

Wokingham Borough
Council
Audit results report

Year ended 31 March 2017

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Private and Confidential

11 September 2017

Dear Audit Committee Members

We have substantially completed our audit of Wokingham Borough Council (the Council) for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Appendix 3, before the statutory deadline of 30 September 2017. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

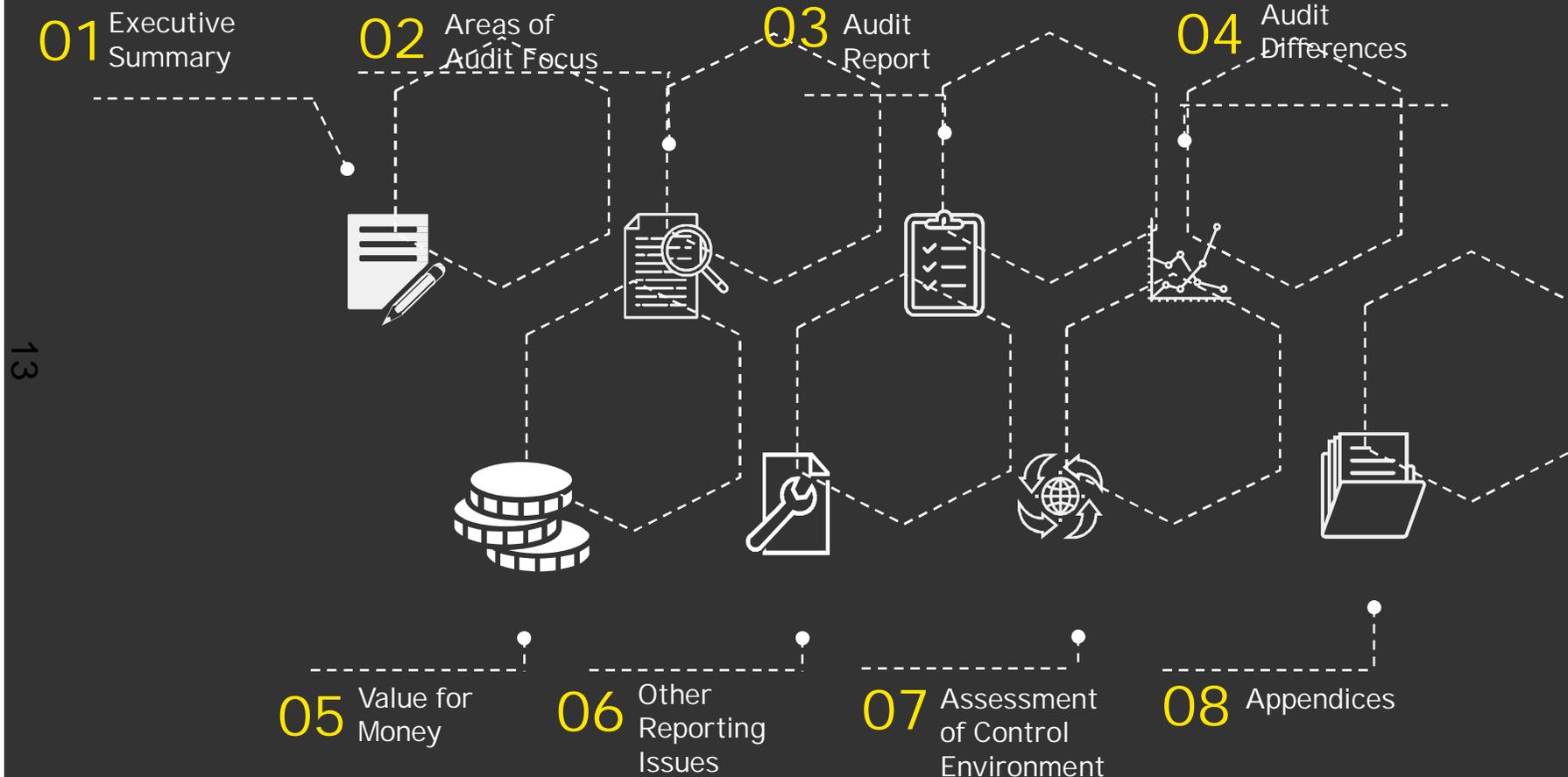
Yours faithfully

Helen Thompson
Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (www.PSAA.co.uk).

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

The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature..

This report is made solely to the Audit Committee, other members of the Authority and management of Wokingham Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, other members of the Authority and management of Wokingham Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, other members of the Authority and management of Wokingham Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



01 Executive Summary



Executive Summary

Overview of the audit

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Scope and materiality

In our Audit Plan presented to the 8 February 2017 Audit Committee meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £6.494 million. We reassessed this using the actual year-end figures, which decreased this amount to £6.395 million. The threshold for reporting audit differences has decreased from £325,000 to £320,000. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross revenue expenditure.

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

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

Status of the audit

We have substantially completed our audit of Wokingham Borough Council's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Appendix 3. However until work is complete, further amendments may arise:

- completion of outstanding work on property valuations
- completion of outstanding work on Better Care Fund
- review of the final version of the financial statements
- completion of subsequent events review
- receipt of the signed management representation letter
- completion of review of AGS



Executive Summary

Executive summary (continued)

Status of the audit (continued)

We expect to issue the audit certificate at the same time as the audit opinion.

Audit differences

There are currently no unadjusted audit differences arising from our audit.

We have also identified a number of audit differences which have been adjusted by management. Details can be found in Section 4 Audit Differences.

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Executive Summary

Executive summary (continued)

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Wokingham Borough Council's financial statements. This report sets out our observations and conclusions, and we summarise our consideration of these in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues.
- You agree with the resolution of the issue.
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we did not identify a significant risk in relation to these arrangements.

We have updated our assessment of risk at year end and we have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



Executive Summary

Executive summary (continued)

Other reporting issues

We are in the process of reviewing the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no significant matters to report as a result of this work.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We noted that Wokingham Borough Council is under the reporting threshold for the completion of detailed testing.

We noted as part of the audit that the Council failed to comply with the requirements of the Local Audit and Accountability Act 2015 Period of Public Inspection Notice. The regulations state that the period for public inspection notice must include the first 10 working days of July 2017. This was not achieved but the Council did achieve the requirement that the audit should be advertised for a period of 30 working days.

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Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Independence

Please refer to Appendix B for our update on Independence.





02 Areas of Audit Focus



Audit issues and approach: Management Override

Management override

Significant Risk

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What is the risk?

Risk of management override

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override. We therefore review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

What did we do?

- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- We reviewed accounting estimates for evidence of management bias; and
- We evaluated the business rationale for any significant unusual transactions.
- We evaluated the appropriateness of accounting policies against Code guidance and for changes from the prior period.
- We reviewed the postings in the Movement in Reserves Statement (MIRS) to ensure that all adjustments between the General Fund and HRA were appropriately accounted for.

What are our conclusions?

We have not identified any evidence of management override. We did not identify any errors in the financial statements or indications of fraud.

We did not identify any inappropriate journal entries (or other adjustments) that impacted on the financial statements.

We have not identified any instances of inappropriate judgements being applied in making estimates.

We did not identify any transactions during our audit which appeared unusual or outside the Council's normal course of business.

We did not identify any inappropriate changes to accounting policies or deviations from Code guidance.

We did not identify any issues in respect of our work on the MIRS.



Areas of Audit Focus

Audit issues and approach: Expenditure and Funding Analysis

Expenditure and Funding Analysis and Comprehensive Income and Expenditure Statement

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 Other non-significant Risk

What is the risk?

Amendments were made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) this year changing the way the financial statements are presented.

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The Code no longer requires statements or notes to be prepared in accordance with Service Reporting Code of Practice. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Council's segmental analysis.

This change in the Code required a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made. In past years we have observed, and the Council has recognised, that the process for generating the financial statements from the ledger is complex. This change in reporting requirement could provide an opportunity to streamline this process which could reduce the time taken to produce the financial statements moving forward.

What did we do?

We reviewed the Expenditure and Funding Analysis, CIES and new notes to ensure disclosures are in line with the Code.

We reviewed the working papers supporting the derivation of these figures, and how the ledger system has been re-mapped to reflect the Council's organisational structure.

We agreed the restated comparative figures back to the Council's segmental analysis, supporting working papers and ledger.

What are our conclusions?

Our work in this area is complete.

The disclosures made were in line with the Code.

We have reviewed the working papers supporting the derivation of these figures, and how the ledger system has been re-mapped to reflect the Council's organisational structure. We have no matters to report.

We have agreed the restated comparative figures back to the Council's supporting working papers and ledger.



Audit issues and approach: Private Finance Initiative (PFI)

PFI – Accounting Models Review

 Other non-significant Risk

What is the risk?

The PFI Accounting Models produce a number of material balances within the financial statements. We plan to undertake a number of specific procedures to provide assurance that the accounting models produce materially correct information in the Council's accounts.

What did we do?

We:

- ▶ Used one of EY's PFI experts to review the accounting model and contract on which entries in the financial statements are based. The PFI expert used an internally created tool to simulate the entries within the model
- ▶ Reviewed the accounting entries in the financial statements to ensure they agree to the accounting model.

What are our conclusions?

We did not identify any material differences between the figures being posted from the PFI model and the figures which were obtained from the internally generated model.



Audit issues and approach: Reliance on experts

Reliance on experts

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Reliance on experts highlighted in the Audit Plan

We identified three major areas in our Audit Plan where we intended to place reliance on experts: Pensions Valuation, Property Valuation and the Private Finance Initiative (PFI).

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

We have also considered the work performed by the specialists in light of our knowledge of Wokingham Borough Council's environment and processes and our assessment of audit risk in the particular area. As part of this work we have performed the following procedures:

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

We set out our findings in relation to the two specialists we have relied on below:

Pension disclosures:

We have assessed and are satisfied with the competency and objectivity of the Wokingham Borough Council actuary: Barnett Waddingham. EY Pensions team and PwC (Consulting Actuary to the NAO) have reviewed the work of the actuaries. We challenged the significant movement in the actuarial valuation and found no indication of management bias in this estimate. We have noted that PwC as part of their central review have reported that the discount rate applied by Barnett Waddingham falls outside the top end of their expected range. Our EY pensions team agree with this conclusion. In respect of Barnett Waddingham we conclude that the methodologies used to derive the discount rate and RPI inflation assumptions are not robust as they do not take adequate account of the duration of the schemes liabilities. In future years this could lead to unacceptable assumptions.

Property valuations:

We have assessed and are satisfied with the competency and objectivity of the Wokingham Borough Council internal valuer.

We have undertaken appropriate audit procedures to verify and critically challenge the basis of valuation adopted by the valuer in relation to Wokingham Borough Council's property, plant and equipment focusing in particular on specialist assets which are valued on a depreciated replacement costs (DRC) basis as these valuations are often the most subjective and open to different interpretations.



Audit issues and approach: Reliance on experts

Reliance on experts

Reliance on experts highlighted in the Audit Plan

We asked our EY internal Property Valuation experts to assist us with providing assurance in this area. EY Property Valuations raised a number of questions of the internal valuer on key assumptions applied on DRC valuations. Key questions focused on 2 key areas:

1. Depreciation assumptions and useful life determination:

The review identified a number of key questions on the approach to depreciation and also the determination of useful lives. The internal valuer had assumed a useful life of the secondary school assets valued under DRC to be 80 years. EY Property Valuations challenged this assumption on the grounds that typically what they see across the industry is a useful life of 60 years. Further challenge was raised on the assumption that capital expenditure recently incurred extended the useful life of the asset to the extent determined by the valuer. Condition reports on the secondary schools, where available, were reviewed to support our work on this area.

Another key area of challenge and focus was on the depreciation methodology. The valuer had initially assumed that as much as 60% of the asset would not be depreciated on the basis that the school would always invest a certain amount to maintain a school at a functioning capacity – in this case 60%. This was challenged as being inconsistent with the principles of economic consumption and also on the grounds that one cannot assume future Capital Expenditure in such calculations.

The valuer subsequently revised the calculations to reflect the true cost of economic consumption and to remove the 60% assumption. Revised figures were subsequently calculated and these were adjusted in the financial statements and the fixed asset register. The revised valuations were subsequently tested by EY Property Valuations and found to be within an acceptable range, albeit at the upper end of that range. In respect of useful lives EY Property Valuations have suggested ongoing dialogue with the local audit engagement team.

2. Depreciated replacement cost % and basis:

The review of the assets valued in 2016/17 by depreciated replacement cost noted that the valuer was using a residential land value in respect of school playing fields when performing the calculations. EY Property Valuations challenged this on the grounds that typically what they saw being applied at other local government clients was an amenity value. Residential land replacement values are much higher than amenity values. The valuer explained that in the current market if Wokingham Borough Council wanted to purchase replacement land for the development of a school it would need to be purchased at the higher residential land rate and that the value he had applied was supported by recent transactions in the Wokingham area.



Audit issues and approach: Reliance on experts

Reliance on experts

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Reliance on experts highlighted in the Audit Plan

EY Property Valuations explained that the likely direction of travel in this area was that there would be some more prescriptive guidance coming through in the future from key regulatory bodies such as the Royal Institute of Chartered Surveyors (RICS) and the Chartered Institute of Public Finance Accountants (CIPFA). At present that guidance is not in place and therefore despite not being in agreement in respect of the methodology the conclusion reached was that this area would be kept under review until such time as any new guidance emerges. Senior officers at Wokingham Borough Council had no issue with the likely changes and committed to acting upon this when required to do so.

Private Finance Initiative (PFI):

The PFI was another area of audit focus included in our Audit Plan presented to the Audit Committee on 09 February 2017. Wokingham Borough Council is a partner in the W3 Waste PFI Partnership with Reading and Bracknell Councils which is due to run until 2031. Our internal expert used an internally developed model to assess the validity of the output of the PFI model into the financial statements. We did not identify any material differences from our review.



03 Audit Report



Audit Report

Draft audit report

Wokingham Borough Council Audit Report 2016-17

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WOKINGHAM BOROUGH COUNCIL

Opinion on Wokingham Borough Council's financial statements

We have audited the financial statements of Wokingham Borough Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Council and Group Movement in Reserves Statement; Council and Group Comprehensive Income and Expenditure Statement; Council and Group Balance Sheet; Council and Group Cash Flow Statement; and the related Notes 1 to 47; the Housing Revenue Account Income and Expenditure Statement; the Movement on the Housing Revenue Account Statement; and related notes 1 to 13; and the Collection Fund and the related notes 1 to 3.

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The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Wokingham Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Wokingham Borough Council and the Wokingham Borough Council members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Corporate Services and auditor

As explained more fully in the Statement of Responsibilities set out on page 12, the Director of Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



Audit Report

Draft audit report (continued)

Wokingham Borough Council Audit Report 2016-17

Our opinion on the financial statements

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Wokingham Borough Council and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Corporate Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts for the year ended 31 March 2017 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

28 Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Wokingham Borough Council and Group as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;



Audit Report

Draft audit report (continued)

Wokingham Borough Council Audit Report 2016-17

Our opinion on the financial statements

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

29 Conclusion on Wokingham Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources *Authority's responsibilities*

Wokingham Borough Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that Wokingham Borough Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that Wokingham Borough Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of Wokingham Borough Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Audit Report

Draft audit report (continued)

Wokingham Borough Council Audit Report 2016-17

Our opinion on the financial statements

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2016, as to whether Wokingham Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Wokingham Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Wokingham Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2016, we are satisfied that, in all significant respects, Wokingham Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.



Audit Report

Draft audit report (continued)

Wokingham Borough Council Audit Report 2016-17

Our opinion on the financial statements

Certificate

We certify that we have completed the audit of the accounts of Wokingham Borough Council and Group in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

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Helen Thompson (senior statutory auditor)

for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton
xx September 2017

The maintenance and integrity of Wokingham Borough Council's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



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04 Audit Differences





Audit Differences

Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We have included all known amounts greater than £4.797 million relating to Wokingham Borough Council in our summary of misstatements table below.

We highlight the following misstatements in the financial statements or disclosures identified during the audit. These have been corrected by management:

- A £16.121 million adjustment in respect of the Schools Block figure. It was discovered that the expenditure and income figure were both understated by this amount. The net impact on the bottom line was therefore nil.
- An adjustment was needed to correct the disclosure in Note 46 (Investment in Companies) in respect of one of the Wokingham Borough Council component entities - Wokingham Housing Limited. Turnover was originally disclosed as £645,000. Upon review of the Group consolidation schedule it was discovered that the correct figure should have been £11.795 million. This is a disclosure amendment only and had no impact on the primary statements.
- We identified 2 material errors error in Note 36 (Financial Instruments) in respect of Current Investments and Long-Term Debtors. In the draft financial statements this had been disclosed in Note 36 as £65.815 million and £0 respectively. This was found to be inconsistent with the Current Investments and Long-Term Debtors on the Balance Sheet. The correct figures should have been £41.077 million and £12.107 million respectively. These are disclosure amendments only and have no impact on the primary statements.
- As part of our audit of Note 16 (Related Party Transactions) we requested additional disclosure in respect of the payments to local council bodies. The total value of this additional disclosure was £12.274 million. We noted that 10 members had declared interests in respect of these bodies. This is a disclosure amendment only and had no impact on the Primary statements.

There currently are no uncorrected misstatements.

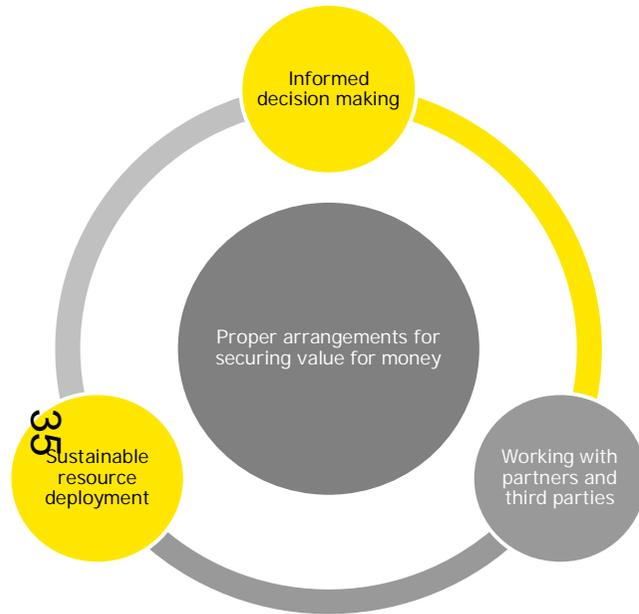


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05 Value for Money



Value for Money



Overall conclusion

We did not identify any significant risks in relation to the proper arrangements. We have updated our planning risk assessment, and we did not identify any change to our initial risk assessment.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

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

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.



Value for Money

VFM risks

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined as:

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

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

We did not identify a VFM significant risk.

We noted the following issues as part of our audit

Wokingham Borough Council continues to operate in a financially challenged environment. Core Government funding via key grants has reduced significantly in recent years. We note for example that the core revenue support grant reduced 50% year on year when compared with 2015/16. As a result the Council has to plan to operate differently than they have done in the past. Future sustainability is a key theme.

We noted as part of our work on the audit that the financial sustainability of the Council in respect of usable reserves improved in year. Usable reserves (General Fund and Earmarked Reserves) as a total increased in year from £44 million to £55 million. This gives the Council a degree of certainty in uncertain times. Short-term investments including cash and cash equivalents remained stable year on year at approximately £40 million. Other key items on the Balance Sheet included the increase in the borrowing position as a result of additional loans entered into in year of £18 million to support the capital programme.

To adapt to the changing local government environment and continued reductions in central Government funding the Council is looking at how best to adapt to a less certain financial environment. One of the areas that the Council is currently involved in as a response to this is a wholesale workplace change programme – 21st Century Council. 21st Century Council is a phased change programme with Phase 1 having been implemented in the summer of 2017 and Phase 2 scheduled for the autumn of 2017. In addition to the savings to be delivered from the programme 21st Century Council also aims to fundamentally change the working arrangements across the council. Given the wholesale nature of the changes we will continue to monitor the ongoing delivery and progress of 21st Century Council in future years as part of our VFM work.

Another area in which Wokingham Borough Council is actively engaged in in responding to future financial uncertainty is additional income generation. As a result the Council is currently involved in a large scale capital programme including the Town Centre Regeneration programme.

The next few years will undoubtedly bring further challenges including, but not limited to, a further reduction in core Government grants such as the revenue support grant and new homes bonus as well as further continued pressures on areas of income previously classed as significant. Other challenges and uncertainty include the proposed retention of NDR. Recent performance has highlighted that the Council continues to respond well to the challenges it faces and will need to apply such an aptitude in the coming years as well. The Corporate Risk Register details those risks with clearer evidence that the Risk Register being used effectively to manage the risk environment in which the Council operates.



06 Other reporting issues



Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2016/17 with the audited financial statements.

Financial information in the Statement of Accounts 2016/17 and published with the financial statements was consistent with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no significant matters to report. We asked officers to make one adjustment that is not significant.

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Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

Wokingham Borough Council was under the threshold for detailed testing, and we were not required to complete any detailed work.



Other reporting issues

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

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

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits.

We have no significant matters to report.



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Assessment of Control Environment



Assessment of Control Environment

Assessment of control environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We have noted a number of findings in respect of our work on PPE revaluations at *Section 2 Reliance on Experts*

We noted as part of the audit that the Council failed to comply with the requirements of the Local Audit and Accountability Act 2015 Period of Public Inspection Notice. The regulations state that the period for public inspection notice must include the first 10 working days of July 2017. This was not achieved but the Council did achieve the requirement that the audit should be advertised for a period of 30 working days.



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08 Appendices



Appendix A

Required communications with the Audit Committee

There are certain communications that we must provide to the audit committees of UK clients. We have done this by:

| | |  Our Reporting to you |
|-------------------------------------|---|---|
| Required communications |  What is reported? |  When and where |
| Terms of engagement | Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties. | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. |
| Planning and audit approach 43 | Communication of the planned scope and timing of the audit, including any limitations. | Audit Plan presented to the Audit Committee on 8 February 2017 |
| Significant findings from the audit | <ul style="list-style-type: none"> • Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Any significant difficulties encountered during the audit • Any significant matters arising from the audit that were discussed with management • Written representations we have requested • Expected modifications to the audit report • Any other matters significant to overseeing the financial reporting process • Findings and issues around the opening balance on initial audits (delete if not an initial audit) | Audit Results Report presented to the Audit Committee on 26 September 2017 |
| Going concern | <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements | No conditions or events were identified, either individually or together to raise any doubt about Wokingham Borough Council's ability to continue for the 12 months from the date of our report |



Appendix A



Our Reporting to you



When and where

| Required communications | What is reported? | When and where |
|-------------------------|---|---|
| Misstatements | <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Significant corrected misstatements, in writing | Audit Results Report presented to the Audit Committee on 26 September 2017 |
| Fraud 44 | <ul style="list-style-type: none"> ▶ Asking the Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▶ A discussion of any other matters related to fraud, relevant to Audit Committee responsibility. | We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit. |
| Related parties | Significant matters arising during the audit in connection with the Authority's related parties including, where applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and/or regulations ▶ Difficulty in identifying the party that ultimately controls the entity | We have no significant matters to report. We did note however that a number of the related party disclosures had not been received. We would encourage all members to return these disclosures. |
| Subsequent events | <ul style="list-style-type: none"> ▶ Where appropriate, asking the audit committee whether any subsequent events have occurred that might affect the financial statements. | We have asked management and those charged with governance. We have no matters to report. |
| Other information | <ul style="list-style-type: none"> ▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. | We have no matters to report. |
| External confirmations | <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ We were unable to obtain relevant and reliable audit evidence from other procedures. | We have received all requested confirmations. |



Appendix A

| | | Our Reporting to you |
|---|--|---|
| Required communications | What is reported? | When and where |
| Consideration of laws and/or regulations | <ul style="list-style-type: none"> ▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on “tipping off” ▶ Asking the audit committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the audit committee. | We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations. |
| Significant deficiencies in internal controls identified during the audit | <ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. | Audit Results Report presented to the Audit Committee on 26 September 2017. |
| Group Audits 45 | <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the group audit team’s planned involvement in the component auditors’ work on the financial information of significant components ▶ Instances where the group audit team’s evaluation of a component auditor’s work of gave rise to a concern about its quality Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted ▶ Fraud or suspected fraud involving group or component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements. | <p>Audit Plan presented to the Audit Committee on 8 February 2017</p> <p>Audit Results Report presented to the Audit Committee on 26 September 2017</p> |
| Independence | <p>Communication of all significant facts and matters that have a bearing on EY’s objectivity and independence.</p> <p>Communicating key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information on the firm’s general policies and processes for maintaining objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,</p> | <p>Audit Plan presented to the Audit Committee on 8 February 2017</p> <p>Audit Results Report presented to the Audit Committee on 26 September 2017</p> |



Appendix A

| | |  Our Reporting to you |
|--------------------------------|---|---|
| Required communications |  What is reported? |   When and where |
| Fee Reporting | Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work | Audit Plan presented to the Audit Committee on 8 February 2017 Audit Results Report presented to the Audit Committee on 26 September 2017 |
| Certification work | Summary of certification work | Certification Report to be presented to the Audit Committee after the certification deadline of 30 November 2017 |



Independence

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We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 06 February 2017.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 26 September 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements in 2016/17.

| Description | Final Fee 2016/17 | Planned Fee 2016/17 | Scale Fee 2016/17 | Final Fee 2015/16 |
|-----------------------------|-------------------|---------------------|-------------------|-------------------|
| WBC Audit Fee - code work | £105,617 | £105,617 | £105,617 | £105,617 |
| Additional Fee* | TBC | £0 | £0 | £0 |
| Total Audit Fee - code work | TBC | £105,617 | £105,617 | £105,617 |

Additional Fee* We will assess the work completed in respect of Significant Risks at the end of the audit to establish if we need to charge an additional fee. If we do need to this will be discussed with senior officers and will also need to be approved by the Public Sector Audit Appointments (PSAA) Ltd.



Appendix C

Outstanding matters

The following items are outstanding at the date of this report:

| Item  | Actions to resolve  | Responsibility  |
|--|--|--|
| Completion of outstanding work on property valuations | EY Property valuations are concluding their review of the property valuations in respect of depreciated replacement cost assets. | EY and management |
| Completion of outstanding work on Better Care Fund | Receipt of Section 75 Agreements and testing | EY and management |
| Final review of audited financial statements | Final review of audited financial statements | EY and management |
| Management representation letter | Receipt of signed management representation letter | Management |
| Subsequent events review | Completion of subsequent events procedures to the date of signing the audit report | EY and management |
|  AGS Review | Completion of review of AGS against Code requirements | EY |



Accounting and regulatory update

Accounting update

Since the date of our last report to the Audit Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

| Name | Summary of key measures  | Impact on Wokingham Borough Council  |
|--|---|---|
| <p><i>IFRS 9 Financial Instruments</i></p> <p>49</p> | <p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> • How financial assets are classified and measured • How the impairment of financial assets are calculated • Financial hedge accounting • The disclosure requirements for financial assets. <ul style="list-style-type: none"> • Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact. | <p>Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> • Reclassify existing financial instrument assets • Remeasure and recalculate potential impairments of those assets; and • Prepare additional disclosure notes for material items <p>The Council is awaiting clarification of the exact requirements before investing time in the above work.</p> |



Appendix D

| | | |
|---|---|---|
| <p><i>IFRS 15 Revenue from Contracts with Customers</i></p> | <p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none">• Leases;• Financial instruments;• Insurance contracts; and• for local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <ul style="list-style-type: none">• There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be. | <p>As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to:</p> <ul style="list-style-type: none">• Disaggregate revenue into appropriate categories• Identify relevant performance obligations and allocate income to each• Summarise significant judgements <p>The Council is awaiting clarification of the exact requirements before investing time in the above work.</p> |
| <p><i>IFRS 16 Leases</i></p> | <p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p> | <p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p> <p>The Council is has yet to commence work in this area due to the timing of implementation.</p> |



Appendix D

Accounting and regulatory update (continued)

Regulatory update

Progress report on implementation of new standards and regulations

In previous reports to the Audit Committee, we highlighted the issue of new accounting standards and regulatory developments. The following table summarises progress on implementation:

| Name | Summary of key measures  | Impact on Wokingham Borough Council  |
|------|---|---|
|------|---|---|



Appendix D

Earlier deadline for production and audit of the financial statements from 2017/18

- The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.

These changes provide challenges for both the preparers and the auditors of the financial statements.

To prepare for this change the Council will need to take a number of steps as outlined below:

- Critically review and amend the closedown process to achieve draft accounts production by 31st May for 2017/18
- Bring forward the commissioning and production of key externally provided information such as IAS 19 pension information and asset valuations
- Provide training to departmental finance staff regarding the requirements and implications of earlier closedown
- Re-order tasks from year-end to monthly/quarterly timing, reducing year-end pressure
- Establish and agreed working materiality amounts with auditor

As auditors, nationally we have:

- Issued a thought piece on early closedown
- As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales
- Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017



Appendix D

Earlier deadline for production and audit of the financial statements from 2017/18

- The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.

Locally we have and will continue to:

- Together with the Council agree areas for early work which have in the past included testing of major income and expenditure streams at month 9, reviewing calculation and allocation of depreciation charges, discussing and agreeing material estimation procedures by March of each financial year
- Hold regular discussions through the year on the Council's proposals to bring forward the closedown timetable



Appendix E

Management representation letter

Wokingham Borough Council Management Letter of Rep 2016-17

Management Rep Letter

[To be prepared on the entity's letterhead]

26th September 2017

Ernst & Young

Wessex House
19 Threefield Lane
Southampton
SO14 3QB

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This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Wokingham Borough Council ("the Group and Council") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Wokingham Borough Council as of 31 March 2017 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.



Management representation letter

Wokingham Borough Council Management Letter of Rep 2016-17

Management Rep Letter

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 for the Group and Council that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.



Management representation letter

Wokingham Borough Council Management Letter of Rep 2016-17

Management Rep Letter

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the consolidated and council financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group or Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the consolidated or council financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the consolidated or council financial statements or otherwise affect the financial reporting of the Group or Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the consolidated and council financial statements.



Management representation letter

Wokingham Borough Council Management Letter of Rep 2016-17

Management Rep Letter

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.

3. We have made available to you all minutes of the meetings of the Council, Cabinet and Audit Committees held throughout the year to the most recent meeting on the following date: 26th September 2017.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.



Management representation letter

Wokingham Borough Council Management Letter of Rep 2016-17

Management Rep Letter

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 33 to the consolidated and council financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. Other than the events described in Note 43 to the financial statements, there have been no other events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement 2016/17.



Management representation letter

Wokingham Borough Council Management Letter of Rep 2016-17

Management Rep Letter

2. We confirm that the content contained within the other information is consistent with the financial statements.

H. SERCOP Re-statement

Comparative information – comparative financial statements

In connection with your audit of the comparative financial statements for the year ended 31st March 2107, we represent, to the best of our knowledge and belief, the following:

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1. The comparative amounts have been correctly restated to reflect the above matter and appropriate note disclosure of this restatement has also been included in the current year's financial statements.
2. There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the financial statements for the year ended 31st March 2017 are solely the result of reclassifications for comparative purposes.

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheets.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the consolidated and council financial statements.



Management representation letter

Wokingham Borough Council Management Letter of Rep 2016-17

Management Rep Letter

3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other line of credit arrangements.

J. Reserves

1. We have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

K. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated and council financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and council financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

- (1) Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the consolidated and council financial statements or as a basis for recording a loss contingency.



Management representation letter

Wokingham Borough Council Management Letter of Rep 2016-17

Management Rep Letter

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment and the pensions liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Estimates

Property, Plant and Equipment and Pension Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We confirm that the significant assumptions used in making the accounting estimate of property, plant and equipment and pensions appropriately reflect our intent and ability to carry out providing services on behalf of the entity.
3. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimates are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.



Appendix E

Management representation letter

Wokingham Borough Council Management Letter of Rep 2016-17

Management Rep Letter

4. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and council financial statements due to subsequent events.

N. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

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Yours faithfully,

Graham Ebers (Director of Corporate Resources)

Anthony Pollock (Chairman of the Audit Committee)

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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