



INTERNAL AUDIT REPORT (1706)

**Financial Resilience/Compliance  
with CIPFA Financial Management  
Code  
2022-23**

**Resources and Assets Directorate**

**Report Distribution**

| <b>Name</b>     | <b>Title</b>  |
|-----------------|---|
| Graham Cadle    | Assistant Director of Finance   |
| Andrew Moulton  | Assistant Director, Governance  |
| Graham Ebers    | Deputy Chief Executive & Director of Resources and Assets (Section 151 Officer) |
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**Auditor**

Sheldon Hall, Senior Auditor

**Report Approved by**

Catherine Hickman, Head of Internal Audit and Investigation

## 1. INTRODUCTION

1.1 This audit has been undertaken as part of the approved Annual Internal Audit Plan 2022/23, in accordance with the:

- Audit Charter
- Audit Protocol
- Agreed Terms of Reference previously issued

1.2 The format of this report is based on the Lean Systems Thinking Methodology. Management is therefore requested to specify and explain the countermeasure to the concerns raised, as detailed in the Management Action Plan.

## 2. EXECUTIVE SUMMARY & CONCLUSIONS

### AUDIT OPINION

Based upon our review of the controls in place for Financial Resilience/CIPFA Financial Management Code, we have concluded that controls are:

**Substantially Complete and Generally Effective**  
2nd highest out of 4 Audit Opinions

- 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).

2.1 The principal objective of this audit was to determine whether the self-assessment undertaken by the Assistant Director, Finance against the CIPFA Financial Management (FM) Code is reasonable, including supporting evidence.

2.2 The scope of this audit included:

- Providing assurances that actions, as detailed as a result of the self-assessment against the Assessed Level of Compliance with the CIPFA FM Code, based on a series of principles supported by specific standards which are considered necessary to provide strong foundation for financial management, are reasonable and appropriate and, where appropriate, are in the process of being implemented in accordance with the target dates.
- Verifying a sample of areas shown as compliant on the self-assessment against the assessed Level of Compliance with the CIPFA FM Code.

- 2.3 CIPFA's FM Code, and its supporting guidance notes, are not intended to be prescriptive in any way and all authorities are encouraged to use the notes in a way that best reflects their structure, type, function and size. Consequently, these guidance notes do not purport to set out the only way to comply with the requirements of the CIPFA FM Code. They seek simply to provide ideas and suggestions as to how local authorities might comply with the CIPFA FM Code and how they might demonstrate that compliance has been achieved. Ultimately though, it is for each local authority to ensure that it complies with the CIPFA FM Code in a way that is appropriate – and proportional – to its own circumstances. The authority's Chief Finance Officer must interpret the definition of what constitutes a robust and sustainable budget based on the circumstances of their own authority and should monitor income and expenditure throughout the year to make sure that the finances are on target, as required by the Local Government Finance Act 2003.
- 2.4 Authorities should be able to provide evidence that they have reviewed their financial management arrangements against the standards and that they have taken such action as may be necessary to comply with them.
- 2.5 This audit has identified that the actions identified as areas for improvement and areas for enhancement as part of the self-assessment are reasonable and that those areas sampled where no actions had been identified were verified to be correct, demonstrating current financial resilience. In addition, the audit has identified, through testing, other areas that can be added as areas for improvement (medium risk category) and areas for enhancement (low risk category).
- 2.6 There are 15 concerns identified in this Audit Report. There are no high-risk concerns and 9 are medium risk concerns. There were 6 low risk concerns that have been discussed with the relevant officers.
- 2.7 It is important to note that the concerns are raised in the spirit in which the CIPFA FM Code is written with the sole purpose to enhance the financial resilience standing of the council by strengthening appropriate governance, risk management and control measures. It is also important to note that to avoid duplication, the content included in the significant financial reports, such as the MTFP have not been extensively reviewed as this is a function of external audit.
- 2.8 There are sound mechanisms in place to ensure that the council complies with the principles of good financial management of; organisational leadership, accountability, transparency, adherence to professional standards, assurance and sustainability.
- 2.9 A follow up audit review has been included within the 2023/24 Internal Audit Plan to establish progress against the self-assessment and this report's action plans.

## Audit Opinion

*The 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.*

| AUDIT OPINION DEFINITIONS  |
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| <p><b>Complete and Effective</b></p> <ul style="list-style-type: none"><li>• All necessary Treatment Measures are in place and are operating effectively.</li><li>• Residual risks have been reduced to an acceptable level</li><li>• There are no unacceptable financial implications.</li><li>• Concerns reported are minor.</li></ul> <p>(Risk management processes are strong and controls are adequate and effective).</p>  |
| <p><b>Substantially Complete and Generally Effective</b></p> <ul style="list-style-type: none"><li>• Most key Treatment Measures are in place and these operate effectively.</li><li>• The majority of residual risks have been reduced to an acceptable level.</li><li>• There are minor unacceptable financial implications.</li><li>• The majority of concerns are of a predominately moderate impact/likelihood.</li></ul> <p>(Risk management processes are good and controls are adequate although only partially effective).</p>  |
| <p><b>Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated</b></p> <ul style="list-style-type: none"><li>• Not all key Treatment Measures are in place and / or do not operate effectively</li><li>• Residual risks have not all been reduced to an acceptable level</li><li>• There are some unacceptable financial implications associated with more than one risk mitigation control or because of a lack of risk mitigation control.</li><li>• There are a number of concerns that are predominantly of a major impact/likelihood.</li></ul> <p>(Risk management processes and controls are adequate but not effective in mitigating the identified risks).</p> |
| <p><b>There is no effective Risk Management process in place</b></p> <ul style="list-style-type: none"><li>• There are no appropriate Treatment Measures in place.</li><li>• Residual risks remain at an unacceptable level</li><li>• Reported concerns are predominantly of a catastrophic or major impact/likelihood.</li></ul> <p>(Risk management processes and controls are weak).</p>  |

## Management Action Plan

**Financial Resilience/Compliance with CIPFA Financial Management Code — 2022/23**

|  |                        |  |
|--|------------------------|--|
|  | <b>COUNTER MEASURE</b> |  |
|--|------------------------|--|

| Ref          | Concern  | Risk                          | Finding  | Treat | Tolerate | Transfer | Terminate | Counter Measure Action / Explanation  | Responsible Officer           | Target Date |
|--------------|--|-------------------------------|--|-------|----------|----------|-----------|---|-------------------------------|-------------|
| 1<br><br>321 | <p>Without access to the right reports/tools and training, there is a risk that appropriate staff will not carry out their financial responsibilities effectively. This may impact on the council's ability to identify and address emerging risks to its budget strategy and financial sustainability.</p> <p>There may be non-compliance with Standard E of CIPFA's FM Code if those individuals with specific responsibility for aspects of the authority's governance and financial management have the appropriate training to fulfil their responsibilities.</p> | Area for Improvement (Medium) | The current training arrangements are informal and provided as required/identified. There is no formal finance training programme/framework in place for appropriate staff, including budget holders, members of Corporate Leadership Team excluding the Chief Finance Officer and Council Members and the training currently given does not include specifically the area of value for money. | √     |          |          |           | Further resources are now in place within the finance team to bolster the support across the organisation. A formal training programme, including on-line support is planned to be introduced in 2023/24. | Assistant Director of Finance | 30/9/23     |

| Ref | Concern   | Risk                          | Finding  | Treat | Tolerate | Transfer | Terminate | Counter Measure Action / Explanation  | Responsible Officer  | Target Date |
|-----|---|-------------------------------|--|-------|----------|----------|-----------|---|--|-------------|
| 2   | <p>Staff may not be qualified in accordance with the recommended best practice with CIPFA's FM Code.</p> <p>The promotion of financial literacy throughout the authority, including championing training and the development of relevant skills at all levels. The responsibility for learning and development amongst finance staff, in order to ensure that both current and likely future finance skills needs may not be addressed.</p> | Area for Improvement (Medium) | There is no central record held within Finance of qualifications and continual professional development for appropriate finance staff. | √     |          |          |           | <p>Individual managers ensure all staff in the finance service have the appropriate skills, experience and formal qualifications. This allows both formal qualifications and work experience to be considered alongside performance in setting supporting staff and agreeing individual development plans.</p> <p>Finance and HR will liaise to agree the best way forward to hold a more centralised record.</p> | Assistant Director of Finance/<br>Assistant Director of Human Resources and Organisational Development | 31/7/23     |
| 3   | The Council will not be espousing high standards of governance and internal control as stated in CIPFA's FM Code  | Area for Improvement (Medium) | There is no checking and assurance element for the register of interests for senior management in place.                               | √     |          |          |           | We have identified the opportunity to improve the checking and assurance element of the register of interests and this will be put in place this year – through the Annual Governance Statement process.  | Assistant Director, Governance   | 31/3/23     |

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| Ref | Concern   | Risk                          | Finding  | Treat | Tolerate | Transfer | Terminate | Counter Measure Action / Explanation   | Responsible Officer           | Target Date |
|-----|---|-------------------------------|--|-------|----------|----------|-----------|--|-------------------------------|-------------|
| 4   | <p>CIPFA's FM Code states the following: In CIPFA's view, an assessment of an authority's financial management style can best be undertaken by means of peer review.</p> <p>The CIPFA FM Code sets out that, having carried out a finance resilience assessment, the authority should demonstrate how the risks identified have informed the development of its longer-term financial strategy. The authority should, furthermore, report the implications of these risks on its future financial sustainability to its leadership team, including its elected members.</p> | Area for Improvement (Medium) | There has not been a recent supplementary financial resilience assessment exercise undertaken including consideration as to how this is undertaken to ensure that a report is completed and presented on the long-term financial sustainability of the Council to the Corporate Leadership Team and Council Members. | √     |          |          |           | The council regularly monitors its position in the CIPFA resilience index and indicators continue to be strong across the board. In 2019/20 MJ published data showing Wokingham Borough Council to be in the top 20 most resilient upper tier Councils. We are hoping that an external exercise will be repeated in 2023/24 but will consider further analysis if it is not. | Assistant Director of Finance | 31/10/23    |

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| Ref | Concern  | Risk                          | Finding  | Treat | Tolerate | Transfer | Terminate | Counter Measure Action / Explanation  | Responsible Officer  | Target Date |
|-----|--|-------------------------------|--|-------|----------|----------|-----------|---|--|-------------|
| 5   | <p>The authority has a clear governance structure, with well-defined roles for all members of the Leadership Team.</p> <p>The Leadership Team and managers can discharge their financial management responsibilities, alongside their wider responsibilities in relation to risk and performance management.</p> | Area for Improvement (Medium) | The Director's Job Description states within its management responsibilities to participate and collaborate as a member of CLT to ensure Council plans and targets are achieved which the financial plans and targets could be included in this. However, there is no specific mention with the Director's Job Description of specific financial responsibilities. | √     |          |          |           | Whilst we are comfortable Job Descriptions include reference to financial responsibilities as part of the wider roles, as job descriptions are reviewed going forward we will work with Human Resources to ensure more specific reference to financial responsibilities are included in Job Descriptions. Financial responsibilities are further clarified in the constitution and budget managers protocols. | Assistant Director of Finance/<br>Assistant Director of Human Resources and Organisational Development | 31/3/24     |
| 6   | Internal Control and Corporate Governance findings through Internal Audit reports will not be included in the risk management process which could lead to risks not being managed effectively.   | Area for Improvement (Medium) | The results of internal audits are not fed back into the risk management process.  | √     |          |          |           | This will be picked up as part of the remit of the officer Risk Management Group.   | Assistant Director, Governance   | 31/3/23     |

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| Ref | Concern | Risk   | Finding                        | Treat   | Tolerate | Transfer | Terminate | Counter Measure Action / Explanation  | Responsible Officer   | Target Date                             |          |
|-----|---------|--|--------------------------------|---|----------|----------|-----------|---|---|---|----------|
| 325 | 7       | 'The Role of the Asset Management Plan in the MTFP' section of the CIPFA FM Code may not be complied with.   | Areas for Improvement (Medium) | There is not currently an up-to-date asset management plan. There is one in draft form that is currently being worked through, but it's been delayed on a couple of occasions due to the pandemic and then the political and organisational changes the Council has gone through over the last few years. An up-to-date asset management plan needs to be aligned with the capital programme and longer-term finance planning to ensure asset need is aligned to financial sustainability, including future revenue budgets and identified savings. | √        |          |           |   | The next version of the Asset Management Plan needs to be informed by the Asset Opportunities Organisational Foundation Programme (OFP). The Assets Opportunities OFP is identifying opportunities for the future management and rationalisation of our property portfolio to deliver financial efficiencies by reducing the financial burden of maintaining the property portfolio and align assets to future business need. | Assistant Director, Commercial Property | 31/12/23 |
|     | 8       | While equity is a relatively recent addition to the concept of value for money, there are nevertheless things that the authority could do to ensure that its services are accessible to all those who could benefit from them. | Area for Improvement (Medium)  | The Revenues Business Case template does not contain a specific section for Equality Impact Considerations.   | √        |          |           | All service changes require the appropriate equalities assessment – this will be included in specific service reports and is also covered both as a blanket review and individually in the MTFP and budget setting. We will consider how we further include information in the business case document itself. | Assistant Director of Finance   | 31/5/23                                 |          |

| Ref | Concern   | Risk                          | Finding   | Treat | Tolerate | Transfer | Terminate | Counter Measure Action / Explanation  | Responsible Officer           | Target Date |
|-----|---|-------------------------------|---|-------|----------|----------|-----------|---|-------------------------------|-------------|
| 9   | Progress against the action plans will not be monitored and thus agreed actions may not be implemented. | Area for Improvement (Medium) | There is no action plan, that includes target dates and responsible officer in place to record and monitor the areas of improvement and enhancement that are detailed in the FM self-assessment. This should include target dates and responsible officers. | √     |          |          |           | This initial assessment against the code will inform and set an ongoing improvement plan, which will be monitored and reported appropriately. | Assistant Director of Finance | 31/3/23     |