

NOTICE OF MEETING

www.rbwm.gov.uk



AUDIT AND PERFORMANCE REVIEW PANEL

will meet on

TUESDAY, 9TH APRIL, 2019

at

7.00 PM

in the

DESBOROUGH 4 - TOWN HALL, MAIDENHEAD

TO: MEMBERS OF THE AUDIT AND PERFORMANCE REVIEW PANEL

COUNCILLOR SAYONARA LUXTON (CHAIRMAN)
COUNCILLORS ADAM SMITH (VICE-CHAIRMAN), MALCOLM ALEXANDER,
DR LILLY EVANS, WESLEY RICHARDS, DEREK WILSON, EDWARD WILSON
AND PAUL BRIMACOMBE

SUBSTITUTE MEMBERS
COUNCILLORS DAVID EVANS, RICHARD KELLAWAY, ROSS MCWILLIAMS,
EILEEN QUICK, COLIN RAYNER, JOHN STORY, LYNNE JONES AND
NICOLA PRYER

Karen Shepherd – Service Lead Governance
Issued: 01/04/19

Members of the Press and Public are welcome to attend Part I of this meeting.

The agenda is available on the Council's web site at www.rbwm.gov.uk or contact the
Panel Administrator david.cook@rbwm.gov.uk

Accessibility - Members of the public wishing to attend this meeting are requested to notify the clerk in advance of any accessibility issues. **Fire Alarm** - In the event of the fire alarm sounding or other emergency, please leave the building quickly and calmly by the nearest exit. Do not stop to collect personal belongings and do not use the lifts. Do not re-enter the building until told to do so by a member of staff. **Recording of Meetings** - In line with the council's commitment to transparency the public part of the meeting will be audio recorded, and may also be filmed and broadcast through the online application Periscope. If filmed, the footage will be available through the council's main Twitter feed @RBWM or via the Periscope website. The audio recording will also be made available on the RBWM website, after the meeting. Filming, recording and photography of public Council meetings may be undertaken by any person attending the meeting. By entering the meeting room you are acknowledging that you may be audio or video recorded and that this recording will be in the public domain. If you have any questions regarding the council's policy, please speak to the Democratic Services or Legal representative at the meeting.

AGENDA

PART I

<u>ITEM</u>	<u>SUBJECT</u>	<u>WARD</u>	<u>PAGE NO</u>
1.	<u>APOLOGIES</u> To receive any apologies for absence.		-
2.	<u>DECLARATIONS OF INTEREST</u> To receive any declarations of interest.		3 - 4
3.	<u>MINUTES</u> To approve the minutes of the meeting held on 12 February 2019.		5 - 8
4.	<u>RBWM - COUNCIL PLANNING REPORTS</u> To consider the report.		9 - 50
5.	<u>KEY RISK REPORT</u> To consider the report.		51 - 72
6.	<u>RISK BASED VERIFICATION POLICY</u> To consider the report.		73 - 90

MEMBERS' GUIDE TO DECLARING INTERESTS IN MEETINGS

Disclosure at Meetings

If a Member has not disclosed an interest in their Register of Interests, they **must make** the declaration of interest at the beginning of the meeting, or as soon as they are aware that they have a DPI or Prejudicial Interest. If a Member has already disclosed the interest in their Register of Interests they are still required to disclose this in the meeting if it relates to the matter being discussed.

A member with a DPI or Prejudicial Interest **may make representations at the start of the item but must not take part in the discussion or vote at a meeting.** The speaking time allocated for Members to make representations is at the discretion of the Chairman of the meeting. In order to avoid any accusations of taking part in the discussion or vote, after speaking, Members should move away from the panel table to a public area or, if they wish, leave the room. If the interest declared has not been entered on to a Members' Register of Interests, they must notify the Monitoring Officer in writing within the next 28 days following the meeting.

Disclosable Pecuniary Interests (DPIs) (relating to the Member or their partner) include:

- Any employment, office, trade, profession or vocation carried on for profit or gain.
- Any payment or provision of any other financial benefit made in respect of any expenses occurred in carrying out member duties or election expenses.
- Any contract under which goods and services are to be provided/works to be executed which has not been fully discharged.
- Any beneficial interest in land within the area of the relevant authority.
- Any licence to occupy land in the area of the relevant authority for a month or longer.
- Any tenancy where the landlord is the relevant authority, and the tenant is a body in which the relevant person has a beneficial interest.
- Any beneficial interest in securities of a body where:
 - a) that body has a piece of business or land in the area of the relevant authority, and
 - b) either (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body **or** (ii) the total nominal value of the shares of any one class belonging to the relevant person exceeds one hundredth of the total issued share capital of that class.

Any Member who is unsure if their interest falls within any of the above legal definitions should seek advice from the Monitoring Officer in advance of the meeting.

A Member with a DPI should state in the meeting: ***'I declare a Disclosable Pecuniary Interest in item x because xxx. As soon as we come to that item, I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

Or, if making representations on the item: ***'I declare a Disclosable Pecuniary Interest in item x because xxx. As soon as we come to that item, I will make representations, then I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

Prejudicial Interests

Any interest which a reasonable, fair minded and informed member of the public would reasonably believe is so significant that it harms or impairs the Member's ability to judge the public interest in the item, i.e. a Member's decision making is influenced by their interest so that they are not able to impartially consider relevant issues.

A Member with a Prejudicial interest should state in the meeting: ***'I declare a Prejudicial Interest in item x because xxx. As soon as we come to that item, I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

Or, if making representations in the item: ***'I declare a Prejudicial Interest in item x because xxx. As soon as we come to that item, I will make representations, then I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

Personal interests

Any other connection or association which a member of the public may reasonably think may influence a Member when making a decision on council matters.

Members with a Personal Interest should state at the meeting: ***'I wish to declare a Personal Interest in item x because xxx'. As this is a Personal Interest only, I will take part in the discussion and vote on the matter.***

This page is intentionally left blank

Agenda Item 3

AUDIT AND PERFORMANCE REVIEW PANEL

TUESDAY, 12 FEBRUARY 2019

PRESENT: Councillors Sayonara Luxton (Chairman), Adam Smith (Vice-Chairman), Derek Wilson, Edward Wilson and Paul Brimacombe

Also in attendance: Cllr Saunders, Jonathan Gooding and Julian Reeve from Deloitte LLP

Officers: Rob Stubbs, Russel O'Keefe, Catherine Hickman, Andrew Moulton and David Cook.

APOLOGIES

Apologies for absence were received from Cllr L Evans, Cllr Alexander and Cllr Richards.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

Resolve unanimously: that the Part I minutes of the meeting held on 20 September 2019 were approved as a true and correct record.

PRELIMINARY PLANNING REPORT

Jonathan Gooding and Julian Reeve from Deloitte LLP attended the meeting to introduce the Preliminary Planning Report to the Panel as Deloitte had been appointed as the external auditor for the Royal Borough of Windsor & Maidenhead. It was noted that a more detailed report would be presented in support of the audited accounts.

The Panel were informed that the scope of the audit would be undertaken under the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office. They would be required to give an opinion on the statement of accounts, including its pension fund, and a conclusion on the arrangements for value for money. The scope of our work would not be largely changed from the scope of work set by the previous auditor and would include covering the Statement of accounts, Annual Governance Statement, Whole Government Accounts and Value for Money conclusion.

One area that will be different from previous audits would be the approach to capital expenditure as the authority were undertaking a number of large capital projects and determining capitalised expenditure was a judgement call that had the potential for misreporting fraud. They would be reviewing the authority's capital plans as part and discuss with officers potential risks or issues identified.

The auditors would also be looking at pension liabilities and accounts as the regulations meant they had to have the assumption that revenue recognition was a significant risk.

Appendix 2 of the report highlighted the auditors independence and fees.

Cllr Brimacombe reported that the Panel had been concerned when the new audit arrangements were introduced and thus he was pleased that Deloitte had been appointed as it meant the authority continued to be audited by a significant branded auditor.

Cllr E Wilson mentioned that there was a lot of large projects planned that could have capitalisation of costs and asked how this would be reported. The Panel were informed that the starting point was reviewing and understanding capitalisation of costs and that any concerns would be reported to this Panel. Balance sheets would be examined and risks explored. As much as possible would be presented at the next meeting, however most would be presented at the end of the audit.

Cllr Brimacombe asked if the auditors looked at underlying assumptions of financial income streams and was informed that it varied dependent on the income streams. The starting point would be looking at the risk assessments for the income before producing their procedures.

Cllr E Wilson asked how the RBWM Property company would be audited and was informed that they had their own auditors but they would also be audited as part of the audited accounts. It was also confirmed that the same applied for AFC and Optalis where they would also take a risk based approach looking at VFM.

Cllr D Wilson asked if an update could be provided on the pension fund and was informed that this was planned and would be reported back to Panel.

Cllr E Wilson said that it was fine having a risk based approach but the Panel needed reassurances about what controls were in place given the level of commissioning. It was noted that this area of work would be undertaken by internal audit.

Cllr Saunders mentioned that reviewing AFC and Optalis was outside the scope of the external auditors but the Panel may wish to consider what it would be appropriate for them to review.

Cllr E Wilson said that it was important to see VFM out of the commissioned services and this could be placed on the new panels work programme.

Cllr Brimacombe mentioned that as most local authorities were now commissioning authorities then auditors needed to adjust to meet changing practises. The Panel were informed that VFM and governance arrangements would be looked at as part of the risk assessment. Other areas such as assurances regarding internal audit and contract management would also be examined.

Cllr Saunders said that in the past there had been issues regarding the valuation of land and buildings that required a major adjustment. It was noted that external auditors were used and that a discussion could take place on how to mitigate any risk.

Cllr Saunders also mentioned that there was a significant amount of regeneration and this carried an amount of risk and required transparency in audits.

The Panel noted the report.

2018-19 AUDIT AND INVESTIGATION INTERIM REPORT (1 APRIL 2018 – 31 DECEMBER 2018) AND 2018/19 REVISED INTERNAL AUDIT CHARTER

The Panel considered the report that summarised the Shared Audit and Investigation Service activity, including progress in achieving the 2018/19 Internal Audit and Investigation Plan, during the first nine months of 2018/19 to 31 December 2018. The report complemented the 2018/19 Annual Audit and Investigation Report due to be presented in June 2019.

The Panel were asked to note the report and approve the 2018/19 Audit Charter. The report provided an update on work undertaken since the last review. Changes to the Internal Audit Charter were made to bring it in line with the CIPFA / IIA Public Sector Internal Audit Standards, that were revised in 2017, and were tracked in the document.

Table 1, on agenda pack page 41, showed work undertaken. This included proactive work to identify property occupation and rate reviews for business rate relief and exemptions. The report showed identified losses in this area as £215,862 but since publication this had risen to £260,000.

Cllr Brimacombe highlighted that flood prevention had been delayed for 9 months and asked why. The Panel were informed that the contractor had been short of resources and thus there had been a delay. The issue had been identified but not addressed quickly enough.

Cllr E Wilson asked if line manager had started to challenge audits and it was confirmed that challenges are made and that there was the option to make corrections prior to the final audit.

Cllr Smith mentioned that the department had been effected by sickness and was informed that the audit plan had been re-aligned to meet resources and any deferred audits would still be undertaken.

Cllr Smith asked if the summary of audit opinions awarded in table 1, with two achieving the highest audit category, was an improvement or a low achieving year. The Panel were informed that it was anticipated that more would be added to the highest category following management action.

Cllr Saunders asked what reassurances the Panel could have that governance arrangements presented to them were happening and effective. The Panel were informed that the Panel can add to the internal audit plan and also the external audit would look at VFM.

Resolved unanimously: that the Panel notes the report and:

- i) Notes the Shared Audit and Investigation Service activity for the nine months ending 31 December 2018.**
- ii) Approves the 2018/19 Audit Charter.**

2019/20 DRAFT INTERNAL AUDIT AND INVESTIGATION PLAN

The Panel considered the 2019/20 Draft Internal Audit and Investigation Plan.

The Panel were informed that a number of audit reviews within the 2019/20 Draft Internal Audit and Investigation Plan were considered as mandatory (key financial systems, particularly high risk items etc.), others entered or left the Draft Internal Audit and Investigation Plan based on their risk rating and the views of officers and Members. Agenda pack pages 65 to 69 showed the plan.

Cllr E Wilson asked how we got assurances, as a commissioning authority, to areas such as Optalis and joint venture partners. The Panel were informed that audit would look at the contractual arrangements and the duties agreed.

Cllr Saunders said that if they wished the Panel should be able to review the audit reports for Optalis as we were joint owners of the company. With regards to AFC the Panel could ask to see their audit reports. I

Cllr Brimacombe asked that with regards to project compliance, including; pre, current and post project, what was being done for 'current' project compliance. The Panel were informed that internal audit would look at governance arrangements and evidence of good project management.

Cllr Saunders reported that he was pleased to see project compliance on the plan. The Panel had previously looked at project management within the borough and noted that there was evidence of consistent methodology being applied to larger projects, however there were a

number of smaller projects that had inconsistent approaches that would not be picked up by the risk register and therefore may not be audited.

Cllr E Wilson mentioned that the Panel would like more assurance throughout the year on financial management including budget setting and monitoring.

Cllr Saunders said that during the year there had been a number of pressures, such as children in care increased costs, that had not been identified and reported early enough. During this year's budget setting better projection of these pressures had been included along with more commentary in the budget report. Internal Audit had a role to support Cabinet and the senior management team in reporting these pressures as they happened rather than when it is too late to take effective action.

Cllr Brimacombe reported that there could be a change in methodology behind the budget. The base budget made a number of assumptions with low sensitivity areas and high sensitivity areas. We should not get overly concerned when there are variances in areas of high sensitivity as that would be expected.

Resolved unanimously: that the Audit and Performance Review Panel notes the report and approves the 2019/20 Draft Internal Audit and Investigation Plan.

LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF PRESS AND PUBLIC

Government Act 1972, the public be excluded from the remainder of the meeting whilst discussion takes place on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 1-7 of part I of Schedule 12A of the Act.

Minutes

Resolved unanimously: That the Part II minutes of the meeting held on 20 September 2018 be approved.

The meeting, which began at 5.00 pm, finished at 6.25 pm

CHAIRMAN.....

DATE.....



The Royal Borough of Windsor & Maidenhead

Planning report to the Audit and Performance Review Panel for the
year ending 31 March 2019

Issued 1 April for the meeting on 9 April 2019

Deloitte Confidential: Government and Public Services

Contents

01 Preliminary planning report

Introduction	3
Our audit explained	5
Scope of work and approach	6
Continuous communication and reporting	8
Significant risks	9
Value for Money conclusion	14
Purpose of our report and responsibility statement	15

02 Appendices

Appendix 1 - Fraud responsibilities and representations	16
Appendix 2 - Independence and fees	18
Appendix 3 – Developments in financial reporting	20

Introduction

The key messages in this report:

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the statement of accounts.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

We have pleasure in presenting our planning report to the Audit and Performance Review Panel for the 2019 audit. This report provides an update and confirms our planning approach as communicated to you in our preliminary planning report dated 4 February 2019. We would like to draw your attention to the key messages of this paper:

Scope of our work

Our audit work will be carried out in accordance with the requirements of the Code of Audit Practice ('the Code') and supporting guidance published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General.

The Code sets the overall scope of the audit which includes an audit of the accounts of the Council and work to satisfy ourselves that the Council has made proper arrangements to secure value for money (VFM) in its use of resources. There have not been any changes to the Code, itself, and therefore the scope of our work is broadly similar to the scope of work set for your auditor in the prior year.

We have prepared a separate audit planning report covering our work on the pension scheme.

Our responsibilities as auditor, and the responsibilities of the Council, are set out in "*PSAA Statement of responsibilities of auditors and audited bodies: Principal Local Authorities and Police Bodies*", published by Public Sector Audit Appointments Limited.

Areas of focus in our work on the accounts

We summarise below the areas of significant audit risk we have so far identified:

- Valuation of properties – there is significant judgement over subjective inputs to the valuation.
- Capitalisation of expenditure – there is judgement over the appropriate classification of spend as capital and not revenue. The Council has greater flexibility over the use of its revenue compared to its capital resources. This provides an incentive to inappropriately classify spend as capital which does not meet the accounting criteria for classification as such.
- Management override of controls – auditing standards presume there is a risk that the accounts may be fraudulently misstated by management overriding controls. Key areas of focus are: bias in the preparation of accounting estimates; inappropriate journal entries; and transactions which have no economic substance.

Introduction

The key messages in this report:

Areas of focus in our work on VFM

The Code and supporting auditor guidance note require us to perform a risk assessment and to carry out further work where we identify a significant risk.

Our predecessor identified the following areas as significant VFM risks:

- Delivery of Budgets
- Contract Management

Our predecessor did not qualify their VFM conclusion. While we have held discussions with a number of senior officers, in line with our plan, our assessment to determine whether there are any significant VFM risks is on-going at the date of this report.

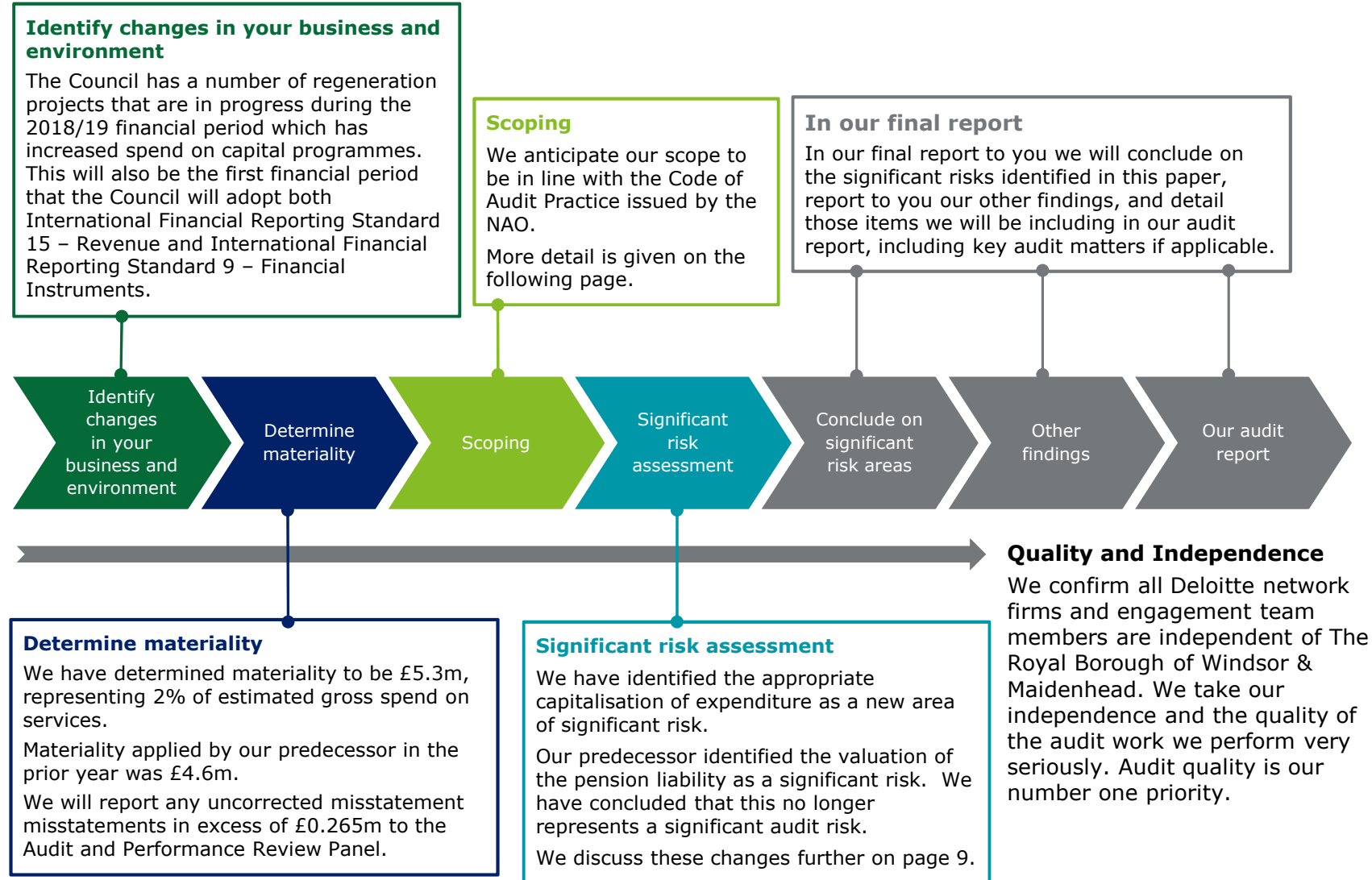
We expect to carry out the remainder of our risk assessment procedures in April. We will then perform update procedures in June, in particular to update for the findings of internal audit work completed in the latter part of the year, outturn performance against financial and operational metrics and the outcome of any findings from the work of regulators.

Brexit

The arrangements following the UK's exit from the EU are not yet clear. Our audit plan does not include any risks or procedures in respect of the impact upon the Council, whether on VFM arrangements, or more widely. We will update the Audit and Performance Review Panel if any risks are identified as the eventual circumstances of the UK's exit become clear.

Our audit explained

We tailor our audit to your Council



Scope of work and approach

We have the following areas of responsibility under the Code of Audit Practice

Opinion on the Council's financial statements

We will conduct our audit in accordance with the Code of Audit Practice and supporting guidance issued by the National Audit Office ("NAO") and International Standards on Auditing (UK) ("ISA (UK)") as adopted by the UK Auditing Practices Board ("APB").

We report on whether the financial statements:

- Give a true and fair view of the financial position and income and expenditure
- Are prepared properly in accordance with the Code of Practice on Local Authority Accounting ("the Code").

We also issue a separate opinion that relates to the accounts of the pension fund.

Opinion on other matters

We are required to report on whether other information published with the audited financial statements is consistent with the financial statements.

Other information includes information included in the statement of accounts, in particular the Narrative Report. It also includes the Annual Governance Statement which the Council is required to publish alongside the Statement of Accounts.

In reading the information given with the financial statements, we take into account our knowledge of the Council, including that gained through work in relation to the body's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources.

Whole Government Accounts

We are required to issue a separate assurance report on the Council's separate return required to facilitate the preparation of the Whole of Government Accounts.

Our work on the return is carried out in accordance with instructions issued by the NAO and typically focuses on testing the consistency of the return with the Council's financial statements, together with the validity, accuracy and completeness of additional information about the Council's transaction and balances with other bodies consolidated within the Whole of Government Accounts. We are also typically asked to report to the NAO on key findings from our audit of the accounts. The NAO has not yet issued its instructions for the current year.

Value for Money conclusion

We are required to provide a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We carry out a risk assessment to identify any risks that, in our judgement, have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. The risk assessment enables us to determine the nature and extent of further work that may be required. This means that if we do not identify any significant risks, there is no requirement to carry out further work.

We also consider the impact of findings of other inspectorates, review agencies and other relevant bodies on their risk assessment, where they are relevant and available.

Our responsibilities as auditor, and the responsibilities of the Council, are set out in "PSAA Statement of responsibilities of auditors and audited bodies: Principal Local Authorities and Police Bodies", published by PSAA

Scope of work and approach

Our approach

Liaison with internal audit

The Auditing Standards Board's version of ISA (UK) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and meet with them to discuss their work. We will discuss the work plan for internal audit, and where they have identified significant control weaknesses, we will consider adjusting our testing so that the audit risk is covered by our work.

Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

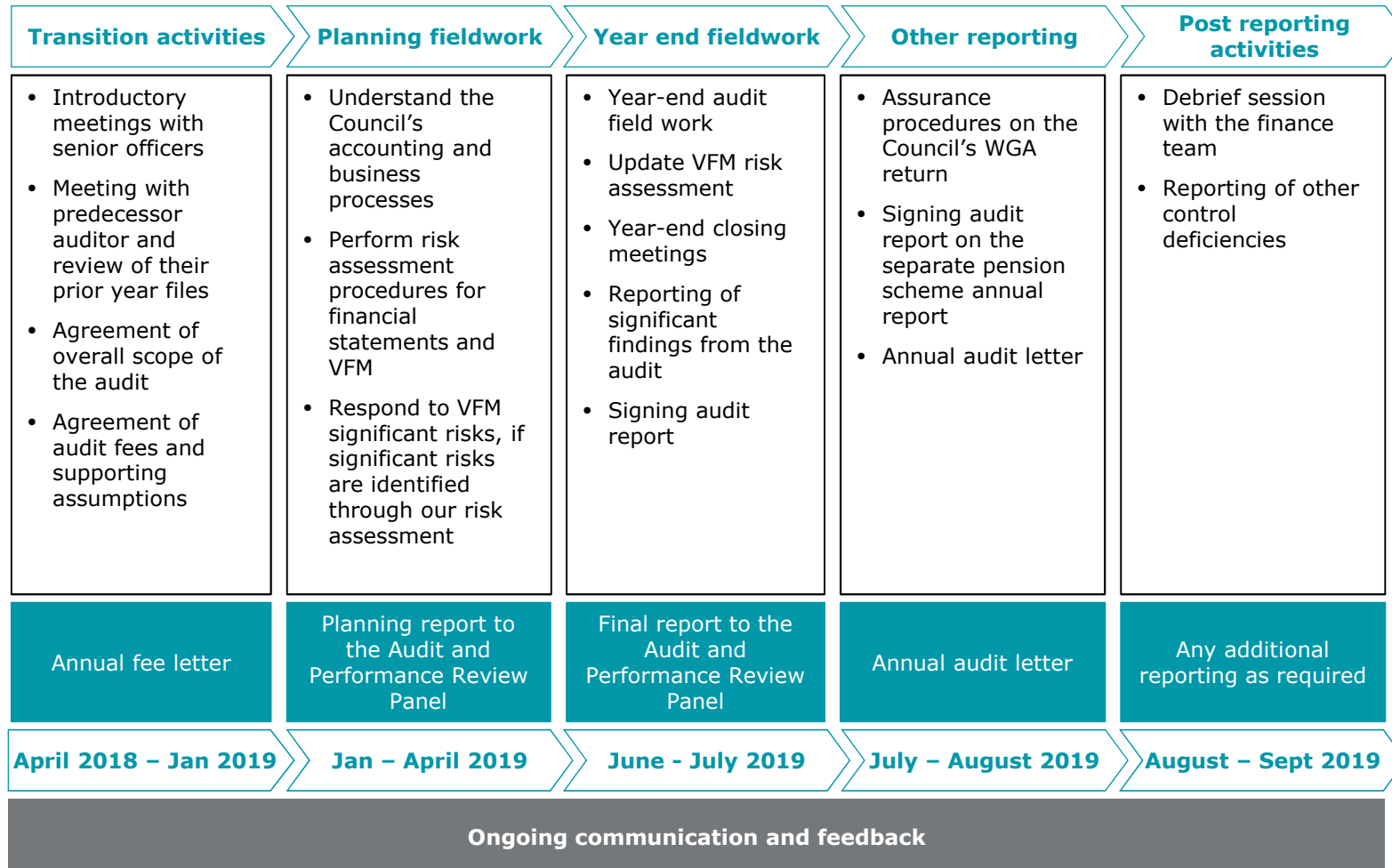
We recommend the Council complete the Code checklist during drafting of their statement of accounts.

We would welcome early discussion on the planned format of the statement of accounts, and whether there is scope for simplifying or streamline disclosures, as well as the opportunity to review a skeleton set of statement of accounts and early drafts of the narrative report and annual governance statement ahead of the typical reporting timetable to feedback any comments to officers.

Continuous communication and reporting

Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.



Significant risks – statement of accounts

Our risk assessment process

We consider a number of factors when deciding on the significant audit risks. These factors include:

- the significant risks and uncertainties previously reported in the narrative report and financial statements;
- the IAS 1 critical accounting estimates previously reported in the annual report and financial statements;
- our assessment of materiality; and
- the changes that have occurred in the business and the environment it operates in since the last annual report and financial statements.

Deloitte view

IAS 1 requires entities to make disclosures about the assumptions it has made about the future and other major sources of estimation uncertainty at the year end that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

If a matter does not meet this criterion, it should not be included in the disclosure on sources of estimation uncertainty.

The Council did not identify any critical judgements involving estimates in its 2017/18 accounts. In preparing the 2018/19 statement of accounts, we recommend the Council re-look at this disclosure.

Key Risk Report (Red or amber risks)

- Increase in the number of homelessness applications
- Exceeding the maximum caseload for social workers putting children's safeguarding at risk

Current year developments

- Ramp-up in regeneration and other capital project spend
- First time adoption of IFRS 9 and 15.

IAS 1 Critical accounting judgement

- Accounting for Schools – Balance sheet recognition of schools

Prior year significant audit risks (financial statements)

- Valuation of PPE
- Valuation of pension liabilities
- Group accounts and faster close
- Management override of controls

Presumed risk of fraud in revenue recognition

Auditing standards also presume there is a risk of fraud in revenue recognition. Following an analysis of the Council's income streams, we have rebutted this presumption. The key factors considered include: the amount of annual income from each source; the transaction size; the extent of any estimates; and the complexity of the recognition principles. Our conclusion is the same as that reached by our predecessor last year.

Significant risks – statement of accounts

Our risk assessment process

Changes to prior year in risks identified as significant audit risks

The risks we have identified as significant audit risks are summarised on the following pages. They reflect the following changes to the equivalent summary of risks identified by our predecessor for their audit of the 2017/18 accounts:

- We have identified an additional risk in relation to the appropriate capitalisation of expenditure as the capital plan in the current year is substantial.
- Our predecessor identified a significant risk in relation to the valuation of the pension liability. The process of estimating the quantum of the pension liabilities is usually complex and small changes in assumptions can have a significant impact on the estimated liability. However, the Council has engaged a reputable actuary and we understand that there are no significant changes in the membership of the scheme or significant transactions in the pension scheme which impact on the valuation. For these reasons our preliminary assessment is that the risk of material misstatement is towards the higher end of the range, but is not a significant audit risk. We will update our assessment when we have received and evaluated further information on the actuary's approach and assumptions.
- Of particular interest this year will be the impact on the valuation of the pension liability of the recent ruling that all schemes must equalise Guaranteed Minimum Pensions ('GMP') between males and females. Although there have been interim measures to bring about equalisation, it is unclear how this will be factored in by actuaries in calculating the IAS 19 liability. The impact for individual pension schemes will vary; at the current time it is estimated that, in nearly all cases, the potential impact of the ruling will be between 0-2% of the defined benefit obligations of a scheme. Once the impact of this ruling is confirmed we will assess whether this leads to a significant risk over the valuation of the pension liability.

Significant risks – statement of accounts

Risk 1 – Property valuation

Risk identified	<p>The Council held other land and buildings of £283.0m and investment property of £135.3m at 31 March 2018 which are required to be recorded at current or fair value at the balance sheet date.</p> <p>The Council's practice is to obtain a valuation at the end of the year with a full valuation performed for different asset groups on a rolling basis that ensures that all properties are valued at least every 5 years.</p> <p>Key judgements include:</p> <ul style="list-style-type: none">• Whether there has been a material change since the date of the last valuation;• In the valuation of dwellings, defining appropriate beacon groups, such that the level homogeneity of properties within each group is appropriate, and selecting appropriate comparators and, where relevant, making appropriate adjustments; and• In the valuation of schools, appropriate selection of the location and design of modern equivalents. <p>Following discussion at the last meeting of the audit and performance review panel, it was our intention to begin our procedures with respect to the property valuation in March. However, we have not yet been provided with the valuation report by the Council.</p>
Our response	<p>We will test the design and implementation of key controls in place around the property valuation.</p> <p>We will use our valuation specialists, Deloitte Real Estate, to review judgements made on the timing and type of valuation performed and whether this is adequate for the valuation as a whole to remain current at year end. We will also use our valuation specialists to assist in reviewing the qualifications and experience of the valuer and their methodology and approach and to challenge the appropriateness of the year-end valuation, focusing on the key subjective inputs.</p> <p>Other work on the valuation, which does not form part of the significant risk, includes tests on information provided to the valuer for the purpose of the valuation, including pupil numbers and location and type of other land and buildings, tests on the posting of the revalued amounts to the financial statements and recalculation of gains and losses and posting to the appropriate accounts in the financial statements.</p>

Significant risks – statement of accounts

Risk 2 – Capital expenditure

Risk identified	<p>The capital plans for the Council incorporate a number of large regeneration projects which extend from 2017/18 into 2018/19 and beyond (18/19 budget: £79.3m).</p> <p>Determining whether or not expenditure should be capitalised can involve judgement as to whether costs should be capitalised under International Financial Reporting Standards.</p> <p>The Council has greater flexibility over the use of revenue resource compared to capital resource. There is also, therefore, an incentive for officers to misclassify revenue expenditure as capital and as such we identify this as a risk of fraud.</p>
Our response	<p>We will test the design and implementation of controls around the capitalisation of costs.</p> <p>We will select a sample of additions in the year to test whether they have been appropriately capitalised in accordance with the accounting requirements.</p>

Significant risks – statement of accounts

Risk 3 – Management override of controls

Risk identified

In accordance with ISA 240, management override of controls is a presumed significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

The key judgments in the financial statements are those which we have selected to be the significant audit risks; capitalisation of expenditure and valuation of the Council's estate. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.

Our response

In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:

- We will risk assess journals and select items for detailed follow up testing. We do this by using computer-assisted profiling to identify journals which have characteristics of increased interest. We will then test the appropriateness of journal entries selected through this profiling activity, and other adjustments made in the preparation of financial reporting.
 - We will review accounting estimates for evidence of bias that could, in aggregate, result in material misstatements due to fraud. Other areas of estimation in addition to the above include provisions (of which the most significant is the provision for NNDR appeals), bad debt provisions and estimation of depreciation based on a selection of useful economic lives.
 - We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual, given our understanding of the entity and its environment.
-

Value for money conclusion

Our risk assessment process

We are required to provide a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code and supporting auditor guidance note require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. We are required to carry out further work where we identify a significant risk - if we do not identify any significant risks, there is no requirement to carry out further work.

Our risk assessment procedures include:

- Reading the annual governance statement;
- Considering local and sector developments and how they impact on the Council;
- Reviewing the audit report issued by our predecessor in respect of 2017/18;
- Meeting with senior officers;
- Understanding and assessing the appropriateness of the governance arrangements in place over third party contracts relating to outsourced services;
- Reviewing reports issued by internal audit;
- Reviewing other documentation of the Council including budget setting reports, financial and operational performance monitoring reports;
- Understanding the arrangements in potential areas of significant risk – in particular the planning of the Council's finances; and
- Reviewing reports issued by regulators.

While we have held discussions with a number of senior officers our risk assessment to determine whether there are any further significant risks is still on-going at the date of this report.

We expect to carry out the remainder of our risk assessment procedures in April. We will then perform update procedures in June, in particular to update for the findings of internal audit work completed in the latter part of the year, outturn performance against financial and operational metrics and the outcome of any findings from the work of regulators.

Our predecessor identified the following areas as significant VFM risks:

- Delivery of Budgets
- Contract Management

Our predecessor did not qualify their VFM conclusion.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes our audit plan, including key audit judgements and the planned scope. It also includes an update on developments in financial reporting which may impact on the Council in the current or future years.

Use of this report

This report has been prepared for the Audit and Performance Review Panel, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by officers or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the statement of accounts and the other procedures performed in fulfilling our audit plan.

Other relevant communications

We will update you if there are any significant changes to the audit plan.

Deloitte LLP

St Albans | 1 April 2019

Appendix 1 - Fraud responsibilities and representations

Responsibilities explained



Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with officers and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



Our responsibilities:

- We are required to obtain representations from your officers regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the statement of accounts as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified the risk of valuation of land and buildings, capital expenditure and management override of controls as key audit risks for your organisation.

Fraud Characteristics:



- Misstatements in the statement of accounts can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the statement of accounts is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

We will request the following to be stated in the representation letter:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the statement of accounts may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
 - (i) officers;
 - (ii) officers who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the statement of accounts.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's statement of accounts communicated by officers, former officers, analysts, regulators or others.

Appendix 1 - Fraud responsibilities and representations

Inquiries

We will make the following inquiries regarding fraud:



Officers:

- Officers assessment of the risk that the statement of accounts may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Officers process for identifying and responding to the risks of fraud in the entity.
- Officers communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.
- Officers communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether officers have knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve officers from outside the finance function in our inquiries.



Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.

Those charged with governance



- How those charged with governance exercise oversight of officers processes for identifying and responding to the risks of fraud in the entity and the internal control that officers have established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity.

Appendix 2 - Independence and fees

Independence

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and will reconfirm our independence and objectivity to the Audit and Performance Review Panel for the year ending 31 March 2019 in our final report to the Audit and Performance Review Panel.
Non-audit fees	There are no non-audit fees other than the £14.5k for agreed on procedures to be performed on the Council's Housing Benefit claim. This work is typically carried out by an authority's external auditor.
Independence monitoring	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the Council, its members, officers and affiliates, and have not supplied any services to other known connected parties.

Appendix 2 – Independence and Fees

Fees

The professional fees expected to be charged by Deloitte in the period from 1 April 2018 to 31 March 2019 are as follows:

	Current year £'000
Financial statement audit including Whole of Government and procedures in respect of Value for Money assessment	63.0
Audit of pension fund	19.1
Total audit	82.1
Other assurance services – Housing Benefit work	14.5
Total fees	96.6

Appendix 3 – Developments in financial reporting

We have set out below developments which may impact on the 2018/19 statement of accounts, together with a key change to the accounting for leases which has been deferred to 2020/21:

<p>New accounting standards in 2018-19 - IFRS 9 Financial Instruments</p>	<p>IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 reclassifies financial assets and aims to simplify financial instrument accounting by more closely aligning accounting with how instruments are used in the business.</p> <p>The accounting code sets out several transitional issues and arrangements for authorities reporting under IFRS 9. The most significant change for local authorities will be the change in the impairment loss model for financial assets from one based on incurred losses to one based on expected (credit) losses. Under IFRS 9 the other significant change is that assets currently classified as available for sale will potentially be reclassified to fair value through profit and loss.</p>	<p>This change to accounting standards may have implications for the Council and officers will, in particular, need to re-visit its process for determining impairment losses as well as meeting new disclosure requirements.</p>
<p>New accounting standards in 2018-19 - IFRS 15 Revenue from Contracts with Customers</p>	<p>IFRS 15 Revenue from Contracts with Customers introduces a step-by-step process for identifying contractual performance obligations, allocating the transaction price to those obligations, and recognising revenue only when those obligations are satisfied.</p>	<p>IFRS 15 is not generally expected to have a substantial effect for local authorities, but the Council will need to be able to demonstrate how it has thought through the financial reporting implications and how it will meet the substantial disclosure requirements, including implementing any new data collection processes.</p>

Appendix 3 – Developments in financial reporting

29

<p>Guaranteed Minimum Pensions Equalisation</p>	<p>In the recent Lloyds Bank High Court case, the judge has ruled that all schemes must equalise Guaranteed Minimum Pensions ('GMP') between males and females. This case has provided clarity in an area where previously there has been uncertainty in pensions law.</p> <p>In the public sector the government have held two consultations in recent years which have led to interim measures to equalise.</p> <p>Although there have been interim measures to bring about equalisation it is unclear how this has been factored in by actuaries in calculation of the IAS 19 liability.</p>	<p>At the current time it is estimated that, in nearly all cases, the potential impact of the ruling will be between 0-2% of the defined benefit obligations of a scheme.</p> <p>In forming our view on this input to the pension liability estimate, we will both use our own actuarial specialist and have regard to the finding of a review commissioned by the NAO looking at the approach taken by the principal actuarial firms involved with LGPSs.</p>
<p>Changes to the 2018-19 accounting code</p>	<p>CIPFA/LASAAC has made several changes to the 2018-19 accounting code:</p> <ul style="list-style-type: none"> • Confirmation that the service analysis section of the Comprehensive Income and Expenditure Statement (CIES) no longer provides the IFRS 8 Operating Segments reporting requirements, though the service analysis will be consistent with the Expenditure and Funding Analysis note. The Expenditure and Funding Analysis will provide the segmental reporting requirements. • Several clarifications to improve the segmental reporting requirements of the Code, including a commentary that extra columns can be added to the Expenditure and Funding Analysis if this was needed to ensure that local authorities clearly demonstrate the relationship of their segmental analysis, the General Fund and the service analysis presented in the CIES. 	<p>The Council will need to ensure that its accounts template is updated, where relevant, for these changes.</p>

Appendix 3 – Developments in financial reporting

Streamlining the Accounts: Guidance for Local Authorities

CIPFA has published guidance to local authorities to support steps to streamline both the format of their published financial statements and the year-end processes that underpin them.

The publication covers streamlining the presentation of local Council financial statements by ensuring that local authorities have identified readers' information needs and convey key messages clearly, concisely and efficiently). This involves:

- Using materiality to avoid key messages of the financial statements being obscured by excessive detail;
- Reviewing accounting policies so that only important and relevant information is included; and
- Considering presentation and layout, to help readers focus on key messages and navigate through the statements

It then looks at streamlining the accounts closure process to embed a "right first time" culture which focuses on key transactions and balances and avoids unnecessary work and sets out the characteristics of working papers which support an effective closure and audit process.

We encourage the Council to review its accounts template and year end processes against the good practice points in the guidance and make changes as relevant.

Appendix 3 – Developments in financial reporting

Deferral of IFRS 16 Leases to 2020/21

The new leasing standard IFRS 16 Leases will replace IAS 17. Implementation has been deferred to the 2020-21 financial year.

The new standard eliminates the distinction between operating and finance leases for lessees and brings in a single approach under which all but low- value or short term (less than 12 months) leases are recognised. The distinction between operating and finance leases for lessors is maintained.

The Council will need to:

- have arrangements for capturing information on leases and contracts; and
- recalculate lease liabilities for arrangements that have variable elements such as index-linked increases (which is likely to include most PFI contracts).

Successful implementation of the new standard will depend on the Council collating and reviewing relevant information about their new and existing leases. This will require a significant exercise to collect and analyse relevant information and the Council will need to have an effective project plan and timetable to prepare for implementation on a timely basis.

Appendix 3 – Developments in financial reporting

Revising the Minimum Revenue Provision

Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (2003 Regulations), as amended, requires local authorities to set aside a prudent amount of Minimum Revenue Provision (MRP). MHCLG has issued updated Minimum Revenue Provision Guidance, which applies from 1 April 2019 with the exception of paragraphs 27-29 "Changing methods for calculating MRP", which apply for accounting periods starting on or after 1 April 2018. Early adoption of the guidance is encouraged but is not required.

We recommend that the Council decides whether it intends to early adopt the new guidance

The new guidance:

- Clarifies that, except in cases where an Council has negative or nil Capital Financing Requirement or is offsetting a previous deliberate overpayment of MRP, MRP should never be nil or a negative charge;
- Sets maximum economic life for assets in assessing MRP; and
- Offers some flexibility for PFI assets. There is also some flexibility where the Council has the view from a professionally qualified advisor that an operational asset will deliver benefits for more than the maximum economic life set out in the guidance.

Capital receipts flexibility

In December 2017, MHCLG issued updated guidance on the use of Capital Receipt Flexibilities and confirmed that the programme would remain in place for the next three years.

Local authorities can use capital receipts arising from the disposal of assets to flexibly fund revenue costs of service transformational projects. There is a requirement to have a plan for approval by Council of the projects to be funded, and in subsequent years to set out whether that plan has been met.

We recommend that the Council decides whether it intends to make use of this flexibility in the current or prior year.



This document is confidential and it is not to be copied or made available to any other party. Deloitte LLP does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in a Deloitte LLP engagement contract.

If this document contains details of an arrangement that could result in a tax or National Insurance saving, no such conditions of confidentiality apply to the details of that arrangement (for example, for the purpose of discussion with tax authorities).

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 1HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

© 2019 Deloitte LLP. All rights reserved.

This page is intentionally left blank



Royal County of Berkshire Pension Fund

Planning report to the Audit and Performance Review Panel for the
year ended 31 March 2019

Issued 1 April 2019 for the meeting on 9 April 2019

Deloitte Confidential: Government and Public Services

Contents

01 Planning report

Introduction	3
Our audit explained	4
Continuous communication and reporting	5
Scope of work and approach	6
Materiality	7
Significant risks	8
Purpose of our report and responsibility statement	12

02 Appendices

Fraud responsibilities and representations	13
Independence and fees	15

Introduction

The key messages in this report:

We have pleasure in presenting our Planning Report to the Audit and Performance Review Panel for the 2019 audit of the Royal County of Berkshire Pension Fund ("the Fund"). We would like to draw your attention to the key messages of this paper:

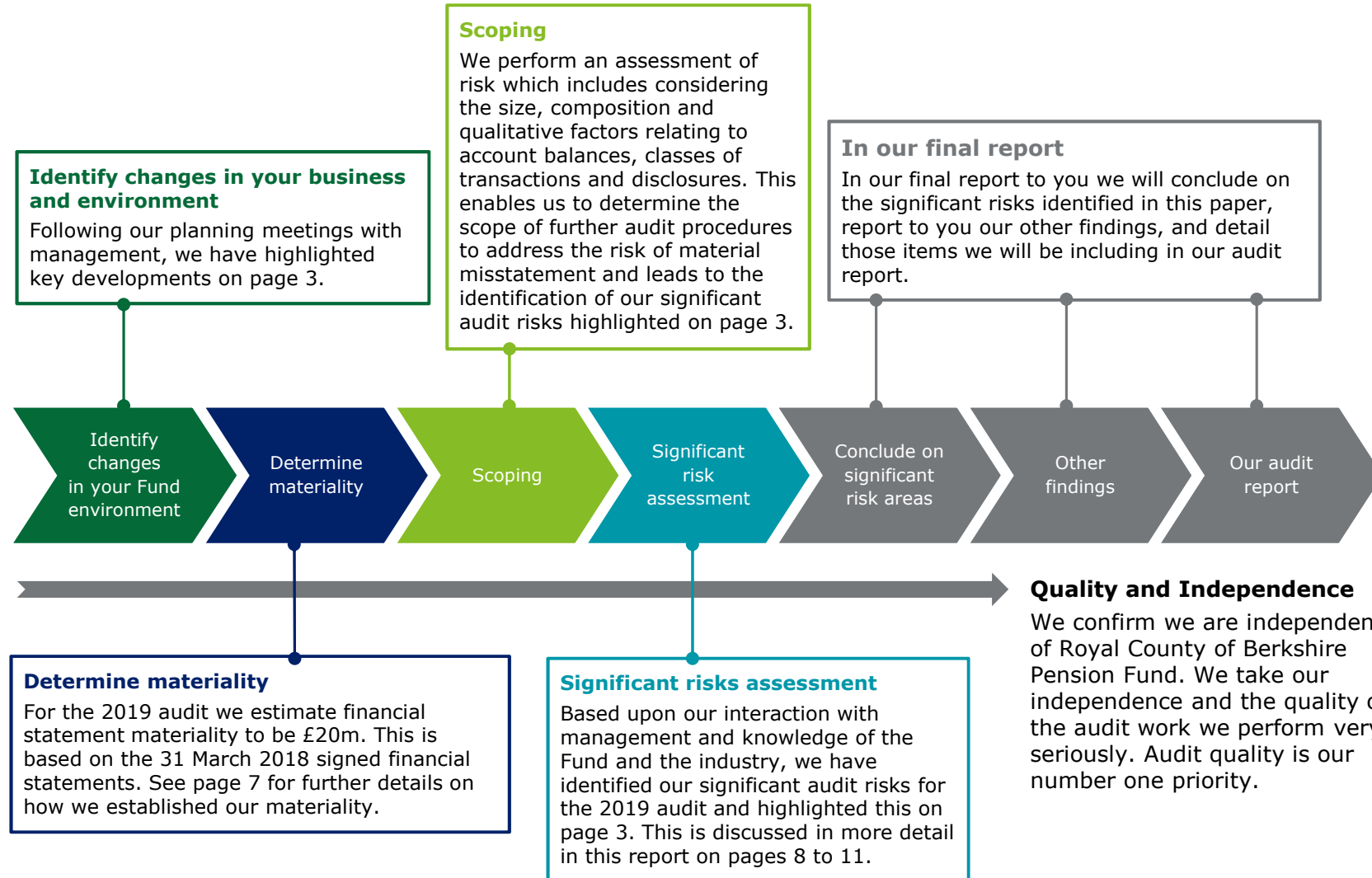
Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

Scope	Our principal audit objective is to obtain sufficient, relevant and reliable audit evidence to enable us to express an opinion on the statutory accounts of the Fund prepared under the Code of Practice on Local Authority Accounting ("the Code") issued by CIPFA and LASAAC.
Key developments	<p>As part of our audit planning procedures to date, we have held planning meetings with key members of management to develop our understanding. Additionally, we have reviewed the prior year audit files held by KPMG. Our procedures have identified that the developments during the year have been:</p> <ul style="list-style-type: none">• The investment management function of the Fund transferred to the Local Pension Partnership Investments Ltd ("LPPI") on the 1 June 2018; and• From 1 June 2018, investment assets of the Fund are in the process of transferring into pooled vehicles provided by the Local Pension Partnership ("LPP"). Initially only the liquid assets are expected to transfer. <p>Our planning procedures are still in progress. We will continue to assess the audit risks throughout the audit and we will inform you of any changes.</p>
Significant audit risks	<p>As we continue to accumulate knowledge of the Fund we have developed our risk assessment so that our plan reflects those areas which we believe have a greater chance of leading to material misstatement of the financial statements.</p> <p>Our significant audit risks will be:</p> <ul style="list-style-type: none">• Management override of controls;• Valuation of the longevity hedge; and• Valuation of the convertible bond investment. <p>Auditing Standards include a presumption that management override of controls and revenue recognition are significant risks for all our audits.</p> <p>We have rebutted the presumption of risk of fraud in revenue recognition for the Fund, as we consider that there is little incentive or opportunity for revenue (including investment income, transfers and contributions) to be fraudulently misstated and therefore there is limited risk of material misstatement arising due to fraud in this area.</p> <p>Please refer to pages 9-12 for full details.</p>

Our audit explained

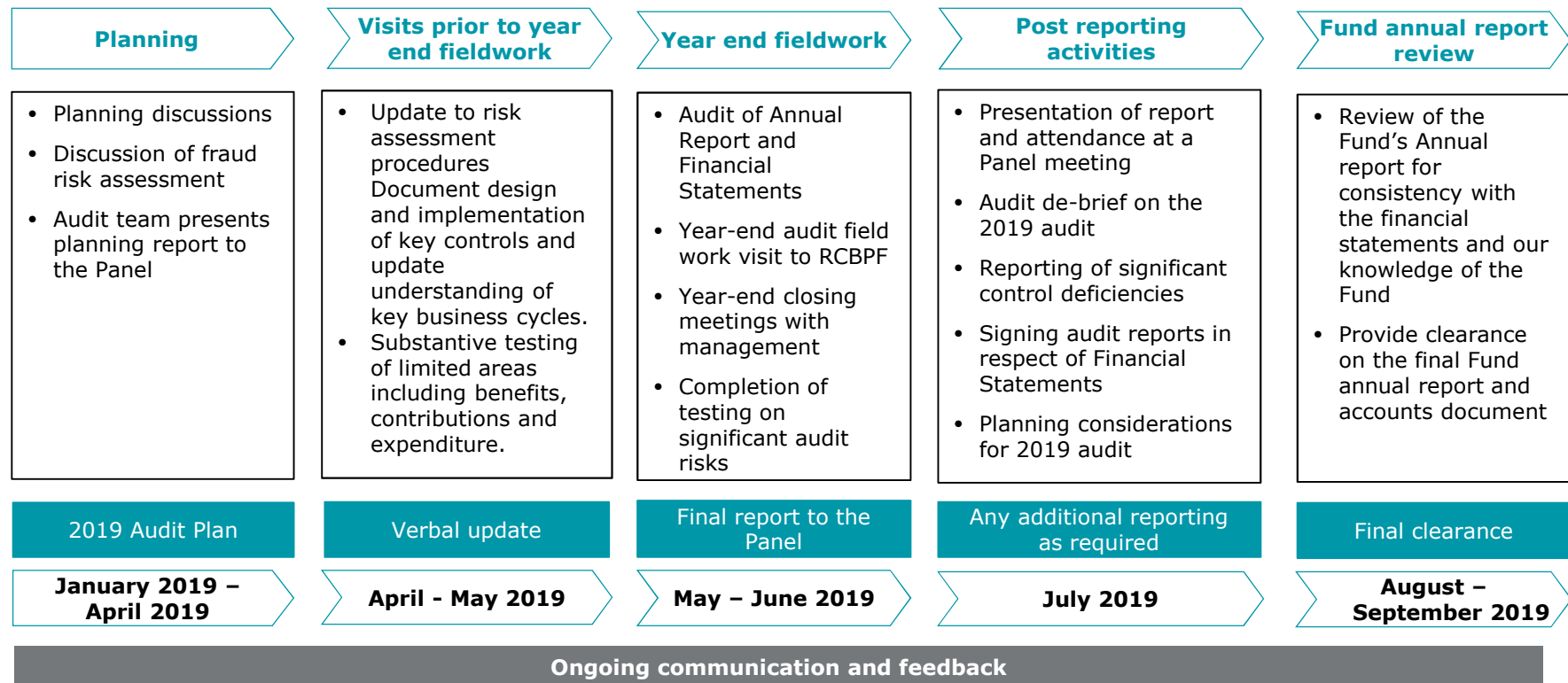
We tailor our audit to your Fund



Continuous communication and reporting

Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn and initial comments from the interim and final visits will be shared with management as required. The following sets out the expected timing of our reporting to and communication with you.



Scope of work and approach

Our approach

Liaison with internal audit

The Auditing Standards Committee's version of ISA (UK and Ireland) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and meet with them to discuss their work. We will discuss the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Using these discussions to inform our risk assessment, we can work together with internal audit to develop an approach that avoids inefficiencies and overlaps, therefore avoiding any unnecessary duplication of audit requirements on the Council's staff.

Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We recommend the Fund completes the Code checklist during drafting of their financial statements.

We would welcome early discussion on the planned format of the financial statements, and whether there is scope for simplifying or streamlining disclosures, as well as the opportunity to review a skeleton set of financial statements and an early draft of the annual report ahead of the typical reporting timetable to feedback any comments to management.

Materiality

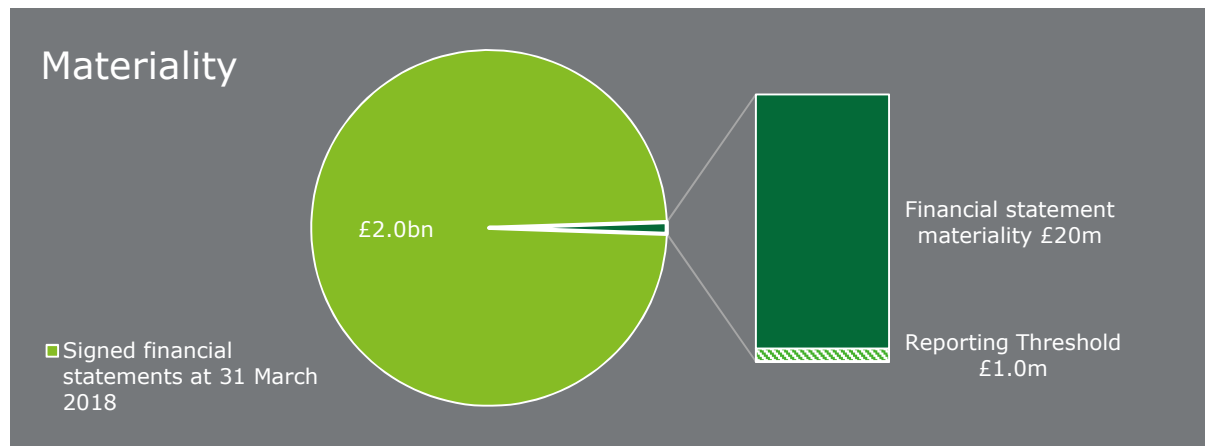
Our approach to materiality

Basis of our materiality benchmark

- We have estimated financial statement materiality as £20m based on professional judgement, the requirement of auditing standards, and the net assets of the Fund. As we complete our remaining planning procedures, we will consider further, together with the Royal Borough of Windsor and Maidenhead audit team, whether any reduction is required to the level of materiality applied to the Fund. If any changes are made to our assessment of materiality we will communicate those to the Audit Committee.
- We have used 1% of Fund net assets as the benchmark for determining our materiality levels.

Reporting to those charged with governance

- We will report to you all misstatements found in excess of 5% of financial statement materiality. We will report to you misstatements below this threshold if we consider them to be material by nature.
- We will determine materiality figures for the 31 March 2019 audit, and report them to those charged with governance on receipt of the draft 2019 financial statements.



Significant risks

Our risk assessment process

Changes to prior year in risks identified as significant audit risks

The risks we have identified as significant audit risks are summarised on the following pages. Our risk assessment reflects the following change from the prior year:

- In the prior year, our predecessor identified a significant audit risk in relation to the valuation of alternative investments, which they referred to as 'hard to value' investments. We have considered the investments held in the prior year, including the nature of the instruments held and the way they are priced. Based on our understanding, and the absence of past audit findings, we have concluded that the significant risk should not apply to the whole population of investments for which public pricing is not available. The vast majority of these holdings take the form of funds for which audited financial statements are regularly produced. These investments are diversified across a range of funds with audited accounts available reflecting audited fund prices. Whilst we will treat the valuation of these funds as a higher risk we believe the risk of material misstatement not to be significant for these reasons. We also identified a holding in property joint ventures for which valuation techniques can involve more judgement and estimation. However, due to the immaterial size of the holding we consider this to be only a higher risk. We have identified a convertible bond holding in Technology Enhanced Oil plc at a value of £35m last year. There is no publicly available pricing for this instrument. Convertible bonds are considered more difficult to price due the embedded optionality, the effect of multiple underlying characteristics and the use of complex calculation models. Therefore we have focused the significant risk on to this part of the investment portfolio.

Presumed risk of fraud in revenue recognition

Auditing standards also presume there is a risk of fraud in revenue recognition. Following an analysis of the Council's income streams, we have rebutted this presumption. The key factors considered include: the amount of annual income from each source; the transaction size; the extent of any estimates; and the complexity of the recognition principles. Our conclusion is the same as that reached by our predecessor last year.

Significant risks

Management override of controls

Risk identified

In accordance with ISA 240 (UK) management override is always a significant risk for financial statement audits. The primary risk areas surrounding the management override of internal controls are over the processing of journal entries and the key assumptions and estimates made by management.

Deloitte response management override of controls risk identified

In order to address the significant risk our audit procedures will consist of the following:

- We will risk assess journals and select items for detailed follow up testing. The journal entries will be selected using computer-assisted profiling based on areas which we consider to be of increased interest;
- We will test the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting;
- We will review accounting estimates for biases that could result in material misstatements due to fraud; and
- We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

In assessing the risk of management override, we will:

- Assess the overall position taken in respect of key judgements and estimates; and
- Consider our view on the overall control environment and 'tone at the top'.

Significant risks

Valuation of the longevity hedge

Risk identified

The Fund holds a material longevity insurance policy to hedge longevity risk. A longevity hedge is designed to insure the Fund against the risk that pensioners live longer than the current mortality assumptions. Valuation of longevity hedges are sensitive to relatively small movements in the key assumptions used in the actuarial calculations. The setting of these assumptions involves judgement. Based on last year's audited accounts we expect the value to be material in size this year.

As a result of this we consider the valuation of the longevity hedge to be a significant risk.

Deloitte response to the risk identified

In order to address this area of significant audit risk, we will perform the following audit procedures:

- Perform an assessment of the actuarial expert in respect of their knowledge and experience in this area;
- Test the design and implementation of the key controls with respect to the valuation of the longevity hedge;
- Obtain a valuation report directly from the actuary and reconcile this to the financial statements disclosure;
- Obtain the underlying documentation for the policy, including the population covered, the assumptions and other key inputs used in the calculation, and the agreed cash flows;
- Engage in-house actuarial specialists to challenge and assess the reasonableness of the valuation of the policy based on the underlying terms of the contract and the forecast cash flows; and
- Compare our expectation of the value with that reported by the investment manager, investigating any differences identified that are outside the range of results that we consider to be reasonable.

Significant risks

Valuation of the convertible bond

Risk identified

Based on our review of the prior year investments portfolio, there is a material holding in a convertible bond. This instrument does not have publicly available pricing. Valuation of convertible bonds requires the use of a complex model that accounts for the embedded option to convert the initial bond holding to equity. The valuation method takes account of the nature of both the bond and equity characteristics, including volatility and spread, and involves the evaluation of discounted cash flows.

As a result we consider the valuation of the convertible bond to be a significant risk.

Deloitte response management override of controls risk identified

In order to address the significant risk our audit procedures will consist of the following:

- Communicate with LPPI to identify the valuation methodology adopted and the relevant controls in place to govern that process;
- Test the design and implementation of the key controls with respect to the valuation of the convertible bonds;
- Obtain a valuation report directly from the investment manager and reconcile this to the financial statements disclosure;
- Obtain the key details of the convertible bond that have been used by the investment manager to value it;
- Engage our in-house specialists to assess the price of the convertible bond; and
- Compare our expectation of the value with that reported by the investment manager, investigating any differences identified that are outside the range of results that we consider to be reasonable.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our respective responsibilities are set out in "PSAA Statement of responsibilities of auditors and audited bodies: Principal Local Authorities and Police Bodies." The responsibilities of auditors are derived from statute, principally the Local Audit and Accountability Act 2014 and from the NAO Code of Audit Practice. The responsibilities of audited bodies are derived principally the Local Audit and Accountability Act 2014 and from the Accounts and Audit Regulations 2015.

Our report is designed to communicate our preliminary audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes our preliminary audit plan, including key audit judgements and the planned scope.

Use of this report

This report has been prepared for the Audit and Performance Review Panel, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Fund.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by officers or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the statement of accounts and the other procedures performed in fulfilling our audit plan.

Other relevant communications

We will update you if there are any significant changes to the audit plan.

Jonathan Gooding

for and on behalf of Deloitte LLP
St Albans | 1 April 2019

Appendix 1: Fraud responsibilities and representations

Responsibilities explained



Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and the Panel, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified the management override of controls, the valuation of the longevity hedge and the valuation of the convertible bond as the key audit risks for the Fund.



Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

We will request the following to be stated in the representation letter signed on behalf of the Panel:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
 - (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix 1: Fraud responsibilities and representations (continued)

Inquiries

We will make the following inquiries regarding fraud:



Management:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to the Panel regarding its processes for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries.



Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.



The Panel

- How the Panel exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether the Panel has knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of the Panel on the most significant fraud risk factors affecting the entity.

Appendix 2: Independence and fees

A Fair and Transparent Fee

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Fund and will reconfirm our independence and objectivity to the Panel for the year ending 31 March 2019 in our final report to the Panel.
Fees	Our audit fee for the year ending 31 March 2019 is £24,831 for the Fund. The above fees exclude VAT and include out of pocket expenses.
Non-audit fees	There are no non-audit fees.
Independence monitoring	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the Authority, its members, officers and affiliates, and have not supplied any services to other known connected parties.

This document is confidential and it is not to be copied or made available to any other party. Deloitte LLP does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in a Deloitte LLP engagement contract.

If this document contains details of an arrangement that could result in a tax or National Insurance saving, no such conditions of confidentiality apply to the details of that arrangement (for example, for the purpose of discussion with tax authorities).

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

© 2019 Deloitte LLP. All rights reserved.

Report Title:	RBWM Risk Management Report
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Saunders, Lead Member For Finance and Economic Development
Meeting and Date:	Audit and Performance Review Panel - 9 April 2019
Responsible Officer(s):	Duncan Sharkey, Managing Director and Rob Stubbs, Deputy Director and Head of Finance
Wards affected:	All

www.rbwm.gov.uk



REPORT SUMMARY

1. This report sets out how satisfactory risk management is in place for RBWM as part of its governance arrangements.
2. It includes the key strategic risks and how they are monitored and managed.
3. It also follows up on issues arising from the report to this panel 20 September 18 regarding governance as part of risk management applied to large projects.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the audit and performance review panel notes the report and:

- i) **Endorses this approach to managing risk.**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 Risk management is a governance process open to scrutiny from councillors and the public at the council's audit and performance review panel meetings.
- 2.2 If the council makes sound use of risk management processes it supports good performance and effective service delivery to residents.
- 2.3 The corporate risk register records the risks relating to the council's objectives. The purpose of risk analysis is to help decision-makers get a better feel for a realistic range of possibilities, what drives that uncertainty and hence where efforts can be focussed to manage this uncertainty.
- 2.4 The risk registers are pertinent to the point in time at which they are produced and require free thinking by those who put them together. Anything that could inhibit the way in which such risks are expressed would impair the quality of decision making when determining the most appropriate response to a risk.
- 2.5 The potentially most damaging risks are classified as key risks. The inclusion of risks within any level of risk register does not inevitably mean there is a

problem – what it signifies is that officers are aware of potential risks and have devised strategies for the implementation of mitigating controls.

2.6 Appendix A contains a current summary of the key risks. These risks were last presented to this panel meeting in the report 12 April 18.

2.7 Since that meeting, three new key risks have been added and one removed:

Added

- Statutory breach arising from non-compliance with the Data Protection Act 2018 leads to fines of up to €20m plus legal costs.
- Council owned companies or major contractors delivering statutory and discretionary services on behalf of the council fail and go out of business as a result of increased demand or poor performance¹.
- Insufficient resilience to a flooding event².
- Implications of Brexit.
- Council tax billing process.

Removed

- Failure to meet statutory responsibility to provide educational places for all borough residents³.
- Failure in maintaining the streetscene to a safe level and not implementing the new Well Maintained Highways code of practice⁴.
- Increased number of child referrals and child specific placements after numerous high profile cases leads to increased costs to deal with these in a proper and professional manner⁵.
- Investment strategies fail to make sufficient returns⁶.
- Write off over more than 5% of debt due to non-payment or collection failure⁷.
- Homelessness⁸.

2.8 Members are regularly notified of the key risks where named as the risk owner either by direct information from the risk and insurance manager or as part of lead member briefings. Officer risk owners are tasked with ensuring that any comments by members are reflected in the assessment.

¹ This method of service delivery is probably the largest risk facing the council in terms of impact. If these fail to deliver the statutory services as expected then there is likely to be a sizeable knock on effect into the MTFP.

² The existing risk around flooding is now split into (a) the impact of not providing a sufficient response to residents and (b) insufficient resilience to reduce the impact of a flood.

³ Removed because the director of children's services reported no pressure for a couple of years ahead and £30m spent recently on secondary schools. The provision of school places is now included in the general narrative around the Borough Local Plan risk.

⁴ Removed as a separate item and included in the service commissioning risk regarding added above.

⁵ Since this has become more about rising costs in children's services than anything to do with adoption/fostering, integrated into the wording of the MTFP risk.

⁶ Investments are currently minimal so there is no reason for this to be considered a key financial risk.

⁷ Debtors are very low and will not massively expose the council financially should they go unrealised.

⁸ No longer deemed a greater risk than any other operational matter so removed.

2.9 Risk reports are reviewed and debated at CLT meetings. If risks are considered to be of such low impact that there is little reason that ongoing monitoring is beneficial then they are removed from the risk register.

2.10 Options

Table 1: Options arising from this report

Option	Comments
To accept this report. Recommended option	The council is required to publish an annual governance statement in which a central requirement is to demonstrate how it manages risk.
Not accept this report. This is not recommended.	Without a risk management framework the council may be exposed to the impact of unnecessary levels of or avoidable risks by not focussing resources where they are not needed.

3. KEY IMPLICATIONS

3.1 Table 2: Key Implications

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
Lead officers and members are engaged in quarterly risk reviews of the risk register - the nature of the threat and the progress on mitigations.	Risks are left without officer or member attention.	Quarterly reviews.	Risks are reviewed more frequently than quarterly.	None	Ongoing by quarterly review.
Officers and members make strategic, operational and investment decisions around projects with the risks in mind.	Risks are left without officer or member attention.	Monthly reviews.	Risks are reviewed more frequently than monthly.	None.	Ongoing until conclusion as part of project management.

4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 No financial implications. Any resources for mitigations would depend on the existing budgets.

5. LEGAL IMPLICATIONS

- 5.1 There are potential legal implications should a risk occur to the council is not prepared for. The purpose of risk management is to provide awareness of these so that management can make a risk based judgement.
- 5.2 The council must comply with regulations⁹ by publishing an annual governance statement which demonstrates how it manages risk.

6. RISK MANAGEMENT

- 6.1 Table 3: Impact of risk and mitigation

Risks	Uncontrolled risk	Controls	Controlled risk
If the council fails to make good use of risk management processes it is likely there will be ignorance of risks carrying potentially severely damaging impacts to the organisation and to residents.	high	<p>Risks are reviewed by risk owners, the senior management team and members. The audit and performance review panel provides a mechanism for scrutiny of the process.</p> <p>There is a log of project risks which are reviewed at least monthly by the combined project work stream group. This review will cover a full update on any risks that need to be escalated to the project board.</p>	low

7. POTENTIAL IMPACTS

- 7.1 Staffing/workforce impacts: not directly although some individual risks may contain associated obligations.
- 7.2 Equalities, human rights and community cohesion impacts are none, although some individual risks may contain associated obligations.
- 7.3 Accommodation, property and assets impacts are also none although individual risks may contain associated obligations.

⁹ Regulation 6(2) of the Accounts and Audit Regulations 2015

8. CONSULTATION

- 8.1 The panel were presented with a report on governance as part of risk management applied to large projects at their meeting 20 September 2018 (the same report was also presented to the corporate services overview and scrutiny panel of 26 September 2018). The main messages taken verbatim from the published minutes are:
- It was important that Members had an overview of project governance so that they could engage with it.
 - [I]t was important to have project boards in place for accountability, there needed to be somewhere where issues could be escalated.
 - Smaller projects, although handled correctly, had followed different project methodologies. This made it more difficult for scrutiny to assess. It was planned to have a common methodology which would help introduce clarity.
- 8.2 Consultations take place with audit and performance review panel, corporate leadership team, heads of service and the shared audit and investigation service.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 Implementation date if not called in: immediately.

10. APPENDICES

- 10.1 This report is supported by two appendices:
- A – heat map showing assessment of current key risk impact/likelihoods
 - B – detail supporting the key **strategic risk** element of appendix A.

11. BACKGROUND DOCUMENTS

- 11.1 This report is not supported by any background documents.

12. CONSULTATION (MANDATORY)

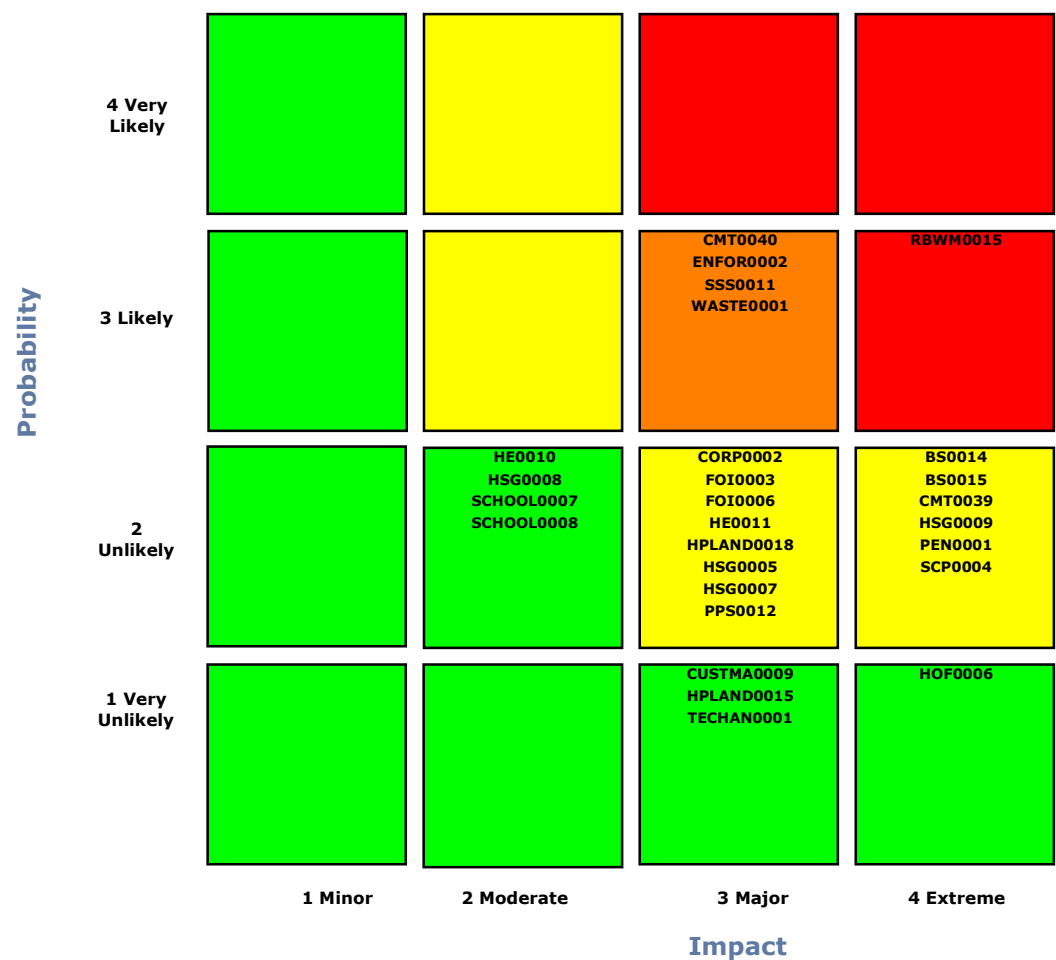
Name of consultee	Post held	Date sent	Date returned
Cllr Saunders	Lead Member For Finance and Economic Development	01/02/19	
Duncan Sharkey	Managing Director	04/02/19	15/02/19
Russell O'Keefe	Acting Managing Director	01/02/19	04/02/19
Rob Stubbs	Section 151 Officer	28/01/19	01/02/19
Elaine Browne	Interim Head of Law and Governance	01/02/19	01/02/19
Nikki Craig	Head of HR and Corporate Projects	01/02/19	01/02/19
Louisa Dean	Communications	01/02/19	
Andy Jeffs	Executive Director	01/02/19	01/02/19
Kevin McDaniel	Director of Children's Services	01/02/19	03/02/19

Name of consultee	Post held	Date sent	Date returned
Angela Morris	Director of Adult Social Services	01/02/19	01/02/19
Hilary Hall	Deputy Director of Commissioning and Strategy	01/02/19	01/02/19
	Other e.g. external		

REPORT HISTORY

Decision type: For information	Urgency item? No	To Follow item? n/a
Report Author: Steve Mappley, Insurance and Risk Manager, 01628 796202		

Appendix A - Key risks summary as at 22 March 2019



Detailed Risk Information

Current Risk Rating	Risk Ref	Summary	Assigned To	Review Date
12	RBWM0015	<p>This Brexit risk focuses on the ability of the council services to prepare for the UK departure from the EU on 29/03/19. As at 22/03/19, it is not known what the exit deal will look like and the prospect of a no deal scenario remains real. Consequently consumers, businesses and public bodies would have to respond immediately to changes as result of leaving the EU.</p> <ul style="list-style-type: none"> - Inflation, increased regulation and uncertainty could affect the council's tenders i.e. less bidders or rising costs for services. - Impact on our supply chains, both with direct tier suppliers and their sub-contractor network potentially increasing cost and reprioritisation of resources. There is a risk that a complete failure in supply e.g. Carillion from key suppliers could be felt. - Resilience of contracted services / workforce. With 46 care homes, if providers struggle with workforce resilience there could be higher demands on statutory services. - Any post-Brexit arrangement that results in greater friction around data transfers between the UK and the EU could present problems. Office 365 and Microsoft Azure presently host data for us in Europe. Our IT Helpdesk is hosted in Germany. - SMEs will likely be the least resilient in the event of any economic downturn which could increase the take up of revenue and benefits services, housing advice, financial assistance if this impacts families/individuals. RBWM is unaware of any big business relocations/loss of business rates. - In the event of higher demands on public services, front facing services in particular may find difficulty in providing the quality and speed of customer provision based on current resource levels. - Transition period instability could result in increased need for signposting; e.g. elections/voting information/issues around settled status. - Increases in anti-social behaviour e.g. if the government were to compromise on the question of EU citizens' access to the UK labour market in order to secure a trade deal, there is potential for a voter backlash on immigration, with worrying implications for community cohesion. - There could be a risk to delay in the projected timetable of regeneration if there is a skills/workforce shortage in the construction industry. 	CLT	Ongoing
9	CMT0040	<p>Insufficient local community resilience which could lead to residents being without the necessary assistance and increased financial impact on RBWM should a critical event occur.</p> <p>Underdeveloped and untested business continuity planning may reduce the ability of the council to provide critical functions in the event of emergency situation.</p> <p>Avoid single officer point of failure to fulfil duties under Civil Contingencies Act.</p>	David Scott	25/04/2019

Detailed Risk Information

Current Risk Rating	Risk Ref	Summary	Assigned To	Review Date
9	ENFOR0002	<p>Failure to meet preventative statutory obligations around community protection results in:</p> <ul style="list-style-type: none"> a. death or serious illness/injury of residents; b. public health implications from spread of notifiable disease and decimation of local/national farming economy consequent prosecution, fines, publicity. c. National government intervention. d. Reputational damage to the council. <p>Failure to meet minimum legislative requirements for 1) food, 2) health and safety, 3) housing, 4) environmental protection for contaminated land.</p> <p>There is no central government requirement for an animal health policy nor is there a Defra SDP to comply with any more. (Instead a local inspection plan is drafted annually which targets inspection of 100% of high-risk premises).</p>	David Scott	06/05/2019
9	SSS0011	<p>Safeguarding failure. Nationally increasing levels of demand are putting pressure on all elements of the service.</p> <p>Lack of intelligence around unknown risk areas e.g. trafficking, child sexual exploitation (CSE) and County Lines could lead to major preventable injuries occurring. There is particular focus at present on issues related to continued exploitation of vulnerable people and children.</p>	Kevin McDaniel	07/04/2019
9	WASTE0001	<p>There is the ongoing risk of ensuring that waste/recycling is collected from the bins as per resident expectations.</p> <p>The new collection contract is due to be approved at Cabinet on 28 February 2019. There is risk that the changeover to a new contractor may not be seamless causing significant resident dissatisfaction and complaints.</p> <p>Sufficient mitigations are deemed to be in place but their effectiveness will not be clear until the changeover period is suitably mature, hence the current risk assessment is medium/high.</p>	Hilary Hall	19/05/2019
8	BS0014	<p>Failure to comply with statutory obligations e.g. legionella policy, asbestos policy, gas, electric policies etc leads to personal injury, damage and possible legal action.</p> <p>There is also exposure should any improvement notices not be carried out.</p>	Russell O'Keefe	01/08/2019
8	BS0015	<p>Failure to carry out fire safety works to council properties including schools leads to increased exposure to fire risk, enforcement notice issued on inspection and reputation damage in event of fire.</p> <p>The probable key exposure to the council is not so much about the likelihood of a fire occurring but around being held culpable for not complying with its statutory duties regarding this hazard.</p>	Russell O'Keefe	30/04/2019

Detailed Risk Information

Current Risk Rating	Risk Ref	Summary	Assigned To	Review Date
8	CMT0039	<p>The UK is facing threats and not just from groups inspired by al Qaida e.g, far right extremists, disenfranchised groups. There is the risk of security and community problems putting residents and visitors at risk of personal injury arising from the actions and behaviour of such groups, particularly in the area around Windsor. This is due to the high volume of visitors, the military and ceremonial links to the town centre and castle as well as being under the flight path.</p> <p>Clause 26 of the Counter Terrorism and Security Act requires LAs to establish panels (in RBWM's case, the Channel Panel) to assess the extent to which identified individuals are 'vulnerable to being drawn into terrorism'.</p>	Andy Jeffs	25/04/2019
8	HSG0009	<p>Failure to meet aspiration of suitably integrated health and social care by 2020.</p> <p>1. The pooled Better Care Fund budget (of which £12M is RBWM's) fails to deliver services that meet health and social care needs in an integrated way to reduce avoidable admissions to care homes and hospitals.</p> <p>2. Failures could potentially lead to DoH intervention.</p>	Hilary Hall	19/06/2019
8	PEN0001	<p>Insufficient resources to meet demands leading to pension fund having a substantial deficit. The fund covers all 6 Berkshire unitaries along with over 200 other smaller scheme employers.</p>	Kevin Taylor	22/01/2020
8	SCP0004	<p>Council owned companies or major contractors delivering statutory and discretionary services on behalf of the council fail and/or go out of business as a result of increased demand or poor performance.</p> <p>Leads to:</p> <ul style="list-style-type: none"> - Statutory services for children and adults not delivered. - Resident facing community services, such as highways or waste collection, not delivered. - Reputational damage to the council. - Potential risks to public health. - Vulnerable adults and children may be left more at risk. - Problems in maintaining the streetscene to a safe level leading to highways injuries/claims against the statutory highway authority. 	Hilary Hall	29/03/2019
6	CORP0002	<p>Maidenhead regeneration. Many of the schemes rely on either vacant possession of the site, or release of covenants, or easements. Many sites have title issues, or unregistered title that needs to be cleaned up, and many rely on actions from one, taking place in order for the other to come forward.</p> <p>Main risks to success include:</p> <ul style="list-style-type: none"> - Conflict on key sites - The need for temporary parking - Inadequate infrastructure delivery not tied in with the BLP Infrastructure Delivery Plan. - Achieving the required programme for the relocation of the leisure centre including obtaining planning consent ahead of the green belt release. - Without an Access and Movement Strategy the proposed development will be coming forward as individual sites without a vision for the town centre on how vehicles, cyclists and pedestrians move around the town and between developments. - Challenge to the BLP and any of the 4 joint ventures taking place in Maidenhead. 	Russell O'Keefe	29/03/2019
6	FOI0003	<p>(a) Serious external security breaches, (b) data loss or damage to data caused by inadequate information security leads to delays and errors in business processes.</p>	Andy Jeffs	23/04/2019

Detailed Risk Information

Current Risk Rating	Risk Ref	Summary	Assigned To	Review Date
6	FOI0006	<p>Statutory breach arising from non-compliance with the Data Protection Act 2018 leads to fines of up to €20m plus legal action costs following judicial remedies. Non-compliance can only be identified if a breach actually occurs. The type of information breach is key - only if significant harm is likely to arise from the breach are fines expected to be punitive.</p> <p>Regulators can also issue temporary or permanent bans on processing.</p>	Elaine Browne	23/04/2019
6	HE0011	<p>Failure to undertake essential health and safety works to RBWM trees could lead to their collapse leading to property damage, injury, compensation claims and criticism. There are two areas:</p> <ol style="list-style-type: none"> 1. Inadequate capacity to inspect (a) trees within parks, open spaces and cemeteries and (b) highways trees. 2. Failure to undertake the maintenance and safety works identified from inspection. 	David Scott, Ben Smith, Hilary Hall	01/06/2019
6	HPLAND0018	<p>If we do not deliver sound Borough Local Plan we risk</p> <ol style="list-style-type: none"> a) Increased pressure on our ability to demonstrate we have a five year supply of land for housing. This could lead to development taking place at locations and/or in a way we would not otherwise accept or to planning by appeals; b) Stagnation and failure to provide for a range of housing needs; c) Inability to resist inappropriate development with panel decisions being overturned on appeal; d) Failure to attract S106 and CIL (from April 2015 government regs restricted the use of s106 agreements and CIL will become the principle means of collecting financial contributions from new development); e) Local infrastructure not planning to cope with or take advantage of local development possibilities as part of Maidenhead regeneration including Crossrail. f) Failing to meet statutory responsibility to provide educational places for all borough residents. g) Challenge to the BLP, major planning enquiries including the 4 joint ventures taking place in Maidenhead. <p>It is also important to note that the longer the process takes, the greater the risk events will impact on the process which then requires additional time and resource to consider.</p>	Russell O'Keefe	01/05/2019
6	HSG0005	<p>Under the Care Act hospitals have the right to fine their local social services if a patient's transfer is delayed for social-care related reasons. With an ageing population, medical advances and changing public expectations, the number of older people delayed from leaving hospital and transferring to residential care can accelerate very rapidly into increased costs on the council. People are living longer, typically remaining physically stronger for longer. More people are now becoming frail with dementia in the last 3 years of life which is when care is most needed.</p> <p>A certain amount of outstanding cases will always exist because of limited specialist placements for people with challenging conditions but this should not skew the risk assessment judgement.</p>	Angela Morris	31/05/2019

Detailed Risk Information

Current Risk Rating	Risk Ref	Summary	Assigned To	Review Date
6	HSG0007	<p>Growth in number of older people with disabilities, children's services transitions and long term conditions leads to costs increasing beyond the capacity of council and the inability to meet critical needs in the long term.</p> <p>Wealth depleters constitute a significant risk to the council.</p> <p>New contract for domiciliary care is due to be let in August 2020 - there will inevitably be some volatility associated with the change.</p>	Hilary Hall	19/08/2019
6	PPS0012	<p>Flood resilience.</p> <p>There is a risk that we have insufficient resilience to reduce the chance of an extensive and damaging flooding event which could otherwise lead to excessive and unnecessary disruption.</p> <p>The cause of this is not delivering the right schemes from the right level of investment. Caution should be used before withdrawing capital funding should no serious floods occur over an extended period of time. RBWM is the lead local flood risk authority.</p>	Ben Smith	01/06/2019
4	HE0010	<p>Disruption caused by flooding. Localised flooding can result in disruption to residents. Sewer flooding is a particular problem in Cookham and Ascot.</p> <p>The EA indicate that the ground water levels are presently relatively low, so the risk of flooding is lower than if the ground water level was higher. What is less clear is how long it would take for the aquifers to fill so that the ground could not tolerate short or medium term intensive rain.</p>	David Scott	01/06/2019
4	HOF0006	<p>RBWM may not be able to deal with any expenditure volatility because of a lack of a mid/long term strategy that successfully encompasses finance options/mitigations to match service demands and central government funding reduction i.e. MTFP fails.</p>	Rob Stubbs	23/04/2019
4	HSG0008	<p>Failure to ensure appropriate measures to meet safeguarding adult requirements leads to significant and preventable harm/death to vulnerable people.</p>	Angela Morris	30/04/2019
4	SCHOOL0007	<p>Failure to comply with legislation around and provide a service for monitoring and managing school building related risks such as fire, legionella and asbestos.</p> <p>As well as greater exposure to related hazards, without the correct certification around compliance, the chance of a DfE visit increases.</p>	Kevin McDaniel	31/07/2019
4	SCHOOL0008	<p>Schools are not improving at the rate required to remain in or achieve the top quartile performance. Schools are judged as below "Good" by Ofsted.</p> <p>The schools attainment rates are insufficient to make them competitive with their peers.</p> <p>Families choose to not use borough schools because of underperformance, resulting in smaller schools with a higher probability of further performance decline.</p>	Kevin McDaniel	31/05/2019

Detailed Risk Information

Current Risk Rating	Risk Ref	Summary	Assigned To	Review Date
3	CUSTMA0009	<p>Council tax billing process is not delivered accurately or on time causing reputation damage and potentially unenforceable debts. Failure, including that for any incorrectly presented precept, could lead to a rebilling exercise.</p> <p>We can only commence the final process once CTax is formally agreed, the police and fire precepts are set (and parish council precept if applicable). The bill must be correct to be enforceable. The presentation style of the numbers used on the bill is subject to legislative requirements and this can lead to explanatory notes being necessary e.g. rounding issues.</p> <p>Capita provide the software to generate the annual billing outputs but this is heavily reliant on RBWM providing and checking the data and presentation at various stages. The parameters are extensive for both CTax and benefits. An external print company is used to generate the bills.</p> <p>The head of service is the project manager and owner of the annual billing process.</p>	Louise Freeth	21/06/2019
3	HPLAND0015	<p>Failure to identify and approve projects for the expenditure of S106 monies indicates lack of a clear strategy for the most resource effective use of the funding and will not bring benefits. Failure to identify the s106 monies will also affect the progress of the CIL</p> <p>Parishes will be getting a proportion of this money in future which means less revenue to support council schemes.</p> <p>The council is successful at claiming monies and there's an agreed list of spending. The risk is whether we are spending appropriately in accordance with the relevant legal agreement. Whilst there has been little challenge so far there is an exposure to having to repay the money.</p>	Jenifer Jackson	30/04/2019
3	TECHAN0001	<p>If there is an IT infrastructure failure i.e. data storage infrastructure, systems access or total loss of council data centre then this could affect the ability of RBWM to function normally.</p> <p>Details are within the ICT risk register of which this is a summary.</p> <p>Causes: External cyber threats e.g. DDOS attacks. Loss/damage/denial of access to primary, secondary or hosted data centres. Accidental or deliberate loss of data or physical/logical failure to disk drive. Lapse of accreditation to Public Services Network. Physical or virtual server corruption or failure.</p> <p>This could lead to: - increased costs of downtime in the event of insufficient back up - expensive emergency service to rectify at short notice.</p>	Andy Jeffs	23/04/2019

Report Selection Criteria

Status Flag=ACTIVE - Status in (Key operational risk,Key strategic risk)

Appendix B - detailed key strategic risks as at 22 Mar 19

Publication Date - 22/03/2019 - Page 1 of 8

Risk Ref Headline Details	Implemented or Ongoing Controls	Current Rating & Risk Appetite Target	Controls not Fully Developed	Changes made at Last Review	Lead Member & Assigned to
RBWM00 15 Brexit implications on the local authority. <p>This Brexit risk focuses on the ability of the council services to prepare for the UK departure from the EU on 29/03/19. As at 19/03/19, it is not known what the exit deal will look like and the prospect of a no deal scenario remains real. Consequently consumers, businesses and public bodies would have to respond immediately to changes as result of leaving the EU.</p> <ul style="list-style-type: none"> - Inflation, increased regulation and uncertainty could affect the council's tenders i.e. less bidders or rising costs for services. - Impact on our supply chains, both with direct tier suppliers and their sub-contractor network potentially increasing cost and reprioritisation of resources. There is a risk that a complete failure in supply e.g. Carillion from key suppliers could be felt. - Resilience of contracted services / workforce. With 46 care homes, if providers struggle with workforce resilience there could be higher demands on statutory services. - Any post-Brexit arrangement that results in greater friction around data transfers between the UK and the EU could present problems. Office 365 and Microsoft Azure presently host data for us in Europe. Our IT Helpdesk is hosted in Germany. - SMEs will likely be the least resilient in the event of any economic downturn which could increase the take up of revenue and benefits services, housing advice, financial assistance if this impacts families/individuals. RBWM is unaware of any big business relocations/loss of business rates. - In the event of higher demands on public services, front facing services in particular may find difficulty in providing the quality and speed of customer provision based on current resource levels. - Transition period instability could result in increased need for signposting; e.g. elections/voting information/issues around settled status. - Increases in anti-social behaviour e.g. if the government were to compromise on the question of EU citizens' access to the UK labour market in order to secure a trade deal, there is potential for a voter backlash on immigration, with worrying implications for community cohesion. 	<ol style="list-style-type: none"> 1. Optalis maintain regular contract monitoring with care providers. None are currently reporting any risks associated with Brexit. 2. Vigilance through partner agencies. Community wardens and One Borough to be alert to resident/community concerns. 3. Data t/f -Microsoft etc confirm that this is part of their global platform so no issues with the physical access to data. 4. JV partners have assessments and mitigations in place. Some mitigations secured through RBWM contract terms on delays/costs. 	<div>12 High</div> <div>6 - Medium Low</div>	<ol style="list-style-type: none"> 1. Horizon scan future contracts expected to tender in 2019 and review the council's procurement strategy. 2. RBWM awarded £105k of funding by central government in 2018/19 and 2019/20 to support our Brexit planning and contingency. 3. Specific awareness campaign for registered EU voters on arrangements in May 2019. 4. Work with front facing services to see if any increased cross-skilling can add resilience to teams e.g. CSC, Revs+Bens, Housing. 5. Establish a forum for large businesses in the borough to complement the relationship with chambers of commerce. 	<p>CLT 6 March – added ICT data aspects and mitigations.</p>	<p>CLT</p>

Risk Ref Headline Details	Implemented or Ongoing Controls	Current Rating & Risk Appetite Target	Controls not Fully Developed	Changes made at Last Review	Lead Member & Assigned to
<p>- There could be a risk to delay in the projected timetable of regeneration if there is a skills/workforce shortage in the construction industry.</p>					
<p>SCP0004 Failure of service provision</p> <p>Council owned companies or major contractors delivering statutory and discretionary services on behalf of the council fail and/or go out of business as a result of increased demand or poor performance.</p> <p>Leads to:</p> <ul style="list-style-type: none"> - Statutory services for children and adults not delivered. - Resident facing community services, such as highways or waste collection, not delivered. - Reputational damage to the council. - Potential risks to public health. - Vulnerable adults and children may be left more at risk. - Problems in maintaining the streetscene to a safe level leading to highways injuries/claims against the statutory highway authority. <p>65</p>	<ol style="list-style-type: none"> 1. Robust governance arrangements at Member and officer levels in place and operating. 2. Identified contract managers in place. 3. Change control mechanisms in place across all contracts. 4. Tight contract monitoring - quarterly and monthly contract meetings. 5. Exit clauses/strategies negotiated and in place across all contracts. 6. Clear vision and business plans for all companies, aligned to the Council Plan. 7. Revised HMMP to O&S Panel November 2015 and Cabinet December 2015 for review and sign off. 8. Inspect MSCPs plus surface car parks. Safety audits will be carried out on a rolling programme. 9. Performance dashboard of key service and financial indicators - reviewed monthly and quarterly. 	<p>8 Medium</p> <p>4 - Low</p>	<ol style="list-style-type: none"> 1. Revise HMMP to show risk based approach in 2018 Code of Practice with audit trail to show rationale in case of legal challenge. 2. Road categorisation project woven into HMMP. 	<p>Reviewed by HH 20/11/18 - lead members updated.</p>	<p>Cllr N Airey Cllr M Airey Cllr Bicknell Cllr Carroll Cllr S Rayner</p> <p>Hilary Hall</p>

Risk Ref Headline Details	Implemented or Ongoing Controls	Current Rating & Risk Appetite Target	Controls not Fully Developed	Changes made at Last Review	Lead Member & Assigned to
<p>CMT0040 Fail to protect residents should an emergency incident occur</p> <p>Insufficient local community resilience which could lead to residents being without the necessary assistance and increased financial impact on RBWM should a critical event occur.</p> <p>Underdeveloped and untested business continuity planning may reduce the ability of the council to provide critical functions in the event of emergency situation.</p> <p>Avoid single officer point of failure to fulfil duties under Civil Contingencies Act.</p> <p>99</p>	<p>1. BCPs are continually updated to reflect BCP situations.</p> <p>2. Inter authority agreement in relation to joint emergency planning unit (JEPU) in place between RBWM, WBDC and BFBC.</p> <p>3. There is an emergency planning out of hours rota of officers who have relevant roles and responsibilities. Held by control room.</p> <p>4. Shared service for emergency planning.</p> <p>5. Waste suppliers have confirmed their processes and arrangements in the event of severe weather.</p> <p>6. Ensure sufficient resilience for IT systems/back-ups in emergencies for the 24/7 control room or EOC.</p> <p>7. The need for contractors to have BCPs in place is confirmed as part of the commissioning and contracting process.</p> <p>8. Residential care homes have temporary alternative accommodation plans for vulnerable adults for use in emergency situations.</p>	<p>9 Medium/High</p> <p>8 - Medium</p>	<p>1. Engage specific service managers to cater for emergency response to all key risks e.g. flood, disease, major civic emergency.</p> <p>2. Each service is responsible for developing BCP and the process is being embedded within the resilience framework under each HoS.</p> <p>3. Develop and support community based emergency plans in conjunction with parish councils.</p> <p>4. Identify and co-ordinate individuals for operational command for the EOC and ensure appropriate training and development.</p>	<p>Reviewed by DVS 25/01/19 - threat wording and controls revised.</p>	<p>Cllr M Airey</p> <p>David Scott</p>

Risk Ref	Headline	Implemented or Ongoing Controls	Current Rating & Risk Appetite Target	Controls not Fully Developed	Changes made at Last Review	Lead Member & Assigned to
Details						
CMT0039	Security The UK is facing threats and not just from groups inspired by al Qaida e.g. far right extremists, disenfranchised groups. There is the risk of security and community problems putting residents and visitors at risk of personal injury arising from the actions and behaviour of such groups, particularly in the area around Windsor. This is due to the high volume of visitors, the military and ceremonial links to the town centre and castle as well as being under the flight path. Clause 26 of the Counter Terrorism and Security Act requires LAs to establish panels (in RBWM's case, the Channel Panel) to assess the extent to which identified individuals are 'vulnerable to being drawn into terrorism'.	1. Temporary HVM measures deployed in 2017 replaced by integrated permanent measures in 2019/20 (see controls in development). 2. Evacuation plan for Windsor in place. 3. Community safety partnership strategy and action plan in place, updated annually. 4. Close partnership working with police and military to share intelligence and ensure risks are reduced. 5. TOR for Channel Panel, (administered and chaired by RBWM) who assess risk and decide on support packages, refreshed in 18/19. 6. RBWM works closely with the One Borough group to build and maintain public inter-faith confidence in preventing all extremism.	<div>8 Medium</div> <div>8 - Medium</div>	1. Permanent, integrated hostile vehicle mitigation measures will be installed in Windsor to ensure the safety of residents.	Reviewed by DVS 25/01/19 - controls updated incl. hostile vehicle mitigations.	Cllr M Airey with Cllr S Rayner for Prevent strategy Andy Jeffs
HOF0006	Expenditure volatility causes a significant departure from the plan. RBWM may not be able to deal with any expenditure volatility because of a lack of a mid/long term strategy that successfully encompasses finance options/mitigations to match service demands and central government funding reduction i.e. MTFP fails.	1. Review of base budget annually involving managers. 2. Forward Plan as part of the budget setting process. 3. Head of finance's annual assessment of the need to retain reserves. 4. All service monitoring reports require budget managers to bring spending into line. 5. Respond to economic and emerging policy signals as an annual process with monthly monitoring of targeted against actual income. 6. Increased focus on monitoring debt recovery programme.	<div>4 Low</div> <div>4 - Low</div>	1. Finance processes in the "Induction for Managers" will be reviewed, including budget training.	Reviewed by RS 23/01/19 - no material changes.	Cllr MJ Saunders Rob Stubbs

Risk Ref Headline Details	Implemented or Ongoing Controls	Current Rating & Risk Appetite Target	Controls not Fully Developed	Changes made at Last Review	Lead Member & Assigned to
	<p>7. Monitor Govt/LGA statements and impact on local government.</p> <p>8. Build business rate refund assumptions into MTFP based on historical data</p> <p>9. Ensure sufficient reserves to accommodate spikes in demand. Head of finance makes an assessment of the need to hold balances.</p>				
<p>TECHAN001 IT Infrastructure failure</p> <p>If there is an IT infrastructure failure i.e. data storage infrastructure, systems access or total loss of council data centre then this could affect the ability of RBWM to function normally.</p> <p>Details are within the ICT risk register of which this is a summary.</p> <p>Causes: External cyber threats e.g. DDOS attacks. Loss/damage/denial of access to primary, secondary or hosted data centres Accidental or deliberate loss of data or physical/logical failure to disk drive. Lapse of accreditation to Public Services Network. Physical or virtual server corruption or failure.</p> <p>This could lead to: - increased costs of downtime in the event of insufficient back up - expensive emergency service to rectify at short notice.</p>	<p>1. Business Continuity/Disaster Recovery</p> <p>2. Multiple data centres provides increased resilience.</p> <p>3. Line of business systems hosted either on local servers or on remote cloud-hosted servers.</p> <p>4. Council networks are protected by multiple security layers using firewall and other control technologies.</p> <p>5. Physical Infrastructure controls - access controls, remote access capability, environmental monitoring, generator and UPS.</p> <p>6. DDOS protection in place.</p> <p>7. Council external website is hosted in the Cloud.</p> <p>8. Disk drives are configured to use RAID technology.</p> <p>9. Switch replacement and diversely routed networks. External network links supplied and supported by tier one UK network suppliers</p>	<p>3 Low</p> <p>4 - Low</p>	<p>1. £600k investment during 2019 in desktops.</p>	<p>All controls in place as reported to CLT 23/1/19 (and a few more added). Current rating thus to 4 to match controlled assessment.</p>	<p>Cllr Targowska Andy Jeffs</p>

Risk Ref Headline Details	Implemented or Ongoing Controls	Current Rating & Risk Appetite Target	Controls not Fully Developed	Changes made at Last Review	Lead Member & Assigned to
<p>FOI0006 Data protection</p> <p>Statutory breach arising from non-compliance with the Data Protection Act 2018 leads to fines of up to €20m plus legal action costs following judicial remedies. Non-compliance can only be identified if a breach actually occurs. The type of information breach is key - only if significant harm is likely to arise from the breach are fines expected to be punitive.</p> <p>Regulators can also issue temporary or permanent bans on processing.</p> <p>Confidence level in accuracy of current risk assessment: medium.</p> <p>69</p>	<ol style="list-style-type: none"> 1. Maintain a corporate register of processing activities as per article 30 of GDPR. 2. Adapt privacy notices to include the 6 GDPR principles. Ensure all policies align to the Data Protection Act 2018. 3. Reviewed information assets. Continuing development of the information asset register and updating entries by info asset owners 4. Security induction and annual training procedure embedded in HR procedures and the appraisal process. 5. Run annual training sessions for officers, members and parish councils. 6. Optalis and AfC data sharing and handling arrangements in place and part of contract management. 7. All RBWM-issued mobile devices are controlled by our mobile device management solution, Microsoft InTune. 8. Enrol non-RBWM devices into InTune platform. This enables deployment of the MS Outlook app onto each device. 9. Review all partnership agreements and determine the information sharing arrangements, updating as necessary. 10. Reporting of any data breaches is a regular reporting item to the monthly meetings of the operational commissioning board. 11. There is an information governance working group meeting monthly to identify and drive associated good practice in this area. 12. Appointed a data protection officer (DPO). Updated DP Policy to include DPO as a mandatory role. 	<p>6 Medium/Low</p> <p>6 - Medium Low</p>	<ol style="list-style-type: none"> 1. Services to ensure they have complete registers of their held data at Iron Mountain guided by applicable retention schedule. 2. Historic children's data (and other files) stored within Waldeck House is in the process of being rationalised/disposed of. 3. Central government is developing a email blueprint to enable secure communications with local authority email accounts. 	<p>Reviewed by EB 23/01/19 - removed members use of personal email addresses from threat wording. Adjusted Waldeck House control wording to reflect progress.</p>	<p>CLlr Targowska</p> <p>Elaine Browne</p>

Risk Ref Headline Details	Implemented or Ongoing Controls	Current Rating & Risk Appetite Target	Controls not Fully Developed	Changes made at Last Review	Lead Member & Assigned to
<p>CORP0002 Maidenhead regeneration project fails to deliver expected outcomes.</p> <p>Many of the schemes rely on either vacant possession of the site, or release of covenants, or easements. Many sites have title issues, or unregistered title that needs to be cleaned up, and many rely on actions from one, taking place in order for the other to come forward.</p> <p>Main risks to success include:</p> <ul style="list-style-type: none"> - Conflict on key sites - The need for temporary parking - Inadequate infrastructure delivery not tied in with the BLP Infrastructure Delivery Plan. - Achieving the required programme for the relocation of the leisure centre including obtaining planning consent ahead of the green belt release. - Without an Access and Movement Strategy the proposed development will be coming forward as individual sites without a vision for the town centre on how vehicles, cyclists and pedestrians move around the town and between developments. - Challenge to the BLP and any of the 4 joint ventures taking place in Maidenhead. 	<p>1. Each project has its own risk register, to drill down to the day to day detail.</p>	<p>6 Medium/Low</p> <p>8 - Medium</p>	<p>1. See project risk registers.</p>	<p>05/12/18 - Barbara Richardson. Each project has its own risk register, to drill down to the day to day detail.</p>	<p>Cllr Dudley Russell O'Keefe</p>
<p>FOI0003 Data security breach or data loss/damage</p> <p>(a) Serious external security breaches, (b) data loss or damage to data caused by inadequate information security leads to delays and errors in business processes.</p>	<p>1. Security awareness of officers and external service providers who use our IT.</p> <p>2. Secure remote working with computers, encrypted area for sensitive laptop data.</p> <p>3. Develop, publish and communicate information security policies.</p> <p>4. Audit use of all Council laptops and obtain management authorisation for their use.</p> <p>5. Create a security induction and training procedure and embed in HR procedures and the appraisal process.</p> <p>6. Information governance manager to check and take action when inappropriate external transmissions of data are reported.</p>	<p>6 Medium/Low</p> <p>8 - Medium</p>	<p>1. Implement a robust exit strategy with accountabilities when staff leave the organisation or return surplus IT equipment.</p>	<p>Reviewed by AJ 23/01/19 - no changes.</p>	<p>Cllr Targowska Andy Jeffs</p>

Risk Ref Headline Details	Implemented or Ongoing Controls	Current Rating & Risk Appetite Target	Controls not Fully Developed	Changes made at Last Review	Lead Member & Assigned to
	<p>7. All security breaches are investigated. Intel shared with organisational development team to weave into future learning.</p> <p>8. Disposal of confidential waste papers. Specific bins are in place to ensure such waste is locked and secure at all times.</p> <p>9. Exchange of data and information with other organisations. Policies, procedures and declarations available to increase security.</p>				
71					

This page is intentionally left blank

Report Title:	Risk Based Verification
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor S Rayner Lead Member for Culture and Communities including Resident and Business Services.
Meeting and Date:	Audit and Performance Review panel 09 April 2019
Responsible Officer(s):	Louise Freeth, Head of Revenues and Benefits
Wards affected:	All

www.rbwm.gov.uk



REPORT SUMMARY

1. To advise Members of a change to the approach of verifying claims for Housing Benefit, from an IT based approach to a paper based approach, and to seek approval of this change.
2. To expand the use of Risk Based Verification to include changes of circumstances.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Audit and Performance Review panel notes the report and:

- i) **Endorses the change from utilising software for risk based verification to a paper based approach and the expansion to changes of circumstances.**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 The council must adhere to Housing Benefit legislation when processing new claims and changes in circumstances for customers. The legislation does not specify, in detail, the level of information and evidence which is required from a customer in order to support their claim. However, the legislation does require the council to have sufficient supporting evidence to allow for an accurate assessment of a customer's entitlement.
- 2.2 In 2011, the Department of Work and Pensions developed and approved a new approach to evidence requirements referred to as Risk Based Verification (Appendix A - S11/2011 attached). This applied differing levels of checks depending upon the likelihood of the fraud associated with that particular claim. Although it was not compulsory to adopt this method of determining the levels of evidence required in support of a claim, the Royal Borough approved this approach in September 2015.

- 2.3 The Risk Based Verification policy, (Appendix B attached) defines the risk categories and the checks required for each category. Claims are categorised as being either Low, Medium or High risk.

Low Risk

- Original documentation is required to prove identity and National Insurance Number.

Medium Risk

- Must have the same checks as low risk plus:
- Photocopies or original documentation to prove every time of declared income and capital.

High Risk

- All high risk categorised cases must have original document to provide Identity and National Insurance Number
- Original documentation only for proof of every type of declared income and capital.
- Additional verification should also take place such as a telephone call, visit, or credit reference check to determine any discrepancies.

- 2.4 Once the category is allocated, individual claims cannot be downgraded by the benefit officer to a lower risk group but may be upgraded. Exceptionally, a Senior Benefit Officer may lower the risk group if appropriate.

- 2.5 The main change in adopting a Risk Based approach is that all the facts must still be ascertained but evidence requirements are not the same in all cases. This means that resources are able to be focused appropriately on those claims that pose the greatest risk and simplify the process for those that pose the least risk.

- 2.6 The DWP guidance specifies that no more than 55% of cases should be Low Risk, 25% Medium Risk and 20% High Risk.

- 2.7 With the introduction of Universal Credit, the volume of new Housing Benefit claims has decreased by approximately 63% from an average of 97 per month to 36. The nature of the remaining claims submitted has also changed since the majority of claims for Housing Benefit are now Medium or High Risk with very few being Low Risk.

- 2.8 The current Risk Based Verification policy refers only to new claims. It is therefore proposed that this approach is expanded to include changes in circumstances.

Options

Table 1: Options arising from this report

Option	Comments
Retain the Risk Based Verification approach but amend from an IT based solution to a paper based solution. This is the recommended option	While staff may require support for this change, in terms of training, the customer should not see any change and the council will achieve a financial saving.

Option	Comments
Retain the Risk Based Verification approach utilising the existing IT solution. This is not recommended.	Due to the decreased volumes of new claims and the change in the nature of those claims, this is not felt to provide value for money.
Retain the Risk Based Verification approach for new claims only rather than also incorporating changes of circumstances. This is not recommended.	This will ensure the approach is used to maximum effect but was not originally possible when the council first adopted RBV.

3. KEY IMPLICATIONS

- 3.1 The council is already operating a Risk Based Verification approach to the assessment of Housing Benefit claims. This paper only seeks to change how that is achieved and to expand the approach to changes in circumstances.

Table 2: Key Implications

Outcome	Unmet	Met	Date of delivery
Risk based approach used	Continues to utilise software	Software no longer used	April 2019
Risk based approach used	Continues for new claims only	Expanded to include changes in circumstances	April 2019

4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 The current cost of the Risk Based Verification software solution is £11,700 per annum. Changing from a software solution to a paper based solution will therefore make a revenue budget saving of this amount.

5. LEGAL IMPLICATIONS

- 5.1 Although Risk Based Verification is a voluntary scheme, there is a mandatory requirement to have a risk Based Verification Policy detailing the risk profiles, verification standards which will apply and the minimum number of claims to be checked approved by members.
- 5.2 The council's legal obligation to verify information for Housing Benefit claims is defined in Housing Benefit Regulation 86 which states:

“a person who makes a claim, or a person to whom Housing Benefit has been awarded, shall furnish such certificates, documents, information and evidence in connection with the claim or award, or any question arising out of the claim or the award, as may reasonably be required by the relevant authority in order to determine that person's entitlement to, or continuing entitlement to Housing Benefit”.

6. RISK MANAGEMENT

6.1 The following risk has been identified.

Table 3: Impact of risk and mitigation

Risks	Uncontrolled risk	Controls	Controlled risk
Staff fail to adhere to the policy leading to increased LA error.	Medium	Quality and accuracy checks will include confirming adherence to the policy	Low

7. POTENTIAL IMPACTS

7.1 No equality issues, arising by changing this initiative as described have been identified.

8. CONSULTATION

8.1

9. TIMETABLE FOR IMPLEMENTATION

9.1 Implementation would be immediate.

10. APPENDICES

10.1 This report is supported by two appendices:

- Appendix A – DWP circular S11/2011
- Appendix B – Amended policy to be adopted

11. BACKGROUND DOCUMENTS

11.1 This report is not supported by any background documents.

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
Clr S Rayner	Lead Member for Culture and Communities including Resident and Business Services	30/03/19	
Duncan Sharkey	Managing Director	30/03/19	

Name of consultee	Post held	Date sent	Date returned
Russell O'Keefe	Executive Director	30/03/19	
Andy Jeffs	Executive Director	30/03/19	01/04/19
Rob Stubbs	Section 151 Officer	30/03/19	
Elaine Browne	Interim Head of Law and Governance	30/03/19	
Nikki Craig	Head of HR and Corporate Projects	30/03/19	
Louisa Dean	Communications	30/03/19	
Kevin McDaniel	Director of Children's Services	30/03/19	
Angela Morris	Director of Adult Social Services	30/03/19	
Hilary Hall	Deputy Director of Commissioning and Strategy	30/03/19	

REPORT HISTORY

Decision type: Non-key decision	Urgency item? No	To Follow item? No
Report Author: Louise Freeth, Head of Revenues and Benefits Telephone: 01628 685664		

Housing Benefit and Council Tax Benefit Circular

Department for Work and Pensions

1st Floor, Caxton House, Tothill Street, London SW1H 9NA

HB/CTB S11/2011

SUBSIDY CIRCULAR

WHO SHOULD READ	All Housing Benefit (HB) and Council Tax Benefit (CTB) staff
ACTION	For information
SUBJECT	Risk-Based Verification of HB/CTB Claims Guidance

Guidance Manual

The information in this circular does not affect the content of the HB/CTB Guidance Manual.

Queries

If you

- want **extra copies of this circular/copies of previous circulars**, they can be found on the website at <http://www.dwp.gov.uk/local-authority-staff/housing-benefit/user-communications/hbctb-circulars/>
- have any queries about the
 - **technical content of this circular**, contact
Email: HBCTB.SUBSIDYQUERIES@DWP.GSI.GOV.UK
 - **distribution of this circular**, contact
Email: HOUSING.CORRESPONDENCEANDPQS@DWP.GSI.GOV.UK

Crown Copyright 2011

Recipients may freely reproduce this circular.

Contents

para

Risk-Based Verification of HB/CTB Claims Guidance

Introduction.....	1
Background	2
What is RBV?	5
How does RBV work?.....	8
The Requirements for LAs that adopt RBV	14
How RBV claims will be certified	18
Other considerations	19
What are the subsidy implications	20

Risk-Based Verification of HB/CTB Claims Guidance

Introduction

1. This guidance outlines the Department's policy on Risk-Based Verification (RBV) of Housing Benefit and Council Tax Benefit (HB/CTB) claims.

Background

2. RBV allows more intense verification activity to be focussed on claims more prone to fraud and error. It is practiced on aspects of claims in Jobcentre Plus (JCP) and the Pension Disability and Carers Service (PDCS). Local authorities (LAs) have long argued that they should operate a similar system. It is the intention that RBV will be applied to all Universal Credit claims.
3. Given that RBV is practised in JCP and PDCS, the majority (up to 80%) of HB/CTB claims received in an LA may have been subject to some form of RBV. Already 16 LAs operate RBV. Results from these LAs have been impressive. In each case the % of fraud and error identified has increased against local baselines taken from cells 222 and 231 of the Single Housing Benefit Extract (SHBE). In addition, in common with the experience of JCP and PDCS there have been efficiencies in areas such as postage and storage and processing times have improved.
4. We therefore wish to extend RBV on a **voluntary basis** to all LAs from April 2012.

This guidance explains the following;

- What is RBV?
- How does RBV work?
- The requirements for LAs that adopt RBV
- How RBV claims will be certified
- What are the subsidy implications?

What is RBV?

5. RBV is a method of applying different levels of checks to benefit claims according to the risk associated with those claims. LAs will still be required to comply with relevant legislation (Social Security Administration Act 1992, section 1 relating to production of National Insurance numbers to provide evidence of identity) while making maximum use of intelligence to target more extensive verification activity on those claims shown to be at greater risk of fraud or error.
6. LAs have to take into account HB Regulation 86 and Council Tax Benefit Regulation 72 when verifying claims. The former states:

“a person who makes a claim, or a person to whom housing benefit has been awarded, shall furnish such certificates, documents, information and evidence in connection with the claim or the award, or any question arising out of the claim or the award, as may reasonably be required by the relevant authority in order to determine that person’s entitlement to, or continuing entitlement to housing benefit and shall do so within one month of being required to do so or such longer period as the relevant authority may consider reasonable.”

Council Tax Benefit Regulation 72 is similar.

7. These Regulations do not impose a requirement on authorities in relation to what **specific** information and evidence they should obtain from a claimant. However, it does require an authority to have information which allows an **accurate assessment** of a claimant’s entitlement, both when a claim is first made and when the claim is reviewed. A test of reasonableness should be applied.

How does RBV work?

8. RBV assigns a risk rating to each HB/CTB claim. This determines the level of verification required. Greater activity is therefore targeted toward checking those cases deemed to be at highest risk of involving fraud and/or error.
9. The classification of risk groups will be a matter for LAs to decide. For example, claims might be divided into 3 categories:
 - **Low Risk Claims:** Only essential checks are made, such as proof of identity. Consequently these claims are processed much faster than before and with significantly reduced effort from Benefit Officers without increasing the risk of fraud or error.
 - **Medium Risk Claims:** These are verified in the same way as all claims currently, with evidence of original documents required. As now, current arrangements may differ from LA to LA and it is up to LAs to ensure that they are minimising the risk to fraud and error through the approach taken.
 - **High Risk Claims:** Enhanced stringency is applied to verification. Individual LAs apply a variety of checking methods depending on local circumstances. This could include Credit Reference Agency checks, visits, increased documentation requirements etc. Resource that has been freed up from the streamlined approach to low risk claims can be focused on these high risk claims.
10. We would expect no more than around 55% of claims to be assessed as low risk, with around 25% medium risk and 20% high risk. These figures could vary from LA to LA according to the LA’s risk profiling. An additional expectation is that there should be more fraud and error detected in high risk claims when compared with medium risk claims and a greater % in medium risk than low risk. Where this proves not to be the case the risk profile should be revisited.
11. LAs may adopt different approaches to risk profile their claimants. Typically this will include the use of IT tools in support of their policy, however, the use of clerical systems is acceptable.

12. Some IT tools use a propensity model¹ which assesses against a number of components based on millions of claim assessments to classify the claim into one of the three categories above. Any IT system² must also ensure that the risk profiles include 'blind cases' where a sample of low or medium risk cases are allocated to a higher risk group, thus requiring heightened verification. This is done in order to test and refine the software assumptions.
13. Once the category is identified, individual claims cannot be downgraded by the benefit processor to a lower risk group. They can however, exceptionally, be upgraded if the processor has reasons to think this is appropriate.

The requirements for LAs that adopt RBV

14. RBV will be voluntary. However, all LAs opting to apply RBV will be required to have in place a **RBV Policy** detailing the risk profiles, verification standards which will apply and the minimum number of claims to be checked. We consider it to be good practice for the Policy to be examined by the authority's Audit and Risk Committee or similar appropriate body if they exist. The Policy must be submitted for Members' approval and sign-off along with a covering report confirming the Section 151 Officer's (section 85 for Scotland) agreement/recommendation. The information held in the Policy, which would include the risk categories, should not be made public due to the sensitivity of its contents.
15. The Policy must allow Members, officers and external auditors to be clear about the levels of verification necessary. It must be reviewed annually but not changed in-year as this would complicate the audit process.
16. Every participating LA will need a robust baseline against which to record the impact of RBV. The source of this baseline is for the LA to determine. Some LAs carry out intensive activity (along the lines of the HB Review) to measure the stock of fraud and error in their locality. We suggest that the figures derived from cells 222 and 231 of SHBE would constitute a baseline of fraud and error currently identified by LAs.
17. Performance using RBV would need to be monitored monthly to ensure its effectiveness. Reporting, which must be part of the overall Policy, must, as a minimum, include the % of cases in each risk category and the levels of fraud and error detected in each.

How RBV claims will be certified?

18. Auditors will check during the annual certification that the subsidy claim adheres to the LA's RBV Policy which will state the necessary level of verification needed to support the correct processing of each type of HB/CTB claim. The risk category will need to be recorded against each claim. Normally the LA's benefit IT/clerical system will allow this annotation.

¹ Whilst DWP is of the opinion that the use of IT will support the success of RBV, it does not in anyway endorse any product or company

² The same safeguard must be applied to clerical systems

Other considerations

19. The sample selection for HB/CTB cases will not change i.e. 20 cases will be selected for each headline cell on the claim form. The HB COUNT guidance used by the external auditors for certification will include instructions for how to deal with both non-RBV and RBV cases if selected in the sample. For non-RBV cases, the verification requirements will remain the same i.e. LAs will be expected to provide all the documentary evidence to support the claim.

What are the subsidy implications?

20. Failure by a LA to apply verification standards to HB/CTB claims as stipulated in its RBV Policy will cause the expenditure to be treated as LA error. The auditor will identify this error and if deemed necessary extrapolate the extent and, where appropriate, issue a qualifying letter. In determining the subsidy implications, the extrapolation of this error will be based on the RBV cases where the error occurred. For this reason, it is important that RBV case information is routinely collected by ensuring that LA HB systems incorporate a flag to identify these RBV cases. If sub-populations on RBV cases can not be identified, extrapolations will have to be performed across the whole population in the particular cell in question.
21. We will now work with the respective audit bodies to incorporate this into the COUNT guidance. If you have any queries please contact Manny Ibiayo by e-mail HBCTB.SUBSIDYQUERIES@DWP.GSI.GOV.UK



THE ROYAL BOROUGH OF
**WINDSOR AND
MAIDENHEAD**

RISK BASED VERIFICATION POLICY

1. RISK BASED VERIFICATION POLICY

Introduction

Risk Based Verification (RBV) is a method of applying different levels of checks to benefit claims according to the risk associated with those claims. The approach allows for a more intense verification activity to be focused on claims more prone to fraud and error.

The Department for Works & Pensions (DWP) has implemented an RBV approach for the assessment of some state benefits and uses this approach to all Universal Credit claims.

DWP allows local authorities to implement an RBV approach to the verification of benefit claims. It has identified that adopting such an approach will provide the following benefits to customers and Local Authorities.

- Improved claim processing times, especially in relation to claims assessed as being “low risk”.
- Improved efficiencies through reduced administrative costs.
- Improved opportunity to identify fraud and error at the claim gateway through better targeting of resources.

The Council introduced RBV for all new claims for Housing Benefit in 2015-16. This helps reduce the burden on customers to provide excessive levels of evidence and reduces the cost of administering claims by reducing correspondence with customers and the subsequent scanning of evidence. Originally only applied to new claims, it is intended that this approach is expanded to include changes of circumstances.

Local authorities adopting RBV are still required to comply with relevant legislation (Social Security Administration Act 1992, section 1 relating to production of National Insurance numbers to provide evidence of identity) while making maximum use of intelligence to target more extensive verification activity on those claims shown to be at greater risk of fraud and/or error.

Purpose of the Policy

The purpose of this policy is to specify how the Council operates the RBV solution and to indicate the factors and processes that need to be followed to maximise its effectiveness.

Setting the base line position in relation to the current level of fraud and/or error that exists at the claim gateway

DWP expect local authorities that participate in RBV to set a robust baseline against which to record the impact of RBV. DWP guidelines allow local authorities to establish their own baseline for the level of fraud and/or error. Prior to the introduction of RBV, work was undertaken to set the Council's baseline position by recording (for a period of at least 1 month) all fraud and error identified at the claim gateway.

Performance reporting implications

Performance monitoring will be undertaken on a monthly basis to ensure the effectiveness of the approach. This will include the percentage of cases presented in each risk category and the levels of fraud and error detected in each.



Reviewing the policy

The RBV policy will be reviewed on an annual basis but can not be changed in year as this would complicate the audit process.

Audit requirements

Internal and external auditors will be notified that the Council will be moving to RBV to enable future audits to take this policy and the relevant process changes into account. Auditors will also be advised that the Section 151 Officer is in agreement to this Policy and the Council continuing with an RBV approach to the processing of claims.

2. Risk Based Verification – New Claims

Impact on verification process

Low risk claims

The only checks to be made on cases classed as low risk are proof of identity, production of a National Insurance Number and if the claimant is a student; formal confirmation of their student status, which we will be verified using the Department of Work and Pensions CIS (Customer Information System)

Medium risk claims

Cases in this category must have the same checks as low risk cases. In addition, for every type of income or capital declared, documented proof is required. The documentation can be photocopies in this instance.

High risk claims

All cases classed as must have the same checks as low risk and documentation must be provided for each declared type of income or capital. However, in comparison to medium risk cases the documents must be original. Furthermore all high risk cases will either have a telephone call or face to face interview with a Benefit Officer or be subject to a Credit Reference Agency check.

Categories of claims

The following table outlines how claims should be categorised. Where 3 or more characteristics are found, the claim should be classed as being in the highest category.

For example: a working age customer, living in a house of multiple occupation who is self-employed should be treated as high risk.

	Age of claimant or partner	Tenancy Type	Primary income	Capital Level	Dependent children	Non-dependants
Low	<i>Pensionable age</i>	<i>Registered Social landlord</i>	<i>Passported benefit</i>	<i>Below £6,000 or £10,000 if pensionable age</i>	<i>None</i> <i>From birth to age 16</i>	<i>None</i> <i>Working age in receipt of a passported DWP benefit</i>
Medium	<i>Working age</i>	<i>Private tenant</i>	<i>Non-passported benefit</i> <i>Earned income</i>	<i>Over £6,000 if working age</i>	<i>Between 16 and 19</i>	<i>Pensionable age</i> <i>Working age in receipt of a DWP benefit</i>
High	<i>Working age</i> <i>Previously committed fraud</i>	<i>House of Multiple occupation</i> <i>Temporary accommodation</i>	<i>Self-employed</i> <i>Nil income</i>	<i>Over £10,000 irrespective of age</i>	<i>Over 19</i>	<i>Working age and either employed or self-employed</i>

3. Risk Based Verification - Change in Circumstances

Unlike new benefit claims, a risk score does not have to be allocated for all changes.

The following scenarios are ones where it is unnecessary to obtain a score:

- Changes which do not affect entitlement
- Changes which terminate entitlement
- Changes notified via DWP ATLAS files if using ATLAS Automation, (this is a system used to transfer bulk notifications of changes and already uses a risk based approach in itself)

These can be assessed without any verification or evidence.

Any Change in Circumstances that affects entitlement must have a risk score calculated in line with the following:

Low Risk

The only checks to be made on cases classed as low risk are proof of identity and the production of a National Insurance Number, which will be verified using the Department of Work and Pensions CIS (Customer Information System).

Medium Risk

Cases in this category must have the same checks as low risk. In addition, for every type of income, capital, rent liability and any other information relating to the claim or the award, the declared documentation proof is required. The documentation can be photocopies or scanned copies in this instance as stated in of this document.

High Risk

All cases classed as high risk must have the same checks as the low risk ones and documentation should be provided for each declared type of income or capital as stated in Appendix A.

APPENDIX A - RBV EVIDENCE REQUIREMENTS

Evidence Type	Subcategory	Low Risk	Medium Risk	High Risk
Identity & NINO		> Originals	> Originals	> Originals
Residency & Rent	> Private Tenants		> Originals	> Originals only
	> Social Landlords		> Originals or Rent Account information	> Originals or Rent Account information
	> Registered		> Originals	> Originals
Household	> Partner's ID/NINO	> Originals	> Originals	> Originals
	> Non-Dependent Working			> Originals
	> Non-Dependent (PB)		> CIS check	> CIS check
	> Non-Dependent Student		> Originals or Photocopies	> Originals
	> Non-Dependent Not Working		Originals	> Originals
	> 2AR: Non-Dependents Not Working			> Originals
Income	> State Benefits	> CIS check	> CIS check	> CIS check
	> Earnings, SSP, SMP & SPP		> Originals	> Originals
	> Self Employed	> Pro-Forma	> Pro-forma	> Pro-forma
	> Other		> Originals	> Originals
Child Care Costs		Originals	Originals	> Originals
Students	> (Income & status required)	> Not Required	> Originals or Photocopies	> Originals or Photocopies
Capital	> Working Age & <£6,000	Not Required	Not Required	> Originals; last 2 months transactions
	> Working Age & >£6,000	Not Required	> Originals; last 2 months transactions	> Originals; last 2 months transactions
	> Elderly & <£10,000	Not Required	Not Required	> Originals; last 2 months transactions
	> Elderly & >£10,000	Not Required	> Originals; last 2 months transactions	> Originals; last 2 months transactions
	> Property	> Not Required	> LA1	> LA1 and mortgage statement
				> Contact made by phone, person, or by visit
				> Intervention within 12-months

This page is intentionally left blank