
- In response to a question from Councillor Smith regarding the Pensions element, Stephan Van Der Merwe emphasised that assurance needed to be obtained from the Pension Fund auditor. Assurances had been received from Deloitte with the caveat that work was ongoing. It was likely that this caveat would be removed in September. All Councils that were part of the Pension Fund and the Berkshire Fire and Rescue Service were impacted.
- Councillor Harper asked if there was flexibility over who managed the Pension Fund on behalf of the Council. Graham Cadle commented that whilst there had been issues with delays previously, the Chief Finance Officers were committed to supporting the Pension Fund and improvements were being made. The Chair suggested that any penalties to withdraw from the Pension Fund scheme would be high.

RESOLVED: That the update on the 2020-21 Statement of Accounts be noted.

20. WOKINGHAM BOROUGH COUNCIL AUDIT PLANNING REPORT YEAR ENDED 31 MARCH 2022

Stephan Van Der Merwe presented the Wokingham Borough Council Audit Planning Report year ended 31 March 2022.

- The report explained the audit risks that EY would be focusing on during the 2021/22 audit.
- Audit processes remained ongoing, and a further update would be provided to the Committee at the conclusion.
- Stephan Van Der Merwe brought to the Committee's attention, the risks that had been identified and which would be focused on during the audit. These risks were largely unchanged from the previous year's audit. The risks relating to accounting for Covid 19 grants and unreconciled imprest accounts were no longer considered areas of focus.
- The new focus for the audit was around the accounting for infrastructure assets. Depending on the outcome of the national consultation the level of risk may vary.
- Members noted the proposed audit fees for 2021/22.
- The Committee was informed that as the audit for 2020/21 was still ongoing the final audit fee was yet to be determined.
- Stephan Van Der Merwe highlighted an error in the report. In the planned fee column, the revised fee should read £154,643.
- The PSAA had recently determined the final fee scale variation for the 2019/20 audit of £68,541.
- Councillor Davies expressed surprise that the planned fees and the final fees would be aligned, and that the planned fees for 2021/22 were identical to the planned or final fees for 2021/22, given inflation. Stephan Van Der Merwe explained that the scale fee rebasing fee was essentially the evolving risks that EY considered related to the audit and what that would cost. This was a standard increase in the fee going forwards. In terms of the additional fees set by PSAA these were based on the latest guidance.
- Councillor Gee asked why the fee for 2021/22 was the same as that for 2020/21 if there was an increased infrastructure risk. She was informed that the costs for the additional risk identified were still to be determined based on the hours spent by the auditors.
- Councillor Harper noted that the Department for Levelling Up, Housing and Communities (DLUHC) paper "Measures to improve local audit delays" had moved the publication date for audited local authority accounts from 31 July to 30 November. Graham Cadle explained that during the pandemic greater leeway had been given in the whole of the accounting process.
- It was clarified that PPE stood for Property, Plant and Equipment.
- In response to a question from Councillor Smith as to the Committee's role with regards to the Audit fee, the Chair clarified that the Committee role was to have a view on the fees. Officers had not raised any concerns on them with her. Stephan Van Der Merwe added that the fees were submitted to the PSAA as part of the contract with them and they then reviewed them and determined if they were appropriate.
- Councillor Smith asked how value for money was considered on very large contracts, and the management of them by officers. He was informed that during the planning process EY looked at the various arrangements the Council had in place to ensure economy, effectiveness, and efficiency.
- Councillor Smith asked what large value contracts there were by department. Stephan Van Der Merwe indicated that this was not part of the Value for Money

process. Graham Cadle added that the external audit work did not cover specific contracts, however, some of this was covered by the work of Internal Audit.

RESOLVED: That the Wokingham Borough Council Audit Planning Report year ended 31 March 2022, be noted.

21. TREASURY MANAGEMENT OUTTURN 2021-22

The Committee considered the Treasury Management Outturn 2021-22.

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

- Graham Cadle highlighted the performance against the Strategy. The income generated on the investments still provided a net benefit to the Council although it had reduced because of market pressures and additional MRP contributions.
- The General Fund debt had reduced and was lower than had been expected.
- Graham Cadle highlighted the level of realisable assets.
- Councillor Gee commented that the percentage of internal borrowing to CFR was 44% when the Strategy was 29%. She felt that unless this was an exception the Committee could not agree recommendation one of the report. Graham Cadle agreed that it was outside the target but emphasised that it was not a negative impact because of the reprofiling of the capital expenditure, an increase in and the timing of inward grants had meant that the Council had had to borrow less. He suggested a specific comment around that target in the report. Councillor Gee agreed that it needed to be noted as an exception and an explanation as to why and the fact that it was positive, included.
- With regards to Table A and the net annual benefit to the tax payer, Councillor Gee felt that the information provided was misleading. She felt that the taxpayer would incur a cost because the subsidiaries would have an interest cost in their accounts. When the Council and the subsidiaries were consolidated the benefit would disappear. Graham Cadle disagreed that the value should be removed. He stated that with regards to the subsidiaries it was an element of their costs of which they would be charging an income and delivering a service to make them an ongoing concern. They were a separate entity and overall would deal in a profit situation over a long period of time.
- Councillor Gee questioned whether losses were being accumulated in the subsidiaries whilst increases were being recorded in the General Fund, in recording the figures as such. Graham Cadle emphasised that the subsidiaries had been set up to run as a self-financing model.
- In response to a further query from Councillor Gee, Graham Cadle responded that there were rules around the interest rates that the Council could charge the subsidiaries. He felt that the information had been correctly reflected.
- Councillor Davies commented that he appreciated Councillor Gee's concerns but felt that a valid approach had been taken.
- The Chair questioned whether information could be included under Table A to address the concerns raised by Councillor Gee. Councillor Gee suggested that the net annual benefit to the tax payer be clarified between the amount that was accruing to the Council and also the offset.
- With regards to Table A, Mark Thompson commented that although the income for the companies for the loans that the Council had made to them was being shown, in the top row of the table was the cost to the Council of providing that expenditure to the companies through a loan. A note could be added to the net margin that the Council would make.

- Councillor Gee indicated that in the previous year's report the income of £700,000 had been included. She was of the view that the income to the Council was effectively cancelled by the cost to the housing companies, and that when looking at the Council as a whole then there was no net benefit to the tax payer. She believed that the income should be noted as a cost in the subsidiaries. Graham Cadle expressed concern that this would not reflect that the cost was enabling an income stream and investment.
- The Chair noted that the total gross finance cost had increased to £8.8million but borrowing had decreased. She questioned the reason for this. Mark Thompson explained that the Council had borrowed less money so debt costs had reduced. In addition, since the mid-year, interest rates had started to increase. At the point of the mid-year estimates the 2020/21 accounts were still being closed. Part of the work with the auditors had been looking at the Town Centre and in particular at what point assets became operational. The Council's policy was that as soon as assets were operational MRP was charged on them. Therefore, in the Outturn report, on reviewing the Town Centre position a greater amount of MRP had been provided on some assets than originally estimated.
- In response to a question from Councillor Harper regarding the graph on page 50 of the agenda, it was confirmed that the figures were correct.
- The Committee agreed that an explanation would be added to the report to explain that the internal borrowing was outside of the range, and that this wording would be agreed by the Chair.
- The Committee approved recommendation 1) ("that all approved indicators set out in the treasury management strategy have been adhered to") but wanted it noted that in fact the indicator for % of internal borrowing to CFR (29%) had not been met, with the outturn indicator at 44%. It was agreed this was in fact a positive reflecting a reduction in required external borrowing (reprofiling of the capital programme) and increase in cashflow of grants received.)

RESOLVED: That the Treasury Management Outturn Report 2021/22 be supported and recommended to Council, and that the Committee note:

- 1) that all approved indicators set out in the Treasury Management Strategy have been adhered to, noting the exception that the percentage of internal borrowing to CFR is 44%, which is outside of the range noted in the Strategy, but that this is a positive movement;
- 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 £22.25 per band D for 2021/22. This credit provides income to the Council to invest in its priority services.
- 3) As at the end of March 2022, the total external general fund debt was £196m, which reduces to £72m after taking into account cash balances (net indebtedness).
- 4) the Council's realisable asset value of approximately £443m, of which its commercial assets are estimated at approximately £249m.

22. ANNUAL GOVERNANCE STATEMENT 2021/22

Andrew Moulton, Assistant Director Governance, presented the Annual Governance Statement 2021/22.

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

- All local authorities were required to produce an Annual Governance Statement to sit alongside the Statement of Accounts.
- It had been concluded that a good system of control was in place.
- The Statement detailed the seven core principles of the Council's Local Code of Corporate Governance which was based on the CIPFA/Solace model of good practice around corporate governance in local authorities
- The Annual Governance Statement had been based on best practice.
- Andrew Moulton took the Committee through the different sections of the Statement.
- Section 3 Review of Effectiveness detailed some of the different assurance mechanisms used. Andrew Moulton requested that reference be made to the internal audit of Corporate Governance which took place in 2021/22 which gave a good level of assurance. This was agreed.
- Councillor Gee stated that she was pleased to see the clarification of the reporting lines around the Chief Audit Executive. She went on to question whether the Monitoring Officer continued to report to the Section 151 Officer and whether he should report directly to the Chief Executive. Andrew Moulton indicated that this had been previously considered and improvements had been put in place. The Statutory Officers met on a monthly basis to discuss governance matters.
- With regards to Section 6 Areas of Significant Changes, Councillor Harper suggested that reference to a minority Liberal Democrat administration be amended to reflect the existence of the Wokingham Borough Partnership. The Chair noted that the description of a Liberal Democrat administration was indeed accurate, however she requested that Andrew Moulton review the wording to ensure the political make up of the Council was fairly represented.
- Councillor Smith asked about the weight given to the issues detailed in Section 5 Governance Issues and Improvements. Andrew Moulton emphasised that they had not been ranked and described measures put in place over the past 12 months to make improvements.
- Members requested that the reference in Section 5 to cyber security, be strengthened.
- The Chair was pleased to note that there was a strong awareness of the Whistleblowing Policy within the Council. She questioned how the Fraud arrangements were being strengthened and how this would be communicated to staff. Andrew Moulton indicated that the Fraud Policies were being updated and would be presented to the Committee later in the year. Online training on fraud awareness was being developed for staff. The Internal Audit team was considering its Fraud Strategy and would present it to the Committee. Members were informed that the most recent Staff Survey had highlighted a good awareness amongst staff of the Whistleblowing Policy.

RESOLVED: That the draft Annual Governance Statement attached at Appendix A be recommended to the Leader and Chief Executive and subsequent publication with the 2021/22 Statement of Accounts, subject to the amendments discussed at the meeting.

23. FORWARD PROGRAMME 2022-23

The Committee considered the forward programme.

RESOLVED: That the forward programme be noted.



**Wokingham Borough
Council Audit
Committee**

**Audit progress update -
Infrastructure Assets**

28 September 2022

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16 September 2022



Audit Committee Members
Wokingham Borough Council
Shute End, Wokingham
Berkshire, RG40 1BN

Dear Audit Committee Members

Audit Progress Report

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the Committee with an overview of the national issue around Infrastructure Assets that was discussed at the July Audit Committee, and to explain the options to move towards completion of the 2020/21 financial statements.

Our audit is undertaken 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.

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

Yours faithfully

Helen Thompson

For and on behalf of Ernst & Young LLP

Enc

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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.psa.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 Governance Committee and management of Wokingham Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance 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 Progress Update



Background to the issue

In March 2022, an issue was raised via the NAO's Local Government Technical Group as to whether local authorities should be assessing if there is any undepreciated cost remaining in the balance sheet for replaced components that needs to be derecognised when the subsequent expenditure is added. This may also lead to issues related to the reporting of gross historical cost and accumulated depreciation as elements of depreciated historical cost. However, as management confirmed following the Audit Committee in July, the accounting for infrastructure assets does not affect the General Fund, or the overall reported financial position of the Council.

Per 4.1.2.43 of the CIPFA Code of Practice on Local Authority Accounting, "Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Where there is more than one significant part of the same asset that has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In practice this can be achieved by only separately accounting for significant components that have different useful lives and/or depreciation methods. The requirement for componentisation for depreciation purposes shall be applicable to enhancement and acquisition expenditure incurred, and revaluations carried out, from 1 April 2010."

CIPFA published in May 2022 its 'Temporary Proposals for the Update of the Code of Practice on Local Authority Accounting in the United Kingdom' on infrastructure assets. In this document it stated:

- ▶ These are often homogenous assets that work as a part of a continuous network that is maintained in a relatively steady state though there may be distinctive parts of this network e.g., carriageways, structure (bridges etc), street lighting, street furniture and traffic management systems. They are largely assets with very long lives.
- ▶ Infrastructure assets are one of the few categories of property, plant and equipment assets measured using the historical cost basis of accounting rather than at the asset measurement described as 'current value'. The valuation process for these assets was deemed to be too costly, and therefore infrastructure assets are held in local authority balance sheets at depreciated historical cost.

CIPFA LASAAC issued its urgent consultation on temporary changes to the code to resolve infrastructure assets reporting issues on 12 May 2022, which closed on 14 June 2022. It considered ways in which an adaptation to the Code of Practice on Local Authority Accounting could be developed. However, it was not able to agree an approach that addressed the concerns of all stakeholders while also supporting high quality financial reporting. A key concern for CIPFA LASAAC was to ensure the best available information or evidence is being used to update the carrying value of infrastructure assets when elements are derecognised. There was also recognition that the potential level of work required by authorities is significant, whilst not impacting the overall financial position.

This issue impacts many authorities, therefore CIPFA and CIPFA LASAAC consider that a sector wide approach to resolution of the reporting of highways infrastructure assets should be sought. Further consultation with key stakeholder groups will take place to take forward better articulation and evidencing of the approach to the derecognition provisions and the remainder of its temporary proposals.

As of August 2022, the CIPFA proposal is being taken forward in two streams:

- ▶ CIPFA are working on an update to the Code to allow reporting on a net basis for infrastructure assets.
- ▶ DLUHC are considering a Statutory Instrument (SI); essentially if a body's accounts aren't signed by the date of the SI then they can choose a different approach to be outlined in the SI. This approach is similar to the original CIPFA Asset registers do not tend to record infrastructure capital expenditure with sufficient detail to enable identification of prior cost of replaced parts/components and related accumulated depreciation. Given this lack of record keeping, it is not possible to identify the cost and accumulated depreciation balances that need to be derecognised.

Infrastructure assets

Background cont.

Condition survey information may not provide historical spend on projects and is therefore not a source of easily accessible validation of useful economic lives or pointers to previous spend.

If parts/components have not been derecognised when replaced or decommissioned:

- ▶ For assets that have been fully depreciated, the gross cost of the asset and accumulated depreciation will be overstated in the property, plant and equipment note to the balance sheet. This will be a matching error, so no impact on the net book value reported on the balance sheet.
- ▶ For assets replaced or decommissioned ahead of their useful economic life (UEL), i.e., the asset is not fully depreciated and has a positive net book value at year end, the error will also impact the balance sheet, where asset values will be overstated, noting this will not affect the overall reported financial position of the Council.

The issue affects additions to infrastructure from 2010/11 when IFRS was adopted by the CIPFA Code of Practice.

Who are the accounting requirements?

Accounting for property, plant and equipment and other assets that bring longer-term benefits is primarily based on the value that assets currently have for the authority and is separated completely from statutory arrangements for financing their acquisition, providing the primary basis for presenting the financial performance of an authority.

Infrastructure non-current assets are carried in the Balance Sheet at depreciated historic cost.

Once an item of property, plant and equipment has been recognised and capitalised, an authority may incur further costs on that asset at a later date. Paragraph 4.1.2.19 of the Code requires that subsequent costs should be capitalised only if they result in items with physical substance and meet the recognition principle set out in paragraph 4.1.2.18 of the Code, i.e.:

- ▶ it is probable that future economic benefits or service potential associated with the item will flow to the entity
- ▶ the cost of the item can be measured reliably.

Where expenditure meets these criteria, it is added to the carrying amount of the relevant asset. Unless non-contributory costs (such as costs attributable to design flaws) have been included in the capitalised amount, the amount paid should provide a fair measure of the future economic benefits or service potential that will flow to the authority. Where the subsequent expenditure represents the replacement of a component, the old component must be written out of the Balance Sheet.

What are the accounting requirements?

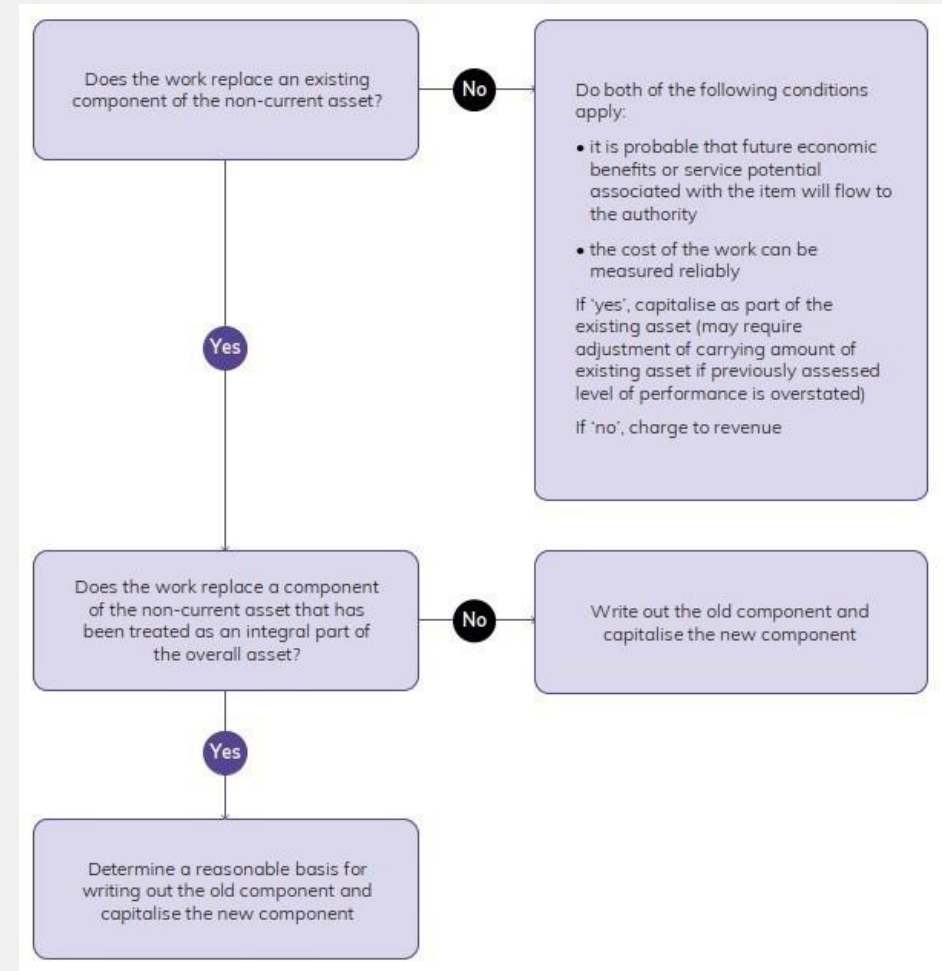
Although the Code requires significant components to be treated as separate assets for depreciation purposes, the rules on the treatment of subsequent costs of replacing components do not actually require that the old component should have been separately identified on acquisition and depreciated since then. Instead, the provisions for subsequent replacement costs (paragraph 4.1.2.21 of the Code) apply generally to parts that are replaced (both parts that have been separately identified for depreciation purposes and other material parts or components). Recognition of the new expenditure as capital depends simply on whether the costs meet the asset recognition criteria at the point of replacement.

19

If the carrying amount of the replaced part or component cannot be identified, it is usually acceptable under paragraph 4.1.2.52 of the Code to use the cost of the replacement as a proxy for the deemed carrying amount of the replaced part and adjust this for depreciation and impairment.

An example of how the carrying amount of an old part/component could be estimated is provided below (source: E19 of the Guidance Notes to the Code of Practice on Local Authority Accounting).

The flowchart opposite summarises the considerations that an authority might make in determining whether subsequent expenditure on an existing asset represents additions to property, plant, and equipment.



Infrastructure assets

What are the accounting requirements?

The CIPFA Capital Accounting manual for practitioners notes “The nature of the historical cost is such that the gross value is only affected by additions and disposals. Accumulated depreciation, revaluation losses and impairments build up on this historical cost record indefinitely....”, as the asset is not subject to a new formal valuation.

The Code requires assets to be written out of the Balance Sheet:

- ▶ on disposal (e.g. through sale, granting of a finance lease, donation, transfer, abandonment, theft, etc) - probably unlikely given the nature of the assets.
- ▶ when no future economic benefits or service potential are expected from the asset’s use or disposal - i.e. when the economic benefits or service potential inherent in the asset have been used up.

What is the position at Wokingham Borough Council?

20

Wokingham Borough Council infrastructure assets are valued at £214.9m gross book value (£164.7m net book value), with useful lives varying from 1 to 57 years. Within the fixed asset register, the very large proportion of the value (£213.5m) sits within the following categories:

Asset ID	Asset Description	GBV at 31 March 2021
A11044	Carriageways (HNA)	155,992,751.05
A11045	Footways and Cycletracks (HNA)	20,873,780.88
A11046	Street Furniture (HNA)	4,838,234.24
A11047	Traffic Management Systems (HNA)	3,250,811.76
A11048	Structures (HNA)	21,127,014.99
A11049	Highways Lighting (HNA)	7,463,281.37
		213,545,874.29

As can be seen from the above, all expenditure is allocated to a single asset ID per category of asset within the fixed asset register. The Council also maintains a level of information within its capital monitoring system on a more granular basis for specific projects.

Based on the available information we cannot test assets for existence, or that the requirements of the CIPFA Code of Accounting Practice have been met. We believe it is unlikely the Council would be able to comply with the Code without undertaking significant additional work, which would require producing records that analyse capital expenditure with sufficient detail and geographical specifics to enable identification of prior cost of replaced parts/components and related accumulated depreciation.

Options to move forward and implications

Option 1:

The Council waits until CIPFA has updated its proposed adaptation to the Code of Practice; or for DLUHC to prepare a statutory instrument.

Advantages: this may avoid a modified audit opinion, and it would allow the Council to present its financial statements as materially true and fair. It may also avoid potentially unrequired officer time and associated cost, although this depends on the nature of the adaptation.

Disadvantages: we do not have a clear timescale for when either of the above actions will be completed and the 2020/21 audit remains unsigned; there is also a risk that the proposed adaptation may not be sufficient to avoid a modification of the audit opinion.

2

Option 2:

The Council accepts a modification of the audit opinion and includes appropriate disclosure at Note 24 of the 2020/21 Statement of Accounts (and elsewhere as required).

Advantages: this would allow the 2020/21 audit to be closed, enabling the finance and audit teams to focus on the 2021/22 financial statements audit.

Disadvantages: this would be a qualification of the audit opinion. Whilst there are no legal or financial implications, there are possible implications on future audit reports if there is no change in the current requirements of the Code of Practice. As an example, a modification in relation to the 2020/21 audit opinion will also impact the 2021/22, and possibly the 2022/23, audit opinions, unless the accounting requirement is changed. There is the potential that additional audit testing may be required as a consequence, for example by reducing our performance materiality threshold from 75% to 50%, but we cannot confirm the likelihood of this at this time.

At the time of writing, we are aware of two councils, audited by EY, which have taken Option 2. We have set out an example of the potential wording that might be used in the audit report in section 2 of this report.



22

02

Example wording





Example opinion wording

Note that this is example wording and will be subject to the Firm's consultation procedures following completion of our discussions with the Council about its own disclosures

Qualified Opinion

We have audited the financial statements of Wokingham Borough Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise Authority Comprehensive Income and Expenditure Statement, Group Comprehensive Income and Expenditure Statement, Authority and Group Movement in Reserves Statement, Authority and Group Balance Sheet, Authority and Group Cash Flow Statement and the related notes 1 to 47; Housing Revenue Account Income and Expenditure Statement, Movement on the HRA Statement and the related notes 1 to 13; the Collection Fund and the related notes 1 to 3; and the Authority and Group Statement of Accounting Policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report, the financial statements:

23

- ▶ give a true and fair view of the financial position of Wokingham Borough Council and Group as at 31 March 2021 and of its expenditure and income for the year then ended; and
- ▶ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for qualified opinion

As set out in Note 24 - Property Plant and Equipment to the Wokingham Borough Council financial statements, Infrastructure Assets have a gross book value of £214.9 million, with a net book value of £164.7 million as at 31 March 2021. This note also provides management's explanations as to why it is not possible to provide evidence to support the carrying value of these assets.

We were unable to obtain sufficient appropriate audit evidence to support a net book value of £164.7 million as Wokingham Borough Council does not currently maintain the adequate level of records to support the derecognition of the gross cost and accumulated depreciation on infrastructure assets when a major part / component of that asset has been replaced or decommissioned, as required by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. This applies from 2010/11 when the Authority transitioned to IFRS. Therefore, there are eleven financial year periods (2010/11 to 2020/21) where the Authority cannot demonstrate that it applied the applicable financial reporting framework to Infrastructure Assets.

Our opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the comparatives for the year ended 31 March 2020. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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TITLE	Corporate Risk Register Review
FOR CONSIDERATION BY	Audit Committee on 28 September 2022
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 Risk Management Policy and Guidance sets out the policy framework and formally guidance for officers to enable them to pro-actively identify and manage its risks.

RECOMMENDATION

The Audit Committee is asked to review the Corporate Risk Register (at Appendix A) to determine that strategic risks are being actively managed.

SUMMARY OF REPORT

The Corporate Risk Register has been revised by the officer Risk Management Group and Corporate Leadership Team and is shown at Appendix A.

The Council's top four corporate risks are:

- Budget and financial resilience
- Health & Social Care Reform
- Adult Social Care supplier sustainability and sufficiency
- Education for Children with SEND

The Chief Executive will present the report to the Committee noting that there has been an overall increase in risk faced by the Council since the last review of the risk register due to:-

The increase in inflation which is directly impacting Council costs and those of suppliers

The increase in inflation and energy costs is impacting on residents and local businesses increasing demand for Council services

Further clarity of the impact of the Health and Social Care reforms

Since the register was last reported to Audit Committee on 27th June 2022, one new risk has been identified:-

- Risk 18 – Elections Act 2022 Implementation

One risk has been removed:-

- Following the successful implementation of the Public Protection Partnership (PPP) project the residual risk has been transferred to the Directorate risk register.

The report describes these risks and includes commentary on changes to existing risks.

The November review will include an assessment of the effectiveness of the Risk Management Group and Directorate Risk Registers.

Background

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.*

Analysis of Issues

The following changes have been made to the Corporate Risk Register since the register was last presented to the Committee on 27th June 2022

- 2.2 New risk no 18. Elections Act 2022 Implementation Uncertainty
The Elections Act 2022 introduces new requirements including, for example, voter ID and postal voting arrangements. This risk has been escalated to the corporate risk register. The Government's Infrastructure Project Authority increased the Election Integrity Project Delivery Confidence Assessment to red. This, accompanied with the delay to detailed implementation information, means that the Returning Officer is waiting for further detailed guidance on the requirements to deliver the 2023 Borough Elections and the timescale for implementation is now reduced. The Council is monitoring this risk and is preparing to mobilise on a cross council basis once clarity emerges. This is a short-term risk.
- 2.3 Increased risk - Risk 1 Financial Sustainability
Inflation continues to impact the Council directly and is placing significant budgetary pressures on the Council. Increases in demand for a range of Council services is beginning to emerge. The Council's analysis would suggest that this increase in risk is likely to be of at least a medium term.
- 2.4 Removed risk - Risk 8 Public Protection Partnership (PPP)
This risk has declined following the successful launch of the new service on 1st April 2022. The project risk has been effectively mitigated and the residual risk

is the operational risks faced by a new service. The new service has been successfully operating for six months, this risk has been transferred to the Directorate risk register.

2.4 Decreased risk - Risk 2 Governance

This risk has decreased following the implementation of governance improvement actions following the November 2021 LGA corporate peer challenge and the Annual Governance Statement (AGS) process. Work is continuing to mitigate this risk. Further assurance on this risk will be provided by the LGA peer challenge follow up visit taking place in October 2022.

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 assurances is provided that the Council’s key priorities and objectives will be achieved.

Public Sector Equality Duty

An Equality Impact Assessment is not required on the Corporate Risk Register. The impact on Equality is assessed in the impact of each risk.

Climate Emergency – This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030

The effective management of risk supports the achievement of this important priority

Reasons for considering the report in Part 2

Not applicable.

List of Background Papers

Corporate Risk Register – September 2022

Contact Andrew Moulton, Paul Ohsan Ellis	Service Governance
Telephone No Tel: 07747 777298, Tel: 0118 974 6096	Email andrew.moulton@wokingham.gov.uk, paul.ohsan.ellis@wokingham.gov.uk

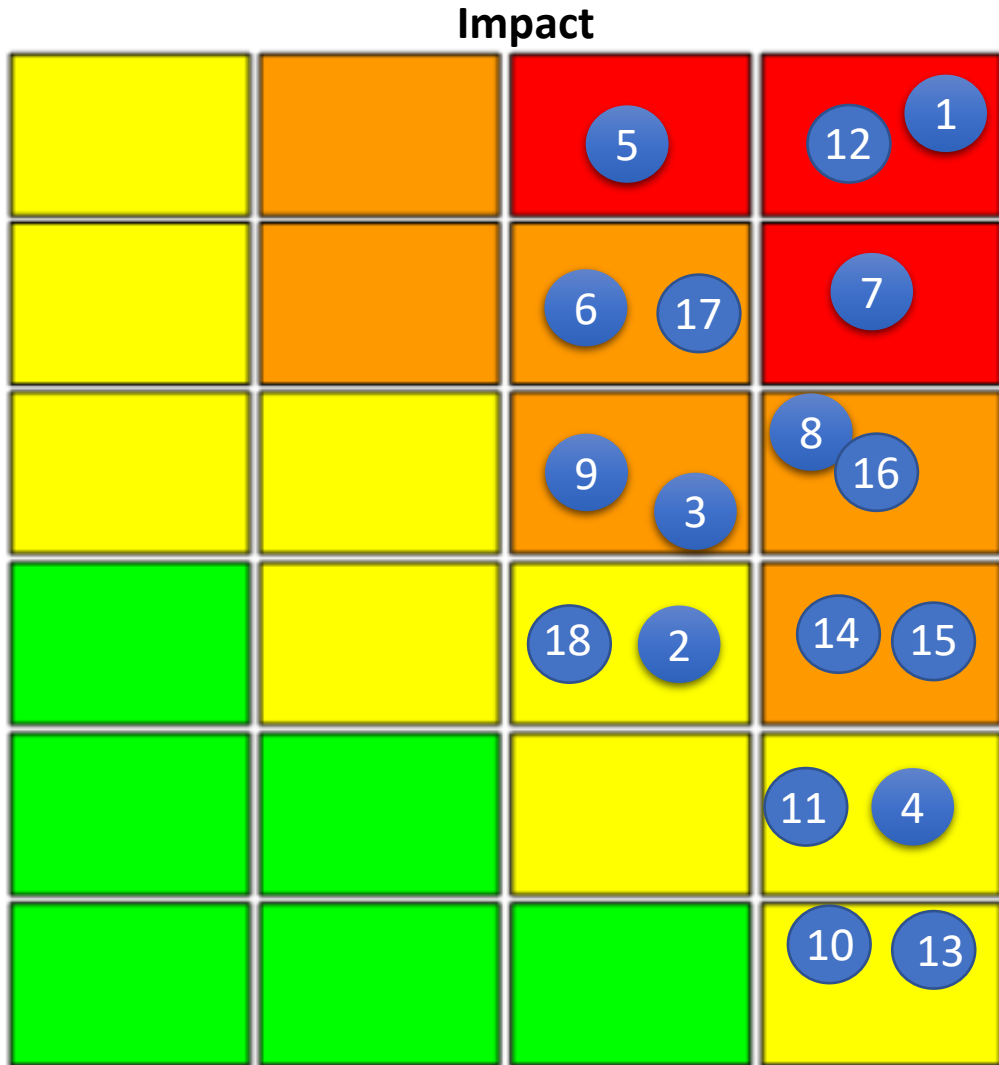
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Appendix A - Corporate Risk Register
6 September 2022

Current Assessment	Very High	High	Medium	Low
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31

Likelihood



Ref	Risk
1	Budget & Financial Resilience
2	Corporate Governance
3	Workforce
4	Uncontrolled Development (Local Plan Update)
5	Education for Children with SEND
6	Failure to meet statutory duties
7	ASC Supplier Sustainability and Sufficiency
8	Climate Emergency
9	Information Governance & Cyber Security
10	Major Emergency Response (e.g. Pandemic)
11	High Needs Block overspend
12	Health & Social Care Reform
13	Adult Safeguarding
14	Children's Safeguarding
15	Inward migration
16	Public Transport
17	Education Provision Mainstream
18	Electoral Reform* *New risk

Key to Abbreviations

CJ	Cllr Clive Jones, Leader of Council
CH	Cllr Stephen Conway, Deputy leader and Executive member for housing
RBF	Cllr Rachel Bishop Firth, Executive member for equalities, inclusion and fighting poverty
LF	Cllr Lindsay Ferris, Executive member for planning and the local plan
SK	Cllr Sarah Kerr, Executive member for climate emergency and residents services
IS	Cllr Ian Shenton, Executive member for the environment, sports and leisure
PF	Cllr Paul Fishwick, Executive member for active travel, highways and transport
PB	Cllr Prue Bray, Executive member for children's services
DH	Cllr David Hare, Executive member for wellbeing and adult services
ISD	Cllr Imogen Shepherd-Dubey, Executive member for finance
SP	Susan Parsonage, Chief Executive
GE	Graham Ebers, Deputy Chief Executive & Director of Resources & Assets
SW	Sally Watkins, Assistant Director Digital & Change
HW	Helen Watson, Interim 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

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

Key Priority at Risk: Community Vision

Owner

Change

1

RISK: Budget and financial resilience

ISD

GE

Increase

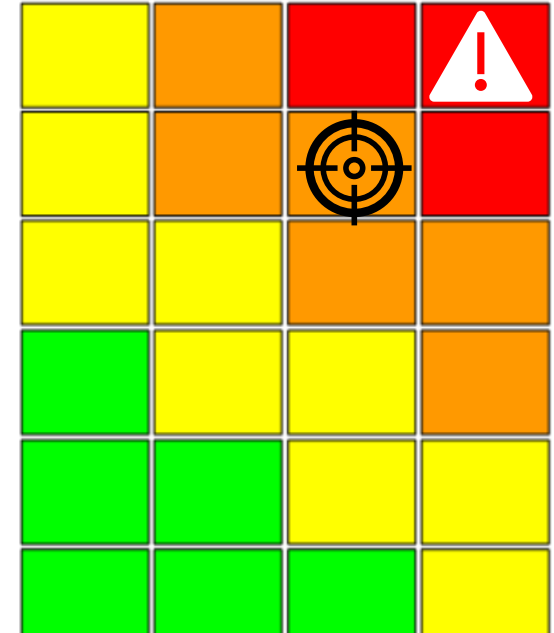
Due to increased costs (including inflation), loss of income, increased cost of borrowing or non-realisation of forecast savings and increased demand for services due to the cost of living there is a risk that the Council is unable to finance its current services resulting in a reduction in reserves and services.

Existing Controls:

33

- MTFP (inc CFO report on risk)
- Financial and Contract Regulations (section 12 & 13 constitution)
- Budget Monitoring (Revenue & Capital)
- Capital Strategy
- Treasury Management Strategy
- Commercialisation Strategy (July 21)

- Investing in our Community Strategy (July 21)
- CIPFA Resilience Assessment
- Internal Audit
- External Audit
- Overview and Scrutiny consideration of 22/23 budget



⚠️ Current Risk 🎯 Target ⚙️ Risk on Target

Mitigating Actions

Work on in-year budget and following year budget pressures

Owner

Date

GE

Oct 22

Organisational Foundation Programme delivery of savings

GE

Feb 23

Action plans to implement Internal and External Audit findings

GC

March 2023

Ongoing lobbying prior to Dec 22 announcement on three-year settlement

GE

December 2022

Key Priority at Risk: Community Vision

2

RISK: Corporate Governance

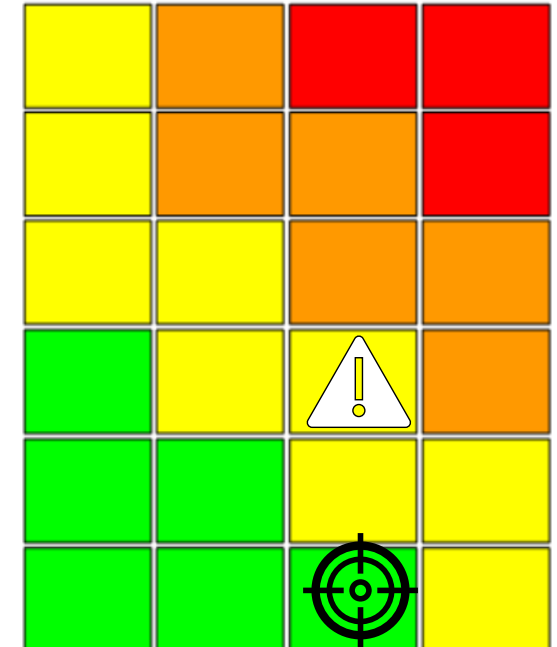
Governing effectively to ensure achievement of the Council’s purpose and priorities within the resources available and achieving value for money. Without effective corporate governance, there is a risk that through unethical behaviour or ineffective decision-making, residents lose trust in the way the Council undertakes and carries out its duties.

Existing Controls:

- Community Vision and Corporate Delivery Plan
 - Local Code of Corporate Governance
 - Constitution (i.e. Council rules of procedure, conduct and compliance)
 - Annual Governance Statement
 - Performance framework
- Risk Management Policy & Guidance
 - Internal & External Audit
 - Standards Committee
 - Overview & Scrutiny function
 - Local Government Association (LGA) Corporate Peer Challenge
 - Governance Dashboard

34

Owner		Change	
CJ	SP	Decrease	



⚠ Current Risk 🎯 Target ✅ Risk on Target

Mitigating Actions

LGA Corporate Peer Review action plan implementation and follow up visit

Owner

SP

Date

October 22

Key Priority at Risk: Community Vision, Safe, Strong Communities & Enriching Lives

3 RISK: Workforce

Due to the national challenges in recruiting permanent staff with the right levels of skills, competence and experience, there is a risk to the council’s ability to deliver its community vision, which could, if not managed lead to fines and reputational risks

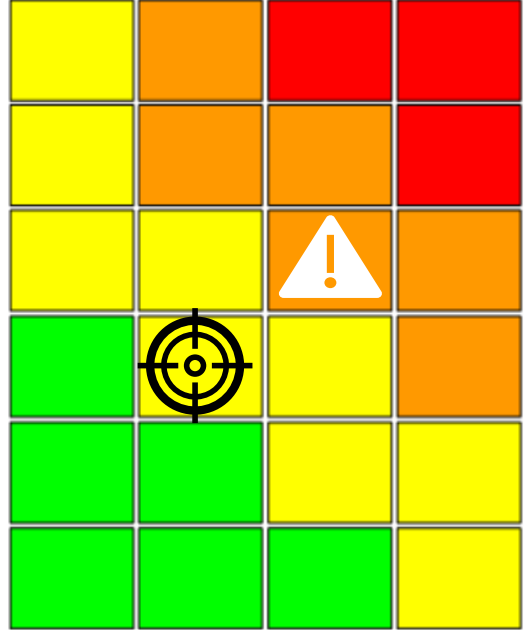
Existing Controls:

35

- Annual Performance Regime
- HR Hub
- Reward and Recognition
- Training Budgets
- Recruitment Resources
- Corporate Agency Contract

- Workforce Dashboard and Establishment reporting
- IT systems (BWO, Applicant Tracking and Learning Management)
- Mandatory Training
- Learning & Organisational Development Functions

Owner		Change	
RBF	SP	None	



Warning Current Risk Target Risk on Target

Mitigating Actions	Owner	Date
HR policy review	SP	Dec 2022
Fully populated HR operating model	SP	November 2022
HR & OD Strategy	SP	Dec 2022
Procurement of HR Management Information System & Organisational Foundation	SP	Q4, 2022/23

Key Priority at Risk: Right Homes, Right Places

4

RISK: Uncontrolled Development - Local Plan Update

Without effective planning policies, there would be no real control or influence over where and how new housing and other types of development take place. This could lead to housing and other forms of development being allowed in poor locations, being of lower quality, and in places where infrastructure cannot be improved to help deal with the impacts.

Existing Controls:

- Timetable for adoption of new Local Plan in place
- Resources allocated
- Public consultation processes
- Monitoring housing developments

- Revised growth strategy agreed by Executive for consultation

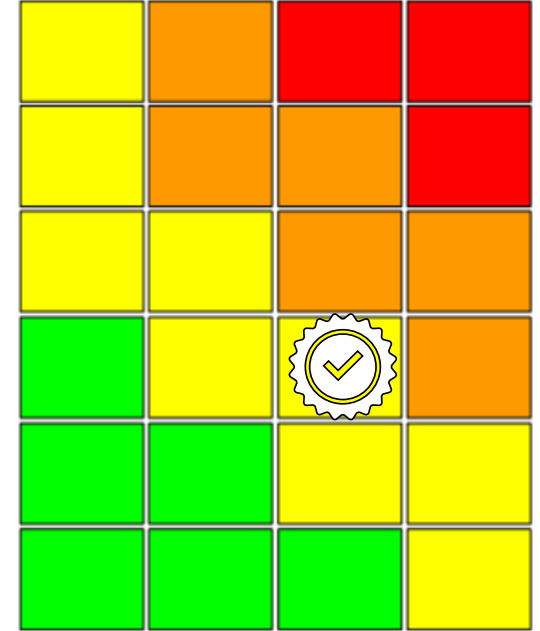
Owner

Change

LF

SM

None



⚠ Current Risk 🎯 Target ✅ Risk on Target

36

Mitigating Actions/Key Milestones

Submission of Local Plan Update to Government

Owner

SM

Date

Late 22

Inspector examination

SM

2023

Adoption of LPU

SM

2024/25

Key Priority at Risk: Enriching Lives & Safe, strong communities

Owner

Change

5

RISK: Insufficient local provision of education for Children with SEND

PB

HW

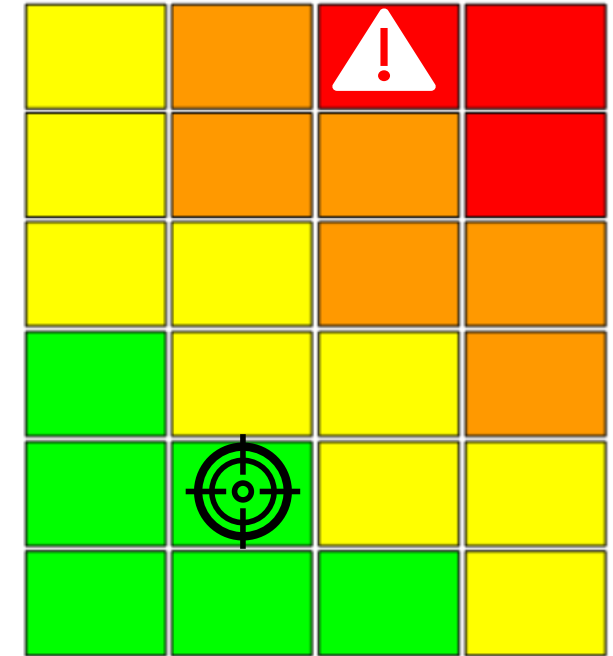
None

Due to inability to meet the growing demands of Children with SEND locally there is a risk that children are educated far away from their families in more costly out of borough provision, putting pressure on the High Needs Block funds.

Existing Controls:

- Regular review of SEND Strategy
- SEND Improvement Board
- Collaboration with SEND Voices & SENDIASS Wokingham
- Monitoring and Forecasting of Need and Demand

- Improved relationships with providers



⚠ Current Risk 🎯 Target ✅ Risk on Target

37

Mitigating Action	Owner	Date
Development of in borough infrastructure for Children and Young People with SEND	HW	Ongoing

Key Priority at Risk: Enriching Lives & Safe, Strong Communities

6

Failure to meet statutory duties (Health & Safety and Equalities)

Due to insufficient capability, capacity and awareness there is the risk that the Council does not meet its statutory duties in key areas leading to avoidable harm, litigation, fines, corporate manslaughter and reputational damage.

Existing Controls:

- Statutory policies in place for equalities and health & safety
- Prioritisation of H&S activity
- Strategic Plan to identify continuous improvement “Seeking Assurance” programme (two yearly)
- Health & Safety specialist advisers in place

- Council wide Equalities Programme established
- Directorate risk registers holding detail of specific mitigations for these risks
- Incident Reporting System
- H&S Quarterly Dashboard

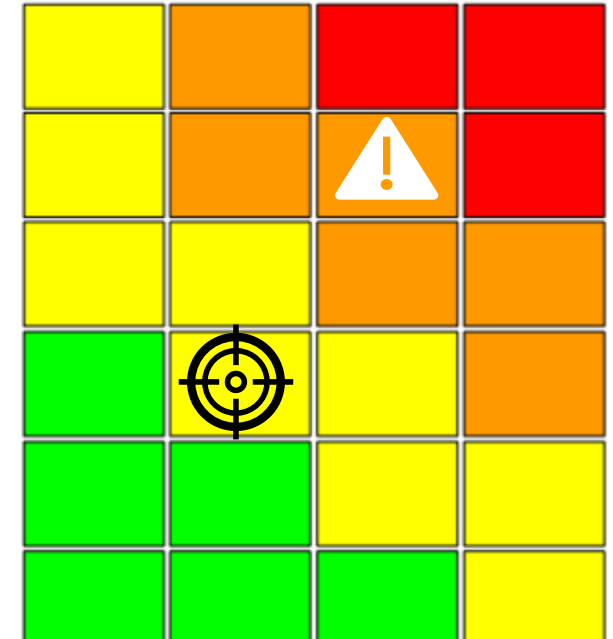
Owner

Change

RBF

SP

None



! Current Risk Target Risk on Target

38

Mitigating Action

Owner

Date

Implementation of the strategic safety improvement action plan

SP

April 23

Equalities Risk Mitigation Actions detailed in the Equalities Programme Risk Register

SW

Feb 23

Key Priority at Risk: Enriching Lives & Safe, Strong Communities

7

Adult Social Care Supplier Sustainability and Sufficiency

Due to increasing needs of our local older and disabled people population demand is increasing placing the social care system under huge strain. It is acknowledged that nationally that there is insufficient funding within the care sector to meet the challenges faced by our local care providers. COVID-19 has exacerbated the issues and while local providers have maintained high levels of care, additional workforce pressures will impact on the capacity within the sector. There is a risk that a provider may fail or that we are unable to source care for a vulnerable resident.

Existing Controls:

39

- Care Capacity Tracker monitoring and targeted action taken as required
- Lobbying of MPs and Government
- Workforce Strategy finalised and workstreams in place to implement the identified actions

- Recruitment campaign (Every day is different)
- Quarterly provider forums
- Early warning flags identified for key providers

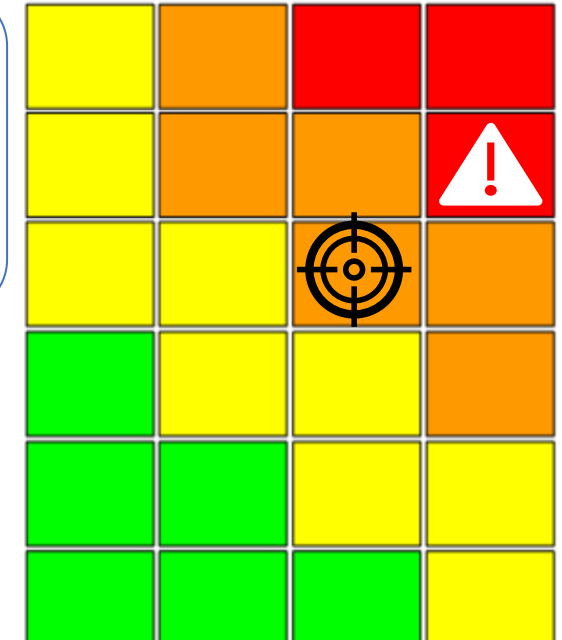
Owner

Change

DH

MP

None



Warning Current Risk Target Risk on Target

Mitigating Action

Continue to work with the sector to ensure that commissioning arrangements are fit for purpose

Owner

Date

MP

Mar-23

Planning for 2022-23 winter pressures underway

MP

Nov-22

Routine monitoring of providers sufficiency with support provided as required, and monthly reviews to assess any wider action required. Contingency planning in place to address any significant issues raised by care providers. Action to remain in place for the remainder of the year and reviewed regularly

MP

Mar-23

Market sustainability plan

MP

Feb 23

Objective at Risk: A clean and green borough

Owner

Change

8

Climate Emergency

Due to complexity of behaviour change required, there is a risk that the Council is unable to meet its carbon reduction aspirations leading to a failure of the Borough to deliver its contribution to climate change.

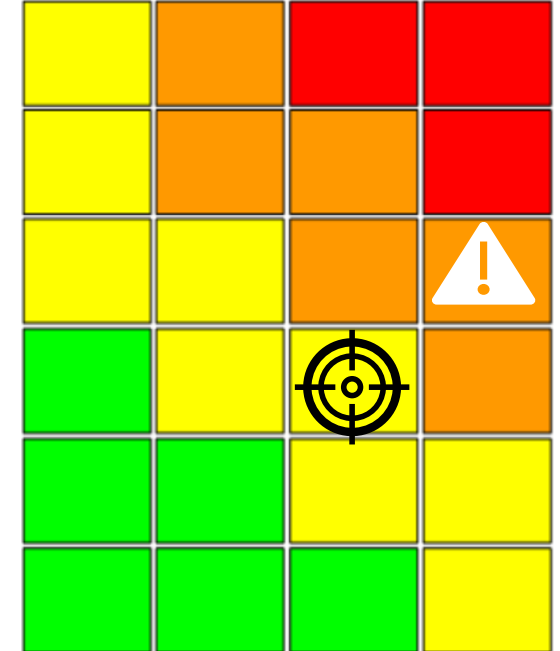
Existing Controls:

- Climate Emergency Action Plan (CEAP)
- Climate Emergency Group
- Capital Programme investment
- Overview and Scrutiny review
- Annual Climate Change Report to Council
- Internal Audit completed

SK

SM

None



Warning Current Risk Target Risk on Target

40

Mitigating Action	Owner	Date
Deliberative Process	RH	September 22
Energy Strategy	RH	December 22
Climate Change adaptation plan	RH	April 23

Objective at Risk: Community Vision

Owner

Change

9

Information Governance and Cyber Security

ISD

GE

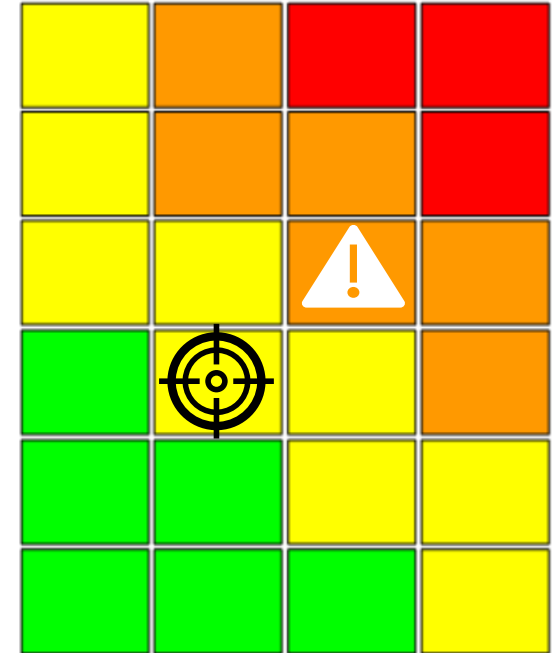
Increase

Cyber attack and/or weak information governance practices leads to the unavailability of key information and/or disclosure of personal sensitive data causing inability to deliver services, increased costs, fines, reputational damage and loss of trust.

Existing Controls:

- Cyber security response team
- Roles and Responsibilities
- Information Security and Acceptable Use Policy
- Encrypted equipment
- E-learning refresher (every 2 years)

- Secure e-mail solution
- Document Marking Scheme
- Data and Information Governance Group
- Digital & Tech Newsletter cyber risk
- Emergency patching and firewall config



Warning Current Risk Target Risk on Target

41

Mitigating Action	Owner	Date
Transparency Data Review	AM	Sept 22
Simulated phishing attack	SW	Oct 22
National Cyber Security Centre Board Toolkit review	AM	Dec 22

Objective at Risk: Safe, Strong Communities

10

Major Emergency Response (Pandemic)

Due to an unlikely but high impact major emergency the Council is required to lead a large-scale community response leading to impact on business as usual and requirement to focus resources on key priorities.

Existing Controls:

- Covid Recovery Strategy
- Emergency plan and Council-wide Business Continuity Planning
- Learning from Overview & Scrutiny review of Covid response
- In-house Emergency Planning Service

- Gold, Silver and Bronze response structure

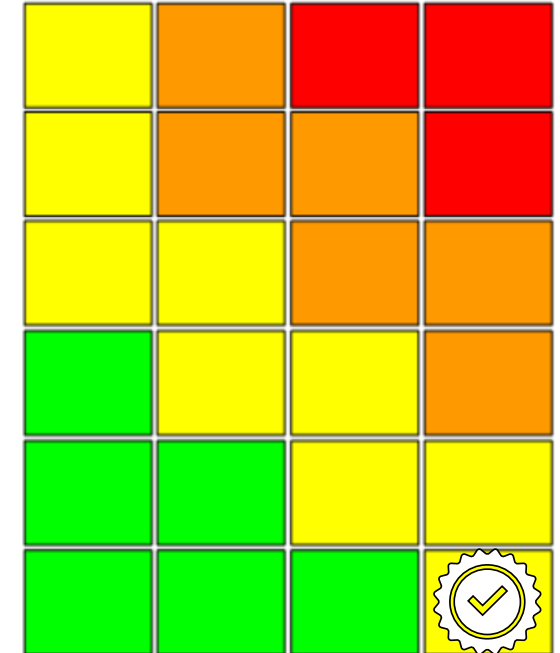
Owner

Change

CJ

SP

Decrease



⚠ Current Risk 🎯 Target ⚙️ Risk on Target

42

Mitigating Action

Owner

Date

None currently required

-

-

Objective at Risk: Enriching Lives

11

High Needs Block overspend (link to risk 5)

Due to the increased demand and costs of SEND education provision there is the risk that DfE requires repayment of our high needs block overspend of £10m+ resulting in a significant impact on reserves and budget pressures.

Existing Controls:

- Deficit Reduction Plan
 - Expansion of Addington School
 - The Oak Tree School (Opening Sep '23)
 - PRU improvement

43

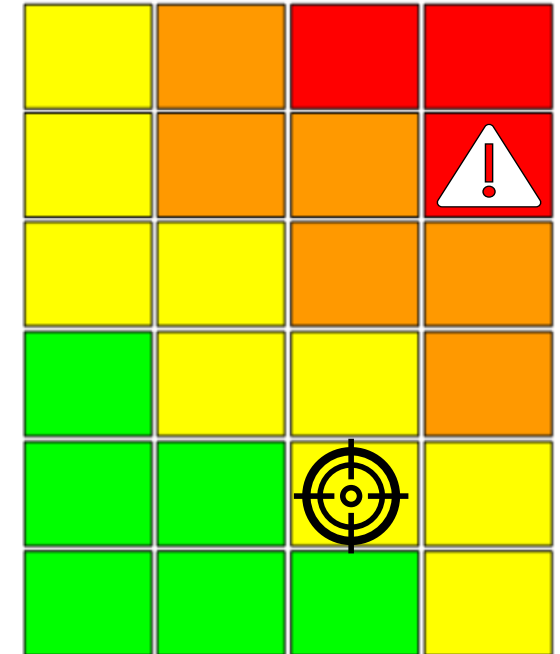
Owner

Change

ST

HW

Decrease



Warning Current Risk Target Risk on Target

Mitigating Action

Draft Management Plan Submitted to ESFA ahead of commencing negotiations in line with Safety Valve methodology

Owner

HW/ST

Date

Ongoing

Resource Base Review in progress

HW/ST

December 22

Repurposing of Farley Hill Site (with Addington School) with interim arrangements with other schools to meet immediate demand

HW/ST

June 23

2 x Special Free School Bids

HW/ST

March 23

Objective at Risk: Enriching Lives

12

Health & Social Care Reform

Due to the 'People at the heart of care' reforms that come into force from 2022, and a funding change to follow in 2023, and number of self-funders in the borough there is a risk that there are major changes in the Council's responsibilities that will lead to significant financial impact (£20-30m), workforce pressures, social care market pressures and administrative challenges (IT system).

Existing Controls:

Liaising with central government and professional organisations (i.e ADASS and LGA).

Analytical work to assess the potential impact on services.

Working with other LAs through our regional network to consider and plan for future impact.

LA response provided to DHSC consultation Mar-22.

Engagement with LGA workshops assessing the impact of the reforms.

Working with case management software supplier to assess required changes.

Review of Directorate Transformation Programme to incorporate requirements.

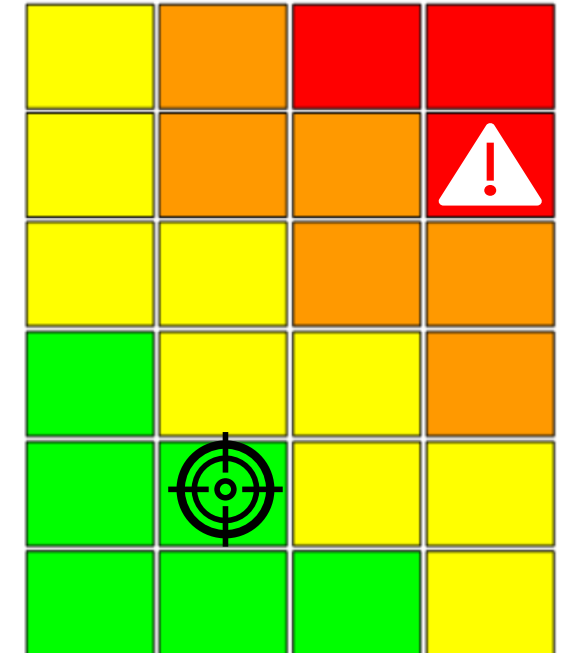
Owner

Change

DH

MP

None



Current Risk Target Risk on Target

44

Mitigating Action

Programme in place to implement the reforms in preparation for commencement in October 23.

Owner

Date

MP

Mar 23

Key Priority at Risk: Enriching Lives & Safe, Strong Communities

13

Failure to meet statutory duties (Safeguarding Adults)

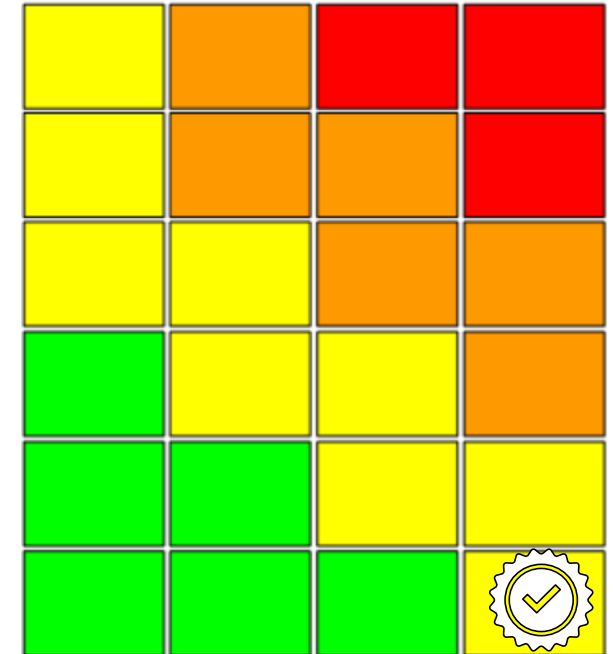
Due to insufficient capability/capacity, there is the risk that the Council does not meet its safeguarding responsibilities for adults leading to avoidable harm, litigation, fines and reputational damage.

Existing Controls:

- Adult Safeguarding Hub (ASH)
- Pan Berkshire Policies and Procedures
- ASH new proportionate and person-centred processes and pathway
- ASH fully staffed and dedicated Admin
- Effective relationships embedded with key partners and forums
- Management and supervision

- Staff training and awareness
- Berkshire West Safeguarding Board
- Optalis contract as emergency provider
- Care Governance Quality Assurance
- Market Failure protocol
- Risk Assessment for Safeguarding complete
- Joint working between HoS and PSW

Owner		Change
DH	MP	None



Current Risk
 Target
 Risk on Target

45

Mitigating Action	Owner	Date
Ensure workforce development around bespoke safeguarding are addressed	MP	Mar 23
Implement QAF for Safeguarding	MP	Mar 23
Impacts of impending CQC inspections incorporated into project planning	MP	Mar 23

Key Priority at Risk: Enriching Lives & Safe, Strong Communities

14

Failure to meet statutory duties (Safeguarding Children)

Due to insufficient capability/capacity, there is the risk that the Council does not meet its safeguarding responsibilities for Children leading to avoidable harm, litigation, fines and reputational damage.

Existing Controls:

- BWSCP Child Protection Procedures and Safeguarding Partnership
- Staff Learning & Development
- Case Reviews & Audits
- Policies and Procedures
- Practice Framework
- Staff Supervision
- Quality Assurance Framework
- Recruitment & Retention Programme

- Monitoring demand & caseloads, ensuring swift review of staffing needs
- Manageable case loads
- AYSE recruitment programme
- Additional Assistant Team Managers to support supervision
- Practice consultants / assistants
- OFSTED informed action plan to improve service delivery

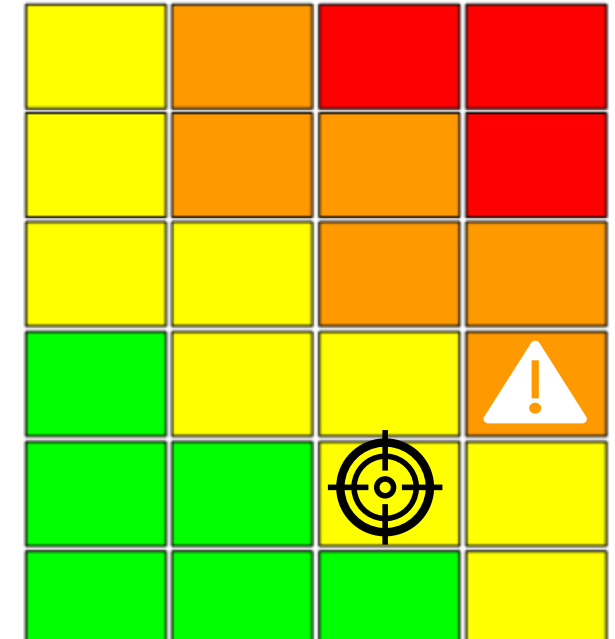
Owner

Change

PB

HW

None



! Current Risk Target ✓ Risk on Target

46

Mitigating Action

Owner

Date

Continuous Improvement Programme (CIP) for Children's Services

HW

December 22

Recruitment and Retention programme to recruit a permanent workforce

HW

April 23

Key Priority at Risk: Safe, Strong Communities

15

Inward Migration

Due to the conflict in Ukraine, Hong Kong nationals and refugees there is a risk that the Council is unable to effectively provide support resulting in poor outcomes for inward migrants, the community, and additional costs to the Council

Existing Controls:

47 Gold and Silver response meetings and taskforce assembled
Engagement with Voluntary Sector and Partners to ensure a coordinated approach.
Child and Adult Safeguarding to protect vulnerable guests
Caseworkers in place to liaise with hosts and Ukrainian guests.

Educational provision for children and support for adults for employment and benefits
Contingency arrangements in place to prevent and respond to relationship breakdown between hosts and guests.
Links established with Ukraine Centre in Reading.
Co-produced social inclusion and activity programme with voluntary sector.

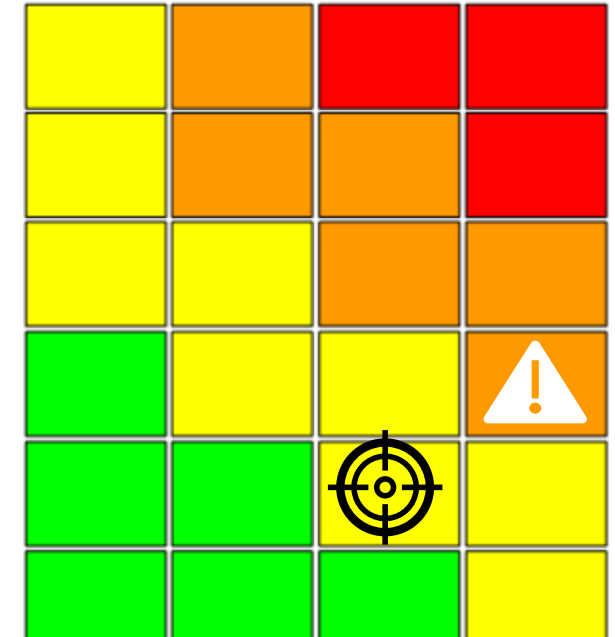
Owner

Change

RBF

SM

None



Warning Current Risk Target Risk on Target

Mitigating Action

Owner

Dat

Govt have updated regulations to enable rematching. Only 2 households in TA.

ZM

Sept 2022

Implementation of social inclusion and activity events planned in coming months.

ZM

Ongoing

Ongoing work with Health and vol sector partners. Vol sector partnership work ongoing and thriving.

ZM

Ongoing

Key Priority at Risk: Keeping the Borough Moving, Clean & Green Borough

16

Public Transport

Due to fewer passengers travelling, increasing operational costs and a future reduction in government funding there is a risk that local bus services are withdrawn or reduced. The results will be increasing congestion, social isolation, a failure to achieve climate emergency reduction targets, and reduced accessibility to work, education, health care facilities and leisure opportunities.

Existing Controls:

- Revised local bus services to better match demand for travel with service provision, where possible from 5th September.
- Short-term S106 contingency funding released through emergency IEMDs.
- Government funding now extended until March 2023. Officers working on retendering the network for April 2023, which will include a full EqlA and budget consideration.

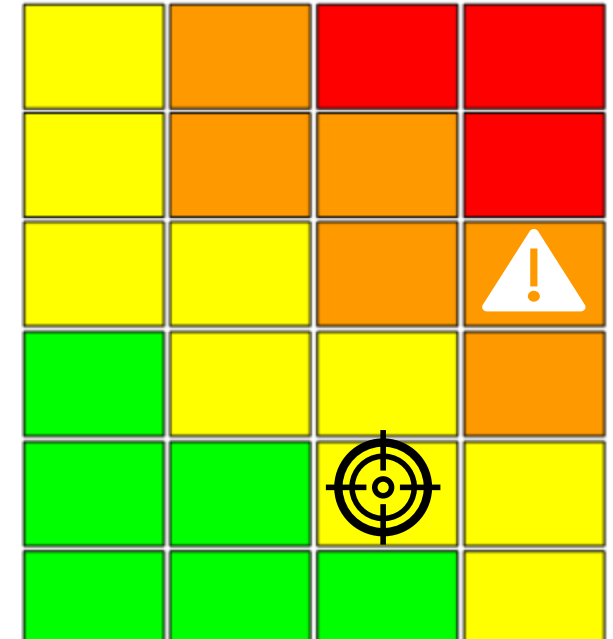
Owner

Change

PF

SM

None



Warning Current Risk Target Risk on Target

Mitigating Action

Retender of local bus network

Owner

SM

Date

April 23

Key Priority at Risk: Enriching Lives

17 RISK: Insufficient school places for mainstream and children with SEND

Due to increased numbers of children moving into the borough including international arrivals (Hong Kong nationals and Ukrainian children) in both primary and secondary phases and too few places for girls (secondary phase), and lack of early years SEND provision, there is a risk of a breach in statutory place sufficiency duty.

Existing Controls:

- Primary Strategy 2018 to 2028
- Secondary Strategy 2022
- SCAP annual statutory places return to DfE (will include SEND from 2023)
- Annual update of roll projections

- Regular reports to CSO&SC
- Regular item at BEP meetings
- SEND provision strategy
- Regular reports to Schools Forum

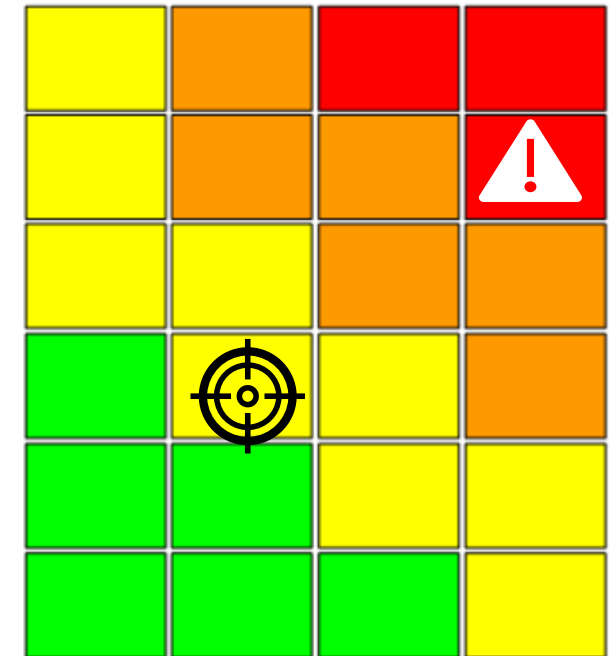
Owner

Change

PB

HW

None



Current Risk Target Risk on Target

49

Mitigating Action	Owner	Date
Secondary place strategy school level expansion plans being delivered	HW	Ongoing
2023 roll projection update	HW	June 2023
Primary Places Strategy update	HW	Autumn 2022

Key Priority at Risk: All

18

RISK: Elections Act Implementation Uncertainty

Due to delays to the government voter id scheme (January 2023) and lack of clarity on disabled access requirements introduced by the Elections Act 2022 there is a risk of significant unknown new administrative burdens for the May 2023 elections risking delays to voting, disenfranchisement of voters, breach of duty, legal challenge, and reputational damage.

Existing Controls:

- Engagement with Association of Electoral Administrators
- Government funding of voter id
- One Council approach prepared to mobilise wider Council resources and capacity once requirements are known

50

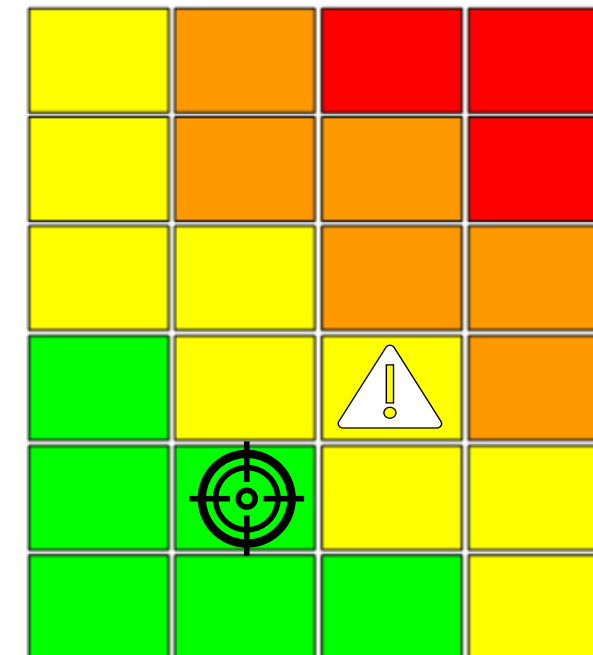
Owner

Change

CJ

GE

New



Warning Current Risk Target Risk on Target

Mitigating Action	Owner	Date
Engagement with Electoral Commission on guidance	AM	Dec 2022
Monitoring of national voter id scheme implementation and mobilise Council wide response once clear on local impacts	AM	Ongoing
Develop Communication plan for hard-to-reach groups	AM	Dec 2022

TITLE	2022/23 Internal Audit and Investigation Plan - Quarter 1 Progress Update (to 30 June 2022) and In-Year Review of 2022/23 Internal Audit and Investigation Plan (September 2022)
FOR CONSIDERATION BY	Audit Committee on 28 September 2022
WARD	None specific
LEAD OFFICER	Catherine Hickman Head of Internal Audit & Investigation

OUTCOME / BENEFITS TO THE COMMUNITY

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

RECOMMENDATION

The Audit Committee (AC) is asked: -

- 1) to note the 2022/23 Internal Audit and Investigation Quarter 1 Progress Report (activity to 30 June 2022).
- 2) to consider and approve the proposals for an in-year review of the 2022/23 Internal Audit and Investigation Plan.

SUMMARY OF REPORT

The AC approved the 2022/23 Internal Audit and Investigation Plan at its meeting on 30 March 2022. This report at Appendix A and A(I) is provided for AC to note the progress of work as at 30 June 2022.

In addition, this report is being presented for AC to consider and approve a revised 2022/23 Internal Audit and Investigation work programme for the remainder of the financial year. The originally approved Plan has been updated to re-focus and reprioritise audit and investigation activity in light of the current economic climate and financial pressures on the council and its associated cost savings programme. The revised 2022/23 Internal Audit and Investigation Work Programme to 31 March 2022 is presented at Appendix A(II).

The recommendations are being made to ensure that the Internal Audit and Investigation Service (IAIS) remains flexible and agile in planning its work to assist the Council in meeting its statutory requirements and the requirements of the AC's Terms of Reference and, ensure an ongoing focus on key areas that will feed into the Head of Internal Audit's Annual opinion on the council's internal control, risk management and governance framework.

The Council's 2022/23 Internal Audit and Investigation Plan details the proposed Internal Audit and Investigation activity and seeks to:

- provide key stakeholders with independent assurance that the risks within the Council's fundamental systems and processes are being effectively and

efficiently managed;

- allow the Council to demonstrate that it is complying with the relevant legislation and applicable professional standards;
- demonstrate the Council's commitment to good governance and a zero-tolerance approach towards fraud and corruption; and
- set out that the Team's resources are being properly utilised.

This report: -

- Provides assurance that no new areas of less than satisfactory levels of assurance have been identified in the period;
- Sets out the proposed work plan for the remainder of the 2022/23 financial year noting the need for flexibility and careful prioritisation of activity.

Appendices A(I) and A(II) summarises the Quarter 1 Progress of activity against the 2022/23 Internal Audit and Investigation Plan (to 30 June 2022).

The proposals for a revised and reprioritised 2022/23 Internal Audit and Investigation Plan are attached at Appendix A(II).

2022/23 – Key Findings to date

The AC received a detailed Internal Audit and Investigation Report at its meeting of 28 June 2022 showing progress made against the 2021/22 Internal Audit & Investigation Plan.

In this current period, the team is focused on a number of audits in progress. To date, there have been no audits finalised from the 2022/23 Plan where the audit assurance was less than level 2, however there was one audit carried forward from 2021/2022 FY where the audit assurance was less than level 2, i.e., internal controls “substantially complete and effective.”

Quarterly update reports on progress on delivering the revised Plan will be reported to the Committee in line with the Council's reporting cycle.

2022/23 – Internal Audit and Investigation Plan In-Year Review

2022/23 continues to be a period of significant uncertainty as Councils are responding to the economic and financial situation and their changing risk profiles. As such, it is important for the Internal Audit and Investigation team to continue to remain agile at this time, enable flexibility and be a responsive audit function during a period of uncertainty.

During the financial year to date, there have been two staffing vacancies that have been covered by interim resource. One vacancy has now been recruited to on a permanent basis. The interim resource will cease at the end of September 2022.

As part of the council's savings proposals, the Chief Finance Officer has requested that the vacant post within the Internal Audit and Investigation team is frozen to contribute to mitigating the impact of overspends across the Council. It is intended that this is a temporary measure. As such, the original 2022/23 Internal Audit and Investigation Plan

has been reviewed and proposals have been put forward to defer a number of originally agreed audits to the 2023/24 financial year.

The revised Work programme is based on the resources available to deliver internal audit activity and to be able to provide minimal assurance over key risk areas and provide the Head of Internal Audit Annual Audit Opinion at the end of the year on the Council's internal control, risk management and governance processes. This will not impact on the work already committed with our external clients. This revised plan is attached at Appendix A(II) to this report.

The revision to the Plan has involved consultation with Corporate Leadership Team.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

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

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	Yes	N/A
Next Financial Year (Year 2)	N/A	Yes	N/A
Following Financial Year (Year 3)	N/A	Yes	N/A
Other financial information relevant to the Recommendation/Decision			
Not applicable			

List of Background Papers

2022/23 Internal Audit & Investigation Plan

Contact: Catherine Hickman, Head of Internal Audit & Investigation	Service: Governance Services
Telephone No: Catherine Hickman, 07885 983378	Email: Catherine.hickman@wokingham.gov.uk
Date 16 August 2022	Version No. v1

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Internal Audit and Investigation Service
Progress Report
2022/23 to 30 June 2022
Audit Committee 28 September 2022

2022/23 Quarterly Progress Report (to 30 June 2022)

1. Introduction

1.1 This report summarises the work of the Internal Audit and Investigation Service in the first three months of the 2022/23 financial year to 30 June 2022.

2. Internal Audit

Performance against Audit Plan to 30 June 2022

2.1 Appendix A(I) to this report presents progress made against the approved 2022/23 Internal Audit and Investigation Plan, which was approved at the meeting of this Committee on 30 March 2022. We are reporting progress as at the 30 June 2022 and we are actively managing the Internal Audit Plan to take account of developments regarding the Council's requirement to make savings across the authority over the remainder of the financial year. As a result of the Chief Finance Officer's request for the Internal Audit and Investigation Service to contribute towards the corporate savings in this financial year, Appendix A(II) to this report provides an In-Year Review of the originally approved 2022/23 Internal Audit and Investigation Plan. The revised Plan provides enough coverage to provide a Head of Internal Audit Annual Opinion on the Council's internal control, risk management and governance framework, which is required under the Public Sector Internal Audit Standards.

2.2 Table 1 provides a summary and status of audits at 30 June 2022, including those carried forward and completed from the 2021/22 financial year.

Table 1: Status of 2022/23 audits (including audits carried forward from 2021/22)

Audit Status	Number of audits / associated audit work
Final Report (2 c/fwd. from 2021/22)	3
Draft Report (2 c/fwd. from 2021/22)	5
Grants Certified	5
Work in Progress	6
Total	19

2.3 For the reviews completed, where an audit opinion was appropriate (i.e., Final Report stage), the following breakdown of classification is summarised in Table 2 below.

Table 2: Summary of 2022/23 Audit Opinions (including audits carried forward from 2021/22)

Overall Audit Opinion	Summary of Audit Opinion	No. of Audits completed during 2022/23 (incl. carried forward from 2021/22)
1	Complete and Effective	1
2	Substantially Complete and Generally Effective	2
3	Range of Risk Mitigation Controls is incomplete, and risks are not effectively mitigated	0
4	There is no effective Risk Management process in place	0
Grant Certifications	Certified	5
N/A	Advisory	0

- 2.4 In this current period, the team is focused on a number of audits in progress. To date, there have been no audits finalised from the 2022/23 Plan where the audit assurance was less than level 2, however there was one audit carried forward from 2021/2022 FY where the audit assurance was less than level 2, i.e., internal controls “substantially complete and effective.”
- 2.5 Where concerns are classified as being Very High or High that have been tolerated by management, these are highlighted to the Audit Committee. Table 1 shows a summary of concerns identified, their risk rating and those followed up.

Table 1 Summary of Follow Up Activity (to 30 June 2022)

2022-23 – Quarter 1	
	High
Concerns raised	11
Concerns due to be followed up (from previous audits)	1
Followed Up	1
Management Action to Mitigate Risk	1
2021-22	
	High
Concerns raised in 2021-22	1 High (5 at Draft stage)
Concerns due to be followed up (from previous audits)	4 from 2020-21 8 from 2019-20
Followed Up	4 (within 2022-23 audit plan) 8
Management Action to mitigate Risk	N/A (2022-23) 8

- 2.7 In each case, follow up work activity has been undertaken on High-risk concerns to check to supporting evidence that the concerns have been effectively mitigated.
- 2.8 For internal audit activity prior to these years, results of follow up activity on audits achieving an overall Category 3 Audit Opinion has been routinely reported to Audit Committee.
- 2.9 There have been no cases in 2022-23 Quarter 1 of Very High or High concerns being tolerated by management.
- 2.10 Management are given one month between the draft and final reporting stage to address any countermeasures and, where applicable, improve the overall audit opinion. There are no audits where this option was taken from the audits finalised during the first quarter of the financial year.

Grant Certification

- 2.11 Where a grant giving body requires an internal audit certificate before releasing payment, the team carries out work to verify and certify amounts that the Council can claim. Without this certification, grants may become repayable. Grants certified during Quarter 1 include: -
- Supporting People Grant – Quarter 1
 - Protect & Vaccinate
 - Homelessness Prevention
 - Rough Sleeping Accommodation Programme
 - Covid Grants – Post Payments Assurance Checks

Consultancy, Contingency and Advice

- 2.12 In addition to completing planned audit reviews, the team also provide consultancy, ad hoc advice and guidance across the Council to assist colleagues with ensuring control and governance arrangements are considered in developing processes/policies etc.
- 2.13 Consultancy/management requests for internal audit work has been requested and agreed in Quarter 2 in respect of: -
- Dinton Catering Contract
 - Health and Safety
 - Right to Buy

Outstanding Management Responses

- 2.14 There are no outstanding management responses to audit reports.

3. Corporate Investigations

- 3.1 There have been no incidences of material fraud, irregularities or corruption discovered or reported during the financial year to date.
- 3.2 The work undertaken by the team has included re-active investigations as well as developing pro-active fraud drives. A summary of the key areas activity since we last reported is provided below: -

National Fraud Initiative Data Matching Exercise – The National Fraud Initiative (NFI) is a data matching exercise conducted by the Cabinet Office to assist in the prevention and detection of fraud. Data for the NFI is provided by participating organisations from the public and private sectors including government departments. The last two datasets from the last bi-annual upload of data (2021/22) are being reviewed for Payroll and Creditors matches and results will be reported in a future meeting of this Committee.

Covid Grants post payment assurance work – Evidence has been obtained and submitted to the Department for Business, Energy and Industry Strategy in accordance with the requirements of Covid grant conditions for various Covid business grants paid. In addition, any fraud risk assessments have been completed and returned.

Police DPA requests - These requests are received on an ad-hoc basis and require immediate response to ensure that we are working efficiently with the Police for the prevention and detection of crime, the prosecution and/or apprehension of offenders and/or protecting the vital interests of a person.

Freedom of Information / Data Protection Act Requests - We aim to ensure that these requests are responded to within the legal timescale requirements. Freedom of Information requests relating to internal audit and investigation work include fraud and whistleblowing.

Revenues and Benefits Fraud Training – During the quarter, Fraud awareness training has been delivered to the Revenues and Benefits Training covering the areas of Council Tax Reduction Scheme and other Council Tax discounts such as Single Person Discount and Empty Properties.

4. 2022/23 INTERNAL AUDIT AND INVESTIGATION PLAN – IN-YEAR REVIEW

- 4.1 2022/23 continues to be a period of significant uncertainty as Councils are responding to the economic and financial situation and their changing risk profiles. As such, it is important for the Internal Audit and Investigation team to continue to remain agile at this time, enable flexibility and be a responsive audit function during a period of uncertainty.
- 4.2 During the financial year to date, there have been two staffing vacancies that have been covered by interim resource. One vacancy has now been recruited to on a permanent basis. The interim resource will cease at the end of September 2022.
- 4.3 As part of the council's savings proposals, the Chief Finance Officer has requested that the vacant post within the Internal Audit and Investigation team is frozen to contribute to mitigating the impact of overspends across the council. It is intended that this is a temporary measure. As such, the original 2022/23 Internal Audit and Investigation Plan has been reviewed and proposals have been put forward to defer a number of originally agreed audits to the 2023/24 financial year. This reflects the resources available to deliver internal audit activity and to be able to provide minimal assurance over key risk areas and provide the Head of Internal Audit Annual Audit Opinion at the end of the year on the council's internal control, risk management and governance processes. This will not impact on the work already committed with our external clients. This revised plan is attached at Appendix A(II) to this report.
- 4.5 The revision to the Plan has involved consultation with the Corporate Leadership Team.

5. AUDIT AND INVESTIGATION – OTHER WORK AREAS

Internal Audit

IIIA/CIPFA CONFORMANCE WITH PUBLIC SECTOR INTERNAL AUDITING STANDARDS (PSIAS) EXTERNAL REVIEW

- 5.1 The PSIAS, as revised in April 2017, define the service and professional standards for public sector internal audit services. The standards apply to the Internal Audit function in all parts of the public sector in the UK and are mandatory. Internal Audit activity is undertaken in compliance with the PSIAS.
- 5.2 Internal Audit service providers are required to have an independent external assessment every five years. The last assessment was undertaken in 2018 and as such, arrangements are being made to engage with an external reviewer to undertake this external assessment in quarter 4 of this year. A report is being prepared for Corporate Leadership Team to agree the reviewer.

Investigations

Regulation of Investigatory Powers Act (RIPA) – Investigatory Powers Commissioners Office Inspection

- 5.3 The Council has been subject to an Investigatory Powers Commissioners Office Inspection on 24 August 2022. Work was undertaken in preparation for this that has included a refresh and update of the Council's RIPA Policy and Procedures, which will be presented to a future meeting of the Audit Committee with the suite of the Council's other Fraud Policies.
- 5.4 Training was arranged to be carried out in August 2022 for the Senior Authorising Officer (Chief Executive) for their specific role requirements and for the Council's approved Authorising Officers in order to ensure that their knowledge and skills in this area is up to date.
- 5.5 A detailed Schedule of Evidence and documentation requirements is also being completed in preparation for the Inspection.
- 5.6 No new investigations have been undertaken during 2022/23 that has required Regulation of Investigatory Powers Act surveillance approval to be requested.

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2022/23 Wokingham Borough Council Internal and Investigation Plan Quarter 1 Status (as at 30 June 2022)

Key Financial Systems

Audit title	Directorate	Status	Final audit report opinion
Debtors	Resources & Assets	Final	3
Housing Rents	Place & Growth	Final	2

Key Corporate Risks

Audit title	Directorate	Status	Final audit report opinion
Information Governance & Cyber Security – Self Assessment of Council's Arrangements	Communities, Insights & Change	Draft	n/a

Key Operational Risks

Audit title	Directorate	Status	Final audit report opinion
New Enforcement & Safety Service	Place & Growth	WIP	

Servicing the Business

Audit title	Directorate	Status	Final audit report opinion
Annual Governance Statement preparation 2021/22	Cross Cutting	n/a	n/a
Bearwood School	Children's Services	WIP	
Public Sector Internal Audit Standards External Assessment Preparation	Cross Cutting	WIP	
Follow Up Countermeasures /Testing	Cross Cutting	WIP	

Grant Certifications

Audit title	Directorate	Status	Final audit report opinion
Protect & Vaccinate	Adult Services	Certified	n/a
Supporting People (Quarter 1)	Children's Services	Certified	n/a
Homelessness Prevention	Place & Growth	Certified	n/a
Rough Sleeping Accommodation Programme	Place & Growth	Certified	n/a
Covid Grants – Post Payment Assurance Checks	Resources & Assets	Certified	n/a

Contingency/Consultancy/Management Requests

Audit title	Directorate	Status	Final audit report opinion
S106 Agreements	Place & Growth	Draft	

Investigations

Audit title	Directorate	Status	Final audit report opinion
National Fraud Initiative Data Matching Exercise	Cross Cutting	WIP	Results in main report
Empty Property Relief	Resources & Assets	WIP	
Whistleblowing Preliminary Investigation	Adults	Completed preliminary investigation. Passed to Directorate	n/a
Revenues & Benefits Fraud Awareness Training	Resources & Assets	n/a	n/a
Regulation of Investigatory Powers Act – Policy and Procedures Refresh	Cross Cutting	n/a	n/a
Regulation of Investigatory Powers Act Training	Cross Cutting	n/a	n/a
Police Disclosure of Personal Data Requests	Resources & Assets	n/a	n/a

2021/22 Audits Completed in 2022/23

Audit title	Directorate	Status	Final audit report opinion
Climate Emergency	Place & Growth	Final	2
Benefits & CTRS	Resources & Assets	Final	1
Reconciliation (Consultancy)	Resources & Assets	Draft	
Recruitment & Safeguarding (Management Request)	Chief Executive	Draft	

Audit Opinion Definitions

- 1 Complete and Effective
- 2 Substantially Complete and Generally Effective
- 3 Range of Risk Mitigation Controls is incomplete, and risks are not effectively mitigated
- 4 There is no effective Risk Management process in place

Legend

C - Certification
 E – Exempt
 WIP – Work in Progress
 Draft – At Draft Report stage
 Final – Final Report issued

Details**ASSURANCE ACTIVITY**

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	Notes / Reasons for Deferral*
Financial Resilience/Compliance with CIPFA Financial Management Code	Budget & Financial Resilience (Key Corporate Risk 1)	The CIPFA Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code, therefore, for the first time, sets the standards of financial management for local authorities. This review will give assurance on the internal controls, risk management and governance against the CIPFA Financial Management Code	
Financial Monitoring	Budget & Financial Resilience (Key Corporate Risk 1)	Review of controls and processes in respect of the council's Revenue and Capital Budget Monitoring arrangements	
Key Financial Systems	Budget & Financial Resilience (Key Corporate Risk 1; AGS 21.6 – Rent Standard Compliance)	To determine specific audits using risk-based approach to identify specific areas (Link into Financial Systems Assurance Mapping). Potential areas for 2022/23 and reason (reviewing areas of weakness to ensure they have/are being dealt with/ or where management think controls are strong to test the robustness: -_ <ul style="list-style-type: none"> • Debtors (previously Category 3 Audit Opinion) • Housing Rents (previously Category 3 Audit Opinion) • Treasury Management 	Last audit 2020/21 – no significant issues

Audit	Reason for Audit	Outline Scope	Notes / Reasons for Deferral *
Corporate Governance	Corporate Governance (Key Corporate Risk 2) & Peer Review	Provide assurance on the application of the Local Code of Corporate Governance (using new Governance Monitoring Toolkit), reviewing evidence to validate assessment strands. Reviewing areas of strength to confirm that assessment is correct or looking at areas of weakness to provide assurance that they are being addressed	Reliance on Governance Toolkit assessments by Statutory Officers Group
Climate Emergency	Climate Emergency (Key Corporate Risk 9)	The Council's response to the climate emergency and the Climate Emergency Action Plan (CEAP) were audited in 2021/22 and initial feedback is that the Council's overall governance for the planning and delivery of the CEAP is robust. Data sets/information and knowledge in the industry is not sufficiently mature and for 2022/23, we will continue to research and monitor the treatment of Carbon accounting, how the market develops to inform what we are doing locally and to learn from best practice in this area	Defer due to requirement for specialist expertise to inform the audit at additional cost to the Service
Children's Services - High Needs Block	Children's Services (Key Corporate Risk 5)	Review of commissioning and control of placements – specific scope to be agreed	Assurances to be taken from Safety Valve work; other inspections e.g., Ofsted
New Enforcement & Safety Service (Part I and II)	Place & Growth DMT Request	Review of new service over four quarters of 2022/23 and to assess whether we are meeting the expectations for the new service Part 1 – Review of overall Governance arrangements for new service Part II – Review of new Antisocial Behaviour Team	Reduce original agreed coverage to concentrate on overall governance arrangements initially

Audit	Reason for Audit	Outline Scope	Notes / Reasons for Deferral *
Self-Assessment of Council's Arrangements Information Governance and Cyber Security Arrangements	Information Governance & Cyber Security (Key Corporate Risk Ref 10)	Self-Assessment of Council's arrangements against the National Audit Office Cyber Security and Information Risk Guidance, National Cyber Security Centre guidance, ISO27001:2013 and good practice, designed to surface any gaps in control to bring to the attention of management and to inform internal audit activity going forward	
Project Delivery	Information Governance & Cyber Security (Key Corporate Risk Ref 10)	To provide assurance that the planned IT Programme of work aligns to the Council's digital strategy, is regularly monitored, and that the IT projects are being planned and managed, identifying project risks to quality, time and cost	Director request due to unplanned IT work

Section 2- Key Operational Systems

With reference to the Council's Directorate Risk Registers, 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 directorate risks are expected to be covered over an agreed time period.

Audit	Reason for Audit	Outline Scope	Notes / Reasons for Deferral *
Public Health	Adults Service and Health Management Request	Review to give management assurances on risk management and control framework e.g., Governance arrangements, Public Health contracts/arrangements, Budgets, Financial procedures, Performance Management	Can be undertaken early 2023/24
Asylum Seeking Children	Children's Services DMT Management Request	To review systems and controls in light of Home Office directive to all local authorities	Home Office challenge means this area is being scrutinised internally

Audit	Reason for Audit	Outline Scope	Notes / Reasons for Deferral *
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Use of Finance Functionality & System	Children's Services DMT Management Request	Link to Commissioning and Control of Placements review. Up front involvement in development of finance functionality and systems controls	Audit dependent on procurement of new system. Input to be provided to supporting Working Group
S106 Contributions	Place & Growth DMT Management Request	To undertake a follow up review of progress implementing 2020/21 agreed audit countermeasures	
Contract / Client Management Compliance	Place & Growth DMT Management Request	To ensure processes are robust and effective and are in accordance with best practice, identify lessons learned to be identified and shared	

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	Notes / Reasons for Deferral *
Risk Management	AGS Improvement Plan Ref. 21.1	Follow up of actions from Peer Review in respect of Risk Management. To assess how well embedded Risk Management is across the organisation and how that can be driven forward	LGA Corporate Peer Challenge considered WBC's risk management arrangements and made some recommendations for improvement which council has taken on board
Annual Governance Statement (AGS) 2021/22	Governance Building Block	To support and advise management on the completion of the 2021/22 AGS and provide assurance on the follow-up actions taken in respect of the 2021/22 AGS	

Section 4 - Fraud and Investigation

To ensure the Council has satisfactory provision for the prevention and detection of fraud and corruption

Activity	Outline Scope	Notes / Reasons for Deferral *
Reactive Investigations	To include for example Whistleblowing, Council Tax Reduction Scheme, Housing investigations etc.	
Proactive Investigations	Government Covid Business Rate Grants assurance work and associated risk assessments - new or emerging Covid related risks	
Proactive Investigations	For example, Empty Property Relief Exercise (Request of Head of Income and Assessments)	Empty Property Relief Exercise to be completed September 2022. No further proactive investigation exercises
National Fraud Initiative Data Matching Exercises	Management of Council's provision of data and investigation of matches	
Other Fraud Activities	Development of Counter Fraud Plan for new Service	
	Anti-Fraud and Anti-Corruption Fraud Policies Refresh for new Service	
	Corporate and Specific Fraud Awareness and Training	
	Provision of fraud statistics for relevant external and internal bodies e.g., Transparency Statistics, Investigatory Powers Commissioner's Office statistics	
	Police Information & Data Protection Requests	
	Regulation of Investigatory Powers Act Monitoring and review	

Section 5 - Auditor Judgement and Servicing the Business		
Activity	Outline Scope	Notes / Reasons for Deferral *
Grant Certifications	Mandatory certification of grants received from central government e.g., Troubled Families Grants, Disabled Facilities Grants	
Effectiveness of System of Internal Audit (Public Sector Internal Audit Standards)	Ongoing self-assessment against Public Sector Internal Audit Standards in preparation for External review of compliance for new Internal Audit Service in Q3 2022/23 (requirement of PSIAS every 5 years)	
Health and Safety	Management request to review council's health and safety arrangements in advance of external inspection	
Right to Buy	Management request for review of internal controls process	
Advice on demand	Requests for ad-hoc advice on control, risk management and governance issues	Reduction of time available
Contingency	Member/Management requests	No contingency time to the end of the year
Follow up countermeasures/ testing	Very high/High priority only	

Section 6 – Advisory Activity		
Activity	Outline Scope	Notes / Reason for Deferral *
Corporate Leadership Team (CLT) Briefings	Periodic briefings for CLT on governance internal control, risk management, for example, lessons learnt from review of recent financial failures in local government	
Statutory Officer Group	Quarterly Corporate Governance Toolkit updates	

Key: - Shaded rows are audit activities proposed for deferral to 2023/24

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WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Wednesday 30 November 2022	1.	Treasury Management Mid-Year Report 2022/23	Graham Ebers, Deputy Chief Executive
	2.	Corporate Risk Register Update	Graham Ebers, Deputy Chief Executive
	3.	Internal Audit and Investigation Q2 Progress Report	Catherine Hickman, Head of Internal Audit and Investigation Service
	4.	Fraud Policies review	Catherine Hickman, Head of Internal Audit and Investigation Service
	5.	Annual Governance Statement	Graham Ebers, Deputy Chief Executive
	6.	Statement of Accounts (or February)	Graham Ebers, Deputy Chief Executive
	7.	Ernst & Young – Audit results report 2021/22 (or February)	EY
	8.	Compliments and complaints	Customer Services

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Agenda Item 33.

WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Wednesday 1 February 2023	1.	Corporate Risk Register Update	Graham Ebers, Deputy Chief Executive
	2.	Internal Audit and Investigation Q3 Progress Report Plan	Catherine Hickman, Head of Internal Audit and Investigation Service
	3.	2023-24 Draft Internal Audit and Investigation Plan	Catherine Hickman, Head of Internal Audit and Investigation Service
	4.	2022-23 Outline Audit Plan (or July 2023)	EY
	5.	EY – Auditor's Annual Report 2021/22 (or July 2023)	EY
	6.	Treasury Management Strategy 2023/24	Graham Ebers, Deputy Chief Executive