



# 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 30 NOVEMBER 2022 AT 7.00 PM**

A handwritten signature in black ink, appearing to read 'Susan Parsonage', with a long, sweeping tail.

Susan Parsonage  
Chief Executive

Published on 22 November 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/vp2Aj7s3s4s>

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

## MEMBERSHIP OF THE AUDIT COMMITTEE

### Councillors

Rachel Burgess (Chair)  
Peter Harper  
Mike Smith

Maria Gee (Vice-Chair)  
John Kaiser

David Davies  
Tahir Maher

ITEM NO.	WARD	SUBJECT	PAGE NO.
34.		<b>APOLOGIES</b> To receive any apologies for absence	
35.		<b>MINUTES OF PREVIOUS MEETING</b> To confirm the Minutes of the Meeting held on 28 September 2022.	5 - 12
36.		<b>DECLARATION OF INTEREST</b> To receive any declarations of interest	
37.		<b>PUBLIC QUESTION TIME</b> To answer any public questions  A period of 30 minutes will be allowed for members of the public to ask questions submitted under notice.  The Council welcomes questions from members of the public about the work of this committee.  Subject to meeting certain timescales, questions can relate to general issues concerned with the work of the Committee or an item which is on the Agenda for this meeting. For full details of the procedure for submitting questions please contact the Democratic Services Section on the numbers given below or go to <a href="http://www.wokingham.gov.uk/publicquestions">www.wokingham.gov.uk/publicquestions</a>	
38.		<b>MEMBER QUESTION TIME</b> To answer any member questions	
39.	None Specific	<b>UPDATE ON THE ACCOUNTS (2020/21 AND 2021/22)</b> To receive an update on the Accounts (2020/21 and 2021/22).	Verbal Report
40.	None Specific	<b>TREASURY MANAGEMENT MID YEAR REPORT 2022-23</b> To receive the Treasury Management Mid Year Report 2022-23.	13 - 20

<b>41.</b>	None Specific	<b>CORPORATE RISK REGISTER REVIEW</b> To receive the Corporate Risk Register Review.	<b>21 - 50</b>
<b>42.</b>	None Specific	<b>2022/23 INTERNAL AUDIT AND INVESTIGATION PLAN - QUARTER 2 PROGRESS UPDATE (TO 30 SEPTEMBER 2022)</b> To consider the 2022/23 Internal Audit and Investigation Plan - Quarter 2 Progress Update (to 30 September 2022).	<b>51 - 70</b>
<b>43.</b>	None Specific	<b>ANNUAL GOVERNANCE STATEMENT 2021/22 - UPDATE</b> To receive the Annual Governance Statement 2021/22 update.	<b>71 - 78</b>
<b>44.</b>	None Specific	<b>FORWARD PROGRAMME</b> To consider the forward programme for the remainder of the municipal year.	<b>79 - 80</b>

**Any other items which the Chairman decides are urgent**

A Supplementary Agenda will be issued by the Chief Executive if there are any other items to consider under this heading

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**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
HELD ON 28 SEPTEMBER 2022 FROM 7.00 PM TO 9.15 PM**

**Committee Members Present**

Councillors: Rachel Burgess (Chair), Maria Gee (Vice-Chair), David Davies, Peter Harper, John Kaiser and Mike Smith and Mike Drake (Independent Audit Committee member)

**Also Present**

Madeleine Shopland, Democratic & Electoral Services Specialist  
Helen Thompson, Ernst and Young (online)  
Stephan Van Der Merwe, Ernst & Young (online)  
Graham Cadle, Assistant Director Finance (online)  
Andrew Moulton, Assistant Director Governance  
Susan Parsonage, Chief Executive

**24. APOLOGIES**

There were no apologies for absence.

Councillor Maher attended the meeting virtually.

**25. 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.

The Chair welcome Mike Drake, Independent Audit Committee member, to his first meeting of the Committee.

Councillor Gee commented that she had requested that the Committee receive a more detailed explanation as to how the assets were accounted for, and an estimate of the amount taken out of the cost when accumulated depreciation. She commented that the estimate had still not been provided.

Councillor Harper indicated that with regards to the historic data relating to complaints that he had requested at the meeting, the further information provided had covered that previous two years and largely focused on early resolution against Stage 1 complaints. He wished to see data regarding overall complaints from a longer period.

**26. DECLARATION OF INTEREST**

There were no declarations of interest submitted.

**27. PUBLIC QUESTION TIME**

There were no Public questions.

**28. MEMBER QUESTION TIME**

There were no Member questions.

**29. UPDATE ON 2020/21 STATEMENT OF ACCOUNTS**

Graham Cadle, Assistant Director Finance and Helen Thompson, Ernst & Young, updated the Committee on the 2020/21 Statement of Accounts.

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

- The audit had substantially finished and a draft report of the 2020/21 accounts had been produced earlier in the year. At that points issues relating to infrastructure assets and pensions had been outstanding.
- The issue relating to pensions had an impact on all the Berkshire local authorities. It had been hoped that it would have been signed off by September, which had not happened. The infrastructure assets issue was a national issue and also remained outstanding.
- The latest anticipated timescale for the resolution of the pensions issue was now November.
- Helen Thompson indicated that Officers had been told that the 2021 accounts for the Pension Fund would be considered at the Royal Borough of Windsor and Maidenhead Council Audit Committee the previous week. However, it appeared that only the 2019/20 accounts had been considered. An update had been sought from Deloitte but had not yet been received.
- Helen Thompson referred to the estimate that Councillor Gee had requested at the previous meeting, and clarified that to get to even an estimate would require a significant amount of officer time, which was felt not to be a good use of resources when the decision relating to how infrastructure assets would be made, was still outstanding.
- Councillor Kaiser questioned if it was likely that the Pension Fund would ask for additional money from the Council. The Assistant Director Finance commented that this was unlikely. Helen Thompson added that the issue was not with the Pension Fund itself. The delays had been caused with RBWM's accounts. There had been a number of objections relating to the 2019/20 accounts which had required resolution, which had significantly held up the auditors. The caveat on the letter that Ernst & Young required to sign off Wokingham's accounts was, that until Deloitte had completed the audit on the 2021/22 RBWM accounts, they did not have sufficient assurance that there were not any potential issues that might impact the Pension Fund.
- Councillor Harper questioned how likely it was that the November target date would be reached. The Assistant Director Finance commented that this was the best estimate to date. Officers and Ernst & Young were doing all they could to progress the issue. Councillor Harper questioned whether the Chief Executive could write to RBWM Council to encourage a quicker resolution. Susan Parsonage, Chief Executive, indicated that she would work with Graham Ebers, Section 151 Officer, on this.
- Councillor Gee commented that the Council was in a period between year end and when the accounts were signed, and there were post balance sheet events to consider. With the recent extreme reactions to the financial markets, particularly the gilt market, Councillor Gee stated that the Bank of England was seeking to reassure the market so that defined benefit pension schemes did not become insolvent. She questioned the likelihood of the Pension Fund matter being even further delayed due to issues with the gilt market. Helen Thompson commented that this impact would need to be considered at all Councils in their going concern disclosures so this would be kept under review. Councillor Gee went on to ask if there was likely to be a problem in signing off the Pension Scheme accounts due to the current state of the market. Helen Thompson responded that it was too early to tell if it would cause a further delay.

- In response to a question from Mike Drake, Helen Thompson clarified that the auditors were required to audit the accounts of the Pension Fund Scheme. There was an actuarial fund that the pension fund auditors relied on and on which Ernst & Young relied on as part of its procedures for the Council. All the processes that Ernst & Young and the pension fund auditors had been required to undertake, had been largely completed. However, the pension fund auditor was still currently unable to provide the letter of assurance which was required to sign off Wokingham's 2020-21 accounts.
- Councillor Maher questioned how many organisations were impacted by the pension fund issue, and was informed that it was those Berkshire local authorities who were part of the Berkshire Pension Fund scheme, and Berkshire Fire and Rescue Service.
- Councillor Kaiser asked what would happen if RBWM received qualified accounts. He went on to state that Wokingham Council was a large contributor to the pension fund and yet did not have a voting representative on the Trustee's Board. Helen Thompson indicated that if RBWM received qualified accounts, unless the issue directly related to the Pension Fund, Wokingham would not be impacted. The Assistant Director Finance agreed to look into the issue regarding the Council's representative on the Trustee Board.

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

### **30. WOKINGHAM BOROUGH COUNCIL AUDIT COMMITTEE - AUDIT PROGRESS UPDATE - INFRASTRUCTURE ASSETS**

The Committee considered an update on the infrastructure assets issue.

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

- Helen Thompson indicated that the report detailed the accounting requirements under the CIPFA code, an overview of the position at Wokingham, options to move forward and possible implications of doing so, and an example of how the audit report might look if the limitation of scope route was undertaken.
- Councillor Gee stated that when an asset was not fully depreciated and had a positive net book value at the year end, but had been replaced or decommissioned, the error would also impact the balance sheet where asset values would be overstated. However, this would not affect the reported overall financial position of the Council. She questioned how the Council's overall financial position was not affected. Helen Thompson stated that it was not because all the entries were reversed out via the Movement in Reserve Statement. It did impact the gross book value and gross accumulated depreciation and worked its way through and reversed back out. Only in very limited circumstances would it make a difference to reported income and expenditure.
- In response to a question from Councillor Gee, the Assistant Director Finance clarified that information sent showed different accounting entries. It was difficult to calculate the value of an asset such as a road. Working to a 'real' value would require a significant amount of resources.
- Councillor Smith noted that two Councils audited by Ernst & Young had taken 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). He questioned how many Councils had taken Option 1 (The Council waits until CIPFA has updated its proposed adaption to the Code of Practice; or for DLUHC to prepare a statutory instrument) or had not yet made a

decision. Helen Thompson indicated that those who had accepted the second option had done so in relation to a 2019 audit and the other for a 2021 audit. The others were in discussion. Whilst many had at first lent towards the limitation of scope route in order to close their accounts, the November deadline for the accounts and the indication from CIPFA as to when information may be available, meant that many were now preferring to wait.

- Since the report had been written, the timescale for a potential statutory instrument, had slipped.
- There was no guarantee that a solution from CIPFA would fully resolve the issue.
- Councillor Davies requested a summary of where the assets were stated in the accounts.
- In response to a question from Councillor Maher, the Assistant Director Finance confirmed that the Council was being constantly updated and CIPFA had listened to local authorities' concerns.
- Mike Drake questioned whether the profit loss on the disposable of fixed assets went below the surplus or deficit for the year through reserves. Helen Thompson confirmed this was the case except for assets held for sale and investment properties.
- With regards to the audit qualification for the year, Mike Drake expressed surprise that the ongoing points raised by CIPFA had not been referenced. This suggested inadequate accounting records. Helen Thompson stated that it was technically accurate and that the audit report was written on behalf of EY. However, should management wish to disclose any additional context to these points raised by CIPFA and any additional information regarding the Council's state of infrastructure records, this should be done in an additional narrative to the financial statements.
- In response to a question from Councillor Gee, Helen Thompson emphasised that it was important not to conflate the infrastructure and property portfolio.
- The Assistant Director Finance indicated that it was likely that a decision would need to be taken in November.

**RESOLVED:** That the Infrastructure Assets update be noted.

### **31. CORPORATE RISK REGISTER REVIEW**

Andrew Moulton, Assistant Director Governance, and the Chief Executive presented the Corporate Risk Register.

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

- An additional risk had been added – Risk 18: Elections Act 2022 implementation, due to the forthcoming voter identification requirement. Guidance was awaited on its implementation. It was hoped that this would be a short-term risk.
- The risk regarding financial resilience had been escalated further due to the Council's current financial position.
- The implementation of the Public Protection Partnership project had been successfully implemented so the relating risk had been removed from the Corporate Risk Register and de-escalated to the departmental risk register.
- The assessment around risk relating to the corporate governance risk had been reduced due to work carried out following the LGA Peer Challenge. This included the appointment of the independent Audit Committee member.
- The Chief Executive referred to increased risks around financial sustainability. She referred to the inflationary challenge which had a big impact on utilities, construction



costs, and contract costs. Following the pandemic there had been an increase in the number and complexity of Adult Social Care and Children's Services cases. Cost and demand had increased. Drivers around increasing costs included an increase in population at an above average rate, with differing needs. The Chief Executive referred to the large incoming community from Hong Kong, refugees from Ukraine and unaccompanied child asylum seekers.

- It was noted that the Overview and Scrutiny Management Committee would be receiving a report on the Council's financial position. At present a shortfall of £4million was anticipated for 2023/24. However, the Local Government Settlement was due in December 2022, which could have a further impact.
- Members were informed that the forthcoming Adult Social Care reforms would have a big financial impact. Additional staff would be required in order for the Council to meet the requirements under these reforms.
- With regards to SEND provision, discussions were being had with the Department for Education regarding types of provision within the Borough, and earlier support. Changes to the community and movement within the Borough had increased budget pressure.
- Councillor Kaiser commented that there was starting to be a need for the Council to look at its assets such as Dinton Country Park and California Country Park, and assess how much income they generated against the investment put in to it. The Chief Executive agreed that it was important for the Council to understand its return on investments.
- The Chief Executive indicated that the Council had introduced a Change Programme which covered factors such as assets and contracts. It would be good to hear Members views and ideas as part of the Overview and Scrutiny process.
- Councillor Harper queried the way the impact of each risk was measured. The Assistant Director Governance indicated that the criteria used to assess likelihood and impact was detailed in the Risk Management Policy and Guidance.
- Councillor Smith questioned the rating of the risk around cyber security. The Assistant Director Governance explained that risk appetite was also part of the assessment. The Committee would be having a training course on risk management in November.
- Mike Drake praised the presentation of the Corporate Risk Register. He went on to question whether there was a reputational risk for the financial situation of potentially having unqualified accounts. Mike Drake also expressed surprise that cyber security was not rated higher.
- Councillor Harper queried whether an arrow could help highlight the direction of travel for the different risks. Councillor Gee questioned whether longer term trends should be depicted.
- With regards to the cost-of-living crisis, Councillor Gee queried whether civil unrest had been considered as part of the major emergency response. She also asked about mitigation against issues with recruitment and retention of workforce. The Chief Executive commented that the workforce issue was a nationwide problem and particularly in the local area where cost of living and housing was high. This was being monitored. Councillor Gee suggested that reference be made to this on the Corporate Risk Register.
- The Assistant Director Governance commented that the Council was not actively planning re civil unrest but were planning to ensure that its emergency response, whatever the emergency, was robust. Councillor Smith asked whether Members should know more about the Gold, Silver and Bronze approach, and what role Members should play in an emergency. The Chief Executive indicated that this was an accepted business practice. During the pandemic Officers had met regularly

with the Group Leaders about the Council's response to the pandemic. The Group Leaders had then disseminated information to their Members.

- Councillors Smith and Davies expressed surprise that the risk relating to uncontrolled development had not increased and suggested that its rating be reviewed.
- Councillor Smith also asked who challenged the assessment of the risks, and was informed that there was an officer Risk Champion Group which met monthly, and the Corporate Risk Register was considered by the Corporate Leadership Team. The Audit Committee would seek assurance.
- Councillor Burgess questioned whether the risk around the cost of borrowing was likely to increase and what mitigations were in place. The Assistant Director Finance responded that the cost of borrowing position was reviewed daily, and external experts assisted with that. At the moment, the position had been positive due to the Council's balance levels and treasury management was showing a positive position against the budget. Following the recent situation with the financial market, the Council would need to reprofile, looking at individual investments and what increased borrowing on these would entail.
- In response to a comment from Councillor Kaiser regarding fixed loans, the Assistant Director Finance indicated that a number of these loans finished that year. Impacts such as revising the Capital Programme, and the level of CIL investment, would affect what needed to be reborrowed.
- Councillor Gee expressed concern regarding the gilt market and questioned how much the Council had invested in gilts. The Assistant Director agreed to feed back to the Committee.
- Councillor Burgess felt that the mitigating action of 'increasing local SEN provision' was quite vague. The Chief Executive assured Members that a detailed plan would be provided the next day to the Department for Education. Briefings were being held with the Leader and the relevant Executive Member.
- Members were pleased to see the inclusion of a risk around the forthcoming elections legislation.
- Mike Drake commented that the pandemic and emergency response risk was at the lowest level, and questioned whether this should be increased. He suggested building action plans with the voluntary sector as a mitigating action.
- In response to a question from Councillor Maher around communication, the Chief Executive explained that behind the Corporate Risk Register there were also detailed departmental and project risk registers.
- It was felt that the wording of Risk 11 High Needs Block overspend, explanation, could be further clarified.

**RESOLVED:** That the Corporate Risk Register be reviewed, and it be determined that the risks were being actively managed.

### **32. 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)**

The Committee considered 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).

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

- The Debtors audit had received a Category 3 level of assurance.

- The report detailed the follow up action being under taken by the Internal Audit team
- The format of the report would be improved for future meetings, to provide more detail, particularly around any High recommendations.
- The Committee was asked to approve an in year change to the Internal Audit Plan. It was proposed that some audits move to the next financial year, and that for others assurance was provided via another mechanism. The Assistant Director Governance took the Committee through the proposed changes.
  - Treasury management – proposed deferral. Internal Audit had recently looked at Treasury Management.
  - Corporate governance.
  - Climate emergency – an audit had been conducted. It was suggested that the more detailed audit be deferred.
  - High Needs Block – assurance via Safety Valve work and inspections.
  - Public Health – proposed that audit be deferred.
  - Asylum seeking children – assurance provided via other means.
  - Risk management – audit proposed to be deferred as assurance provided via other means following the Local Government Association Peer Challenge.
- The proposed changes to the Plan would generate a modest saving.
- Councillor Davies was of the view that the reasons for the proposed amendments to the Plan were comprehensive.
- It was confirmed that the full-time post vacancy would not be filled at that time.
- In response to a Member question, the Assistant Director Governance explained the following up of actions following an audit.
- Councillor Maher queried when the consultancy/management requests for internal audit work that had been requested in Quarter 2, had been agreed. The Assistant Director Governance explained that within the Internal Audit Plan there had been provision for management to request ad hoc pieces of Internal Audit work.
- Councillor Maher queried whether the Internal Audit team carried out value for money audits. He was informed that value for money was considered as part of the scope of every audit. The Assistant Director Governance confirmed that this was not quantified but he would discuss with the Head of Internal Audit and Investigations, how this could be done in the future.
- Councillor Smith questioned whether a higher work load was necessary if some items could be deferred. The Assistant Director Governance commented that the Internal Audit Plan needed to be considered over a longer period than a year. Given the short period of time and one off nature of the request, he was satisfied with the proposal to amend the Plan.
- Councillor Smith questioned whether deferring the external assessment of the Internal Audit team to quarter 4 would be too late. The Assistant Director Governance commented that a high rating had been received following the previous assessment, and that each year the team also undertook a self-assessment. He was not aware of any areas of slippage against the standard.
- Councillor Gee expressed concern regarding the proposed deferral of the treasury management audit, given the volatile financial situation and the awaited outcome of the consultation around the Minimum Revenue Provision. Councillor Burgess commented that an audit in this area had been recently carried out and the Committee received the Treasury Management Outturn reports. Discussions could be had with the Head of Internal Audit and Investigations regarding the timing of the audit.

- Councillor Kaiser requested the debtors audit report. The Committee was reminded that Officers could be invited to provide Members with more detail if required. Councillor Burgess agreed that the Committee needed more visibility of the reports of those audits which received a 3 of 4 rating.
- The Assistant Director Finance provided more detail on the debtors report and some of the actions being taken. The high risk areas included how the debtors team worked with other services, information raised was cleared, and queries dealt with quickly. Another area of concern highlighted had related to alternative collection methods in cases where debtors were not paying. Members were informed that a review of the structure of the team and the processes had begun, and relationships had improved. A trial using different collection agencies had begun. It was noted that the collection overall had actually increased.
- In response to a question from Councillor Kaiser, the Assistant Director Finance clarified that the debtors were sundry debtors.
- Mike Drake stated that typically Internal Audit would have some audits which were carried out every three years, and more high risk audits were carried out on an annual basis. He queried the deferral of the Treasury Management audit.
- Further detail was provided regarding the Investigations investigation mechanism.

**RESOLVED:** That

- 1) the 2022/23 Internal Audit and Investigation Quarter 1 Progress Report (activity to 30 June 2022) be noted.
- 2) the proposals for an in-year review of the 2022/23 Internal Audit and Investigation Plan be considered and approved, but the Committee agreed that an additional discussion would take place with the Internal Auditors with regards to Treasury Management, and a reassessment of exposure in the light of economic volatility and the implications for treasury strategy, including the Minimum Revenue Provision.

### **33. FORWARD PROGRAMME 2022-23**

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

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

- The Committee's November meeting had a heavy agenda. The Chair suggested that Members send detailed questions in advance to expedite the meeting. Councillor Gee questioned whether the agenda could be provided earlier. The Assistant Director Governance indicated that this was unlikely due to the long clearance process that reports had, but agreed to look into the matter.
- Councillor Gee questioned whether an extraordinary meeting was required.
- The Committee briefly discussed dates for training.

**RESOLVED:** That the forward programme be noted.

<b>TITLE</b>	<b>Treasury Management Mid Year Report 2022-23</b>
<b>FOR CONSIDERATION BY</b>	Audit Committee on 30 November 2022
<b>WARD</b>	None Specific
<b>LEAD OFFICER</b>	Deputy Chief Executive - Graham Ebers

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

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

## **RECOMMENDATION**

The Audit Committee is asked to support the Treasury Management Mid-Year Report 2022-23 and recommend it to Council and note:

- 1) that all approved indicators set out in the Treasury Management Strategy have been adhered to; with the exceptions of internal borrowing which is forecast to be higher than set out in the strategy and ratio of financing costs to net revenue stream – General Fund.
- 2) due to the current uncertainty in the interest rate market, the internal borrowing parameter is being reviewed with our external treasury management advisors and will be reported back as part of treasury management strategy.
- 3) 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 £15.29 per band D for 2022/23. This income is used by the Council to continue to provide priority services for the borough residents.
- 4) As at the end of September 2022, the forecast for the total external general fund debt was £112m at March'23, which reduces to £81m after taking into account cash balances (net indebtedness) reducing interests costs in the current economic climate.
- 5) The Executive agreed on 27<sup>th</sup> October 2022, recommendation 3 of the Capital Monitoring 2022/23 – Q2 report 'note that due to the current uncertainty surrounding higher interest rates, as part of our financial management process, a review is to be undertaken to determine what capital projects can be postponed this year, to minimise exposure to borrowing at high rates. Any postponement is to be agreed at Executive.'

## **SUMMARY OF REPORT**

This report provides a summary of the treasury management operations during the first six months of 2022/23. It is presented for the purpose of monitoring and review, in accordance with Council's treasury management practices. The Council adhered to all agreed prudential indicators with the exception of internal borrowing. This includes ensuring the necessary liquidity to deliver on the day-to-day operations of the Council.

There are two aspects of treasury performance: debt management which relates to the Council's borrowing and cash investment which relates to the investment of cash balances.

Key highlights from this report to note are:

- All approved indicators set out in the Treasury Management Strategy have been adhered to with the exceptions of internal borrowing and ratio of financing costs to net revenue stream – GF. Although internal borrowing is higher than the forecast in the strategy, this is positive on the basis, the Council has reduced the need for external borrowing by utilising cash balances more than was planned in the strategy.

When the strategy was set, the interest rate market was fairly stable with regards to future forecasts of interest rates remaining low. Based on these market conditions, the Council would have looked to secure some medium to long external borrowing. However, due to the recent volatility and rise in interest rates, alongside a reduction in capital spend and the maintaining of cash balances, it is financially more prudent to minimise external borrowing, thus avoid higher external debt costs. This approach has been discussed with our external treasury management advisors and is considered prudent due to the strength of our cash balances forecast for this financial year.

- The annual benefit from the income generated less the financing costs on all borrowing to date equates to £15.29 per council tax band D property for 2022/23. This benefit is reinvested into supporting Council wide services.
- Net indebtedness after cash balances is £51m at end of September and forecast to rise to £81m at the end of the financial year.
- The average interest rate of external borrowing for 2022/23 is forecast to be 1.56%.

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

### **Prudential Indicators Debt and Investment**

The table summarises the prudential indicators, comparing the limits set in the strategy and the forecast position at outturn (31 March 2023). These are primary indicators designed to ensure the key objectives of the Prudential Code are met and that local authorities' capital investment plans are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice.

Key highlights to note are;

- Authorised and operational boundary limits are forecast to be lower than the treasury strategy. This is because the Capital financing requirement (CFR) is forecast to reduce due to savings in the capital programme and re-profiling of capital expenditure to later financial years. The CFR is a calculation of historic capital expenditure less that already paid for, required to arrive at the annual level of debt repayment.

- General fund external borrowing is forecast to be lower than expected as a result of the reprofiling. Furthermore, the internal borrowing level is being increased to offset the impact from high interest rates and volatility in the market. The Council will look to minimise new external borrowing through utilising its cash balances. This will avoid higher external debt costs.
- The net general fund financing costs of the Council are forecast to remain small, at £0.1m which is 0.1% of the net revenue expenditure. The movement on this from the original budgets is as a result of reducing the interest charge to town centre (to better reflect the actual interest costs) to help maintain its movement to a surplus following significant economic challenges.

### Prudential Indicators

	Treasury Strategy	Forecast Outturn March '23
	£m	£m
<b>Affordability</b>		
<u>Limits</u>		
Authorised Limit (Note: CFR*120%)	760	589
Operational Boundary (Note: CFR*110%)	696	540
<u>Performance Indicators</u>		
Capital financing requirement – General Fund (GF)	554	412
Capital financing requirement – HRA	79	79
Gross external borrowing – General Fund (GF)	388	112
Gross external borrowing - HRA	69	66
% of internal borrowing to CFR – General Fund (GF)	30%	73%
% of internal borrowing to CFR - HRA	13%	17%
Ratio of financing costs to net revenue stream - GF	-0.60%	0.10%
Ratio of financing costs to net revenue stream - HRA	29.90%	29.69%
<b>Prudence</b>		
Maturity structure of borrowing	See table B	

### Council's Net Indebtedness

Net indebtedness represents the underlying debt position the Council holds. The table below shows how this is calculated. Included below are the estimates from the 22/23 treasury management strategy, the mid-year position and the forecast position for March '23. The previous years outturn is included for comparison.

	Treasury Strategy	Mid-Year (30th Sept)	Forecast Outturn March '23	Outturn March '22
	£m	£m	£m	£m
General Fund – Capital Financing Requirement	554	397	412	382
<u>Less</u> Internal funded borrowing	(166)	(248)	(300)	(186)
External Debt Total	388	149	112	196
<u>Less</u> Cash investment balances	(152)	(98)	(31)	(124)
<b>Net Indebtedness Total</b>	<b>236</b>	<b>51</b>	<b>81</b>	<b>72</b>

As at the mid-year position (30th September 2022), total external borrowing for the general fund was £149m and treasury investments (cash investment balances) were £98m resulting in net indebtedness of £51m. The HRA borrowing is excluded from this calculation as it is a ringfenced account with external borrowing funded from housing tenants.

As set out in the treasury management strategy, net indebtedness was estimated to be £236m for 2022/23. The mid-year net indebtedness position of £51m and the forecast outturn of £81m are comfortably within the estimates set out in the strategy. This is driven largely by the capital financing requirement forecast to be £412m rather than £554m forecast in the strategy. This is due to savings in the 22/23 capital programme as well as capital reprofiling (moving expenditure back to later years). This will result in external borrowing forecast to be £112m at 31st March 2023, £276m less than estimated in the strategy and significantly down from £196m at March '2022.

Due to the recent unexpected increases in interest rates and continued uncertainty in the market, the Council are looking to minimise external borrowing and thus avoid high borrowing costs. Underlying cash balances are expected to be slightly above those forecast in the strategy. This allows the Council to avoid external borrowing by using up cash investment balances and therefore reducing exposure to high interest rates. Cash balances are forecast to be significantly lower at £31m down from £152m. This does create a higher level of internal borrowing, which is forecast to be c70% for the general fund. The Council have reviewed the underlying cash balances (reserves + working capital) and are confident these can support a high level of internal borrowing for 2022/23. Further work will be undertaken during the next 6 months to review the cashflow and to take into account the new medium term financial plan requirements.

The Council are monitoring interest rates very closely and working with our treasury management advisors to review the latest interest rate forecasts which currently suggest interest rates are expected to peak in 2023. Operating a high level of internal borrowing will help offset the impact from higher interest rates. It is expected that the Council will need to borrow next financial year to support the capital programme. The timing of this borrowing requirement will be developed over the coming months taking into account updated forecasts for capital expenditure, cash balances and interest rates.



The average interest rate on the Council's external debt is forecast to be 1.56% across the year. This is expected to rise next financial year with the recent increases in interest rates.

### Cost of Financing Debt

The table below shows the gross financing costs of servicing the external debt. Gross financing costs reflect the annual interest costs payable and an amount for Minimum Revenue Provision (MRP). To understand the true cost of this, it is important to take into account the income from treasury investments, contributions from 'invest to save' schemes, income from investment / commercial properties which all contribute to reducing the annual cost of this financing. Furthermore, for completeness and transparency the table has been extended to show additional income the Council receives from our assets which contributes towards the funding of key services the Council provide. This is the income over and above the amount used to contribute towards the financing costs of the borrowing.

Taking these factors into account, for the general fund the net annual benefit from the income generated less the financing costs on all borrowing to date equates to £15.29 per council tax band D property for 2022/23 as set out below. This income is used by the Council to continue to provide priority services for the borough residents.

**TABLE A**

	Previous Year Outturn £,000	Forecast Outturn March '23 £,000
General Fund – Financing Cost (Interest and MRP debt repayment)	8,827	8,701
<u>Less</u> contributions towards financing costs from following areas:		
- Invest to save schemes	(849)	(1,669)
- Treasury investments	(1,616)	(1,116)
- Housing, Local Economy and Regeneration	(6,977)	(5,767)
Net Annual Financing Cost / (Benefit)	(615)	149
<u>Include</u> additional income over and above the contributions shown above:		
- Community investments	(1,016)	(1,295)
<b>Net Annual <u>Benefit</u> to the taxpayer</b>	<b>(1,631)</b>	<b>(1,146)</b>

Net Annual Benefit £m	(1,631)	(1,146)
Divide by Council Tax Base (no. of band D equivalent properties)	73,297.00	74,946.30
<b>Benefit per band D property - £</b>	<b>£22.25</b>	<b>£15.29</b>

### Investment of Cash Balances

Cash flow balances vary significantly throughout the year due to differences in timing of income (council tax, developer contributions, grants, etc.) and timing of expenditure (running costs - revenue, and investment in assets and services – capital). During times when the council holds cash balances, investments will be made based on security, liquidity, and yield (in this order).

As highlighted in the table above, treasury investment returns are forecast to be c£1.1m of which c£0.7m is investment income from cash investments such as short-term loans to local authorities and returns from money market funds. Cash investment balances are forecast to be c£31m at the end of the financial year. Cash balances vary throughout the year and have reduced as external debt has been repaid and also been used to support higher internal borrowing. The average return on these balances is estimated to be 0.72%. The rate of returns are starting to increase as expected with the recent increases in interest rates, however more importantly for the Council is the security and liquidity of these balances before yield is considered.

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

	Average Invested	Interest Received	Average rate of return	31 <sup>st</sup> March 2023 Balance
	£m	£m	%	£m
Housing, Local Economy & Regeneration	£118.2m	£2.9m	2.46%	£116.2m
Treasury Investments				
- Fund Managers	£0.7m	£0.004m	0.61%	£0.7m
- Local Authorities	£60.8m	£0.5m	0.76%	£0.0m
- Money Markets	£27.9m	£0.2m	0.79%	£30.0m
<b>Total</b>	<b>£207.5m</b>	<b>£3.6m</b>	<b>1.73%</b>	<b>£146.8m</b>

Included within the Housing, Local Economy & Regeneration are the capital loans made to the Councils housing companies which support the development of new affordable housing. The Council have a statutory requirement under the Subsidy Control Act 2022 (previously known as state aid) to charge interest at the market rate which is higher than the investment returns the Council would achieve on treasury investments.

## Maturity Structure of Borrowing

The maturity structure of the Council external borrowing is shown in 'Table B' below. This highlights the period for when external borrowing matures and becomes repayable. External debt is forecast to be £112m for the general fund and £66m for the HRA, totalling £178m.

**TABLE B**

	Forecast Outturn March '23
	£m
Less than 1 year	0
Between 1 and 2 years	56
Between 2 and 5 years	13
Between 5 and 10 years	26
Between 10 and 15 years	39
Between 15 and 20 years	0
Between 20 and 25 years	1
Between 25 and 30 years	3
More than 30 years	40
	<b>178</b>

The Council continue to best align the repayment of external borrowing with the reduction in the capital financing requirement. This will be related to capital receipts, developer contributions and income generation from capital investments. This work is done with support from our external treasury management advisors.

As highlighted in the table above, the Council have a mixture of maturities to align to expected timing of capital resources. This is to avoid the Council holding external debt longer than needed.

Due to the uncertainty around interest rates at present, any new borrowing will be taken out on a short-term basis, with a view to refinancing the loans at lower interest rates at maturity.

## FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

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

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

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

- the net benefit per council tax payer for the financing of all borrowing to date equates to c£15.29 per band D equivalent.
- At March '23, total external general fund debt is forecast to be £112m and the Councils net indebtedness after cash balances is £81m.
- The average interest rate of external borrowing is 1.56%.

### Cross-Council Implications

None

### Public Sector Equality Duty

This is a report on the performance of the treasury service of the Council and is not requesting any funding or service changes that would impact on any members of the community and thus has no equalities impact.

### 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*

This is a report on the performance of the treasury service of the Council, and has no impact on the Council's carbon neutral objective.

### Reasons for considering the report in Part 2

Not applicable

### List of Background Papers

None

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<b>TITLE</b>	<b>Corporate Risk Register Review</b>
<b>FOR CONSIDERATION BY</b>	Audit Committee on 30 November
<b>WARD</b>	None Specific
<b>LEAD OFFICER</b>	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.

To review the Risk Management Group effectiveness review (at Appendix B).

## **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. This review was conducted prior to the Autumn Statement so the risk scoring does not reflect the announcements made there.

The Council's top corporate risks are:

- Budget and financial resilience
- Health & Social Care Reform

These are followed by

- Adult Social Care supplier sustainability and sufficiency
- Education for Children with SEND
- High Needs Block
- Climate Emergency
- Uncontrolled Development

The Director of Place and Growth 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:-

- Increased national political and financial instability.
- Significant challenges on the budget position
- Uncertainty on the timing of the Health and Social Care reforms

Since the register was last reported to Audit Committee on 28<sup>th</sup> September 2022, no new risks have been identified although following a review we have decided to split the Cyber

and Information Governance risk into two separate risks to enable more appropriate focus on the different elements.

The following risks have seen an increase

- Risk 1 Financial Sustainability
- Risk 4 Uncontrolled Development
- Risk 8 Climate Change

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

The Risk Management Group plays a key role in managing risk and has undertaken a self-assessment of its effectiveness. This has identified that it is effective but that there are areas where it can strengthen its role. The RMG has developed an action plan.

The RMG has considered risk management reports issued by industry experts and benchmarked the Council's risk register against other local authorities. The RMG has also reviewed the CRR link to the Council's priorities to identify any gaps. This has concluded that the CRR gives good coverage across the Council priorities.

## 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 27<sup>th</sup> June 2022

### 2.1 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 continuing. The Council's analysis would suggest that this increase in risk is likely to be of at least a medium term.

### 2.2 No Change - Risk 2 Governance

Further assurance on this risk is to be provided by the LGA peer challenge follow up visit that took place in October 2022. The initial feedback from the follow up visit has been positive and further details will be shared with Executive (?) in January.

### 2.3 Increased Risk 4 Uncontrolled Development

This risk has increased. The Council is currently seeing applications coming through for new housing developments which are in locations contrary to current local plan policy and not preferred in the Local Plan Update. These sites are relatively modest in number and scale but impactful nonetheless. The submission of a larger strategic planning application contrary to the strategy set

out in the emerging Local Plan Update would constitute a further move towards a red rated risk. The evidence base necessary to support discussion on the strategic direction of the LPU is being progressed as soon as possible. Development management policies are updated in parallel.

#### 2.4 Risk 8 Cyber and 19 Information Governance

Following a meeting with the Senior Information Risk Owner (SIRO) (Andrew Moulton) and the Head of IT to review Risk 8 it was decided to split the risk into two separate risks. Risk 8 is focused on the risk of a successful cyber-attack against the Council and Risk 19 is focused on the risk of disclosure of confidential information. Clearly there is a strong interdependency between the risks as recent successful cyber-attacks at Hackney and Gloucestershire have led to the disclosure of personal information. The SIRO felt that splitting the risks would provide greater oversight of both risks and enable more transparency on the assessment of each risk and the actions to required to mitigate them. As part of this detailed review the SIRO concluded that the assurance to CLT and Audit Committee could be strengthened and working with colleagues on the Council's Data and Information Governance Board is creating a detailed report that will come to the Audit Committee in February with regular updates for the Committee. The cyber risk is an arms race with attackers and the Council needs to "run to standstill" and this risk is likely to persist into the long term.

#### 2.5 Combined Risk 5 Outcomes and Costs for Children with Send and Risk 11 High Needs Block

The Director of Children's Services has decided to combine Risk 5 and Risk 11. The Council is working with the Department of Education on the Safety Value Programme. As part of this work it has become apparent that the long term challenge is greater than previously understood. Financial modelling of recent increases in demand has seen the challenge to meet a deficit position within five years significantly increase. The DfE has indicated that failure to deliver the Safety Value changes would led to the Council needing to meet the deficit from the General Fund Reserves. The current level of reserves are insufficient to cover the forecast cumulative deficit at the end of 2022/23 of £16m. The Council is actively engaging with the DfE and has a programme of activity to mitigate this risk which is reporting to the CE/DCE. This risk is likely to remain high in the medium term until the DfE are satisfied that the Council is heading towards a position where High Needs Block funding matches expenditure.

#### 2.6 Increased Risk 8 Climate Emergency

The financial pressures on the Council and the increase in demand has resulted in an increase in the risk of delivering the Climate Emergency Action Plan. The increased cost of borrowing and additional cost pressures on competing priorities has reduced the confidence of the Council in delivering the action plan. In light of this the mitigating actions are being reviewed and updated. The change in risk is likely to be of a medium/long term nature given the financial pressure on the Council.

#### 2.7 No Change Risk 12 Health & Social Care Reform



Further consideration is needed to understand the impact of the Autumn Statement. However, People at the Heart of Care will proceed, which will place additional pressure on the service including assurance and inspection readiness. The risk level will be regularly reviewed as more official and confirmed information is released.

## 2.8 Risk Management Group Effectiveness

As part of the Commitment to continuous improvement the Risk Management Group has reviewed its effectiveness against its roles and responsibilities contained within the Council's Risk Management Policy. The review is attached at Appendix A. The review concludes that the Risk Management Group is largely effective in meeting its roles and responsibilities but has a number of actions to enhance the functioning of the group. One area that the group identified for improvement was Directorate Risk Registers and we provide an update to the Committee in February on this.

## 2.9 Horizon Scanning and Benchmarking

As part of the Council's commitment to learn from others the Risk Management Group has undertaken a risk horizon scanning exercise against various risk management reports on global and European risks. See list of Background Papers for Details of the reports. These identified that cyber risk was considered as a significant area of risk and that we needed to increase our focus on that risk. See discussion at 2.3.

In addition to our global review of risk we also conducted a benchmarking exercise against nine other local authorities (including our Berkshire Neighbours). The top risk appearing in all the registers we reviewed was finance, followed by cyber and supplier failure. Risks that we identified in comparator registers were risks that were either captured in Directorate registers or were not relevant to Wokingham.

We also used the RBWM Internal Audit of Risk Management to benchmark our own risk management practices. In the high priority findings, we were able to identify that we had effective controls in place. We have used the findings of this report to shape our improvement actions for risk management.

## 2.10 Link to Council Priorities

The Risk Management Group and CLT have reviewed how the corporate risks map to the Council priorities contained within the Corporate Delivery Plan. This has shown that the significant strategic risks are focused on Safe, Strong Communities and Enriching Lives. Although it is important to recognise that although there is a single risk aligned to Right Homes, Right Places this risk is significant, and its successful mitigation is key to delivering this priority. This review provides assurance that the significant strategic risks to the Council's Priorities have been identified.

## 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

[Allianz Risk Barometer 2022](#)

[World Economic Forum: Global Risks Report 2022](#)

[Chartered Institute Of Internal Audit: Risk in Focus 2023](#)

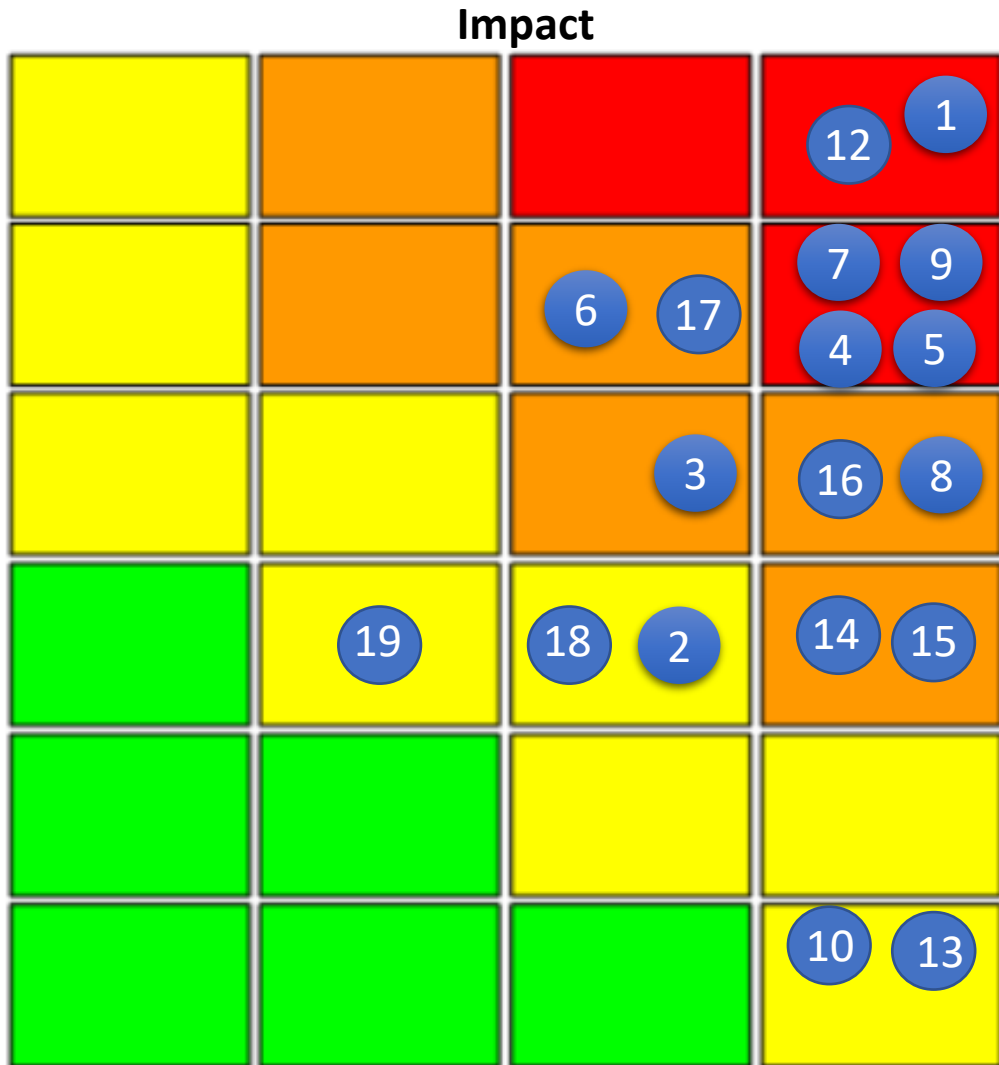
<b>Contact</b> Andrew Moulton, Paul Ohsan Ellis	<b>Service</b> Governance
<b>Telephone No</b> Tel: 07747 777298	<b>Email</b> andrew.moulton@wokingham.gov.uk, paul.ohsan.ellis@wokingham.gov.uk

**Appendix A - Corporate Risk Register**  
November 2022

<b>Current Assessment</b>	<b>Very High</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
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27

**Likelihood**



Ref	Risk
1	Budget & Financial Resilience
2	Corporate Governance
3	Workforce
4	Uncontrolled Development (Local Plan Update)
5	Outcomes & Costs for Children with SEND
6	Failure to meet statutory duties
7	ASC Supplier Sustainability and Sufficiency
8	Cyber Attack
9	Climate Emergency
10	Major Emergency Response (e.g. Pandemic)
11	<del>High Needs Block overspend</del>
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
19	Information Governance

## **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, 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

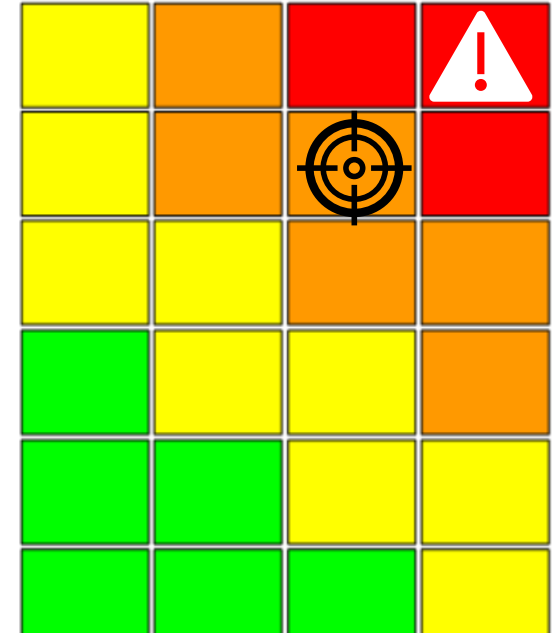
Increase

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:

- 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

29

#### Mitigating Actions

Work on in-year budget and following year budget pressures

Owner

Date

GE

October 22

Organisational Foundation Programme delivery of savings

GE

February 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

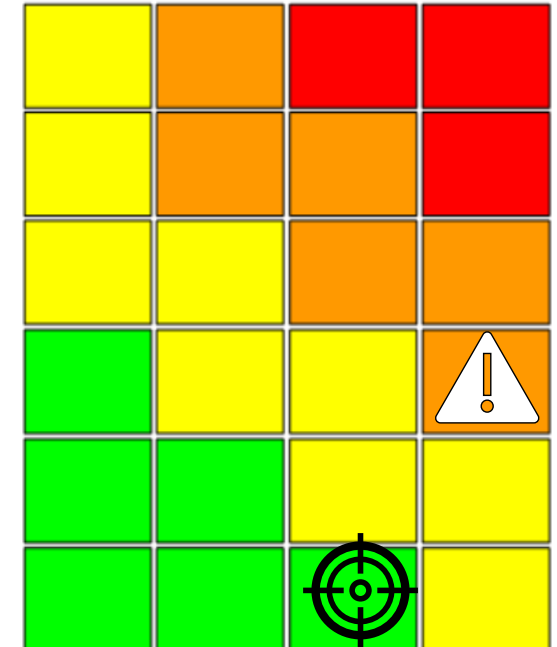
Governing effectively to ensure achievement of the Council’s purpose and priorities within the resources available and achieving value for money. Without effective corporate governance, there is a risk that through unethical behaviour or ineffective decision-making, residents lose trust in the way the 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 Audit
  - External Audit
  - Standards Committee
  - Overview & Scrutiny function
  - LGA Corporate Peer Challenge
  - Governance Dashboard

30

Owner		Change	
CJ	SP	None	



⚠ 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

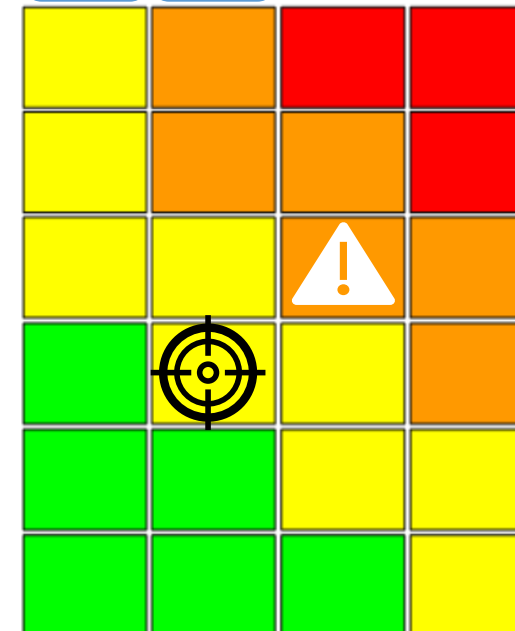
Due to the national challenges in recruiting permanent staff with the right levels of skills, competence and experience, there is a risk to the council's ability to deliver its community vision, which could, if not managed lead to fines and reputational risks

Existing Controls:

- 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



Current Risk 
 Target 
 Risk on Target

31

Mitigating Actions

Engage with stakeholders to undertake HR policy review with implementation and training programme set up to support review

Owner	Date
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SP	End March 23
----	--------------

Fully populated HR operating model with everyone in post.

SP	End Jan 23
----	------------

Engagement with stakeholders to write the HR & OD Strategy

SP	Dec 2022
----	----------

Procurement of HR Management Information System

SP	End March 23
----	--------------

## Key Priority at Risk: Right Homes, Right Places

4

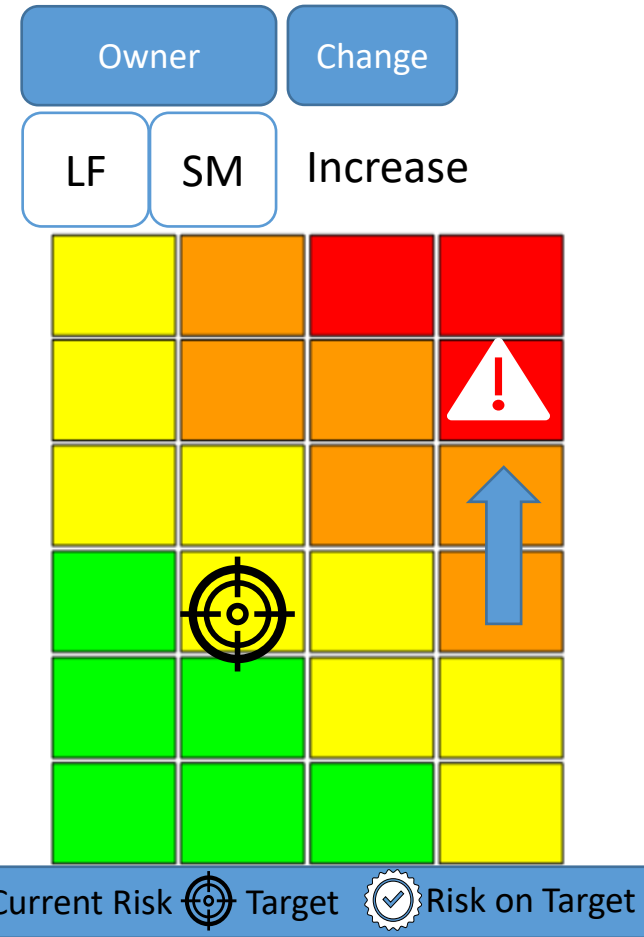
### RISK: Uncontrolled Development - Local Plan Update

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 but needs to be reviewed
- Resources allocated
- Cross party planning policy working group reconstituted following election of new administration

- Revised growth strategy consulted upon in November 2021 – January 2022
- Monitoring housing developments and five year land supply



32

#### Mitigating Actions/Key Milestones

Local plan timetable to be reviewed  
 Next local plan consultation stage  
 Submission of Local Plan Update to Government

Inspector examination

Adoption of LPU

Owner

Date

TS

Early 2023

TS

Summer 2023

TS

TBC

TS

TBC

TS

TBC



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

5

### RISK: Outcomes and Costs of Provision for Children with SEND

Due to increased demand and complexity of need there is a risk that there are insufficient funds to ensure Children with SEND receive adequate provision without further overspend on the High Needs Block (£10m+) risking a substantial impact on the Council's finances.

#### Existing Controls:

- Regular review of SEND Strategy
- Collaboration with SEND Voices & SENDIASS Wokingham
- Monitoring and Forecasting of Need and Demand
- Gold & Silver Monitoring and Direction Meetings Weekly
- Learning from engagement with other Local Authorities (Safety Valve and DBV)

- Improved relationships with providers
- Weekly meetings with DfE SEND Advisor
- Deficit Reduction Plan
  - Expansion of Addington School
  - Winnersh Farm School (Oak Tree)
  - PRU improvement
  - Resource Base & SEND Unit review
  - Additional School Bids (x2)
- SEND Improvement Board

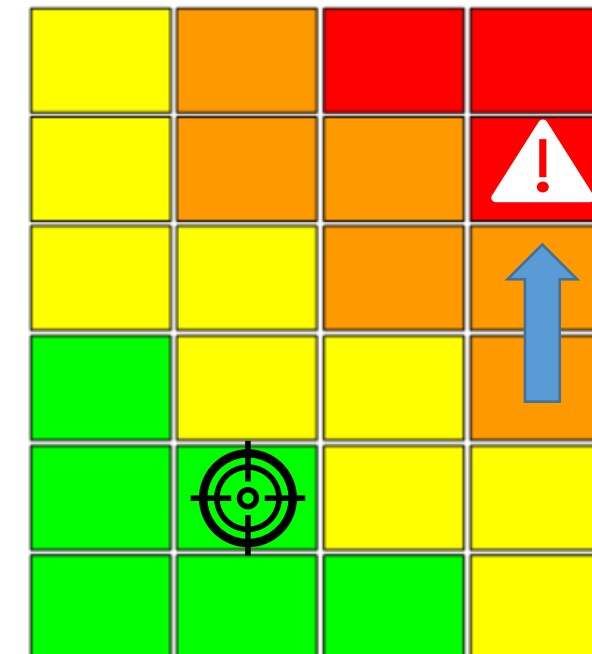
Owner

Change

PB

HW

None



Warning Current Risk Target Risk on Target

33

Mitigating Action	Owner	Date
Development of in-borough infrastructure for Children and Young People	HW	Ongoing
Engagement with DfE Safety Valve Programme development & delivery	HW	April 2023
SEND System Improvements as a result of SEND IIB	HW	Ongoing
SEN Support arrangements and new Vulnerable Learners Panel Pilot	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

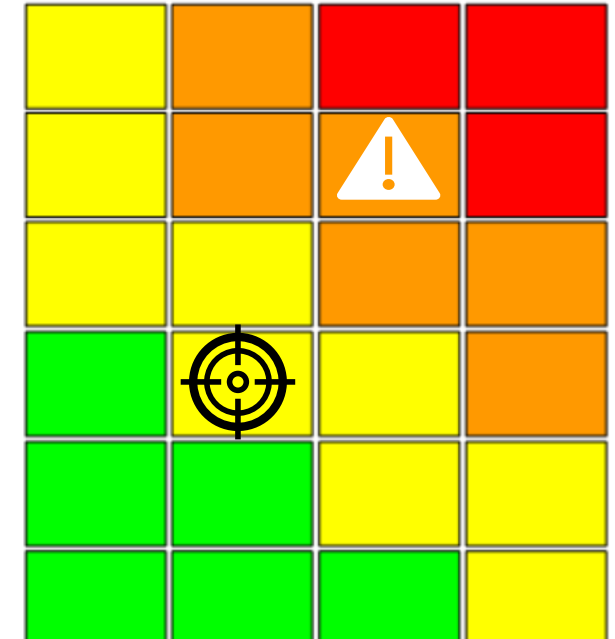
Owner

Change

RBF

SP

None



Warning Current Risk Target Risk on Target

34

#### 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

February 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:

35

- 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

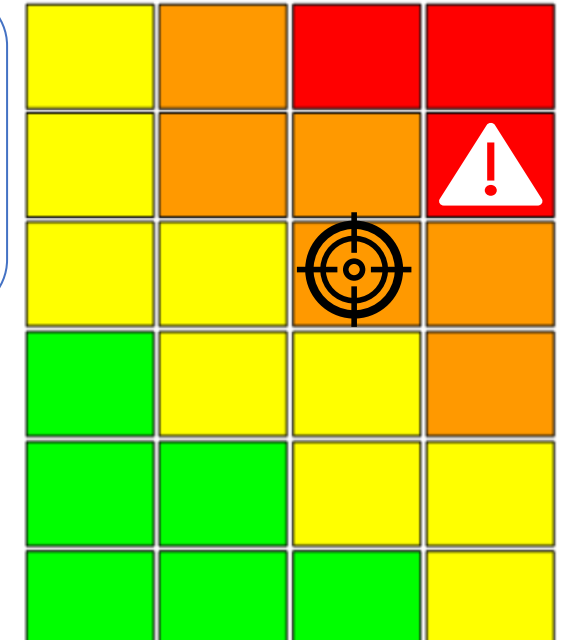
Owner

Change

DH

MP

None



! Current Risk    Target    Risk on Target

#### Mitigating Action

Mitigating Action	Owner	Date
Continue to work with the sector to ensure that commissioning arrangements are fit for purpose	MP	March 23
Planning for 2022-23 winter pressures underway	MP	November 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	March 23
Market sustainability plan	MP	February 23

## Objective at Risk: A clean and green borough

Owner

Change

8

### Climate Emergency

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

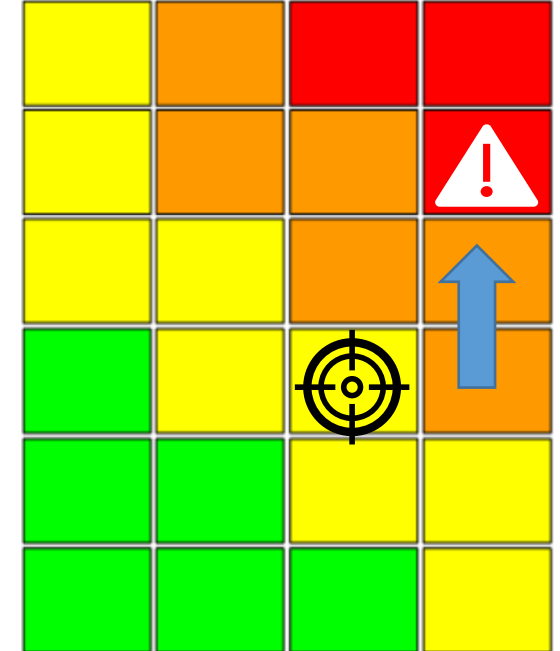
#### Existing Controls:

- 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

Increase



Warning Current Risk Target Risk on Target

36

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

## Objective at Risk: Community Vision

Owner

Change

9

### Cyber Security

ISD

GE

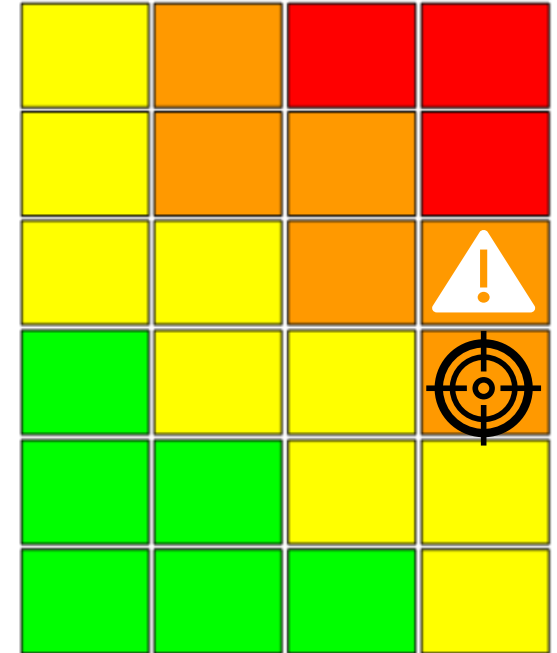
Increase

Due to an external cyber attack there is a risk of 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 BCP
- Public Sector Network (expires 2024)
- Independent penetration testing (annual)
- Information Security and Acceptable Use Policy
- Encrypted and patched equipment
- Cyber security awareness campaign

- Internal Data and Information Governance Board
- Routine & Emergency patching and firewall configuration (increased frequency)
- Internal Audit
- Membership of the South East Warning Advisory Group



Warning Icon Current Risk Target Risk on Target

37

Mitigating Action	Owner	Date
Simulated phishing attacks	SW	December 22
National Cyber Security Centre Board Toolkit review	AM	December 22
Cyber incident plan and cyber response partner	SW	May 23
Internal Audit Action Plan	SW	June 23
Cyber Essentials Plus Accreditation	SW	January 24

## Objective at Risk: Safe, Strong Communities

10

### Major Emergency Response (e.g. 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:

- 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
- Seasonal business continuity training and plan updates
- Delivering training for gold, silver and bronze

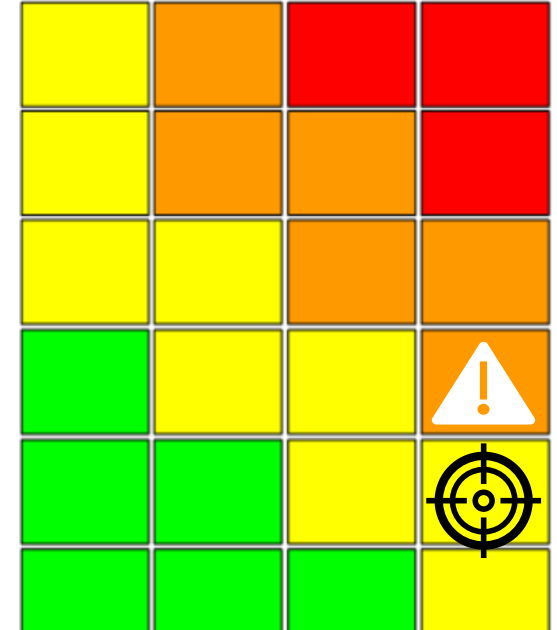
Owner

Change

CJ

SP

Increase



Warning icon Current Risk Target icon Target Green checkmark Risk on Target

38

Mitigating Action	Owner	Date
Review of the organisation's out of hours arrangements and resilience	FH	December 2022
Silver command restructure	FH	February 2023
Winter preparedness working group (including preparing for planned or unplanned loss of power)	FH	Ongoing until Spring 2023
Reviewing key emergency plans (including major incident plan)	FH	Spring 2023
Creation and implementation of revised business continuity programme	FH	Autumn 2023

## 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.

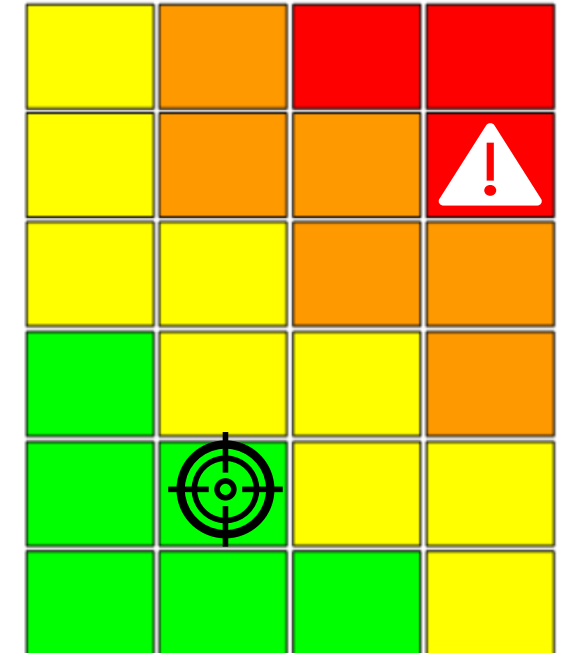
Owner

Change

DH

MP

None



Current Risk Target Risk on Target

39

#### Mitigating Action

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

Owner

Date

MP

March 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. There is risk associated with the change in legislation for Liberty Protection Safeguards (LPS) as the plans have not yet been confirmed and the demands on the system are not yet fully known.

#### 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
- Care Governance Quality Assurance
- Risk Assessment for Safeguarding complete
- Joint working between HoS and PSW
- Quality Assurance Framework in place

Owner		Change
DH	MP	None

Yellow	Orange	Red	Red
Yellow	Orange	Orange	Red
Yellow	Yellow	Orange	Orange
Green	Yellow	Yellow	Orange
Green	Green	Yellow	Yellow
Green	Green	Green	Green with checkmark icon

 Current Risk 
  Target 
  Risk on Target

40

Mitigating Action	Owner	Date
Ensure workforce development around bespoke safeguarding are addressed	MP	March 23
Impacts of impending CQC inspections incorporated into project planning	MP	March 23



## Key Priority at Risk: Safe, Strong Communities

15

### Inward Migration

Due to the arrival of Ukraine and Hong Kong nationals, refugees from other countries, and the now mandatory National Transfer Scheme for Unaccompanied Asylum Seeking Children (UASC), there is a risk of increasing costs to the Council of provision of effective support, including a significant increase in the cost of statutory accommodation for Care Leavers as UASCs reach the age of 18.

#### Existing Controls:

41

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.  
 Ensure all grants are claimed for UASC

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.

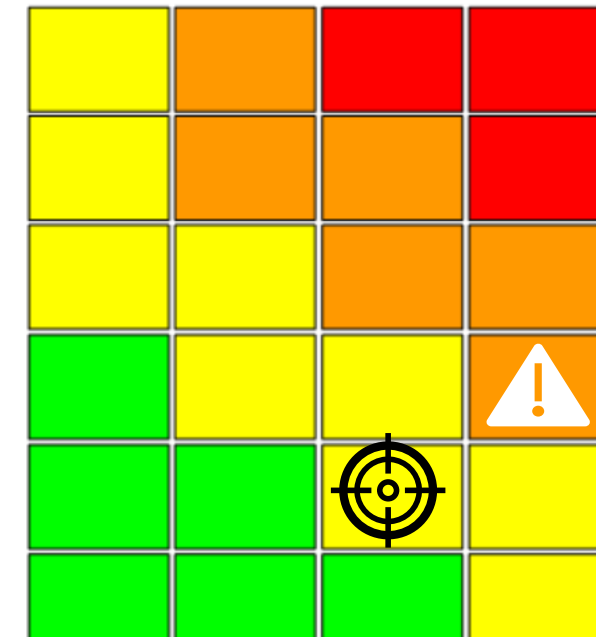
Owner

Change

RBF

SM

None



Warning Current Risk Target Risk on Target

#### Mitigating Action

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

Implementation of social inclusion and activity events programme

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

Develop specific accommodation to meet the needs of UASC Care Leavers

Owner

Dat

ZM

September 2022

ZM

Ongoing

ZM

Ongoing

HW

Ongoing

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

16 Public Transport

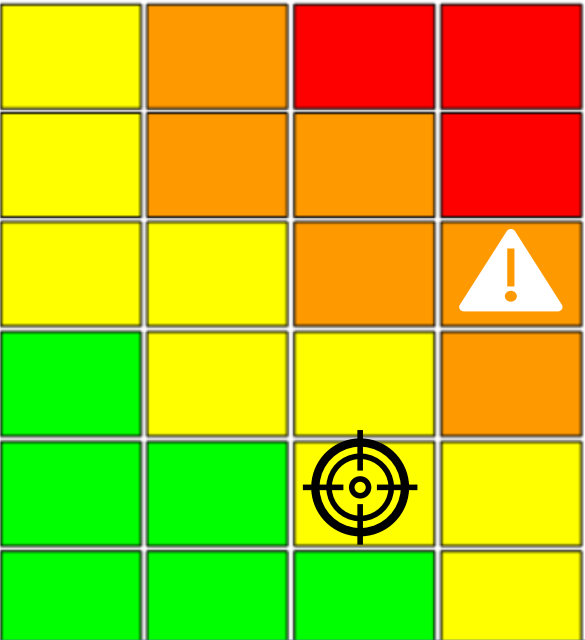
Due to fewer passengers travelling, increasing operational costs and a future reduction in government funding there is a risk that local bus services are withdrawn or reduced. The results will be increasing congestion, social isolation, a failure to achieve climate emergency reduction targets, and reduced 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 Triangle Current Risk Target Risk on Target

Mitigating Action	Owner	Date
Retender of local bus network	SM	April 23

42

## Key Priority at Risk: Enriching Lives

17

### RISK: Insufficient school places for mainstream children

Due to (a) increased numbers of children moving into the borough including international arrivals (Hong Kong nationals and Ukrainian children) in both primary and secondary phases; (b) peak primary rolls passing into the secondary sector; and (c) too few places for girls (secondary phase) there are risks of (i) a breach in statutory place sufficiency duty and (ii) new capital programme requirements.

#### Existing Controls:

- Primary Strategy 2018 to 2028
- Secondary Strategy 2022
- Development of Post 16 arrangements
- SCAP annual statutory places return to DfE
- Annual update of roll projections
- Regular reports to CSO&SC
- Regular Leadership Team updates

- Fair Access Protocol
- Regular item at BEP meetings
- Regular meetings with Finance team
- Engagement with schools on additional places
- Relationships with neighbouring boroughs
- Portal based admissions tracking (LA and Schools)

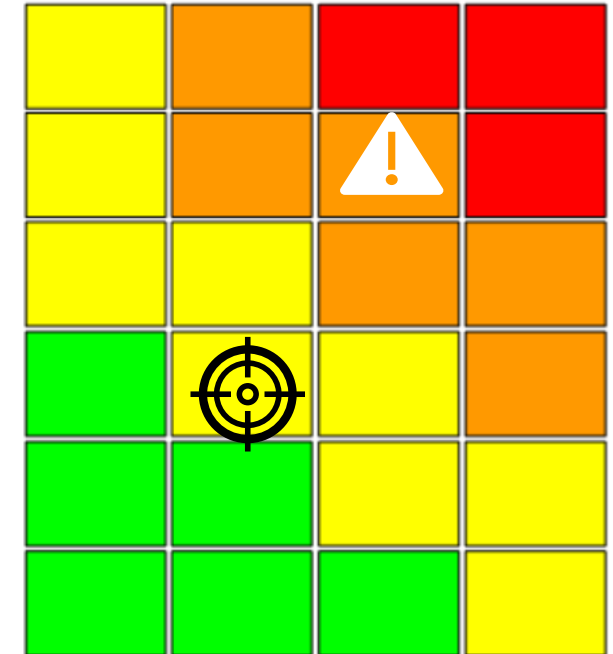
Owner

Change

PB

HW

None



Warning Current Risk Target Risk on Target

43

#### Mitigating Action

Owner

Date

Secondary place strategy school level expansion plans in preparation

HW

Ongoing

Primary Places Strategy update

HW

Spring 2023

Engagement with Schools on additional places (above PAN)

HW

Ongoing

Key Priority at Risk: All

18

RISK: Elections Act Implementation Uncertainty

Due to the delays to the government id scheme (January 2023) and lack of clarity on disabled access requirements introduced by the Elections Act 2020 there is a risk of significant unknown new administration burdens for the May 2023 election resulting in delays to voting, disenfranchisement of voters, breach of duty, legal challenge, reputational damage, Borough and/or Town Councils without democratic legitimacy and re-run of elections.

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

44

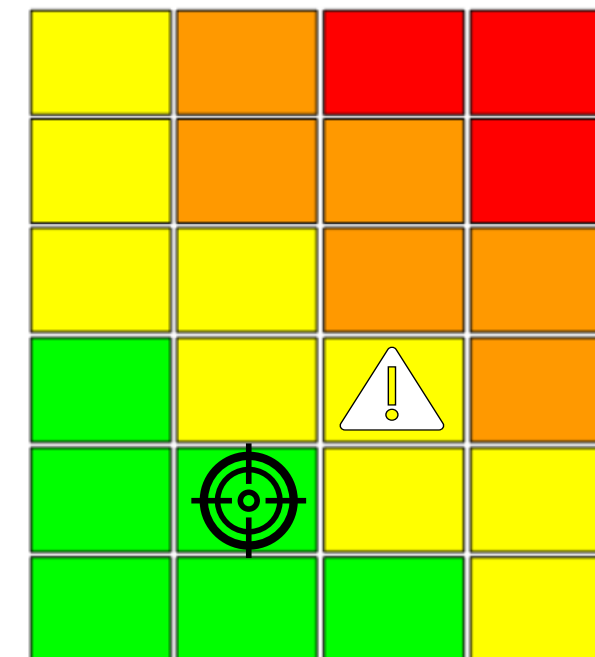
Owner

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

## Objective at Risk: Community Vision

19

### Information Governance

Due to human error, there is a risk of disclosure of personal sensitive data, resulting in individual distress, fines, reputational damage and loss of trust. Due to insufficient capability or capacity there is a risk that the high number of Subject Access Requests (SARs) in children's services continue to not be responded to in statutory timescales, resulting in litigation, fines, reputational damage and loss of trust.

#### Existing Controls:

- Internal Data and Information Governance Board
- Encrypted equipment
- Secure email
- Document marking scheme
- Information Security and Acceptable Use Policy
- E-learning induction/staff learning and development

- Performance Monitoring
- Incident Reporting
- Membership of Berkshire DPO Group
- Information Governance Toolkit
- Publication Scheme
- Guidance from the ICO
- SAR Policies and Procedures
- Monitoring SAR Caseloads
- Reporting into CS Directorate Leadership Team

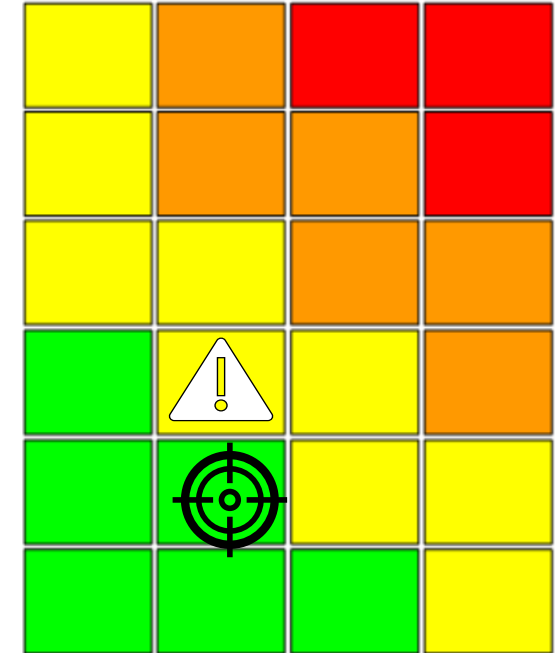
Owner

Change

ISD

GE

Increase



Warning Icon Current Risk Target Risk on Target

45

#### Mitigating Action

Owner

Date

E-learning Refresher Training

AM

December 2022

Information Security & Acceptable Use Policy update

AM

March 2023

Commissioning of external redaction service

HW

Complete

Recruitment of Reviewing and Redacting Officer (FTC)

HW

Complete

Consideration of demand management opportunities to reduce SAR requests

HW

March 2023

# Likelihood

Score	Level					Description
6	Very High	Certain.	>95%	Annually or more frequently	>1 in 10 times	An event that has a 50% chance of occurring in the next 6 months or has happened in the last year. This event has occurred at other local authorities
5	High	Almost Certain. The risk will materialise in most circumstances.	80 – 94%	3 years +	>1 in 10 – 50 times	An event that has a 50% chance of occurring in the next year or has happened in the past two years.
4	Significant	The risk will probably materialise at least once.	50 – 79%	7 years +	>1 in 10 – 100 times	An event that has a 50% chance of occurring in the next 2 years or has happened in the past 5 years.
3	Moderate	Possible the risk might materialise at some time.	49 – 20%	20 years +	>1 in 100 – 1,000 times	An event that has a 50% chance of occurring in the next 5 or has happened in the past 7 years.
2	Low	The risk will materialise only in exceptional circumstances.	5 – 19%	30 years +	>1 in 1,000 – 10,000 times	An event that has a 50% chance of occurring in the next 10 year or has happened in the past 15 years.

# Impact

Score	Level		Description
8	Critical	Critical impact on the achievement of objectives and overall performance. High impact on costs and / or reputation. Very difficult and possibly long term to recover.	<ul style="list-style-type: none"> <li>Unable to function without aid of Government or other external Agency</li> <li>Inability to fulfil obligations</li> <li>Medium - long term damage to service capability</li> <li>Severe financial loss – supplementary estimate needed which will have a critical impact on the council’s financial plan and resources are unlikely to be available.</li> <li>Death</li> <li>Adverse national publicity – highly damaging, severe loss of public confidence.</li> <li>Litigation certain and difficult to defend</li> <li>Breaches of law punishable by imprisonment</li> </ul>
6	Major	Major impact on costs and objectives. Serious impact on output and / or quality and reputation. Medium to long term effect and expensive to recover.	<ul style="list-style-type: none"> <li>Significant impact on service objectives</li> <li>Short – medium term impairment to service capability</li> <li>Major financial loss - supplementary estimate needed which will have a major impact on the council’s financial plan</li> <li>Extensive injuries, major permanent harm, long term sick</li> <li>Major adverse local publicity, major loss of confidence</li> <li>Litigation likely and may be difficult to defend</li> <li>Breaches of law punishable by fines or possible imprisonment</li> </ul>
4	Marginal	Significant waste of time and resources. Impact on operational efficient, output and quality. Medium term effect which may be expensive to recover.	<ul style="list-style-type: none"> <li>Service objectives partially achievable</li> <li>Short term disruption to service capability</li> <li>Significant financial loss - supplementary estimate needed which will have an impact on the council’s financial</li> <li>Medical treatment require, semi- permanent harm up to 1 year Some adverse publicity, need careful public relations High potential for complaint, litigation possible. Breaches of law punishable by fines only</li> </ul>
2	Negligible	Minimal loss, delay, inconvenience or interruption. Short to medium term affect.	<ul style="list-style-type: none"> <li>Minor impact on service objectives</li> <li>No significant disruption to service capability</li> <li>Moderate financial loss – can be accommodated</li> <li>First aid treatment, non-permanent harm up to 1 month</li> <li>Some public embarrassment, no damage to reputation</li> <li>May result in complaints / litigation</li> <li>Breaches of regulations / standards</li> </ul>

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## Appendix A Risk Management Group Effectiveness Review

The Risk Management Group has a key role to play in the management of risk. The Risk Management Policy approved by Executive in September 2022 sets out the role of the group (Section 5.13). As part of the Council's commitment to continuous improvement the group has self-assessed against the roles and responsibilities set out in the Risk Management Policy. The group have identified that it is effective in many areas and there are further opportunities to improve. The group will continue to monitor its effectiveness and report progress on an annual basis.

Terms of reference	Meeting	Evidence	Group Action
<ul style="list-style-type: none"> <li>To review the corporate risk register on a quarterly basis.</li> </ul>	Effective	Audit Committee Reports and meeting updates.	Continue with scheduled quarterly meetings ensuring attendance from each Directorate
<ul style="list-style-type: none"> <li>To identify risks that should be escalated from Directorate risk registers to the corporate risk register and risks that should be deescalated from the corporate risk register to the relevant Directorate risk register.</li> </ul>	Partial Effective	Risks being escalated / deescalated.	Continue to review risks for escalation / de-escalation in the quarterly reviews.
<ul style="list-style-type: none"> <li>To review the key and consistent themes from Directorate, project and partnership risk registers and feed these to CLT and give feedback to the services.</li> </ul>	Partial Effective	Identification of cross cutting risks.	Ensure Directors and DLT's are briefed on CRR updates following review and Audit Committee meeting.
<ul style="list-style-type: none"> <li>To identify interdependencies between risks from a service level that in totality represent strategic risks for consideration by CLT.</li> </ul>	Partial Effective	Discussion of interdependencies.	Review top 3 Directorate risks to identify themes.
<ul style="list-style-type: none"> <li>To identify risk management training needs, approve training programmes and presentations.</li> </ul>	Partial Effective	Members training programme.	Engage with DLT's to identify risk management training needs.
<ul style="list-style-type: none"> <li>Provide support to relevant members and managers with regard to risk management in their Directorates.</li> </ul>	Partial Effective	Need to engage with Lead Members on risk management.	Support Directors to engage with Lead Members on risks.

<ul style="list-style-type: none"> <li>• To act as a forum for the sharing of best practice.</li> </ul>	Effective	RBWM Internal Audit Report, Risk Management Training slides Ivan, Sarah's model.	To continue to share knowledge and experience across Directorates.
<ul style="list-style-type: none"> <li>• To implement the detail of the Enterprise Risk Management Policy.</li> </ul>	Effective		
<ul style="list-style-type: none"> <li>• Publicise and promote risk management across the council.</li> </ul>	Partial Effective	Development of approach to incorporate risk management into senior management and directorate leadership performance monitoring arrangements.	To continue to promote risk management in Directorates including in decision making.

<b>TITLE</b>	<b>2022/23 Internal Audit and Investigation Plan - Quarter 2 Progress Update (to 30 September 2022)</b>
<b>FOR CONSIDERATION BY</b>	Audit Committee on 30 November 2022
<b>WARD</b>	None specific
<b>LEAD OFFICER</b>	Catherine Hickman Head of Internal Audit & Investigation

**OUTCOME / BENEFITS TO THE COMMUNITY**

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

**RECOMMENDATION**

The Audit Committee (AC) is asked to note the 2022/23 Internal Audit and Investigation Quarter 2 Progress Report (activity to 30 September 2022).

**SUMMARY OF REPORT**

The AC approved the 2022/23 Internal Audit and Investigation Plan at its meeting on 30 March 2022. The originally approved Plan has been reviewed to re-focus and reprioritise internal audit and investigation activity, at the request of the Chief Finance Officer, in light of the Team needing to contribute to the Council's financial savings requirements in this financial year. As such, there has been a reduction in audit and investigation days for the 2022/23 financial year as a vacant Senior Auditor position has been frozen until 31 March 2022. This is to be a temporary measure. The revised 2022/23 Internal Audit and Investigation Work Programme to 31 March 2023 was agreed by Audit Committee on 28 September 2022.

The report at Appendix A, with supporting Appendices A(I) and A(II), is provided for AC to note the progress of work against the revised Plan as at 30 September 2022.

These 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. In addition, to 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 revised 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
- set out that the Team's resources are being properly utilised.

This report: -

- Summarises the work of the IAIS and status of the audits in the reporting period;
- Key Corporate Risks covered;
- High Risk Concerns and Follow Up activity;
- At the time of writing this report, there were four draft reports with outstanding responses. Two of those reports have now been finalised and one is being progressed with management. For the Cyber Security audit, this report has been reviewed and we are awaiting final sign off by Senior Management;
- Provides assurance that no new areas have been identified in the second quarter of the financial year where less than satisfactory levels of assurance have been given;
- Provides results of Anti-Fraud activity;
- Outlines compliance with Public Sector Internal Audit Standards.

### **2022/23 – Key Findings to date**

The AC received a Quarter 1 Progress Report at its meeting on 28 September 2022 showing progress against the 2022/23 Internal Audit and Investigation Plan as at 30 June 2022. This report supplements that one with further work progress to 30 September 2022.

In this current period, the team is focused on a number of audits in progress. To date, there have been no new audits finalised from the 2022/23 Plan or audits carried forward from the 2021/22 financial year where the audit assurance was less than level 2, i.e., internal controls “substantially complete and effective.” In Quarter 1, one audit (Debtors) had been given a Category 3 Audit Opinion and this was reported and discussed at the September AC meeting.

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

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. In order to inform that opinion, assurances will also be taken, where appropriate, from other assurance activity across the Council. There will be no impact on the work already committed with our external clients.

### **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
<b>Other financial information relevant to the Recommendation/Decision</b>			
Not applicable			

<b>List of Background Papers</b>
2022/23 Internal Audit & Investigation Plan (approved by AC 30 March 2022) 2022/23 Internal Audit and Investigation Plan In Year Review (approved by AC 28 September 2022)

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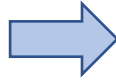
**WOKINGHAM BOROUGH COUNCIL**  
**Internal Audit & Investigation**  
**2022/23 Quarter 2 Progress Report**  
**(to 30 September 2022)**

## 2022/23 Internal Audit and Investigation Plan

The purpose of this report is to present to the Audit Committee (AC) the progress in delivering the 2022/23 Internal Audit and Investigation Plan to the end of Quarter 2 of the financial year as part of our regular reporting and the key findings from our work. This is to ensure that the AC discharges its responsibilities in relation to governance, internal control and risk management.

The report includes areas of significant risk identified during our audit reviews and mitigating actions to address those risks. In addition, a summary of the Action Tracker to give Members of the Audit Committee assurances that concerns are being addressed and followed up regularly.

The internal audit programme of work aims to provide sufficient and appropriate coverage to enable the Head of Internal Audit and Investigation (fulfils the role of Chief Audit Executive) to provide an annual internal audit opinion on the Council's governance, internal control and risk management framework.



### Summary

The Audit Committee (AC) approved the 2022/23 Internal Audit and Investigation Plan and Strategy at its meeting on 30 March 2022. The original Plan was subject to an In-Year review due to a request from the Chief Financial Officer to freeze a vacant Senior Auditor post to contribute towards the Council's savings requirements for 2022/23. This is a temporary measure. A revised Plan was agreed by AC on 28 September 2022. The revised Plan continues to remain flexible as the Council responds to its changing risk profile.

This report is provided as part of the quarterly reporting mechanism to AC and is to note the progress of the Team's work as at 30 September 2022.

Appendix A(I) lists the audits completed, at draft stage or work in progress in the period to 30 September 2022, as well as the Audit Opinion given for each review. Completed internal audit assignments are given an 'overall Internal Audit Opinion rating, with '1' being the highest category of audit assurance and '4' the lowest. Audit Opinion definitions are summarised at Appendix A(II).

For those audits falling into the lower two categories of audit opinion, a summary is provided within this report and copies of the respective Internal Audit reports are provided to the Chair of the AC.

Follow up work is undertaken on all audits attracting the lowest two categories of audit opinion and on those concerns categorised as being Very High or High risk. This report also summarises the activity in regard to fraud and irregularities.

The work undertaken during the period contributes to informing the Head of Internal Audit's annual overall opinion on the Council's internal control, governance and risk framework, as required under the Public Sector Internal Audit Standards.

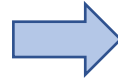


## Internal Audit and Investigation Plan Status as at 30 September 2022

**Appendix A(I)** shows the Internal Audit and Investigation Work Plan status as at 30 September 2022. This details audits finalised, at draft report stage or in progress. In addition, the overall category of Audit Opinion given for each audit. Where audits have received the lower two categories of Audit Opinion (refer Appendix A(II) for definitions), a summary is provided within the Progress Report and a full copy of the respective reports is provided to the Chair of the Audit Committee.

As part of the annual Internal Audit and Investigation Plan, we aim to cover a number of Key Corporate Risks to the Council each year. The table opposite details all of the Councils Key Corporate Risks (as at 30 September 2022) and highlights progress on approved to be audited during the year. The aim is that there is a link of the Internal Audit work directly into the Corporate Risk Register (CRR). This will build over time. There is also flexibility in the Internal Audit Plan to reflect new risks coming into the CRR and those being reduced in risk status or removed from the CRR.

The results of follow up activity are also included within this report and also any audits where there are outstanding responses from management to draft reports. We are currently on track to deliver the revised 2022/23 Internal Audit and Investigation Plan.



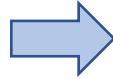
### Key Corporate Risks Audited During Reporting Period

Ref	Risks as at 30 <sup>th</sup> September 2022	Audit in 2022/23
1	Budget & Financial Resilience - Financial Management - Review of Self-Assessment against the CIPFA Financial Management Code	Q3 – in progress Programmed for Q4
2	Corporate Governance	Ongoing through Statutory Officer's Group and results from LGA Peer Review
3	Workforce	
4	Uncontrolled Development (Local Plan Update)	
5	Education for Children with SEND	Deferred to 2023/24 due to Safety Valve review and as part of In-Year Review of Plan
6	Failure to meet statutory duties	CS Assurance Mapping
7	ASC Supplier Sustainability and Sufficiency	
8	Climate Emergency	Review of Governance arrangements completed.
9	Information Governance & Cyber Security	Review of Corporate Self-Assessment against best practice
10	Major Emergency Response e.g., Pandemic	
11	High Needs Block overspend	Deferred to 2023/24 as part of In-Year Review of Plan
12	Health & Social Care Reform	
13	Adult Safeguarding	Audit completed
14	Children's Safeguarding	
15	Inward migration	
16	Public Transport	
17	Education Provision Mainstream	
18	Electoral Reform	

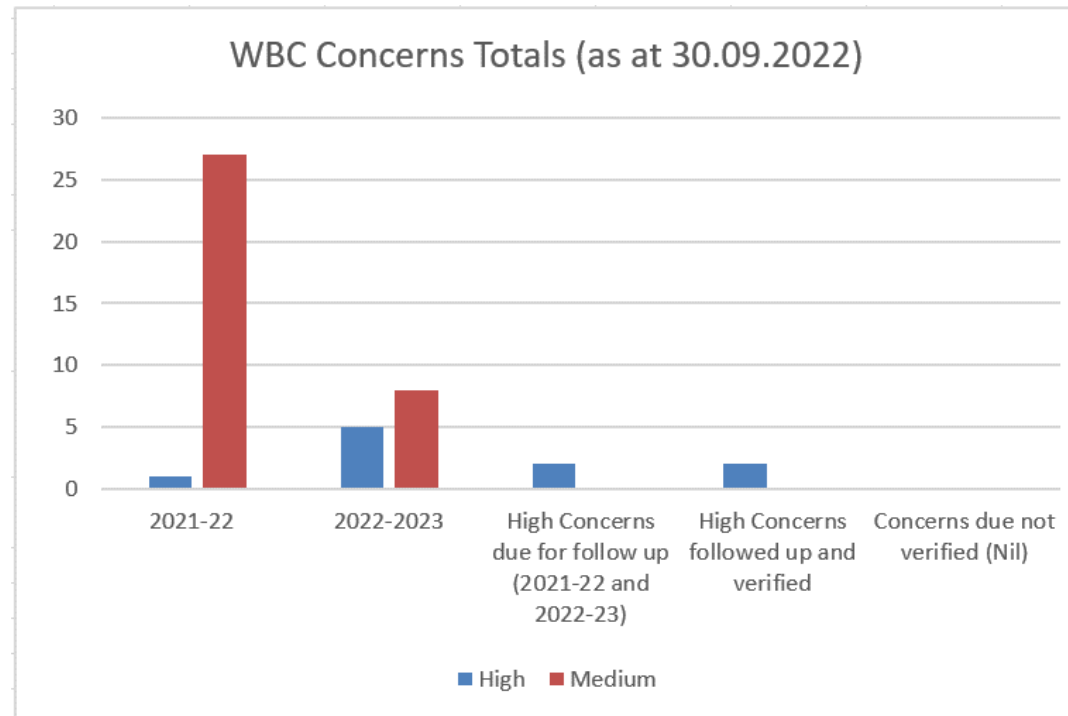
## Follow Up Activity

An Action Tracker is maintained to record all High and Medium concerns identified during our audit reviews. Low risk concerns are reported to management verbally at the exit meeting. The Action Tracker is shared with the Chair of the Audit Committee.

The graph opposite and table below show total concerns and follow up activity for High-Risk concerns. At the time of reporting, all high-risk concerns due to be followed up have been confirmed and verified as being actioned by their due date with evidence to support this.



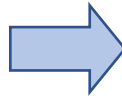
### High Risk Concerns Follow Up



	High	Medium
2021-22	1	27
2022-2023	5	8
High Concerns due for follow up (2021-22 and 2022-23)	2	
High Concerns followed up and verified	2	
Concerns due not verified	0	

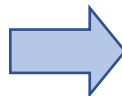
## Follow Up Activity

The table opposite shows the total number of High and Medium concerns in 2021-22 and 2022-23 and their status of Open or Closed.



Open / Closed Concerns		
Risk	Overdue	Total
High	Open / Not yet due	4
	Closed	2
High Total		6
Medium	N/A - Closed	35
Medium Total		35
Grand Total		41

The table opposite shows the total number of High and Medium actions, the number of new audit actions raised since the last AC, and the number of High-risk concerns that were Open and Overdue compared to the Previous Quarter. There were no Overdue High-risk concerns.



	Audit Committee 28/09/2022 (Q1)	New audit actions	Audit actions closed	Audit Committee 30/11/22 (Q2)
Total actions	27	14	-	41
High	1	5	-	6
Medium	26	9	-	35
Total open actions (High Concerns)	1	5	2	4
Overdue	0	0	0	0
Not yet due	1	4	2	4

## Category 3 / 4 Audit Opinions

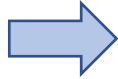
For reporting to Audit Committee, we provide a summary of audits falling into the lowest two categories of Audit Opinion. Directors help inform the Audit Plan and, as part of that, ask Internal Audit to focus on areas that require more intense scrutiny to help them make improvement. Where audits do fall into the lower two categories of Audit Opinion this may be a reflection of the Audit Plan being targeted at the highest risk areas.

Full copies of audits falling into the Category 3 or 4 Audit Opinion are provided to the Chair of the Audit Committee. In the year to date, one audit (Debtors), has attracted the third category of audit opinion and was reported at the last AC. There are no new audits finalised in Quarter 2 that attracted the third or fourth category of Audit Opinion.

## Fraud and Irregularities

The Internal Audit and Investigation Plan includes provision for undertaking reactive and proactive investigations.

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

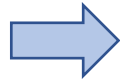


### Anti-Fraud Activities

**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 bi-annual upload of data for the NFI has taken place and the data matches have largely been investigated. The initial results from the 2021/22 Work Programme were reported in the 2021/22 Annual Internal Audit and Investigation Report. Updated information has identified that there were no issues raised for the Payroll matches. For the Creditors matches, possible duplicate payments were identified and are being investigated by the Accounts Payable Team. There were no other issues identified in the Creditor matches.

**Pro-active Exercises - Empty Property Relief** - During the second quarter, an exercise to investigate Council Tax Empty Property Relief was undertaken. The number of letters sent out for the empty property review was 413 with 354 (86%) returned, of which 165 (47%) of these reported changes in circumstances. Where there were no returns, all properties were visited, resulting in a 100% check. 75% of those cases where a visit took place, resulted in changes. It should be noted that the properties identified in the Council Tax Empty Property Relief exercise as occupied that were previously shown as unoccupied feed into the New Homes Bonus Scheme formula and may result in extra income into the Council through liable charges being raised for previous Council Tax liability.

Contd./...



**Anti-Fraud Activities**

**Covid grant post payment assurance work** - Evidence has been obtained and submitted to the Department for Business, Energy and Industry Strategy (BEIS) in accordance with the requirements of Covid grant conditions for various Covid business grants paid as follows: -

- Additional Restrictions Covid-19 Business Grant Scheme
- Omicron Hospitality & Leisure Covid-19 Business Grant Scheme
- Local restrictions support Grant (LRSG) Closed Addendum – November Grant Scheme
- LRSG – Closed Addendum – 5<sup>th</sup> January Onwards Grant Scheme
- Closed Business Lockdown Grant Scheme
- LRSG (Closed) Addendum Tier 4 Grant Scheme
- Restart Grant Scheme

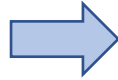
In addition, all fraud risk assessments have been completed and returned to BEIS by the required deadline.

**Police Data Protection Act (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. As at 30<sup>th</sup> September, 16 DPA requests have been received, completed and returned.

**Freedom of Information 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. There were 3 FOI requests received and responded to in Quarter 2.

## Regulation of Investigatory Powers Act Inspection

Between August and October 2022, the Council received an inspection by the Investigatory Powers Commissioner's Office (IPCO) in respect of its use of the Regulation of Investigatory Powers Act. Opposite is a summary of the Inspector's findings.



### Summary of Regulation of Investigatory Powers Act (RIPA) Inspection findings: -

The Council demonstrated a level of compliance that removes, for the present, the requirement for a physical inspection.

Authorising Officer refresher training was found to be up to date.

The Council's RIPA Policy and Procedures documents were found to be comprehensive and have been updated in line with the recommendations from the previous Inspection.

In accordance with paragraph 4.47 of the Covert Surveillance and Property Interference Code of Practice, the Elected Members are provided with quarterly updates on RIPA activity (or inactivity).

There were only two areas for improvement identified: -

- 1) Open-source record sheets (for use with Internet research) to be promulgated more widely to other regulatory or enforcement teams across the Council.
- 2) The RIPA Procedures document to be updated to include specific guidance in relation to the destruction of RIPA material.

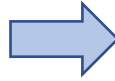
It was suggested that consideration be given to the Assistant Director Governance replacing the Chief Executive Officer as the Senior Responsible Officer (SRO) in terms of practicalities.

Thanks were given to the Head of Internal Audit and Investigation and Assistant Director Governance for providing comprehensive background reading in advance of the inspection and making themselves available for interview.

## Public Sector Internal Audit Standards

The Public Sector Internal Audit Standards (PSIAS), as revised in April 2017, define the service and professional standards for public sector internal audit services.

Compliance is monitored on a regular basis, as part of the review process for individual audits and as part of annual self-assessment reviews of the internal audit service. An external review of the service is required to be undertaken every five years in accordance with the PSIAS.



### Compliance with Public Sector Internal Audit Standards

The PSIAS, as revised in April 2017, define the service and professional standards for public sector internal audit services.

Key, specific PSIAS provisions include:

PSIAS: 2010 - *“The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.”*

PSIAS: 2450 – *“The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.”*

The Internal Audit Service is designed to conform to the PSIAS. Under the PSIAS there is a requirement for internal audit services to have an external quality assessment every five years. The last external review was undertaken in 2018, with an ongoing self-assessment exercise being undertaken annually. A further external review of the Service against the PSIAS is planned for early 2023/24.



## 2022/23 WBC Internal Audit and Investigation Plan - Quarter 2 Status as at 30 September 2022

**Key Financial Systems**

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

**Key Corporate Risks**

<b>Audit title</b>	<b>Directorate</b>	<b>Status</b>	<b>Final audit report opinion</b>
Information Governance & Cyber Security – Self Assessment of Council's Arrangements (Advisory)	Communities, Insights & Change	Draft (Awaiting final sign off by Senior Management)	

**Key Operational Risks**

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

**Servicing the Business**

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

**Grant Certifications**

<b>Audit title</b>	<b>Directorate</b>	<b>Status</b>	<b>Final audit report opinion</b>
Protect & Vaccinate	Adult Services	Certified	n/a
Supporting Families (Quarter 1 & 2)	Children's Services	Certified	n/a
Homelessness Prevention	Place & Growth	Certified	n/a
DfT Transport Capital Grant	Place & Growth	Certified	n/a
Rough Sleeping Accommodation Programme	Place & Growth	Certified	n/a
Disabled Facilities Grant	Adult Services	WIP	
Covid Grants – Post Payment Assurance Checks	Resources & Assets		
<ul style="list-style-type: none"> <li>• Additional Restrictions Covid-19 Business Grant Scheme</li> <li>• Omicron Hospitality &amp; Leisure Covid-19 Business Grant Scheme</li> <li>• Local restrictions support Grant (LRSG) Closed Addendum – November Grant Scheme</li> <li>• LRSG – Closed Addendum – 5<sup>th</sup> January Onwards Grant Scheme</li> <li>• Closed Business Lockdown Grant Scheme</li> <li>• LRSG (Closed) Addendum Tier 4 Grant Scheme</li> <li>• Restart Grant Scheme</li> </ul>		Certified Certified Certified  Certified Certified Certified Certified	n/a n/a n/a  n/a n/a n/a n/a

**Contingency/Consultancy/Management Requests**

<b>Audit title</b>	<b>Directorate</b>	<b>Status</b>	<b>Final audit report opinion</b>
S106 Agreements	Place & Growth	Draft	

**Investigations**

<b>Audit title</b>	<b>Directorate</b>	<b>Status</b>	<b>Final audit report opinion</b>
National Fraud Initiative Data Matching Exercise	Cross Cutting	WIP	Results in main report
Empty Property Relief	Resources & Assets	Completed	Results in main report
Whistleblowing Preliminary Investigation	Adults	Completed preliminary investigation. Passed to Directorate - completed	n/a
Revenues & Benefits Fraud Awareness Training	Resources & Assets	Completed	n/a
Regulation of Investigatory Powers Act – Policy and Procedures Refresh	Cross Cutting	Completed	n/a
Regulation of Investigatory Powers Act Training	Cross Cutting	Completed	n/a
Investigatory Powers Commissioners Office Inspection	Cross Cutting	Completed	IPCO Report received 15/11/22 - see Main Report
Police Disclosure of Personal Data Requests	Resources & Assets	Ongoing	n/a

**2021/22 Audits Completed in 2022/23**

<b>Audit title</b>	<b>Directorate</b>	<b>Status</b>	<b>Final audit report opinion</b>
Climate Emergency	Place & Growth	Final	2
Benefits & CTRS	Resources & Assets	Final	1
Reconciliation (Consultancy)	Resources & Assets	Draft*	
Public Protection Partnership Review (Advisory)	Place & Growth	Final	n/a
Recruitment & Safeguarding (Management Request)	Chief Executive	Draft	
Diversity & Equality Self-Assessment Verification	Cross Cutting	Final	n/a
Equality Data	Cross Cutting	Draft*	

- Finalised since this Progress Report was prepared

**Audit Opinions**

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

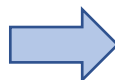
**Legend**

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

Audit Opinion Definitions

The Audit Opinion stated in the audit report provides management with a brief objective assessment of the status of current Treatment Measures which have been put in place to reduce identified risks to the operation or strategy under review. It is not a statement of fact.

In reaching the Audit Opinion for this audit, the majority of the criteria for the relevant definition apply.



**Complete and Effective**

- ♦ All necessary Treatment Measures are in place and are operating effectively.
- ♦ Residual risks have been reduced to an acceptable level
- ♦ There are no unacceptable financial implications.
- ♦ Concerns reported are minor.

(Risk management processes are strong, and controls are adequate and effective).

**Substantially Complete and Generally Effective**

- ♦ Most key Treatment Measures are in place, and these operate effectively.
- ♦ The majority of residual risks have been reduced to an acceptable level.
- ♦ There are minor unacceptable financial implications.
- ♦ The majority of concerns are of a predominately moderate impact/likelihood.

(Risk management processes are good, and controls are adequate although only partially effective).

**Range of Risk Mitigation Controls is incomplete, and risks are not effectively mitigated**

- ♦ Not all key Treatment Measures are in place and / or do not operate effectively
- ♦ Residual risks have not all been reduced to an acceptable level
- ♦ There are some unacceptable financial implications associated with more than one risk mitigation control or because of a lack of risk mitigation control.
- ♦ There are a number of concerns that are predominantly of a major impact/likelihood.

(Risk management processes and controls are adequate but not effective in mitigating the identified risks).

**There is no effective Risk Management process in place**

- ♦ There are no appropriate Treatment Measures in place.
- ♦ Residual risks remain at an unacceptable level
- ♦ Reported concerns are predominantly of a catastrophic or major impact/likelihood.

(Risk management processes and controls are weak).

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<b>TITLE</b>	<b>Annual Governance Statement 2021/22 - Update</b>
<b>FOR CONSIDERATION BY</b>	Audit Committee on 30 November 2022
<b>WARD</b>	None Specific
<b>LEAD OFFICER</b>	Chief Executive - Susan Parsonage

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

Provides assurance on the Council's governance arrangements including any areas where improvement is required.

## **RECOMMENDATION**

To note the update on the improvement actions arising from the 2021/22 Annual Governance Statement.

## **SUMMARY OF REPORT**

At its meeting of 27 July 2022, the Audit Committee recommended the signing of the 2021/22 Annual Governance Statement (as part of the 2021/22 Statement of Accounts) and asked that update reports be provided to the Audit Committee summarising progress in achieving the governance action plan on those areas identified as requiring action.

The AGS identified seven improvement actions to the Council's governance arrangements. Whilst none of the actions were due to be fully implemented at this stage, the report provides the latest (November 2022) position.

## **Background**

1. The annual review of the council's governance framework is required under the Accounts and Audit Regulations 2015 which state that "A relevant authority must ensure that it has a sound system of internal control" (Regulation 3) and "each financial year conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement" (Regulation 10).
2. The AGS is required to demonstrate that systems and processes are in place to ensure that council business is conducted lawfully and in accordance with proper standards and to identify areas where compliance could be improved.
3. The 2021/22 AGS was produced by the Corporate Leadership Team (CLT) in June 2022 and agreed at Audit Committee on 27 July 2022 prior to inclusion with the 2021/22 Statement of Accounts.

## Analysis of Issues

4. The AGS included seven improvement actions. The action plan is presented at appendix 1.
5. With regards to the Human Resources (HR) actions, although there is work to do, considerable progress has been made in this area over the past few months. This includes recruitment of a permanent Assistant Director of Human Resources/Organisational Development, the formulation of a new HR target operating model designed to sure up our HR practices and enhance our approach, particularly with regards to organisational development.. Recruitment to the new model is underway and includes short term additional capacity to deliver on its objectives, already secured in the Medium Term Financial Plan (MTFP) process. Furthermore, considerable work has been progressed on designing a dedicated Workforce Programme which includes development of a People Strategy, development of a consistent HR offer and areas of opportunity such as Employee brand and modernisation of recruitment.

## FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

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

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

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

Good governance leads to good management, good performance and good stewardship of public money, good public engagement and ultimately good outcomes for residents and service users. However, there are costs associated with embedding and continuing good governance practices, and as the Council's organisational structures develop, the costs associated with governance need to be monitored to ensure they remain proportionate.

### Cross-Council Implications

Achieving good governance impacts all aspects of the Council's services.

### Public Sector Equality Duty

The Equality Act 2010 places a statutory duty on the council to ensure that when considering any new or reviewed strategy, policy, plan, project, service or procedure the impacts on particular groups, including those within the workforce and customer/public groups, have been considered. This report is a non decision-making report providing an overview of the Council's Governance arrangements.



**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***

This is an update report which has no direct implications to the Council priority of climate emergency.

**Reasons for considering the report in Part 2**

No applicable

**List of Background Papers**

CIPFA/SOLACE Delivering Good Governance in Local Government – Framework  
Annual Governance Statement 2021/22

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<b>Telephone No</b> Tel: 07747 777298	<b>Email</b> andrew.moulton@wokingham.gov.uk

## Appendix 1 – 2021/22 Action Plan

### November 2022 Update

No.	Area of Focus	Action	Who	Timescale	November 2022 Update
1	Constitution – Member/Officer protocol	Review and update protocol supported by training for members and officers.	Assistant Director Governance (Monitoring Officer)	December 2022	Officers have been briefed at ECLT and have commissioned the LGA to deliver political awareness training for officers in November and December where the roles of Members and Officers will be a key element of the training. The Standards Committee in January will be considering proposed updates to the Member/Officer protocol.
2	Electoral Arrangements	Support the Local Government Boundary Commission for England’s electoral review of Wokingham Borough.	Assistant Director Governance (Monitoring Officer)	March 2023	<p>The new arrangements will come into effect from May 2024.</p> <p>The Boundary Commission has confirmed the number of WBC councillors at 54.</p> <p>Council on 20 October agreed its proposals on future warding arrangements.</p> <p>On 7 February 2023, the Boundary Commission is due to publish for consultation its proposals on warding arrangements taking into</p>

					account submissions from WBC and others.
3	Overview & Scrutiny function	Implement recommendations of Centre for Governance & Scrutiny's review of current arrangements.	Assistant Director Governance (Monitoring Officer)	May 2023	The Centre for Public Scrutiny have undertaken a review and made recommendations to take forward Scrutiny. Officers are working with the Chairs of the Scrutiny Committees to formulate an action plan.
4	Risk management	Continue to review the identification and mitigation of key corporate risks with Audit Committee oversight and review quarterly.	Assistant Director Governance (Monitoring Officer)	Sept 2022 Nov 2022 Feb 2023	Executive approved the Council's refreshed Risk Management Policy and Guidance in September. Following this all Members and Directors and Assistant Directors reminded of their roles and responsibilities. Risk Management Training for Members was delivered on the 21 <sup>st</sup> November. The Corporate Risk Register continues to be reviewed quarterly by the Audit Committee.
5	Workforce	Development of key improvement themes linked to an overarching workforce programme.	Assistant Director HR	March 2023	The Council recognises the importance of investing in its people, and so has created a specific programme as part of its Organisational Foundations work. The Workforce Programme entails a number of workstreams which will address the

					challenges the Council faces in relation to people management. A people strategy will be developed which covers all aspects of the employee lifecycle and will lead to plans to address candidate attraction challenges, employee retention, reward and employee development, in addition to reviewing employment policies and creating a high functioning Human Resources service. The programme is sponsored by the Director of Adult Services and there is a strategic business case that supports the programme. A new HR structure is now agreed, and the new Assistant Director for HR & OD took up post on the 10th November.
6	Member Development & training	Introduce new development and training programme based on LGA charter scheme.	Assistant Director Governance (Monitoring Officer)	March 2023	New Members received induction training and we are collating feedback to review the rest of the training programme for members. The Council has implemented its Members Equality Learning Programme.
7	CIPFA Code of Financial Management	Undertake assurance review to confirm compliance.	Assistant Director Finance	March 2023	A self-assessment against the CIPFA Code of Financial Management is scheduled to be

					presented to Audit Committee on 1 February 2023 with assurance provided by Internal Audit.
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## WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
<b>Wednesday 1 February 2023</b>	1.	Corporate Risk Register Update	<b>Graham Ebers, Deputy Chief Executive</b>
	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)	<b>EY</b>
	5.	EY – Auditor's Annual Report 2021/22 (or July 2023)	<b>EY</b>
	6.	Treasury Management Strategy 2023/24	<b>Graham Ebers, Deputy Chief Executive</b>
	7.	Statement of Accounts	<b>Graham Ebers, Deputy Chief Executive</b>
	8.	Ernst & Young – Audit results report 2021/22	<b>EY</b>
	9.	CIPFA Financial Code	<b>Graham Ebers, Deputy Chief Executive</b>
	10.	Effectiveness review Audit Committee	<b>Graham Ebers, Deputy Chief Executive</b>
	11.	Compliments and complaints	<b>Customer Services</b>

To be scheduled – Fraud policies review

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