

# Public Document Pack

## NOTICE OF MEETING



# CORPORATE OVERVIEW & SCRUTINY PANEL

will meet on

**TUESDAY, 30TH JULY, 2019**

**At 6.30 pm**

in the

**DESBOROUGH 2 & 3 - TOWN HALL, MAIDENHEAD**

TO: MEMBERS OF THE CORPORATE OVERVIEW & SCRUTINY PANEL

COUNCILLORS LYNNE JONES, JULIAN SHARPE, TARGOWSKI (CHAIR),  
LEO WALTERS AND SIMON WERNER

SUBSTITUTE MEMBERS

COUNCILLORS CLIVE BASKERVILLE, GEOFF HILL, ROSS MCWILLIAMS AND  
JOHN STORY, PHIL HASELER

Karen Shepherd – Service Lead- Law & Governance - Issued: 22/07/2019

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](http://www.rbwm.gov.uk) or contact the Panel Administrator **Nabihah Hassan-Farooq** 01628796345

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## AGENDA

### PART I

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
1.	<u>APPOINTMENT OF THE VICE CHAIRMAN</u> To appoint a Vice-Chairman for the Municipal year 2019/2020.	-
2.	<u>APOLOGIES FOR ABSENCE</u> To receive any apologies for absence.	-
3.	<u>DECLARATIONS OF INTEREST</u> To receive any declarations of interest.	5 - 6
4.	<u>MINUTES OF THE LAST MEETING</u> To consider and agree the minutes of the last meeting held on the 13 <sup>th</sup> June 2019.	7 - 10
5.	<u>ANNUAL STATEMENT OF ACCOUNTS</u> To receive a report from on the above titled item.	To Follow
6.	<u>ANNUAL GOVERNANCE STATEMENT</u> To receive a report on the above titled item.	11 - 24
7.	<u>ANNUAL AUDIT AND INVESTIGATION REPORT</u> To receive a report on the above titled item.	25 - 38
8.	<u>EXTERNAL AUDIT- DRAFT IAS260 REPORT</u> To receive a draft report on the above titled item.	39 - 72
9.	<u>ANNUAL PERFORMANCE REPORT</u> To receive a report on the above titled item.	73 - 92
10.	<u>SCRUTINY TOPICS AS SUGGESTED BY RESIDENTS</u> To receive a verbal report on the above titled item.	-
11.	<u>WORK PROGRAMME</u> To consider and amend the work programme as necessary.	93 - 94
12.	<u>DATES OF FUTURE MEETINGS</u> To note the dates of future meetings as follows:	

- Special meeting to be scheduled for August -TBC
- 25<sup>th</sup> September 2019, 6.30pm, Council Chamber, Town Hall, Maidenhead
- 4<sup>th</sup> February 2020, 6.30pm, Council Chamber, Town Hall, Maidenhead
- 22<sup>nd</sup> April 2020, 6.30pm, Council Chamber, Town Hall, Maidenhead



## 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.***

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# Agenda Item 4

## CORPORATE OVERVIEW & SCRUTINY PANEL

THURSDAY, 13 JUNE 2019

PRESENT: Councillors Phil Haseler, Julian Sharpe, Targowski and Simon Werner

Also in attendance: Councillor Clive Baskerville

Officers: Rob Stubbs, Steve Mappley, Catherine Hickman, Nabihah Hassan-Farooq

### ELECTION OF THE CHAIRMAN & VICE CHAIRMAN

Members of the Panel were invited to submit their proposals for the place of Chairman and Vice-Chairman for the Municipal Year.

Councillor Werner proposed Councillor Jones as the Chairman of the Corporate Overview & Scrutiny Panel and this was seconded by Councillor Hill.

A second nomination for Councillor C Targowski for position of Chairman was proposed by Councillor Sharpe and seconded by Councillor Haseler.

*(As two separate nominations had been received, a vote in favour of each member was taken.)*

**RESOLVED; That Councillor Targowski be elected as the Chairman of the Corporate Overview & Scrutiny Panel for the Municipal Year, 2019-2020.**

Councillor Hill proposed Councillor Jones as the vice-chair of the Corporate Overview & Scrutiny Panel, this was seconded by Councillor Werner.

Councillors Haseler proposed Councillor Sharpe as the Vice-Chairman and this was seconded by Councillor C Targowski.

*(As two separate nominations had been received a show of hands by members for each nomination was taken.)*

**RESOLVED; That Councillor Sharpe be elected as Vice- Chairman of the Corporate Overview & Scrutiny Panel for the Municipal Year, 2019- 2020.**

### DECLARATIONS OF INTEREST

None.

### WELCOME FROM THE NEW CHAIRMAN

The Chairman welcomed all Members to the meeting and asked for members to introduce themselves.

### APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Walters, ( Councillor Haseler present as substitute), and Councillor Jones ( Councillor Hill present as substitute).

### MINUTES OF PREVIOUS PANELS

RESOLVED UNANIMOUSLY; That the minutes of the Corporate Overview & Scrutiny Panel held on the 18<sup>th</sup> February 2019 be approved as a true and accurate record.

## TERMS OF REFERENCE FOR CORPORATE O&S PANEL/ ROLES AND RESPONSIBILITIES

Nabihah Hassan-Farooq, Scrutiny Officer ( RBWM) outlined the terms of reference of the Corporate Overview and Scrutiny Panel.

Members queried whether there was a dedicated overview and scrutiny budget and it was confirmed that the Corporate Overview & Scrutiny Panel would have oversight into any available budget. It was noted that there was no available budget for scrutiny purposes currently.

## WORK PROGRAMME 2019/2020

Members of the Forum considered the forward work programme and Members agreed the following:

- That a new meeting be scheduled in October/November
- Feedback from residents- scrutiny topics to be added to 30<sup>th</sup> July meeting

Councillors Hill and Werner wished to place their disdain on record in relation to the removal of the budget reports. Members were informed that a monthly finance update was provided to Cabinet and that these reports were readily available. Members were informed that they were able to suggest specific scrutiny topics in relation to the budget to the Service Lead or at the next overview and scrutiny panel when discussing the forward work programme. Members were reminded that the forward work programme would form part of the agenda for all of the Overview & Scrutiny panel meetings.

## PERFORMANCE REPORTS 2019/2020

Anna Robinson, Performance and Strategy Manager ( RBWM) gave a verbal report on the way in which performance would be reported for the 2019/2020 period.

Members of the Panel were informed that RBWM currently had a performance management system which looked at the overall outcomes for the borough. Members were told that performance reports had been considered quarterly. The Panel were told that there were six strategic priorities and that each overview and scrutiny panel would receive reports relevant to their service areas. It was highlighted that Cabinet considered twenty five priorities and that there would be an emphasis on benchmarking moving forward.

Councillor Sharpe stated that it would be useful to have clear comparators of RBWM performance against other local authorities nationally. It was highlighted that each local authority would have a unique set of priorities which would be looked at and it may be difficult to provide a direct comparator of performance, but that it may be possible to provide performance data with more widely used priorities. Councillor Hill highlighted that members had previously observed Rushmoor Council and that observing other well performing local authorities may be useful.

## FUTURE DATES

Future meeting dates were confirmed as follows;

- 30<sup>th</sup> July 2019, 6.30pm- Council Chamber, Maidenhead
- 25<sup>th</sup> September 2019- 6.30pm, Council Chamber, Maidenhead
- 4<sup>th</sup> February 2020- 6.30pm, Council Chamber, Maidenhead



- 22<sup>nd</sup> April 2020- 6.30pm, Council Chamber, Maidenhead

The meeting, which began at 6.30 pm, finished at 7.19 pm

CHAIRMAN.....

DATE.....

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Report Title:	2018-19 Annual Governance Statement
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Shelim, Lead Member for HR, Legal & IT
Meeting and Date:	Corporate O&S Panel – 30 July 2019
Responsible Officer(s):	Duncan Sharkey, Managing Director Elaine Browne, Interim Head of Law and Governance
Wards affected:	All

## REPORT SUMMARY

- 1 This report presents the 2018/19 Annual Governance Statement (AGS) see Appendix 1.
- 2 It recommends that the Corporate O&S Panel consider the content and recommend the 2018/19 AGS to the Leader and Managing Director for signature and presentation with the Annual Statement of Accounts.
- 3 The recommendation is being made to ensure that the Council meets its statutory requirements and those of this Panel's Terms of Reference to be satisfied that the Council has in place appropriate corporate governance systems and controls.
- 4 The governance issues identified from the Management Assurance Statements prepared by each Head of Service are included within the Corporate Action Plan shown as Appendix 2 of the AGS.

## 1 DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION:** That Corporate O&S Panel notes the report and:

- i) Consider the draft 2018/19 AGS and identify any specific matters which should be brought to the attention of Council or Cabinet; and
- ii) Recommend the 2018/19 AGS to the Leader of the Council and Managing Director for signature and publication with the Council's Statement of Accounts.

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

- 2.1 The annual review of the Council's governance framework is required under the Accounts and Audit Regulations 2015 which state that 'A relevant authority must ensure that it has a sound system of internal control (Regulation 3) and each financial year conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement (Regulation 10).
- 2.2 The AGS is required to demonstrate that systems and processes are in place to ensure that Council business is conducted lawfully and in accordance with proper standards. The AGS process is intended to demonstrate that public

money is safeguarded, properly accounted for and used economically, efficiently and effectively.

2.3 The Council's governance framework comprises of a six stage process:

- Stage 1 – Distribution of Management Assurance Statements (MAS) to Heads of Service.
- Stage 2 – Completion and return of MAS.
- Stage 3 – Analysis of completed MAS.
- Stage 4 – Compilation of Corporate Action Plan and Production of AGS
- Stage 5 – Recommendation by Corporate O&S Panel for sign off of AGS by the Leader of the Council and the Managing Director.
- Stage 6 - Sign off of AGS by Leader and the Managing Director.

2.4 The draft AGS and Corporate Action Plan for 2018/19 are set out in Appendices 1 and 2 to this report.

2.5 The process follows the six core principles of effective governance, as previously recommended and these are summarised in Table 1.

<b>Table 1: Core Principles of Good Governance</b>	
1.	Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
2.	Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
3.	Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4.	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5.	Developing the capacity and capability of Members and Officers to be effective.
6.	Engaging with local people and other stakeholders to ensure robust public accountability.

2.6 The AGS 2018/19 is shown in Appendix 1.

- Of the four governance issues set out in the 2018/19 Corporate Action Plan one issue has been previously included in the 2015/16, 2016/17 and 2017/18 Corporate Action Plan (Business Continuity Plans), two issues were included in the 2017/18 Corporate Action Plan (Budget Pressures and Health & Safety) and there is the inclusion of one newly identified governance issue in the 2018/19 Corporate Action Plan (GDPR Compliance).

## Overview of the preparation of the AGS

- 2.7 The individual MAS have been analysed to identify areas of a wider corporate nature, rather than individual service issues, and the common areas used to inform the action plan. The Corporate Leadership Team has been consulted on the emerging issues from the service based MASs, and on the action points that have emerged.

## What happens next

- 2.8 Once approved by the Audit and Performance Review Panel, the AGS is required to be signed off by the Managing Director and the Leader of Council and presented with the Council's 2018/19 Statement of Accounts to fulfil the Council's statutory obligations. The external auditor is then required to comment on the content of the AGS in terms of whether it correctly represents the organisation.

Option	Comments
Consider the draft 2018/19 AGS and confirm the draft AGS to the Managing Director and Leader of the Council for signature and publication with the Council's Statement of Accounts. <b>The Recommended Option</b>	This will ensure that the Council meets its statutory requirements. In addition, this Panel will comply with its responsibilities as set out within their Terms of Reference in respect of the Council's governance arrangements.
Note the draft 2018/19 AGS and propose further changes before submission to the Managing Director and Leader of the Council. <b>Not Recommended</b>	Members may wish to request that the AGS is amended if they feel that there are material issues which have not received sufficient emphasis or if there are specific issues either document is deficient in.
Not approve the 2018/19 AGS or changes to the process adopted. <b>Not Recommended</b>	The Council will not meet its statutory requirements and this may expose the Council to an avoidable risk, arising from not having an adequate governance framework. .  This could result in a qualification in the External Auditors' Annual Management Letter.

## 3 KEY IMPLICATIONS

Table 2: Key implications

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
Council has a process in place to meet the core principles of good governance supporting good performance and outcomes for	Poor service performance and outcomes for service users / residents.	Good service performance and outcomes for service users / residents.	n/a	n/a	Ongoing

<b>Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly Exceeded</b>	<b>Date of delivery</b>
service users / residents.					
Residents will have assurances that the principles of good governance are being incorporated into the Council's normal business processes, providing them with confidence in the decision-making and management processes and in the conduct and professionalism of its Members, officers, partners and other agents in delivering services.	Loss of residents' confidence. Council reputation may be affected.	Gain residents' confidence. Council reputation protected.	n/a	n/a	Ongoing

#### **4 FINANCIAL DETAILS / VALUE FOR MONEY**

##### **4.1 Financial impact on the budget (mandatory)**

Revenue – There are none arising directly as a result of this report.

#### **5 LEGAL IMPLICATIONS**

5.1 The Accounts and Audit Regulations 2015 require that a relevant authority must, ensure that it has a sound system of internal control (Regulation 3) and each financial year conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement (Regulation 10).

#### **6 RISK MANAGEMENT**

**Table 3: Impact of risk and mitigation**

<b>Risks</b>	<b>Uncontrolled Risk</b>	<b>Controls</b>	<b>Controlled Risk</b>
Failure of the Council to have a process in place to meet all core principles of	High	Ensure that:-  The AGS provides the management processes to update, review and react to amendments to Corporate Governance principles, as laid out by legislative	Low

<b>Risks</b>	<b>Uncontrolled Risk</b>	<b>Controls</b>	<b>Controlled Risk</b>
good governance leads to poor performance, poor outcomes for service users / residents.		requirements. An independent Audit Committee (in the form of this Panel) has the skills capable of both considering and challenging the robustness of the Council's governance arrangements.  Senior Officers and Members take ownership of the AGS.	
Failure to consult appropriate officers with correct levels of responsibility in the assurance gathering process.	High	Directorate Management Teams undertake regular self-assessments of their governance arrangements.  Periodic update reports to Corporate Management Team summarising progress in achieving the governance action plan on those areas identified as needing to be addressed.	Low

## **7 POTENTIAL IMPACTS**

7.1 The adoption of the AGS process will support the delivery of all six strategic objectives.

## **8 CONSULTATION**

8.1 All Senior Leaders have been consulted in the preparation of the AGS. They have completed and returned individual Management Assurance Statements.

## **9 TIMETABLE FOR IMPLEMENTATION**

9.1 The 2018/19 AGS covers the governance arrangements in place during the financial year to 31 March 2019. The timescales for addressing the significant governance issues identified are detailed within the Action Plan at Appendix 2.

## **10 APPENDICES**

Appendix 1 - 2018/19 Annual Governance Statement  
Appendix 2 - 2018/19 Annual Governance Statement Corporate Action Plan

## **11 BACKGROUND DOCUMENTS**

11.1 The Accounts and Audit Regulations 2015.

11.2 The Public Sector Internal Audit Standards (PSIAS) (March 2017)

## 12 CONSULTATION (MANDATORY)

<b>Name of consultee</b>	<b>Post held</b>	<b>Date sent</b>	<b>Commented &amp; returned</b>
Cllr Shelim	Lead Member for HR, Legal & IT	18.07.19	
Duncan Sharkey	Managing Director	18.07.19	18.07.19
Russell O'Keefe	Executive Director	18.07.19	
Andy Jeffs	Executive Director	18.07.19	
Rob Stubbs	Section 151 Officer	18.07.19	
Nikki Craig	Head of HR	18.07.19	19.07.19
Elaine Browne	Interim Head of Law and Governance	N/A	N/A

### REPORT HISTORY

<b>Decision type:</b> Key decision	<b>Urgency item?</b> No
Report Author: Elaine Browne, Interim Head of Law and Governance	





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## APPENDIX 1

### Royal Borough of Windsor and Maidenhead Annual Governance Statement (AGS) 2018/19

#### 1. WHAT THE COUNCIL IS RESPONSIBLE FOR

- 1.1 The Council is responsible for: carrying out its business in accordance with the law and; in accordance to proper accounting standards and a duty to use public money economically, efficiently and effectively, and to account for it properly. The Local Government Act 1999 requires the Council to keep under review and improve the way the Council work, to offer value for money and provide an efficient and effective service.
- 1.2 To ensure adherence to these requirements the Council has arrangements (“governance framework”) to oversee its activity. These arrangements are intended to ensure that the Council do the right things, in the right way, for the right people, in good time and in a fair, open, honest and accountable way.
- 1.3 This 2018/19 Annual Governance Statement explains how the Council has followed its governance framework to assure compliance with its responsibility and duty in line with the Accounts and Audit Regulations 2015.

#### 2. THE GOVERNANCE FRAMEWORK

- 2.1 The Council’s Annual Governance Statement follows the completion of a six stage process:
  - **Stage 1:** Distribution of Management Assurance Statements (MAS) to Heads of Service/Deputy Directors.
  - **Stage 2:** Completion and return of MAS.
  - **Stage 3:** Analysis of completed MAS.
  - **Stage 4:** Compilation of Corporate Action Plan and production of AGS using analysis of MAS.
  - **Stage 5:** Recommendation by Corporate Overview & Scrutiny (previously the Audit & Performance Review Panel) for sign off of AGS by the Leader and the Managing Director.
  - **Stage 6:** Sign off of AGS by Leader and the Managing Director.
- 2.2 Senior Officers are required to use the MAS to provide assurance about the internal systems of control, and any exceptions that have been identified throughout the financial year, and the sources of assurances which they have used. The MAS are used to inform the annual, 2018/19, AGS which identifies the material governance issues affecting the Council.

#### 3. THE AIM OF THE GOVERNANCE FRAMEWORK

- 3.1 The governance framework is comprised of the systems, processes, culture and values which govern the Councils behaviour, and by which the Council engage with and lead the community, and the standards to which the Council is held to account. The framework allows the Council to monitor how it is achieving its long-term aims and to consider whether these aims have helped deliver appropriate services which represent value for money.

3.2 The Council approved a four year plan in July 2017 through to March 2021 and this has informed the 2018/19 Annual Service Plans. Together these documents help the Council focus on its six strategic objectives:

1. Healthy, skilled and independent residents
2. Safe and vibrant communities
3. An excellent customer experience
4. Growing economy, affordable housing
5. Attractive and well-connected borough
6. Well-managed resources delivering value for money

3.3 The governance framework cannot eradicate risk of failure, is it designed to identify risk and the internal audit function seeks to ensure risk is addressed and or mitigated. It is part of a wider system of internal control. All internal controls are designed to:

- Identify and prioritise the risks that could prevent the Council from achieving its policies, strategic vision and priorities.
- Assess the likelihood, and likely consequences or the risks.
- To manage the risks efficiently, effectively and economically.

3.4 The AGS supports the published approved statement of accounts.

#### **4. REVIEW OF EFFECTIVENESS OF THE GOVERNANCE STATEMENT**

4.1 The current 'Public Sector Internal Audit Standards' (PSIAS) came into effect from 1 April 2013 and were revised in March 2017. The standards recognise that a professional, independent and objective internal audit service is a key element of good governance and they encompass the mandatory elements of the Chartered Institute of Internal Auditors International Professional Practices Framework. A PSIAS external assessment has been carried out for internal audit activities during 2017/18 which concluded that the Internal Audit Service is assessed at the current draft stage as "generally compliant" for 2017/18, with areas identified where compliance could be improved. An Action Plan was prepared and the Internal Audit Service have worked to implement those Recommendations/Suggestions during 2018-19. The main recommendation was to update the RBWM Internal Audit Charter; this was undertaken and this was reported to and agreed by the former Audit & Performance Review Panel in February 2019.

#### **5. GOVERNANCE MEASURES**

5.1 In addition to the external PSIAS assessment, the Chief Audit Executive reviews Internal Audit through gathering information and feedback from council's management, panels and committees and by comments from other review agencies and inspectorates such as CQC and Ofsted.

5.2 Value-for-money is a strategic priority. The Council maintains Contract Rules which govern Council spend.

5.3 The Council maintains Anti Fraud and Anti Corruption strategies and policies alongside the Shared Audit and Investigation Service.

5.4 The Council is still undergoing a Transformation Programme, which is recorded in the Corporate Risk Register and assigned to the Managing Director. RBWM also consults its staff and their unions.

5.5 The Council's Constitution details the responsibilities of the Managing Director, Executive Directors and Senior Leaders, including the Monitoring Officer and Chief

Financial Officer (Head of Finance). The Managing Director has specific objectives agreed with the Leader of the Council. These are monitored and reviewed as part of an annual performance appraisal.

- 5.6 Self-assessment has revealed three areas carried over from the 2017-2018 AGS still requiring improvement. Accordingly, these are reiterated in the 2018-2019 Action Plan, which will be progressed during 2019-20. In addition the analysis of the MAS has identified one further area which have corporate wide implications and are included in the new plan.
- 5.7 The review of governance is overseen by the Council's Corporate Overview & Scrutiny (previously the Audit & Performance Review Panel) which is responsible for ensuring the production of the AGS and recommending it to the Leader and Managing Director for signature, while noting progress in addressing any governance issues.
- 5.8 This review has confirmed that the Council have the main processes and documents in place. These processes and documents are defined in the framework.

## **6. SIGNIFICANT GOVERNANCE ISSUES**

- 6.1 Completion of the MAS by the Senior Management Team ensure identification of the most serious risks in relation to governance. The most serious risks, identified in the 2018/19 are captured in a corporate action plan alongside expected outcomes and target dates, see appendix 2.

Over the next year, the Council will be taking steps to tackle the issues listed in the Corporate Action Plan so that the Council can further improve its governance arrangements. The Council is satisfied that these steps will bring about the improvements that the Council identified in its review of effectiveness and the Council will monitor these improvements as part of its next annual review.

**Signed on behalf of the Royal Borough of Windsor and Maidenhead:**

**Duncan Sharkey**  
**Managing Director**  
**Date:**

**Cllr Simon Dudley**  
**Leader of the Council**  
**Date:**

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**Appendix 2 - Royal Borough of Windsor and Maidenhead - Annual Governance Statement 2018/19 Corporate Action Plan**

<b>Ref</b>	<b>Corporate Governance issue</b>	<b>Management action and response</b>	<b>Responsibility</b>	<b>Expected Outcome</b>	<b>Target Date</b>
AGS19.1	Business Continuity Plans for the organisation. (Carried forward from 2015/16, 2016/17 and 2017/18 )	The lack of Business Continuity Plans has been a failure of the organisation for several years. A new process for the creation and maintenance of acceptable BCPs will be in place by September 2019	Corporate Leadership Team	All areas of the Council have appropriate, up to date BCPs in place accompanied by a robust activation mechanism.	March 2020
23	Budget pressures	Budget Managers are accountable for managing and controlling spend and income against approved budgets. Financial monitoring is undertaken on a monthly basis by the Budget Managers and reported to the s151 Officer through the finance team. CLT and Cabinet consider financial updates each month and mandate any remedial action necessary.	All budget managers. Deputy Director & Head of Finance (s.151 Officer). Corporate Leadership Team	Expenditure and income are delivered in line with approved budgets. Budget pressures are mitigated by services. Annual budget setting reflects the actual expected needs of the organisation.	January 2020
AGS19.3	Health and Safety	Surveys have identified some additional works within school and other council buildings to take place in the 2019/2020.  Health & Safety Strategy Group meet on a quarterly basis to monitor progress and compliance including feedback from the Building Compliance Group meetings	Corporate Leadership Team	All additional identified works completed.  Continual monitoring is in place.	March 2020  September 2019
AGS19.4	GDPR Compliance	Staff fully trained in data protection and management. Data Protection Link Officers to liaise with DPO to provide progress reports.	Corporate Leadership Team	The Council operates in a fully GDPR compliance manner and any GDPR issues	October 2019

Ref	Corporate Governance issue	Management action and response	Responsibility	Expected Outcome	Target Date
		CLT received regularly updates on progress and any breaches or other issues that need resolving.	Data Protection Officer	are resolved appropriately. Approved Corporate Record Retention Policy.	



Report Title:	2018/19 Shared Audit and Investigation Service Annual Report
Contains Confidential or Exempt Information?	No - Part I
Member reporting:	30 July 2019
Meeting and Date:	Corporate Overview and Scrutiny Panel
Responsible Officer(s):	Rob Stubbs, Deputy Director and Head of Finance (& S151 Officer)
Wards affected:	None

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## REPORT SUMMARY

- 1 This report and supporting appendices summarise the Shared Audit and Investigation Service (SAIS) activity and outline the progress in achieving the 2018/19 Audit and Investigation Plan as at 31 March 2019.
- 2 It recommends that Members note the activity of the Audit and Investigation Service during the 2018/19 financial year.
- 3 This recommendation is being made to ensure that the Council meets its legislative requirements, as well as the requirements of the Corporate Overview and Scrutiny Panel's Terms of Reference.

## 1. DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION: That the Corporate Overview and Scrutiny Panel note the report summarising:-**

- i) **The Shared Audit and Investigation Service activity for the financial year end 31 March 2019**
- ii) **Progress in achieving the 2018/19 Internal Audit Plan**

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

- 2.1 Regulation 6 (1) of the Accounts and Audit (England) Regulations (2015) requires the Council to undertake an adequate and effective internal audit of its accounting records and the system of internal control in accordance with proper internal audit practices.

- 2.2 Proper practices for Internal Audit are defined in the CIPFA/IIA Public Sector Internal Audit Standards (PSIAS) and require that the ‘Chief Audit Executive’ (Assistant Director, Governance – Wokingham Borough Council) delivers an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement (AGS). The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. The Annual Report is required to incorporate:-
- The opinion;
  - a summary of the work that supports the opinion;
  - a statement on the conformance with the PSIAS and
  - whether there have been any restrictions imposed on the scope of the work of the Internal Audit function of the Shared Audit and Investigation Service.
- 2.3 The aim of the report at Appendix A and the supporting appendix is to cover these legislative requirements and those of the Corporate Overview and Scrutiny Panel’s Terms of Reference.

## Options

**Table 1: Options arising from this report**

<b>Option</b>	<b>Comments</b>
Accept the attached report and supporting appendices and note the activity of the Shared Audit and Investigation Service during 2018/19 and progress in achieving the 2018/19 Audit and Investigation Plan.  <b>Recommended</b>	This will ensure that the Council meets its statutory requirements. In addition, the Corporate Overview and Scrutiny Panel will comply with its responsibilities as set out within their Terms of Reference.
Accept this report with amendments.	Members may wish to request that this report be amended / altered if they feel that there are material issues which have not received sufficient emphasis or if there are specific issues the report is deficient in.
Not approve this report.	This may expose the Council to unnecessary risks by not having an adequate internal control framework leading to poor performance and poor outcomes for service users/residents.  It may result in a qualification in the External Auditor’s Annual Management Letter.

### 3. KEY IMPLICATIONS

**Table 2: Key Implications**

<b>Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly Exceeded</b>	<b>Date of delivery</b>
Residents have confidence that public funds are being used economically, efficiently and effectively and that Council assets and interests are being safeguarded from misappropriation / loss.	Failure of the Council to meet its statutory requirements and failure of the Corporate Overview and Scrutiny Panel to discharge its responsibilities.	Council meets its statutory requirements to provide an adequate and effective internal audit of its accounting records and system of internal control. Corporate Overview and Scrutiny Panel discharges its responsibilities.	n/a	n/a	31 March 2019
Unqualified External Audit Financial Accounts and Management Letter.	Adverse comment and a qualified External Audit Management Letter if the Council fails to maintain an adequate Internal Audit function.	Unqualified External Audit Management Letter as Council meets its requirements to provide an adequate and effective Internal Audit function.	n/a	n/a	31 March 2019
Residents have confidence that public funds are being used economically, efficiently and effectively and that Council assets and interests are being safeguarded from misappropriation/ loss.	Loss of residents' confidence. Council reputation may be affected.	Gain residents' confidence. Council reputation protected.	n/a	n/a	31 March 2019

#### 4. FINANCIAL DETAILS / VALUE FOR MONEY

##### 4.1 a) Financial impact on the budget

Revenue - Officer time in dealing with provision of the SAIS.  
Capital – None.

##### b) Financial Background

Revenue - Officer time in dealing with provision of the SAIS. The proposal relates to existing budgets, no new funds are being sought.  
Capital – None.

#### 5. LEGAL IMPLICATIONS

##### 5.1 Internal Audit carry out their activities under:-

- Regulations 6 (1), 6(3) and (4) of the Accounts and Audit (England) Regulations 2015.
- S151 Local Government Finance Act 1972.
- CIPFA/IIA Public Sector Internal Audit Standards 2013 (Revised 2016).

##### 5.2 Investigatory activities are carried under:-

- Fraud Act 2006.
- Criminal Justice Act 1987.
- Theft Act 1968.
- Forgery and Investigation Act 1981.
- Social Security Administration Act 1992.
- Welfare Reform Act 2012.

#### 6. RISK MANAGEMENT

**Table 3: Impact of risk and mitigation**

<b>Risks</b>	<b>Uncontrolled risk</b>	<b>Controls</b>	<b>Controlled risk</b>
Failure of the SAIS to adequately plan and undertake audit reviews leading to failure of the Council to meet its statutory requirements. The Council's key systems and services are consequently at risk of not achieving their objectives in the most economic, efficient and effective way thus being exposed to misappropriation / loss.	High	Ensure and demonstrate internal audit coverage and compliance with nationally recognised standards for internal audit. Provide a regular written progress report on the work of Internal Audit to those charged with governance for endorsement.  Ensure and demonstrate that corporate investigations are undertaken in accordance with legislation and local approved governance arrangements.	Low

<b>Risks</b>	<b>Uncontrolled risk</b>	<b>Controls</b>	<b>Controlled risk</b>
Failure to provide assurance that the work of the SAIS properly supports the governance framework and the content of the AGS and the requirement for additional External Audit work at an enhanced cost to the Council.	High	Internal audit coverage included as part of the governance assurance framework and informing the AGS.	Low

## **7. POTENTIAL IMPACTS**

7.1 None.

## **8. CONSULTATION**

8.1 Consultations were undertaken with both internal stakeholders (Members of the Audit and Investigation Panel, Corporate Leadership Team, S151 Officer, Directorate Management Teams, Insurance and Risk Manager) and External Audit, in preparing the 2018/19 Internal Audit and Investigation Plan.

8.2 Management and staff have been consulted prior to and during the course of the audit and investigation reviews to ensure that work is timed to suit both parties, to incorporate managements' priorities and to agree a course of action to implement the outcome of those reviews.

## **9. TIMETABLE FOR IMPLEMENTATION**

**Table 4: Implementation timetable**

<b>Date</b>	<b>Details</b>
31 March 2019	2018/19 Internal Audit and Investigation Plan

## **10. APPENDICES**

10.1 This report is supported by 2 appendices:

- Appendix A – 2018/19 Shared Audit and Investigation Service Annual Report
- Appendix A(I) – 2018/19 Internal Audit Plan Status as at 31 March 2019

## **11. BACKGROUND DOCUMENTS**

- This report is supported by the 2018/19 Internal Audit and Investigation Plan and working papers.

## 12. CONSULTATION (MANDATORY)

<b>Name of consultee</b>	<b>Post held</b>	<b>Date sent</b>	<b>Date returned</b>
Cllr Targowski	Chair of the Corporate Overview and Scrutiny Panel		
Duncan Sharkey	Managing Director	12/06/19	12/06/19
Russell O'Keefe	Executive Director	12/06/19	12/06/19
Andy Jeffs	Executive Director	12/06/19	12/06/19
Rob Stubbs	Section 151 Officer	12/06/19	12/06/19
Elaine Browne	Interim Head of Law and Governance	12/06/19	12/06/19
Nikki Craig	Head of HR and Corporate Projects	12/06/19	12/06/19
Louisa Dean	Communications	12/06/19	12/06/19
Kevin McDaniel	Director of Children's Services	12/06/19	12/06/19
Hilary Hall	Interim Director of Adult Services and Deputy Director Strategy and Commissioning	12/06/19	12/06/19
	Other e.g. external		

### REPORT HISTORY

<b>Decision type:</b> Non-key decision	<b>Urgency item?</b> No	<b>To Follow item?</b> No
Report Author: Catherine Hickman, Lead Specialist, Audit and Investigation Tel no: 07885 983378		

**2018/19 SHARED AUDIT AND INVESTIGATION SERVICE ANNUAL REPORT**  
**Assistant Director, Governance, Wokingham Borough Council**  
**(and Chief Audit Executive)**

**Introduction**

1. The 2018/19 Internal Audit Plan was approved by the Audit and Performance Review Panel on 26 February 2018. The emphasis on developing the Audit Plan is based on mandatory and legislative requirements and where possible audit place reliance on the risks set out in the Corporate Risk Register (CRR) which are in place to assist the Council in achieving its key objectives.
2. This report has been prepared to meet the requirements of the updated 2016 CIPFA/IIA Public Sector Internal Audit Standards (PSIAS) for the Chief Audit Executive (Assistant Director, Governance, Wokingham Borough Council) to deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement (AGS). The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The Annual Report is required to incorporate:-
  - the opinion;
  - a summary of the work that supports the opinion;
  - a statement on conformance with the PSIAS; and
  - whether there have been any restrictions imposed on the scope of the work of the Internal Audit function of the Shared Audit and Investigation Service.
3. The body of this report also includes a summary of the performance of the Corporate Investigation Team.

**Internal Audit Opinion**

4. During the year, the Internal Audit Team has undertaken audits of key financial systems (in order to complement the work of External Audit), as well as focusing, where appropriate, on the Council's identified key strategic and key operational risks, as identified in the CRR in addition to assurances required by the S151 Officer and the Chief Audit Executive (Assistant Director, Governance, Wokingham Borough Council).
5. The overall audit opinion, which is largely a reflection of the system and procedural controls against the identified risks and mitigating treatment measures, for the audits that have been completed and a final report issued, is that they are "Substantially Complete and Generally Effective but with some improvements required". Based on the above and taking into account other sources of assurance, including External Audit, most key controls are in place and are operating effectively, with the majority of residual risks being reduced to an acceptable level. A small number of exceptions were identified and these have been summarised in the body of this report. It should be noted that the overall opinion is a statement of the audit view of whether the objectives are being met; it is not a statement of fact.
6. There have been no restrictions imposed on the scope of the work of the Internal Audit function of the Shared Audit and Investigation Service.

**PERFORMANCE SUMMARY**

- 7. Key progress of the Shared Audit and Investigation Service during 2018/19 was:-
  - Assurance given to management on the Council’s key risks and further strengthening of the CRR through independent verification of risks and treatment measures.
  - Skills transfers taking place between audit and investigation work.
  - There has been the ability to identify and share best practices across partner and external clients.
  - Audit and Investigation work has been undertaken for Bracknell Forest Council and Rushmoor Borough Council.
  - Excellent results obtained for Investigation activity including proactive exercise in Business Rates
  - Flexibility in undertaking management requests for work to be undertaken using audit contingency demonstrating confidence in the work of Internal Audit.
- 8. As reported in the 2018/19 Audit and Investigation Interim Progress Report (to 31 December 2018) the 2018/19 Audit and Investigation Plan was re-aligned as a result of sickness within the team. 92% of the re-aligned Internal Audit and Investigation Plan was achieved with the reviews completed or at draft report stage. A small number of audits have been carried forward which will be completed in early 2019/20.
- 9. Appendix A(I) details the status of audits against the re-aligned 2018/19 Audit and Investigation Plan as at 31 March 2019 and those audits completed from the 2017/18 financial year. Table 1 provides a summary.

**Table 1: Status of audits**

Audit Status	Number of audits
Work in progress and carried forward to 2019/20	2
Draft Report	8
Final Report	25
<b>Total</b>	<b>35</b>



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

**Table 2: Summary of Audit Opinions**

Overall Audit Opinion	Summary of Audit Opinion	No of Audits (2018/19)
1	Complete and Effective	7
2	Substantially Complete and Generally Effective	13
3	Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated	5
4	There is no effective Risk Management process in place	0
<b>Total</b>		<b>25</b>

11. There are 5 audits that attracted the third audit opinion and details are as follows;

**Business Continuity and Emergency Planning**

It is encouraging to note the significant progress made with regard to Emergency Planning including procuring the services of an Emergency Planning Officer to oversee the improvements and to ensure that the requirements of the Civil Contingencies Act 2004 are met. For example, there are governance documents for Emergency Planning that are either being or have been recently updated. In contrast, there are opportunities for improvement in the area of Business Continuity governance and operations. Management have responded with actions taken and these will be tested in the 2019/20 audit.

The Corporate Management Team reviewed the latest position with respect to Business Continuity Planning, at their meeting on 5 June 2019, and it was agreed that further workshops and templates would be provided to help Heads of Service and Service-based liaison officers be identified, to help take completion of the revised business continuity plans forward with a revised template and to reflect the identified weaknesses. This approach will be informed by a Business Impact Assessment approach for all service areas, that will help identify higher and lower priority response areas in the event of disruption to business as usual plans.

**Flooding**

At the time of the audit, flood prevention works had been delayed and there was a risk that capital funds may not be being used efficiently for flood prevention projects. There was poor progress of gully cleansing by the contractor in the first nine months of their contract, which may result in future flood issues. Management has responded with actions taken and these will be tested in the 2019/20 audit.

**IT Systems Access**

The areas identified for improvement include; Governance including Policies and Procedures, Administration of Security Badges and access to services outside of the IT Active Directory and reconciliations.

Management has confirmed that the major concerns have been addressed with the last target date of July 2019. The countermeasures to those concerns will be tested during the follow up audit due to take place later in the 2019/20 financial year.

### **Shared Building Services (Follow up) – Hosted by Wokingham Borough Council**

The direction of travel of the Shared Building Service is positive, and in view of the current and future changes, it is progressing clearly towards a position where controls are substantially complete and generally effective.

The Term Contracts have been tendered and let, and a new cloud-based system is bedding-in to more effectively manage works and payments. The tender process for the service contracts was due to commence in 2018-19 Quarter 4, for which some of the original risks remain in the interim and these will be re-visited in detail as part of the 2019/20 Internal Audit review.

12. There is one outstanding response awaited from management in respect of 2018/19 audits. This relates to Tree Management - follow up (1 concern).
13. Audit reports are presented using lean terminology, using the cause, concern and countermeasure and management are given the opportunity to treat, tolerate, terminate or transfer the concerns and associated risks. Management Action Plans have been put in place to address issues identified during audit work and audit follow up verification will confirm whether agreed countermeasures for Major and Extreme concerns have been actioned within agreed timescales.
14. Where concerns are classified as being Major or Extreme that have been tolerated by management, these are highlighted to the Corporate Overview and Scrutiny Panel. There are no cases of Major or Extreme concerns being tolerated by management.

### **Additional Work Requested by Members / Management**

15. Contingency days have been used to respond to Management requests in respect of the following reviews.
  - Grant certification - Social Care Capital, Troubled Families, Disabled Facilities, Integrated Transport and Highways Maintenance
  - Spot checks including procurement cards

### **Public Sector Internal Audit Standards (PSIAS)**

16. The external inspection of the Internal Audit Service against the PSIAS took place in 2018 and assessed the service as 'generally' conforming to the standards (the top category of opinion). The action plan and progress against it has been previously reported to the Audit and Performance Review Panel and work continues to address the action points identified to assist the service in continuous improvement.

### **Corporate Investigations**

17. The year 2018/19 was very successful for the Corporate Investigations element of the Service with total potential financial savings identified of £344,756.

18. The performance of investigations covers the losses identified to the Council see Table 3.

**Table 3 Financial Results: Identified Losses to 31 March 2019**

Area of Work	Value (£'s)	Comments
Business Rates Relief/Exemption	269,907	Fraudulent applications for exemptions and reliefs, unlisted properties
Council Tax Reduction Scheme* (CTRS)	1681	Fraudulent applications for Council Tax Reduction
Council Tax - discount/exemption	47,570	Fraudulent applications for discount/exemption
School Investigation	25,598	Monies recovered from misadministration
<b>Total</b>	<b>344,756</b>	

Note: The results of the Business Rates and Council Tax discount/exemption (Single Person Discount proactive exercises are as a result of joint working with the RBWM Revenues and Benefits Section).

19. Work has been undertaken during the year to investigate Council Tax Empty Property Relief, the results of which are currently being calculated. It should be noted that the properties identified in the Council Tax Property Relief exercise as occupied that were previously shown as unoccupied feed in to the New Homes Bonus Scheme formula.
20. The funds identified at the school total £25,598 and this included £19,299 found as part of the investigation. £8,185 of this was repaid to the school.

**Regulation of Investigatory Powers Act**

21. No investigations have been undertaken during 2018/19 that has required Regulation of Investigatory Powers Act surveillance approval to be requested.

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**2018/19 Royal Borough of Windsor and Maidenhead Internal Audit Plan Status  
(as at 31 March 2019)**

AUDIT TITLE	DIRECTORATE	STATUS	FINAL AUDIT REPORT OPINION
<b>Key Financial Systems</b>			
Council Tax (follow up)	Communities	FINAL	1
NNDR (follow up)	Communities	FINAL	1
Cash and Bank Reconciliation	Managing Director	FINAL	2
Creditors	Managing Director	FINAL	1
General Ledger	Managing Director	FINAL	1
Treasury Management	Managing Director	FINAL	1
Housing Benefit/CTRS (follow up)	Communities	DRAFT	
Debtors (follow up)	Managing Director	DRAFT	
Pensions Payroll and Administration	Managing Director	DRAFT	
Cash and Banking Arrangements	Managing Director	WIP	
<b>Governance Building Blocks</b>			
Risk Management	Cross Cutting	FINAL	2
Financial Management	Cross Cutting	WIP	
<b>Key Strategic Risks</b>			
Loss of confidential or sensitive data – Cyber Security (IT audit)	Communities	FINAL	2
<b>Key Operational Risks</b>			
Community Protection and Security	Communities	FINAL	2
School Building Related Risks	Managing Director	FINAL	2
Tree Management (follow up)	Managing Director	DRAFT	
Homelessness	Place	DRAFT	
<b>Auditor Judgement</b>			
Appointeeship and Deputyship (follow up)	Communities	FINAL	2
Furze Platt Junior School	Managing Director	FINAL	2
Oldfield Primary School	Managing Director	FINAL	2
Shared Building Services (follow up)	Place	FINAL	3
Manor Green School	Managing Director	DRAFT	
Wessex Primary School	Managing Director	DRAFT	
Commercial Properties	Place	DRAFT	
<b>Servicing the Business</b>			
Grant Claims – including Bus Subsidy Operations Grant, Disabled Facilities Grant, Local Enterprise Partnership, Local Transport Capital Funding and Troubled Families.			C
Annual Governance Statement Facilitation			E
<b>Consultancy</b>			
Procurement Cards (process and spot checks)			

AUDIT TITLE	DIRECTORATE	STATUS	FINAL AUDIT REPORT OPINION
<b>2017/18 Audits completed in 2018/19</b>			
<b>Key Financial Systems</b>			
Council Tax	Communities	FINAL	1
NNDR	Communities	FINAL	2
Cash and Bank Reconciliation	Managing Director	FINAL	2
Payroll	Managing Director	FINAL	2
Pensions Payroll and Administration	Place	FINAL	1
<b>Governance Building Blocks</b>			
Financial Management	Managing Director	FINAL	2
<b>Key Strategic Risks</b>			
Business Continuity and Emergency Planning	Communities	FINAL	3
Risk of significant fine & reputational damage due to loss of confidential/sensitive data	Communities	FINAL	3
<b>Key Operational Risks</b>			
Flooding	Communities	FINAL	3
Highways and Winter Maintenance	Communities	FINAL	2
<b>Auditor Judgement</b>			
Shared Building Services	Place	FINAL	3

#### **Audit Opinion Definitions**

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

#### Legend

C - Certification  
E - Exempt



## **The Royal Borough of Windsor & Maidenhead** Report to the Corporate Overview & Scrutiny Panel on the audit for the year ended 31 March 2019

Issued 22 July 2019 for the meeting on 30 July 2019

# Contents

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## 01 Our final report

Introduction	3
Our audit explained	6
Significant risks	7
Other matters	9
Value for money	13
Control observations	14
Your annual report	19
Purpose of our report and responsibility statement	20

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## 02 Appendices

Audit adjustments	22
Fraud responsibilities and representations	28
Independence and fees	29
Draft management representation letter	31



# 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 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.

We have pleasure in presenting our report to the Corporate Overview & Scrutiny Panel of Royal Borough of Windsor & Maidenhead (the Council) for the 2019 audit. The scope of our audit was set out within our planning report presented to the panel in February 2019.

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### **Status of the audit - Council**

Our audit is ongoing and, whilst a significant amount of audit work has been performed, the audit will not be completed prior to the deadline for the publication of the statement of accounts of 31 July 2019.

This is our first year auditing the Authority and we understand that the level of information we have requested from officers and nature of some of our procedures have been quite different to what the Authority has experienced in previous years.

The Authority provided work papers in response to our audit request list for the start of the audit which we understand met the expectations of the Authority's previous auditors and were in line with what the Authority understood to be required. However, on review, we considered that a number of the work papers were not in line with what we would have expected for the audit, for example, there were challenges in mapping some work papers to the Statement of Accounts, and some work papers were not in the level of detail or format that we had expected and required for our testing.

We and the finance team have worked together to resolve these matters but this has taken significantly more time than anticipated. We provide further detail on this in our section on control observations. There are open issues which need to be resolved prior to finalisation of our report on the financial statements.

We and the Authority have agreed to meet following the audit to discuss areas of improvement identified through this year's audit and agree a detailed joint action plan for 2019/20, including considering whether additional procedures could be brought forward to our interim audit visit.

The following page includes an update from our work to support our separate opinion on the pension fund financial statements.

We have included a section in this report providing observations arising from the work we have so far carried out on the areas of significant risk and other areas of audit focus reported to you in our audit planning report. We have not included any commentary on our work on the significant risk of property valuation because we are in the process of finalising our work in this area. This work includes the use of our valuation specialists, Deloitte Real Estate, to review and challenge the appropriateness of the assumptions used in the valuation of the Council's property assets. We will provide an oral update at the meeting.

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# Introduction

## The key messages in this report (continued)

### **Status of the audit – Berkshire Pension Fund**

Our audit of the Pension Fund is also on-going and we are not yet in a position to provide a separate report on that audit. In particular, we highlight below some of the current more significant outstanding matters:

- Part of our audit approach for testing the longevity swap involves an assessment of the reconciliation of member data used in the valuation. The relevant information has been requested from management and the Fund's actuary, but we have been informed by management that the member reconciliation will not be provided. Given that the member data is a key aspect of the longevity swap valuation, unless all the required information is provided by the Authority for analysis by our internal specialists, we would be unable to complete our audit and would consider this to be a material matter. We ask that officers discuss this with the Authority's actuary and provide this information to enable us to complete this testing.
- Our internal specialists have identified that the mortality improvement assumption for the longevity swap is not consistent with the market. An appropriate assumption has been used for the liability of the Fund as a whole, but a different basis has been used for the longevity swap. Initial estimates by our specialists indicate that this inconsistency could lead to a material difference in value. We have asked officers to discuss this with the Fund actuary to revisit the valuation and quantify the potential adjustment.
- We have identified that the convertible bond instrument is not being valued by either the investment manager or the custodian. We have asked for contact details for the third party which has ultimately prepared the valuation for the convertible bond. The custodian has made some effort to obtain these details, but this has yet to be arranged. We require visibility of the valuation method and inputs to enable us to complete our audit. The difficulties encountered in obtaining the details for the convertible bond may indicate that there is a control deficiency around the challenge of any valuations received from third parties.
- We have experienced significant delays in obtaining all the audited financial statements and capital movements from the Local Pension Partnership (LPP) that are required for our approach to testing the sample of alternative funds held by the Fund. Without this information being received independently and in a timely manner, we cannot conclude on the valuation of the alternative investments. The difficulties encountered in obtaining the financial information for the alternative funds may indicate that there is a control deficiency around the challenge of any valuations received from third parties. Officers of the Authority are actively following up on this matter with the LPP.

### **Conclusions from our testing**

We have set out a summary of misstatements and disclosure deficiencies identified to date in an appendix to this report. As our audit work is ongoing, further misstatements may be identified through the completion of our remaining work.

Our work in relation to "Value for money" is currently on-going and we will provide the panel with an oral update as to the status of our work in the meeting.

Our work on the financial statements of the Council is not yet sufficiently advanced to indicate the form of report we expect to issue. This includes the finalisation of audit work relating to both significant and non-significant areas of the audit and the completion of our internal quality control processes.

# Introduction

## The key messages in this report (continued)

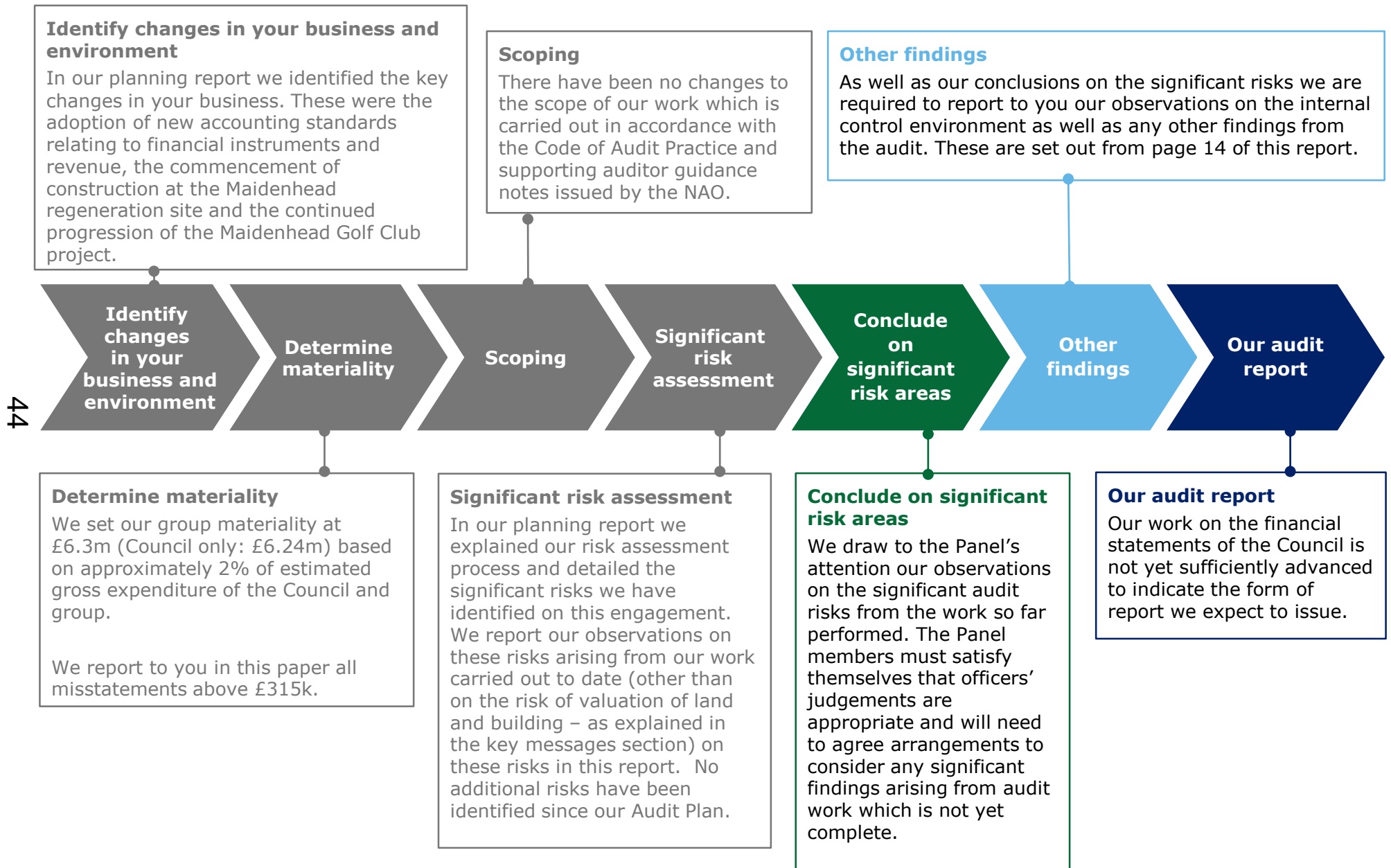
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<b>Narrative Report and Annual Governance Statement</b>	<p>Under International Standard on Auditing (ISA) (UK) 720A (revised), the Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements, we are required to review the content of the Narrative Report and the Annual Governance Statement to identify material inconsistencies (if any) with the statements that they accompany. We are not required to give an opinion on the Narrative Report and Annual Governance Statement (and as such it is not considered an 'audited' statement). We are, however, required to read the Narrative Report and Annual Governance Statement to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by the auditor in the course of performing the audit.</p> <p>In performing our review of the Narrative Report and Annual Governance Statement, we have made observations which we have shared with officers, and summarised within this report, that we consider would further improve the document in line with the guidance set out in the CIPFA Code of Practice on Local Authority Accounting (the Code).</p> <p>Officers have considered our recommendations and have prepared a revised Narrative Report.</p>
<b>Duties as public auditor</b> ↕	<p>We did not receive any queries or objections from local electors this year.</p> <p>We have not identified any matters that would require us to issue a public interest report.</p> <p>We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.</p>
<b>Audit certificate</b>	<p>We are not able to issue our certificate until we have completed our work on the Council's Whole of Government Accounts (WGA) return and pension scheme annual report. As there is a later reporting timetable for the issue of our opinion on the WGA return and pension scheme annual report, we do not expect this work to be complete by the time of issue of our opinion on the Council's statement of accounts.</p>
<b>Management representations</b>	<p>We will obtain written representations from the Chief Financial Officer on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representation letter is attached as an appendix to this letter.</p>
<b>Audit fee</b>	<p>As explained in our fee letter, our audit fee is based on assumptions about the scope of our work and the completeness and quality of information provided to support the draft financial statements and the timeliness and quality of responses to subsequent requests for information and explanation. We expected our audit to be complete at this point but for the reasons set out above and on page 14 it is ongoing. We estimate the amount of additional cost incurred to date to be £15-20k and the further time needed to complete the audit from this point all represents additional cost which will be charged using the rate card in the appendix.</p>

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# Our audit explained

## We tailor our audit to your organisation



44

# Significant risks

## Management override of controls

### Risk identified

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

### Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:

- The Council's results throughout the year were projecting overspends in operational areas. This was closely monitored and whilst projecting overspends, the underlying reasons were well understood; and
- Senior officer's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

### *Significant and unusual transactions*

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

### *Journals*

We have performed design and implementation testing of the controls in place for journal approval.

We have used Spotlight data analytics to risk assess journals and select items for detailed follow up testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest.

We have tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting.

### *Accounting estimates*

We have performed design and implementation testing of the controls in place on accounting estimates.

The key judgements in the financial statements are those selected as significant audit risks and other areas of audit interest.

We reviewed accounting estimates for biases that could result in material misstatements due to fraud. We note that overall the changes to estimates in the period were balanced and did not indicate a bias to achieve a particular result.

We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources. As our work on property valuations and the Council's pension liability is still on-going we will provide the panel with an oral update during the meeting.

### Status of our work and issues identified

We have identified control deficiencies, set out from page 14.

We have not identified any significant bias in the key judgements made by officers based on work performed.

We have not identified any instances of inappropriate management override of controls in relation to the specific transactions tested based on work performed.

# Significant risks (continued)

## Capital expenditure

### **Risk identified**

The Council has a capital programme of £49.2m over the next three years, and incurred £35.8m on property, plant and equipment and £15.9m on revenue expenditure which, for funding purposes, is treated in the same way as capital expenditure (REFCUS) in 2018/19.

Determining whether or not expenditure should be capitalised can involve judgement as to whether costs should be capitalised under International Financial Reporting Standards.

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.

### **Deloitte response**

- We tested the design and implementation of controls around the capitalisation of costs.
- We selected a sample of capital items (including REFCUS) in the year to test whether they have been appropriately capitalised in accordance with the accounting requirements.

### **Deloitte view**

To the date of this report, we have not identified any material misstatements within capital expenditure, we will update the committee following completion of our remaining sample testing. We have however identified control improvements detailed from page 14.

# Other matters

## Pension liability

### Background

The Council participates in the fund it administers, the Berkshire Pension Fund.

The Council's pension liability is affected by the McCloud legal cases in respect of potential discrimination in the implementation of transitional protections following changes in public sector pension schemes in 2015. Subsequent to year-end, the Government was denied leave to appeal the case, removing the uncertainty over recognition of a liability. The actuary has estimated the impact on the Council's liability and have concluded that the impact is not significant (£3.9m) and the Council has made the disclosures relating to this in note 49 of the accounts. At the date of our report we are still finalising our view on the report prepared by the actuary on this but we request that officers adjust the accounts for the amount identified.

### Deloitte response

Our procedures to address this risk, which are in progress, are as follows:

- Obtaining a copy of the actuarial report for the Council Pension Fund produced by Barnett Waddingham, the scheme actuary, and agreeing in the disclosures to notes in the accounts.
- Assessing the independence and expertise of the actuary supporting the basis of reliance upon their work.
- Reviewing and challenging the assumptions made by Barnett Waddingham, including benchmarking as shown in the table opposite.
- Assessing the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements.
- Reviewing and challenging the calculation of the impact of the McCloud case on pension liabilities.
- Performing substantive analytical procedures on movements.
- Reviewing the disclosures within the accounts against the Code.

	Council	Benchmark	Comments
Discount rate (% p.a.)	2.40%	2.41%	Reasonable
Retail Price Index (RPI) Inflation rate (% p.a.)	3.40%	3.25%	Reasonable
Consumer Price Index (CPI) Inflation rate (% p.a.)	2.40%	2.21%	Slightly prudent
Salary increase (% p.a.) (over RPI inflation)	3.9%	n/a	Entity specific assumption. See below
Pension increase in payment (% p.a.)	2.4%	2.26%	Reasonable

### Deloitte commentary on findings to date

Our work is ongoing and still subject to internal review processes.

The Council has not yet adjusted the pension liability for the impact of the McCloud case. Based on our review of the report prepared by the actuary for this purpose we noted that the proposed adjustment would be £3.9m. Our work in this area is in progress, however we have currently reported this as an unadjusted misstatement in the appendix to this report and we will ask officers to adjust the liability for this amount (subject to finalisation of our audit procedures).

An exercise performed by the Government Actuaries Department indicates that based on a salary increase of CPI and using the average age for the LGPS scheme as a whole of 46, the McCloud judgement would result in an increase in the pension liability relating to active members of 0.1% (or not more than £0.3m for the Berkshire Pension Fund). The salary increase assumption used to calculate the pension liability relating to the Berkshire Pension Fund is 1.5% per annum above CPI and this has also been used for the purposes of calculating the adjustment above. The average age of the active membership is 46 years. The salary increase assumption used to calculate the pension liability relating to the Berkshire Pension Fund and the average age of the active membership is 45 years.

Work in the following areas relating to the pension liability is on-going and subject to further challenge and officer input:

- The actuary has calculated the liability using membership information collected for the 2016 funding valuation and we need to understand the impact this may have on the pension liability.
- The actuary has also used estimated, rather than actual, fund income and expenditure up to 31 March 2019.
- We need to consider whether the rate of salary increase used to determine the value of the pension liability is consistent with other salary increase rates applied by the Authority, for example in the medium term financial strategy.

# Other matters (continued)

## Implementation of IFRS 9 and IFRS 15

<b>Matter identified</b>	<p>The Council is required to adopt the new accounting standards IFRS 9 <i>Financial Instruments</i> and IFRS 15 <i>Revenues from contracts with customers</i> in the year ended 31 March 2019. In both cases, the Council is using a modified retrospective approach to implementation where effectively the cumulative impact of transition to 1 April 2018 is posted as an adjustment to reserves.</p> <p>The scope of IFRS 9 and IFRS 15 is limited to balances arising on “exchange” transactions. Non-exchange debtors, such as council tax, business rates and parking fines are outside of the scope of IFRS 9 and IFRS 15.</p> <p>The Council has posted no retrospective adjustments with regard to IFRS 9 or IFRS 15 as there is no material impact on the financial statements.</p>
48	<p><b>Response</b></p> <p>We understand that officers held discussions on the impact of the new standards as part of the accounts closure process and concluded that there was no material impact but did not initially prepare a paper setting out information on their process, findings as support for this conclusion. A paper was subsequently prepared by officers and presented to the audit team for review which still do not address all pertinent issues relating to these new standards.</p> <p>The statement of accounting policies in the original version of the financial statements had not been updated to reflect changes introduced by IFRS 9 including the classification of financial instruments and a different credit loss impairment model.</p> <p>The key accounting impact of IFRS 9 is on the calculation of the bad debt provision, which must move to a methodology of expected credit losses. We have not received information for the calculation of the bad debt provisions that meet this requirement and are therefore not yet able to assess whether or how officers have addressed changes in the way in which impairments should be calculated.</p> <p>IFRS 9 also introduces new or changed disclosure requirements. The Council’s accounts template was not initially updated for these changes and as a result the financial statements do not fully comply with the Code in this respect.</p> <p>Regarding IFRS 15, officers were satisfied that no transitional adjustments would be required as the Council’s larger sources of income including grant income, rents and taxation are outside of the scope of the standard and in other income streams which fall within the scope of IFRS 15 there are not material performance obligations which span the year end. This is consistent with a general expectation for local authorities which have not entered into material unusual transactions.</p> <p>Again, the statement of accounting policies was not initially updated to bring the description of the Council’s policy for the recognition of income into line with the requirements of IFRS 15.</p> <p>IFRS 15 introduces new disclosures around the amount of income, deferred income and receivables which are accounted for under the standard. The Council’s accounts template was not updated to include these new disclosures and as a result the financial statements do not fully comply with the Code in this respect.</p> <p>The Council has not made any disclosure of the impact of the transition.</p>

### Deloitte view

Officers’ conclusion that the new accounting standards do not have a material impact for the Council is consistent with the conclusion of other local authorities and the absence of unusual transactions or income streams which may require a different accounting treatment. We have noted uncorrected disclosure deficiencies in the appendices to this report.



# Other matters (continued)

## Other financial reporting matters

Area	Observation
<b>Critical accounting judgments</b>	<p>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. This situation would arise, for example, where an uncertain factor could cause the carrying amount of an asset or liability to change materially in the next year. This is an important disclosure as it helps a user of the accounts assess an entity's financial position and performance and understand the sensitivities to changes in assumptions.</p> <p>If a matter does not meet the criterion above, it should not be included in the disclosure on sources of estimation uncertainty. IAS 1 states that disclosures should be presented in a way that helps users of the financial statements to understand the judgements officers makes about the future and about other key sources of estimation uncertainty.</p>
49	<p>The Council's current disclosure, for example, includes a section on "assumptions made about the future and other major sources of estimation uncertainty" but the section does not provide any specific examples of these estimates.</p> <p>This is a significant disclosure deficiency and we ask that this is addressed in the final version of the accounts.</p>
<b>Infrastructure assets</b>	<p>The Council does not record infrastructure assets separately on the fixed asset register. Instead expenditure on infrastructure assets is grouped by type and by year of expenditure.</p> <p>Part of the annual amount capitalised relates to replacement of a component of asset (e.g. road re-surfacing). In this situation, whilst it may be appropriate to capitalise the new expenditure, an adjustment should be made to remove the existing component from the register and fixed asset balance. It is not part of the Council's process to do this at the time of the replacement taking place and the organisation of the fixed asset register does not facilitate this.</p> <p>This practice is not uncommon in the sector and does not have a significant impact on the carrying amount of infrastructure assets where the actual asset lives approximate to the estimate of useful economic life used in the depreciation calculation (such that the asset or component of the asset has a nil net book value at the point of replacement).</p>
<b>Elimination of internal recharges</b>	<p>Internal recharges should be eliminated from the presentation of income and expenditure in the Comprehensive Income and Expenditure Statement. Whilst guidance in previous financial years was not clear on this matter, it has been clarified in 2018/19 that internal recharges should be netted off and not shown gross in the Comprehensive Income and Expenditure Statement (CIES). Our testing identified an amount of recharges of £32.7m (2017/18: £25.4m) shown gross in income and expenditure. To correct for this, income and expenditure both needed to be reduced by £32.7m (2017/18: £25.4m). As a result, there is no net impact on the surplus or deficit of the CIES as a result of making this type of adjustment.</p>

# Other matters (continued)

## Other financial reporting matters

Area	Observation
<b>Overstatement of cost and accumulated depreciation in the property, plant and equipment</b>	<p>Based on audit work performed on the brought forward balance of property, plant and equipment a £44m equal but opposite variance between Cost/Valuation and Accumulated Depreciation was noted.</p> <p>Based on discussions with officers, this was found to relate to the 2011/12 financial year when our predecessor requested officers to make this adjustment. While the difference does not impact the overall net book value of property, plant and equipment the amounts disclosed in the notes to the accounts did not reflect the correct balances of cost and accumulated depreciation brought forward. We have proposed an adjustment in this regard on page 23.</p>

# Arrangements to secure economy, effectiveness and efficiency from the Authority's use of resources

## Background

Under the National Audit Office's Code of Audit Practice, we are required to report whether, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Code and supporting Auditor Guidance Notes 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 and audit work (which is in progress) includes:

- Obtaining an understanding of the Council's Medium Term Financial Plan, budget for 2019/20.
- Considering the results of Ofsted's focussed visit relating to children's services, the report for which was issued during December 2018. We discussed the findings of the report with Kevin McDaniel (Director of Children's Services) during our final audit visit.
- Considering the results of Ofsted's review of the effectiveness of the Council in implementing the disability and special educational needs reforms as set out in the Children and Families Act 2014 relating to children's services. This report was issued during August 2017. We have discussed the findings of the report with Kevin McDaniel (Director of Children's Services) during our final audit visit.
- Considering the appropriateness of the governance arrangements around the use of outsourced 3<sup>rd</sup> parties, and specifically Achieving for Children and Optalis Limited.
- Discussing the Council's arrangements with internal audit and senior operational staff, including Duncan Sharkey (Managing Director), Rob Stubbs (S151 Officer), Councillor Saunders (former lead member for finance), Kevin McDaniel (Director of Children's Services), Elaine Brown (Head of Law and Governance) and Hilary Hall (Deputy Director Strategy and Commissioning).
- Reviewing the Council's draft Narrative Report, Annual Governance Statement and relevant Council papers and minutes.
- Considering the Council's financial results for the year and the assumptions in the budget for future years specifically looking at future debt levels, borrowing limits and expected capital receipts.
- Considering matters identified by the National Audit Office as potential value for money risks for Councils for 2018/19

## Deloitte view

Our work in relation to "Value for money" is currently on-going and we will provide the panel with an oral update as to the status of our work in the meeting.

# Control observations

During the course of our audit we have identified internal control findings which we have included below for information.

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Area	Observation
<b>Quality of draft financial statements</b>	<p>The initial draft financial statements which were published for public inspection and presented for audit were not of the expected standard. Issues noted included:</p> <ul style="list-style-type: none"> <li>• Findings regarding the compliance of the narrative report and annual governance statement with the CIPFA code</li> <li>• The non-receipt of a completed CIPFA disclosure checklist accompanying the financial statements subject to audit</li> <li>• Inconsistencies between notes in the financial statements;</li> <li>• Accounting policies not updated for the adoption of IFRS 9 and IFRS 15;</li> <li>• Accounts disclosures not updated for the adoption of IFRS 9;</li> <li>• Accounts disclosures not updated for the adoption of IFRS 15;</li> <li>• Clerical, spelling and grammatical errors.</li> </ul> <p>Together these indicate weaknesses in the financial reporting and close process. We recommend the Council reviews the year-end reporting and close process, including:</p> <ul style="list-style-type: none"> <li>• preparation of a skeleton draft of the financial statements ahead of year-end, reviewed against the Code for any changes in the year and for the disclosure requirements for any new or changed activities of the Council;</li> <li>• documentation and quantification of judgments in respect of materiality of disclosure requirements in preparing the accounts;</li> <li>• review of the completed CIPFA disclosure checklist;</li> <li>• documented and reviewed internal checks of internal consistency;</li> <li>• completion of the CIPFA “pre-audit checks on draft year-end accounts” checklist; and</li> <li>• documented and reviewed internal tie back and referencing of the draft financial statements to supporting working papers.</li> </ul>

# Control observations (continued)

Area	Observation
<b>New accounting standards – IFRS 9 and 15</b>	<p>Whilst we understand that officers discussed the impact of adoption of the new standards during the closure process, they did not prepare accounting papers on the transition to IFRS 9 and 15. The initial draft accounts were not updated for changes in disclosure requirements from IFRS 9 and 15. Although our work on IFRS 9 and 15 to date has not identified any material changes to the financial statements, we highlight that because the new standards have been discussed as a one off exercise, new requirements will not have been embedded in the Council’s underlying systems, processes and controls. This presents a risk that new contracts or transaction may give rise to unanticipated impacts in future, or not be detected.</p> <p>We recommend that the Council reviews how to update its day to day accounting processes, including any necessary system and control changes, to reflect the requirements of IFRS 9 and 15, and the process to be followed in assessing new and unusual transactions.</p>
<b>53 Preparation for IFRS 16</b>	<p>The implementation of IFRS 16, Leases, for 2020/21 is expected to have a greater and more complex impact upon most Councils than the adoption of IFRS 9 and 15. The scope and potential complexity of work required, which may require system or process changes to underpin correct accounting under the standard, will require work to be completed at a significantly earlier stage than has been the case for IFRS 9 and 15 to allow for financial reporting timetables to be met.</p> <p>We recommend that the Council targets completion of its IFRS 16 impact analysis during 2019/20, and to calculate an adjusted opening balance sheet position for audit following the 31 March 2020 audit. We recommend early consideration following the impact analysis of actions required to embed IFRS 16 accounting in the Council’s underlying accounting systems and would expect an accounting paper to be prepared for the purposes of 2019/20 audit.</p>
<b>Accounting for acquisitions</b>	<p>The Council has an accounting policy to apply a full year of depreciation in the year of disposal and no depreciation in the year of acquisition, primarily for the reason that the fixed asset register is only updated at the end of year.</p> <p>This practice is not uncommon in the sector and does not have a significant impact on the carrying amount of assets where assets are acquired and disposed relatively evenly across the year.</p> <p>Performing a high level calculation based on the fixed asset note for the current year, assuming all additions take place on day one of the year, fixed assets are potentially overstated by £1m. As stated above, this is not a material impact.</p> <p>We recommend that officers implements a process whereby the depreciation charge is retrospectively calculated based on the actual date of acquisition or disposal.</p>

# Control observations (continued)

Area	Observation
<b>Valuation of properties</b>	<p>The valuation of properties is dependent on officers' assumptions (or input from officers in forming assumptions) including the location and functional obsolescence of the existing properties and information provided by officers, including the number, type and condition of council dwellings and the floor space of schools. A paper was not prepared which set out the key assumptions, and officer's view on whether the revaluation assumptions are appropriate.</p> <p>We were also not able to identify a documented internal control relating to the review by officers of the valuation report received from Lambert Hampton Smith.</p> <p>We recommend that a paper should be prepared and set out the review of key assumptions, and officer's view on why the revaluation assumptions are appropriate.</p>
<b>Classification of expenditure as capital</b>	<p>Classification of expenditure between revenue and capital can involve the exercise of judgement. Projects which are of a capital nature can involve both revenue and capital elements which need to be accounted for differently.</p> <p>We were not able to identify a documented internal control to prevent or detect the incorrect classification of revenue spend as capital. We recommend the Council implements such a control.</p>
<b>Reclassification of assets under construction when complete</b>	<p>We identified that an item of assets under construction was completed as at 31/03/2018. This asset was however not transferred out of assets under construction into the category of property, plant and equipment to which it relates.</p> <p>We recommend the Council implements a control where assets held under construction are reviewed in order to verify whether or not they are complete.</p>
<b>Management override of controls</b>	<p>During our testing of the design and implementation of controls relating to management override and specifically relating to budget transfers, we noted that a transfer of £250k from one budget to another was not accompanied by a virement form.</p> <p>While the transfer was discussed and approved at Cabinet meeting we suggest that all such transfers be accompanied by a virement form, as set out in standard operating procedures relating to budget transfers.</p>

## Control observations (continued)

Area	Observation
<b>Accounting for capital expenditure</b>	<p>During our testing of the capital commitments disclosure we noted that £6.4m of expenditure relating to the Braywick Leisure Centre was incorrectly included in the capital commitment disclosures at year end. Officers have subsequently adjusted the accounts disclosure for this misstatement. No further change is required as these amounts have been included in capital additions for the year.</p> <p>We understand that officers use a March to Feb period for the purposes of accounting for capital items. We suggest that a review is performed at year end to consider the impact of any expenditure incurred in the final month of the financial year for its impact on operating expenditure, property, plant and equipment and the councils commitments disclosures.</p>
<b>Bank and cash</b>	<p>During our testing of bank and cash we noted a balance of £984k relating to long-outstanding reconciling items for which we were not provided any support.</p> <p>This was identified in the prior year audit and is still under investigation by RBWM's internal audit function.</p> <p>We recommend that this investigation is finalised and the reconciling items cleared as soon as possible. We also recommend that a review of the controls relating to bank reconciliations is undertaken in order to avoid a recurrence of this.</p>
<b>Elimination of internal recharges</b>	<p>Internal recharges should be eliminated from the presentation of income and expenditure in the Comprehensive Income and Expenditure Statement. As set out on page 11, our testing identified an amount of recharges of £32.7m (2017/18: £25.4m) shown gross in income and expenditure. To correct for this, income and expenditure both needed to be reduced by £32.7m (2017/18: £25.4m). We recommend that, going forward, internal recharges are eliminated in the Comprehensive Income and Expenditure Statement before being subject to audit.</p>

## Control observations (continued)

Area	Observation
<b>Preparation of accounting papers</b>	<p>Accounting papers were not prepared to explain and support key judgements and estimates, including the ongoing pertinence of judgements made in previous years, or were not sufficiently detailed to explain and support those judgements and estimates. It is good practice (and the expectation of the Financial Reporting Council) for organisations to prepare accounting papers in respect of key matters in the application of accounting standards, in particular for matters of judgement or of estimation complexity. Typically these would include consideration of the relevant requirements of the accounting standards and the Code, the fact pattern (including details of relevant terms of contracts etc.), an assessment of how the standards apply in this context, consideration of potential alternative treatments, the proposed approach to measurement/calculation of accounting entries required, and the required disclosures.</p> <p>The preparation of accounting papers both supports accurate financial reporting, including facilitating both internal and external review and challenge, and provides a resource to ensure institutional knowledge is retained in the organisation.</p> <p>We recommend the Council adopts an approach of preparing papers for any key accounting judgements or issues arising. We also recommend that accounting papers are presented to the same meeting of the Panel at which the draft statement of accounts are approved (if not earlier) for scrutiny and to inform the panel's approval of the draft statement of accounts.</p>
<b>56</b> <b>Accounts closure</b>	<p>As described on page 3 of this report, the Authority provided work papers in response to our audit request list for the start of the audit which we understand met the expectations of the Authority's previous auditors and were in line with what the Authority understood to be required. However, on review, we considered that a number of the work papers were not in line with what we would have expected for the audit, for example, there were challenges in mapping some work papers to the Statement of Accounts, and some work papers were not in the level of detail or format that we had expected and required for our testing.</p> <p>We and the finance team have worked together this year to resolve these matters but this has taken significantly more time than anticipated. As a result, in a number of areas, it has not been possible for officers to provide information for key samples within a reasonable timeframe. Additional time has also been spent in order to understand the accounting treatment for investments in associates and the local enterprise partnerships.</p> <p>These issues have impacted on the achievement of the overall timetable and have led to additional audit costs.</p> <p>We and the Authority have agreed to meet following the audit to discuss areas of improvement identified through this year's audit and agree a detailed joint action plan for 2019/20, including considering whether additional procedures could be brought forward to our interim audit visit.</p> <p>We recommend that the Council considers whether there are year end processes which can be streamlined or pulled forward to earlier in the year. We will work closely with officers as part of the planning for 2019/20.</p>



# Your annual report

We are required to report by exception on any where information in other information published with the financial statements (which is the Narrative Report and Annual Governance Statements) is inconsistent with the financial statements.

	Requirement	Deloitte response
57	<p><b>Narrative Report</b></p> <p>The Narrative Report is expected to address (as relevant to the Council):</p> <ul style="list-style-type: none"> <li>- Organisational overview and external environment;</li> <li>- Governance;</li> <li>- Operational Model;</li> <li>- Risks and opportunities ;</li> <li>- Strategy and resource allocation;</li> <li>- Performance;</li> <li>- Outlook; and</li> <li>- Basis of preparation</li> </ul>	<p>Under International Standard on Auditing (ISA) (UK) 720A (revised), the Auditor’s Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements, we are required to review the content of the Narrative Report to identify material inconsistencies (if any) with the statements that they accompany. We are not required to give an opinion on the Narrative Report (and as such it is not considered an ‘audited’ statement).</p> <p>In performing our review of the Narrative Report, we have made observations which we have shared with officers, and summarised below, that we consider would further improve the document in line with the guidance set out in the CIPFA Code of Practice on Local Authority Accounting (the Code):</p> <ul style="list-style-type: none"> <li>• As a whole, the narrative report is of an average length, although many pages are dedicated to charts and graphics.</li> <li>• The purpose of the Narrative Report is to provide information on the authority, its main objectives and strategies and the principal risks that it faces. The Report provides limited information on its operational model, for example on operational activities of the authority’s key services and outcomes. The Report touches on financial risks but does not refer to broader risks in relation to future service provision and its risk mitigation strategy. The Report also does not specifically refer to Brexit.</li> <li>• The Narrative Report must provide a fair, balanced and understandable analysis of the authority’s performance. The Report sets out key achievements in the year but does not give similar weight to describing some of the challenges it has faced. Non financial KPIs selected appear to focus on volumes, rather than measuring progress towards the meeting the Council’s strategic objectives. Comparative information is not consistently provided to give context.</li> <li>• The narrative report should highlight and explain the linkages between information presented in the narrative report and the information within the financial statements, and information presented must be consistent with the information within the financial statements. The Report provides information on gross revenue expenditure and funding sources. It is not clear how totals link to information in the financial statements. Care needs to be taken in how measures are described and the nature of tables and charts included as they should be clearly linked to the primary statements and should be suitably expanded upon. We will finalise our testing on checking the consistency of information in the Narrative Report with the financial statements once the financial statements have been adjusted. This type of issue will need to be resolved before we issue our opinion.</li> <li>• The Code provides guidance on further information which authorities should consider including on the basis of preparation and presentation of the financial statements.</li> </ul> <p>We have recommended that the report is updated to do address these points. Officers have considered our recommendations and have prepared a revised Narrative Report.</p>
	<p><b>Annual Governance Statement</b></p> <p>The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.</p>	<p>We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in CIPFA/SOLACE guidance, is misleading, or is inconsistent with other information from our audit. We have provided officers with our comments on this document and await an updated version for review.</p>

# 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 help the Corporate Overview & Scrutiny Panel and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

### What we don't report

As you will be aware, our audit was 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, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### The scope of our work

Our observations are developed in the context of our audit of the financial statements. We described the scope of our work in our audit plan and again in this report.

This report has been prepared for the Corporate Overview & Scrutiny Panel and Council, 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.

We welcome the opportunity to discuss our report with you and receive your feedback.

**Jonathan Gooding**  
for and on behalf of Deloitte LLP  
St Albans  
22 July 2019

# Appendices

59



# Audit adjustments

## Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask officers to correct as required by ISAs (UK). Uncorrected misstatements to date increase total comprehensive expenditure in the CIES by £4.9m, decrease net assets by £4.9m, and decrease usable reserves by £4.9m.

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	Memo: Debit/ (credit) usable reserves £m	If applicable, control deficiency identified
<b>Misstatements identified in current year</b>						
Accounting for outcome of McCloud judgement	[1]	3.9	(3.9)	-	3.9	
Reconciling items in bank reconciliation	[2]	1.0	(1.0)	-	1.0	Yes
Debtors with credit balances	[3]	-	0.5/(0.5)	-	-	
<b>Misstatements identified in prior years</b>						
Asset under construction not reclassified in prior period	[4]	-	0.7/(0.7)	-	-	Yes
<b>Total</b>		<b>4.9</b>	<b>(4.9)</b>	<b>-</b>	<b>4.9</b>	

(1) Based on the outcome of the actuary's review of the impact of the McCloud judgement on pension liabilities an adjustment of £3.9m has been identified.

(2) This relates to long outstanding reconciling items for which we were not provided any support.

(3) Debtors with credit balances of £0.5m identified during our testing that should be reclassified to creditors.

(4) An item of assets under construction totalling £0.7m completed in the previous financial year was not transferred from this category to the relevant category of property, plant and equipment to which it relates.

# Audit adjustments (continued)

## Corrected misstatements

The following misstatements have been identified up to the date of this report which have been corrected by officers. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	Memo: Debit/ (credit) usable reserves £m	If applicable, control deficiency identified
<b>Misstatements identified in current year</b>						
Eliminate internal recharges	[1]	33 / (33)	-	-	-	Yes
Difference in opening cost and accumulated depreciation	[2]	-	44/(44)	-	-	Yes
Accounting treatment for investment in associate	[3]	(7.8)	7.8			
<b>Misstatements identified in prior years</b>						
Incorrect classification of prior year Teachers Pay	[4]	3.9/(3.9)	-	-	-	
<b>Total</b>		<b>(7.8)</b>	<b>7.8</b>	<b>-</b>	<b>-</b>	

- (1) Internal recharges have been incorrectly included gross in income and expenditure in the Comprehensive Income and Expenditure Statement. This adjustment nets down the recharge income against the matching expenditure item.
- (2) The adjustment relates to an equal and opposite difference of £44m between opening cost/valuation and accumulated depreciation
- (3) The adjustment relates to the correction of the accounting treatment for an investment in associate
- (4) The council had incorrectly classified payroll expenses between the categories "Direct employee costs" and "Teachers pay" in the prior period.

# Audit adjustments (continued)

## Disclosures

### Disclosure misstatements

The following disclosure misstatements have been identified up to the date of this report which officers have corrected.

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#### Disclosure

Transfers from Assets under construction were not clearly separated and disclosed in note 14 of the accounts so that a user is able to see the transfer from Assets under Construction and into the appropriate category of property, plant and equipment.

Officers have corrected this disclosure deficiency.

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#### Disclosure

During our testing of the capital commitments disclosure we noted that £6.4m of expenditure relating to the Braywick Leisure Centre had been incurred before year end and should therefore not have been disclosed as a capital commitment.

Officers have corrected this disclosure deficiency.

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#### Disclosure

The disclosures relating to Local Enterprise Partnerships in note 53 relating to "Receipts in year" and "Payments/Transfers" were overstated. The differences between these two categories net to zero and the opening balance and closing balance was found to be correct.

Officers have corrected this disclosure deficiency.

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# Audit adjustments (continued)

## Disclosures

### Disclosure misstatements

The following uncorrected disclosure misstatements have been identified up to the date of this report which we request that you ask officers to correct as required by ISAs (UK).

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#### Disclosure

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An authority shall explain the inputs, assumptions and estimation techniques used to apply the requirements in section 7.2.9. For this purpose an authority shall disclose:

- a) the basis of inputs and assumptions and the estimation techniques used to:
    - i) measure the 12-month and lifetime expected credit losses
    - ii) determine whether the credit risk of financial instruments has increased significantly since initial recognition, and
    - iii) determine whether a financial asset is a credit-impaired financial asset
  - b) how forward-looking information has been incorporated into the determination of expected credit losses, including the use of macroeconomic information, and
  - c) changes in the estimation techniques or significant assumptions made during the reporting period and the reasons for those changes.
-

# Audit adjustments (continued)

## Disclosures

### Other disclosure recommendations (continued)

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#### Disclosure

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To explain the changes in the loss allowance and the reasons for those changes, an authority shall provide, by class of financial instrument, a reconciliation from the opening balance to the closing balance of the loss allowance, in a table, showing separately the changes during the period for:

- a) the loss allowance measured at an amount equal to 12-month expected credit losses
- b) the loss allowance measured at an amount equal to lifetime expected credit losses for:
  - i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets
  - ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired), and
  - iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 7.2.9.17
- c) financial assets that are purchased or originated credit-impaired.

In addition to the reconciliation, an authority shall disclose the total amount of undiscounted expected credit losses at initial recognition on financial assets initially recognised during the reporting period.

To enable users of financial statements to understand the changes in the loss allowance disclosed in accordance with paragraph 7.3.3.13, an authority shall provide an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in the loss allowance. The information shall be provided separately for financial instruments that represent the loss allowance as listed in paragraph 7.3.3.13 a) to c) and shall include relevant qualitative and quantitative information. Examples of changes in the gross carrying amount of financial instruments that contributed to the changes in the loss allowance may include:

- a) changes because of financial instruments originated or acquired during the reporting period
  - b) the modification of contractual cash flows on financial assets that do not result in a derecognition of those financial assets in accordance with IFRS 9
  - c) changes because of financial instruments that were derecognised (including those that were written off) during the reporting period, and
  - d) changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses.
-



# Audit adjustments (continued)

## Disclosures

### Other disclosure recommendations (continued)

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#### Disclosure

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To enable users of financial statements to assess an authority's credit risk exposure and understand its significant credit risk concentrations, an authority shall disclose, by credit risk rating grades, the gross carrying amount of financial assets and the exposure to credit risk on loan commitments and financial guarantee contracts. This information shall be provided separately for financial instruments:

- a) for which the loss allowance is measured at an amount equal to 12-month expected credit losses
  - b) for which the loss allowance is measured at an amount equal to lifetime expected credit losses and that are:
    - i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets
    - ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired), and
    - iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 7.2.9.17 c) that are purchased or originated credit-impaired financial assets.
- 

65 An authority shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (see paragraphs 44B to C and 44E of IAS 7 for guidance on this disclosure).

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# Fraud responsibilities and representations

## Responsibilities explained



### **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. 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.



### **Required representations:**

We have asked the Council to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Council.

We have also asked the Council to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



### **Audit work performed:**

In our planning we identified valuation of land and buildings, capital expenditure and management override of controls as key audit risks for the council.

During course of our audit, we have had discussions with officers and those charged with governance.

During course of our audit, we have had discussions with relevant officers and those charged with governance.

In addition, we have reviewed officer's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the Annual Governance Statement.

# Independence and fees

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 Corporate Overview & Scrutiny Panel for the year ending 31 March 2019 in our final report to the Corporate Overview & Scrutiny Panel.
Non-audit fees	There are proposed audit related services to be carried out claims and returns. There are no other 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.

# Independence and fees (continued)

	Planned fee £'000s (excl. VAT)
Code audit fee - Council	63 See note below
Code audit fee – Pension fund	19 See note below
<b>Total audit</b>	<b>82</b>
Fees for reporting on the housing benefit subsidy claim	14
Fees for reporting on teachers pension	4
Fees for reporting on other government grants: Pooling of housing capital receipts return	4
<b>Total assurance services</b>	<b>22</b>
<b>Total fees</b>	<b>104</b>

We have incurred additional costs in our work on the 2018/19 audit due to difficulties and delays in obtaining information and errors identified in the report.

We estimate the amount of additional cost incurred to date to be £15-20k and that the further time needed to complete the audit from this point all represents additional cost which will be charged using the rate card below.

Grade	Fee per hour £ (excl. VAT)
Partner/director	132
Senior manager/manager	73
Audit auditor	47
Other staff	36

# Draft management representation letter

We have included below a draft version of the management representation letter required to be signed by the Chief Financial Officer:

Dear Sirs,

This representation letter is provided in connection with your audit of the financial statements of the Royal Borough of Windsor & Maidenhead ("the Council") for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Royal Borough of Windsor & Maidenhead as of 31 March 2019 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2018/19.

We confirm, to the best of our knowledge and belief, the following representations:

## *Financial statements*

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2018/19 which give a true and fair view, as set out in the terms of the audit engagement letter.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "Related party disclosures".
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in the appendix to this letter.
6. We confirm that the financial statements have been prepared on the going concern basis and disclose in accordance with IAS 1 all matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including principal conditions or events and our plans. We do not intend to liquidate the Council or cease trading as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Council's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
7. The measurement processes, including related assumptions and models used to determine accounting estimates in the context of the applicable financial reporting framework are appropriate and have been applied consistently.
8. The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity where relevant to the accounting estimates and disclosures.
9. The disclosures related to accounting estimates under the entity's applicable financial reporting framework are complete and appropriate.
10. There have been no subsequent events that require adjustment to the accounting estimates and disclosures included in the financial statements.

# Draft management representation letter (continued)

11. The Council has satisfactory title to all assets and there are no liens or encumbrances on the Council's assets and assets pledged as collateral.
12. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.
13. We are not aware of any deficiencies in internal control.
14. We confirm that entity only IFRS financial statements have been produced on the grounds of materiality.
15. All minutes of member and officer meetings during and since the financial year have been made available to you.
16. We have reconsidered the remaining useful lives of the fixed assets and confirm that the present rates of depreciation are appropriate to amortise the cost or revalued amount less residual value over the remaining useful lives.
17. Except as disclosed in Note 14 to the accounts, as at 31 July 2019 there were no significant capital commitments contracted for by the Council.
18. We are not aware of events or changes in circumstances occurring during the period which indicate that the carrying amount of fixed assets or goodwill may not be recoverable.
19. We confirm that:
- all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
  - all settlements and curtailments have been identified and properly accounted for;
  - all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
  - the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the directors' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
  - the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
  - the amounts included in the financial statements derived from the work of the actuary are appropriate.
20. With respect to the revaluation of properties in accordance with the Code:
- the measurement processes used are appropriate and have been applied consistently, including related assumptions and models;
  - the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity where relevant to the accounting estimates and disclosures;
  - the disclosures are complete and appropriate.
  - there have been no subsequent events that require adjustment to the valuations and disclosures included in the financial statements.
  - the information supplied for the valuation of the Authority's property and investment property assets includes up to date rental and other relevant data to inform the valuation, and there are no circumstances we are aware of that would impact upon the valuation of assets (such as issues with condition) that have not been shared with the valuer;
21. We have considered the valuation of the Authority's Property, Plant and Equipment, and are not aware of any circumstances indicating volatility in asset values requiring a revaluation in the current year.

70

# Draft management representation letter (continued)

## *Information provided*

22. We have provided you with:

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

23. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.

24. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

25. 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.

24. We are not aware of any fraud or suspected fraud that affects the entity or group and involves:

- i. officers;
- ii. employees who have significant roles in internal control; or
- iii. others where the fraud could have a material effect on the financial statements.

25. 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.

26. We have disclosed to you all known instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements.

27. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

28. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework. On the basis of legal advice we have set them out in the attachment with our estimates of their potential effect. No other claims in connection with litigation have been or are expected to be received.

29. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

We confirm that the above representations are made on the basis of adequate enquiries of officers and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of Royal Borough of Windsor & Maidenhead

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Report Title:	<b>Annual Performance Report 2018/19</b>
Contains Confidential or Exempt Information?	No - Part I
Member reporting:	Councillor Shelim, Lead Member for HR, Legal & IT (includes Performance Management)
Meeting and Date:	Cabinet - 27 June 2019
Responsible Officer(s):	Hilary Hall, Interim Director of Adult Services and Deputy Director Strategy and Commissioning
Wards affected:	All

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## REPORT SUMMARY

1. The council performance management framework has 25 key measures aligned to the strategic objectives in the Council Plan 2017-21. This report summarises the performance of these in the 2018/19 municipal year, see table 1 and Appendix A.
2. 16 of the 25 measures have met or exceeded their target, including the rate of delayed transfers of care attributable to social care, the percentage of planning applications determined in timescale and the percentage of calls to the customer service centre answered within 60 seconds. Seven measures fell just short of target, although within tolerance and two measures require improvement and fell below target.
3. Commentary on performance and remedial action for those measures falling short of target is included in Appendix A.

## 1. DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION:** That Cabinet notes the report and:

- i) **Endorses the 2018/19 Annual Performance Report, summarised in Table 1 and Appendix A.**
- ii) **Requests relevant Lead Members, Directors and Heads of Service to maintain focus on improving performance.**
- iii) **Delegates authority to Executive Directors in conjunction with Lead Members to amend and confirm the Performance Management Framework for 2019/20.**

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

- 2.1 In November 2017, Cabinet approved the council's Performance Management Framework (PMF) of 25 key measures aligned to its refreshed Council Plan, with six strategic priorities over the plan period 2017-2021:
- Healthy, skilled and independent residents
  - Safe and vibrant communities.
  - Growing economy, affordable housing.
  - Attractive and well-connected borough.
  - Well-managed resources delivering value for money.
  - An excellent customer experience.
- 2.2 This report summarises the annual performance for 2018/19, 1 April 2018 – 31 March 2019, see table 1.
- 2.3 It shows that 16 of the 25 measures met or exceeded the target across the range of council services including:
- The rate of delayed transfers of care attributable to social care which is 0.
  - The speed of processing planning applications – 73.3% major applications and 82.2% minor planning applications.
  - The speed of answering the telephone in the customer service centre – 81.2% in 60 seconds.
  - The average number of days to process new housing benefit claims and changes in circumstances – 4.4 days.
  - The percentage of household waste sent for reuse or recycling – 46.8%.
- 2.4 Seven measures fell just short of target, although still within the tolerance for the measure and two measures require improvement and were out of tolerance. Detailed performance for all measures is available in Appendix A including commentary for those measures which are below target.

**Table 1: 2018/19 Performance Summary**

Measure	Succeeding	Near Target	Needs improvement
1.2.1 Percentage of children with a review at 2-2.5 years of age			1
1.2.3 Percentage of care-leavers in education, employment or training	1		
1.4.1 Number of permanent admissions to care for those aged 65+yrs	1		
1.4.2 Rate of delayed transfers of care, per 100,000 population, which are attributable to Adult Social Care	1		
1.4.3 Percentage of rehabilitation clients still at home 91 days after discharge from hospital		1	
1.5.3 Number of carers supported by dedicated services directly commissioned by RBWM		1	
2.1.1 Percentage of Child Protection Plans lasting 2yrs or more		1	

<b>Measure</b>	<b>Succeeding</b>	<b>Near Target</b>	<b>Needs improvement</b>
2.1.2 Percentage of children referred to children's social care more than once within last 12mths		1	
2.1.4 Percentage of adult safeguarding service users reporting satisfaction	1		
2.3.1 Number of volunteers supporting council activities	1		
3.2.1 Percentage of shops, offices, commercial spaces vacant	1		
3.4.1 Number of affordable homes delivered	1		
3.5.1 Number of homelessness preventions through council advice and activity		1	
3.5.2 Number of homeless households placed in temporary accommodation	1		
4.1.3 Percentage of Major planning applications processed in time	1		
4.1.4 Percentage of Minor planning applications processed in time	1		
4.1.6 Performance of the Tivoli contract			1
4.2.1 Percentage of household waste sent for reuse, recycling	1		
4.4.1 Number of days of roadworks on highways saved	1		
5.3.1 Percentage of calls answered within 60 seconds	1		
5.3.2 Percentage of calls abandoned after 5 seconds	1		
5.3.3 Average no. days to process new claims and changes in circumstances (Housing Benefits)	1		
5.3.4 Percentage of calls resolved right first time	1		
6.1.1 Percentage collection rate for Council Tax		1	
6.1.2 Percentage collection rate for Non Domestic Rates (Business Rates)		1	
<b>Total</b>	<b>16</b>	<b>7</b>	<b>2</b>

### **Performance management framework 2019-2020**

- 2.5 A review of the indicators in the Performance Management Framework was undertaken in January 2019. The indicators in the framework for 2019-2020 will be confirmed between Directors and the relevant Lead Members.

### **Options**

**Table 2: Options arising from this report**

<b>Option</b>	<b>Comments</b>
Endorse the evolution of the performance management framework, focused on embedding a performance culture within the council and measuring delivery of the council's six strategic priorities. <b>This is the recommended option</b>	The council's focus on continuous performance improvement provides residents and the council with more timely, accurate and relevant information; evolving the council's performance management framework using performance information and business intelligence ensures it reflects the council's ongoing priorities.
Failure to use performance information to understand the council, improve and maintain performance of council services and develop reporting to members and residents.	Without using the information available to the council to better understand its activity, it is not possible to make informed decisions and is more difficult to seek continuous improvement and understand delivery against the council's strategic priorities.

### **3. KEY IMPLICATIONS**

3.1 The key implications of the report are set out in table 3.

**Table 3: Key Implications**

<b>Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly Exceeded</b>	<b>Date of delivery</b>
The council is on target to deliver its six strategic priorities outlined in the Council Plan 2017-21.	<100% of priorities on target.	100% of priorities on target			31 March 2020

### **4. FINANCIAL DETAILS / VALUE FOR MONEY**

4.1 There are no direct financial implications arising from the recommendations.

### **5. LEGAL IMPLICATIONS**

5.1 There are no legal implications arising from the recommendations.

### **6. RISK MANAGEMENT**

6.1 The risks and their controls are outlined in table 4.

**Table 4: Impact of risk and mitigation**

<b>Risks</b>	<b>Uncontrolled risk</b>	<b>Controls</b>	<b>Controlled risk</b>
Poor performance management processes in place causing a lack of progress towards achieving the council's strategic aims and objectives.	HIGH	Robust performance management within services and at executive level to embed a performance management culture throughout the organisation, developing effective and timely reporting.	LOW

## **7. POTENTIAL IMPACTS**

- 7.1 There are no Equality Impact Assessments or Privacy Impact Assessments required for this report.

## **8. CONSULTATION**

- 8.1 Ongoing performance of the measures within the Performance Management Framework 2019/20, alongside other measures and business intelligence information, will be regularly reported to the council's four Overview and Scrutiny Panels.

## **9. TIMETABLE FOR IMPLEMENTATION**

- 9.1 Implementation date if not called in: Immediately. The full implementation stages are set out in table 5.

**Table 5: Implementation timetable**

<b>Date</b>	<b>Details</b>
May 2019	Performance Management Framework 2019/20 finalised by Directors in conjunction with relevant Lead Members.
November 2019	Cabinet consideration of half year performance against the performance management framework
June 2019	Cabinet consideration of the annual performance report
Ongoing	Regular review of performance by the Corporate Leadership Team.
Ongoing	Performance reports considered by the council's four Overview and Scrutiny Panels; finalised dates to be determined as part of the work programme for each Panel.

## **10. APPENDICES**

- 10.1 This report is supported by one appendix:

- Appendix A: Performance Management Framework 2018/19 (printed).

## 11. BACKGROUND DOCUMENTS

11.1 This report is supported by one background document:

- Council Plan 2017-21:  
[https://www3.rbwm.gov.uk/downloads/file/3320/2017-2021 - council plan](https://www3.rbwm.gov.uk/downloads/file/3320/2017-2021_-_council_plan)

## 12. CONSULTATION (MANDATORY)

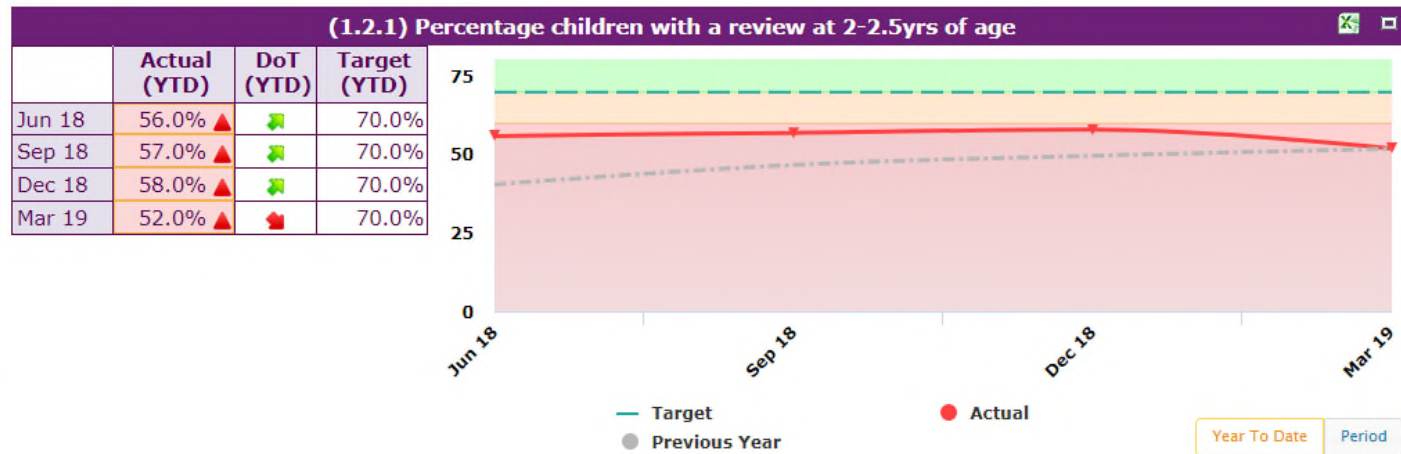
<b>Name of consultee</b>	<b>Post held</b>	<b>Date sent</b>	<b>Date returned</b>
Cllr Shelim	Lead Member for HR, Legal & IT (includes Performance Management)	31/05/19	31/05/19
Duncan Sharkey	Managing Director	30/05/19	06/06/19
Russell O'Keefe	Executive Director	30/05/19	06/06/19
Andy Jeffs	Executive Director	30/05/19	30/05/19
Rob Stubbs	Section 151 Officer	30/05/19	30/05/19
Elaine Browne	Interim Head of Law and Governance	30/05/19	30/05/19
Nikki Craig	Head of HR and Corporate Projects	30/05/19	30/05/19
Louisa Dean	Communications	30/05/19	
Kevin McDaniel	Director of Children's Services	30/05/19	06/06/19
Hilary Hall	Deputy Director of Commissioning and Strategy	26/05/19	30/05/19

## REPORT HISTORY

<b>Decision type:</b>	<b>Urgency item?</b>	<b>To Follow item?</b>
Non-key decision	No	No
Report Author: Anna Robinson, Strategy and Performance Manager, 01628 796264		

## Appendix A: Performance Management Framework 2018/19

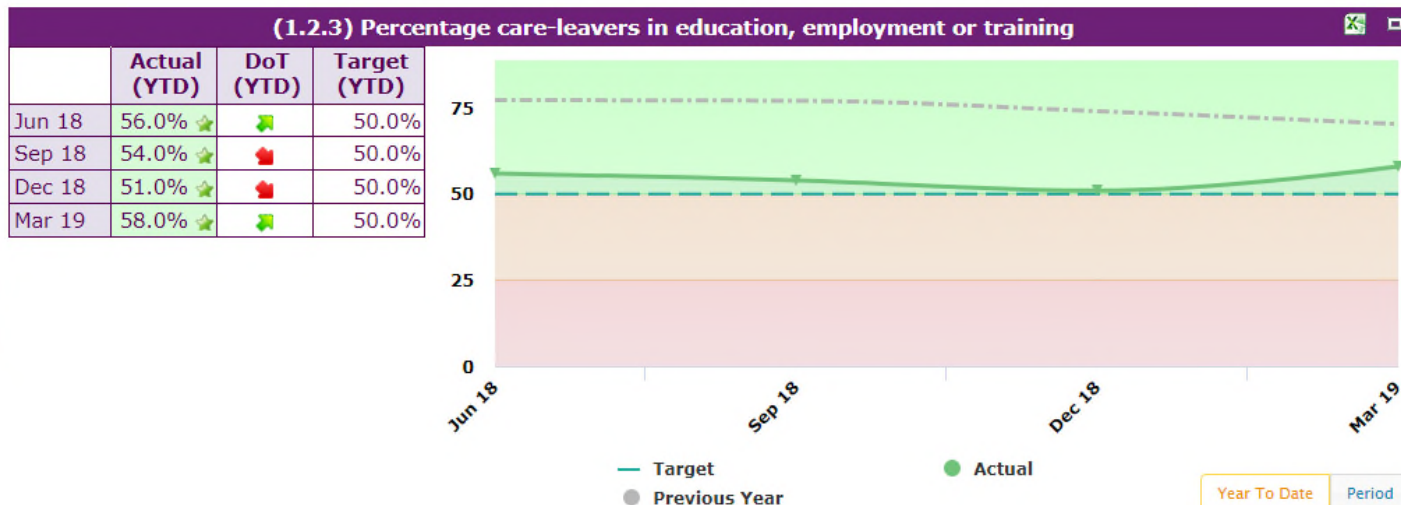
(1.2.1) Percentage children with a review at 2-2.5yrs of age



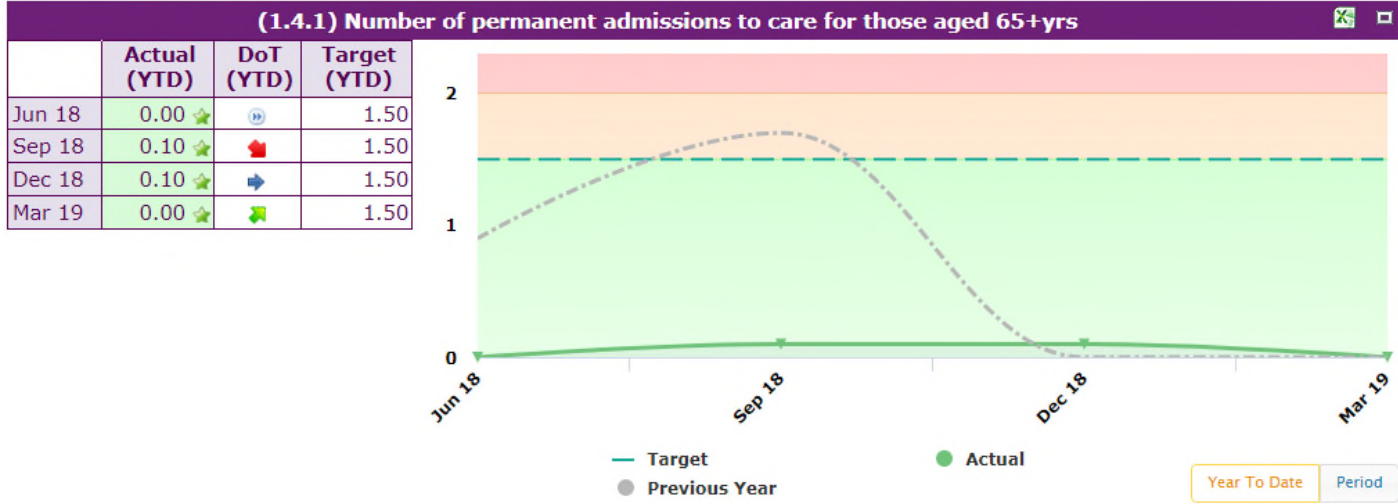
79

Commentary: This indicator measures the number of children whose parents take up a face to face health visitor review within six months of their second birthday. Despite putting in processes to follow up all non-responders, the proportion of parents choosing to take up a face to face review declined in the period January to March with a number not coming out in the cold/wet weather. A further 2% have subsequently had a review out of timescale. The service makes home visits to all targeted children with 100% completion of reviews in the quarter. The remainder declined / no response with the highest proportions in the least deprived wards. Kevin to add further contextual measure around the number of parents indicating that they do not want a review.

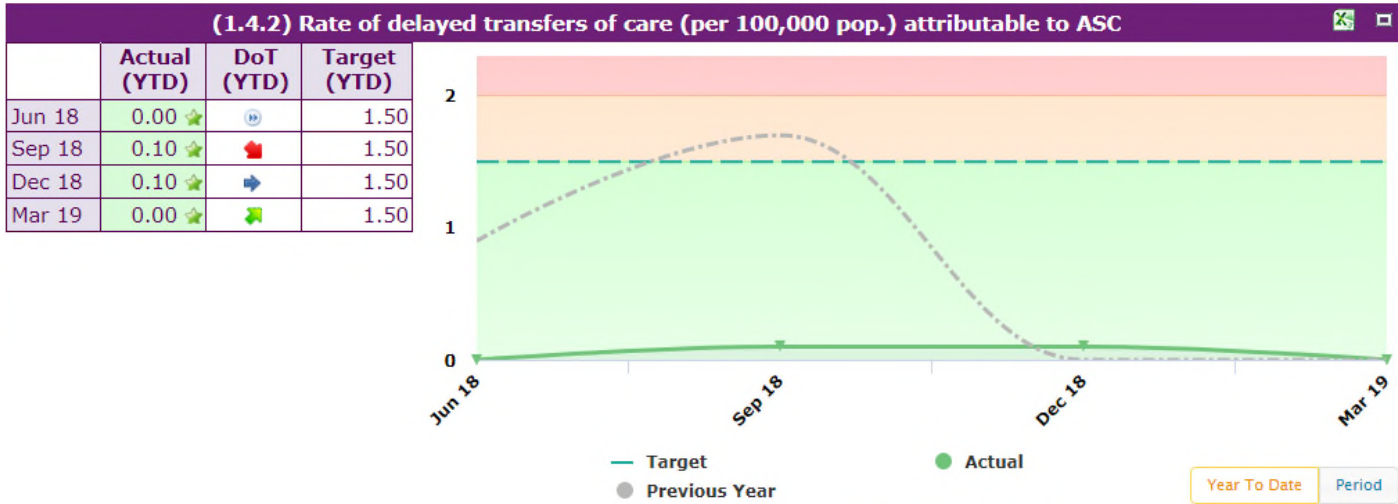
(1.2.3) Percentage care-leavers in education, employment or training



(1.4.1) Number of permanent admissions to care for those aged 65+yrs



(1.4.2) Rate of delayed transfers of care (per 100,000 pop.) attributable to Adult Social Care

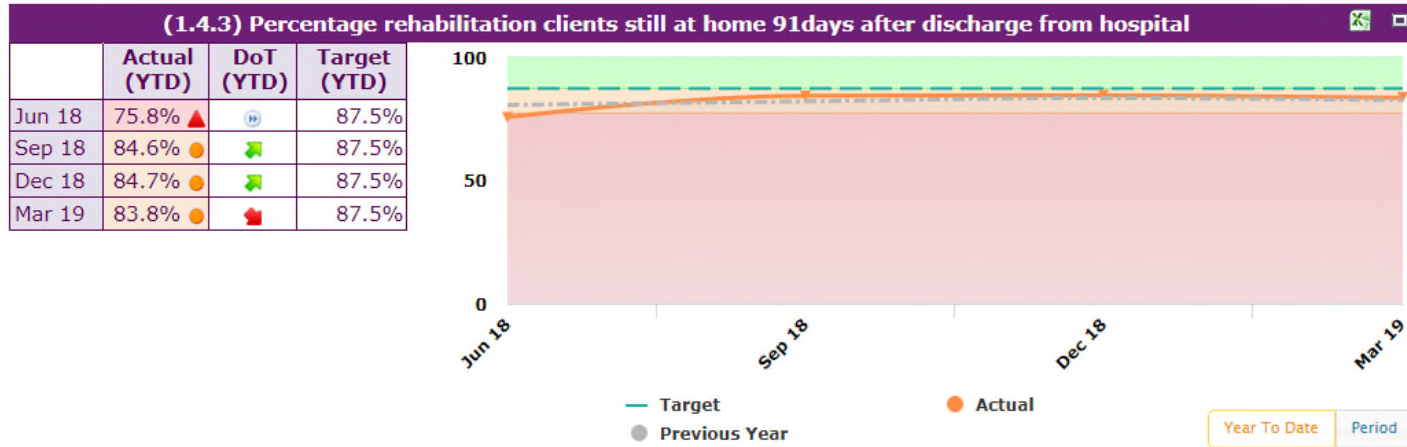


YTD shows latest period value available

YTD shows latest period value available



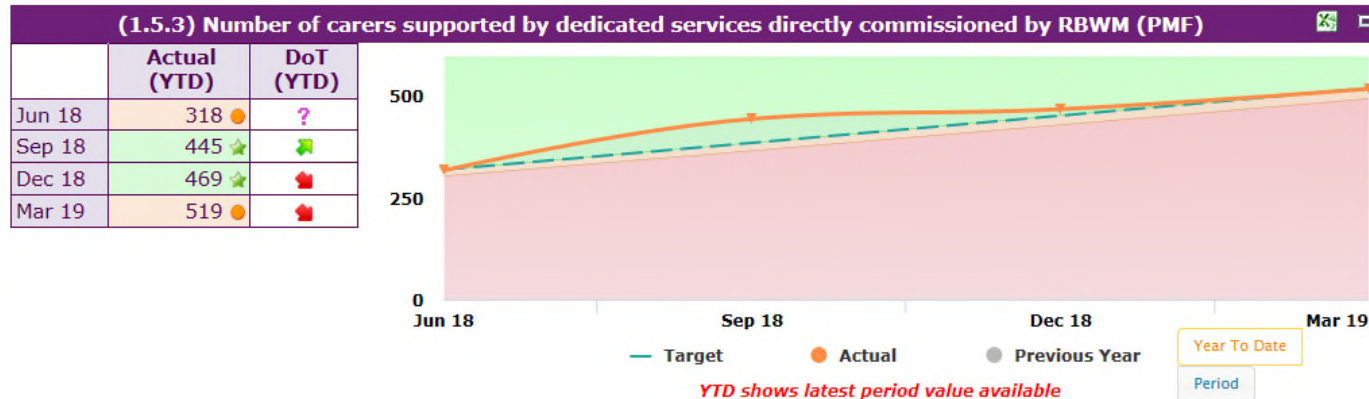
(1.4.3) Percentage rehabilitation clients still at home 91days after discharge from hospital



Commentary: Performance against this indicator remains strong, although just below target and compares favourably with national at 82.9% and the South East regional figure at 82.2%. This figure will fluctuate depending on the condition of individual residents in the cohort. There is a trend of residents being discharged with a range of highly complex co-conditions leading to frailty and resulting illness that means that they cannot remain at home 91 days after discharge.

81

(1.5.3) Number of carers supported by dedicated services directly commissioned by RBWM



YTD shows latest period value available

Commentary: This data reflects the actual registrations with the Signal4Carers (for adult carers) and Family Action (for young carers). A slight anomaly in the target vs actual data for the quarter has been identified and work is underway with both commissioned organisations to streamline future reporting requirements so that the data is consistent across both organisations.

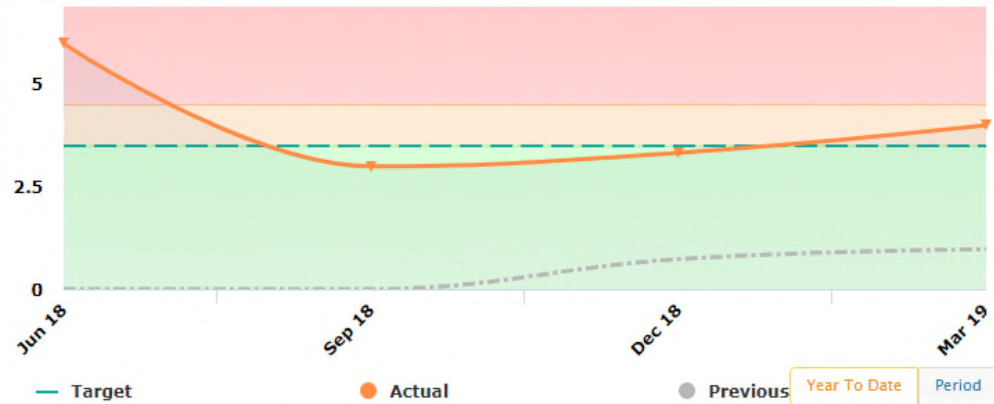
(2.1.1) Percentage Child Protection Plans lasting 2yrs or more



YTD shows average of all period values in year

(2.1.1) Percentage of Child Protection Plans lasting 2yrs or more

	Actual (YTD)	DoT (YTD)	Target (YTD)
Jun 18	6.0% ▲	🟢	3.5%
Sep 18	3.0% ☆	🟢	3.5%
Dec 18	3.3% ☆	🔴	3.5%
Mar 19	4.0% ●	🔴	3.5%



YTD shows average of all period values in year

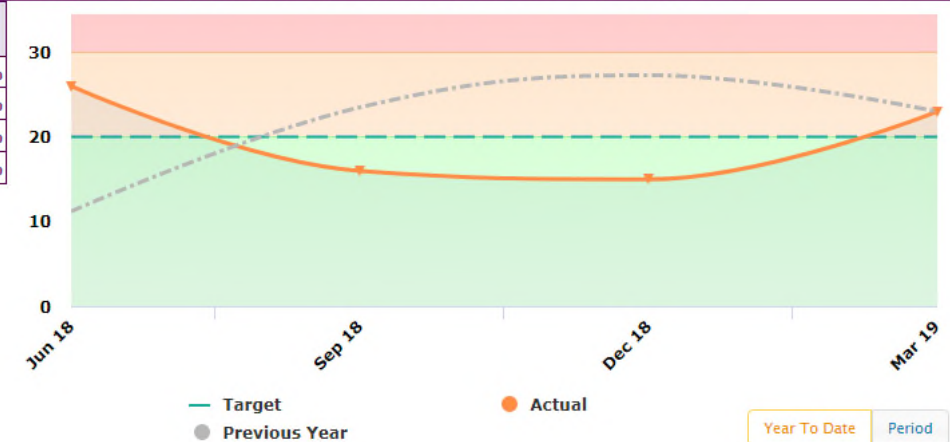
Commentary: This is the proportion of closed Child Protection plans that lasted more than two years when closed. The sample size is very small. The service reviews all Child Protection plans that have been in place for more than a year to determine if further action should be taken to reduce the risks of significant harm. On occasion, the review indicates that actions are working and need more time resulting in better outcomes for the children. The service is satisfied that appropriate actions have been taken with these families, resulting in the plans ceasing.

(2.1.2) Percentage of children referred to children's social care > once within last 12mths



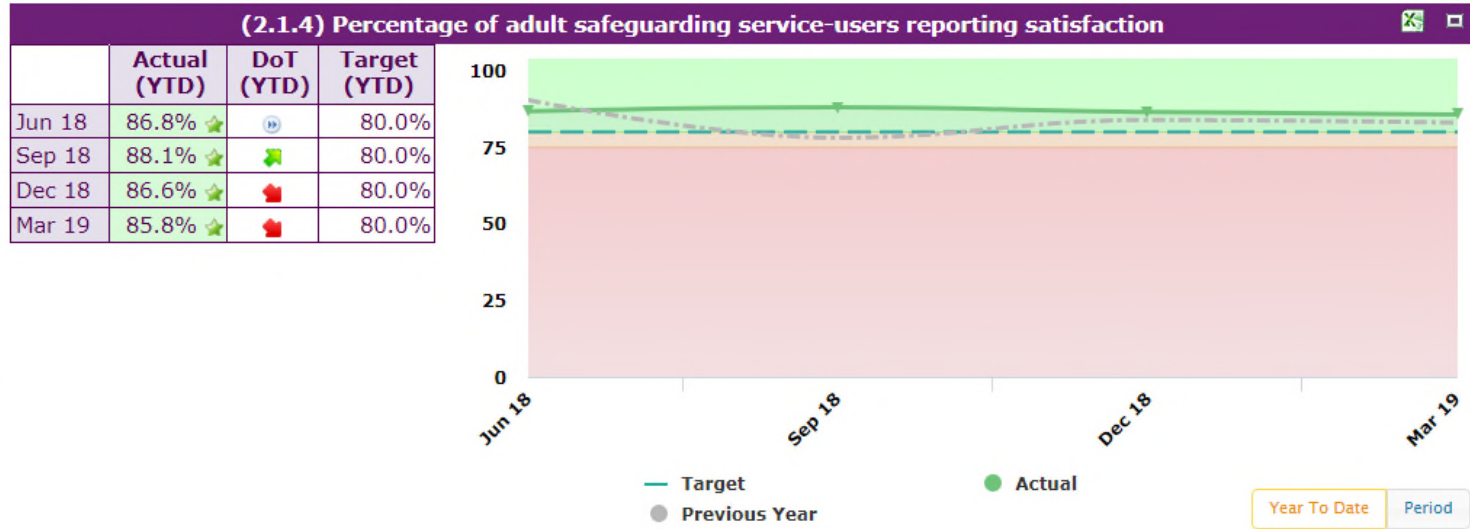
(2.1.2) Percentage of children referred to children's social care > once within last 12mths

	Actual (YTD)	DoT (YTD)	Target (YTD)
Jun 18	26.0% ●	🟡	20.0%
Sep 18	16.0% ☆	🟢	20.0%
Dec 18	15.0% ☆	🟢	20.0%
Mar 19	23.0% ●	🔴	20.0%

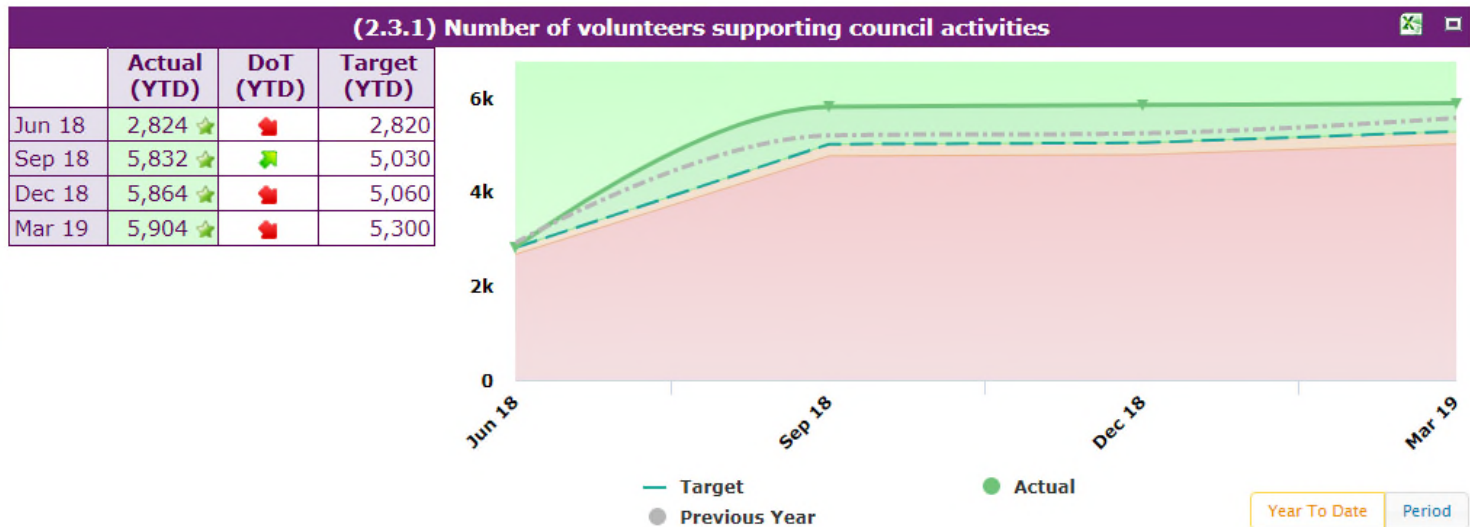


Commentary (2.1.2): This is the proportion of referrals that relate to children who have had two or more referrals to the Single Point of Access in the previous 12 months. In response to the Ofsted focused visit of the front door, a number of cases were reopened to ensure that all assessments had been appropriate; this created short-term workload pressure in the team, slowing some responses and leading to some additional referrals. The same Ofsted visit, however, confirmed that the thresholds are accurate and therefore we expect the rate to fall back into the 15% - 20% range in the coming quarter.

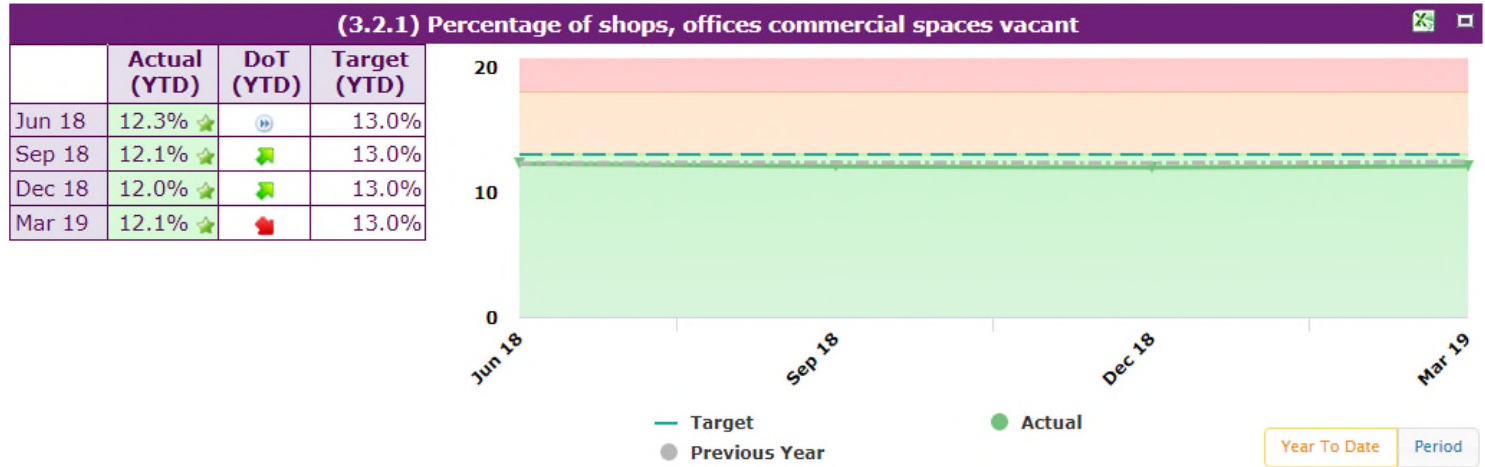
(2.1.4) Percentage of adult safeguarding service-users reporting satisfaction



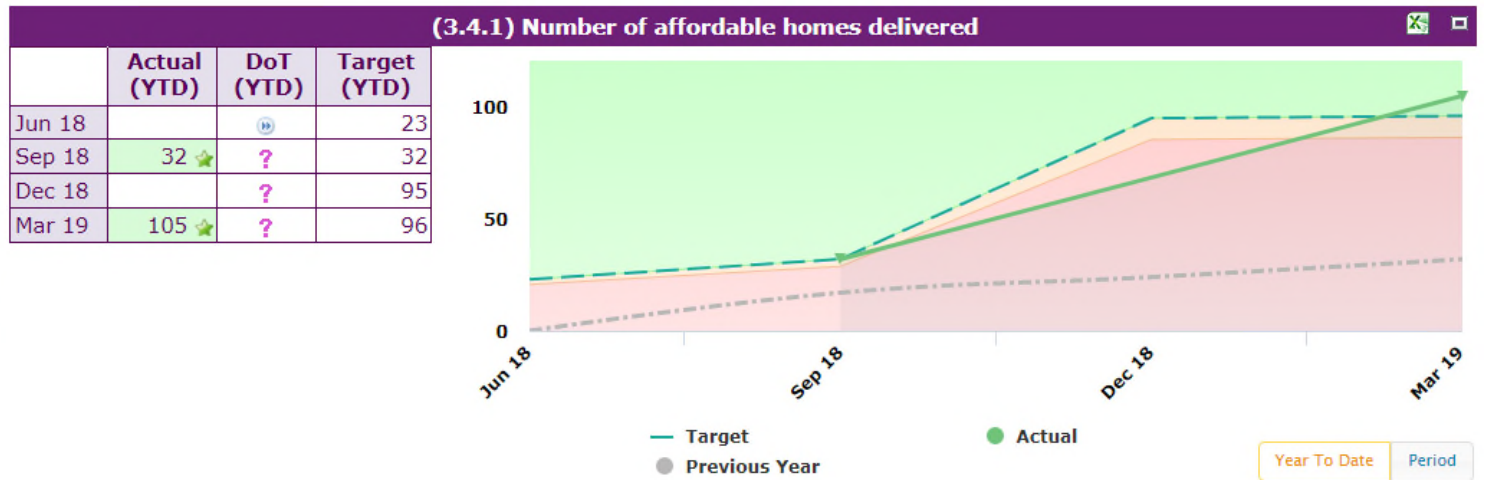
(2.3.1) Number of volunteers supporting council activities



(3.2.1) Percentage of shops, offices commercial spaces vacant



(3.4.1) Number of affordable homes delivered



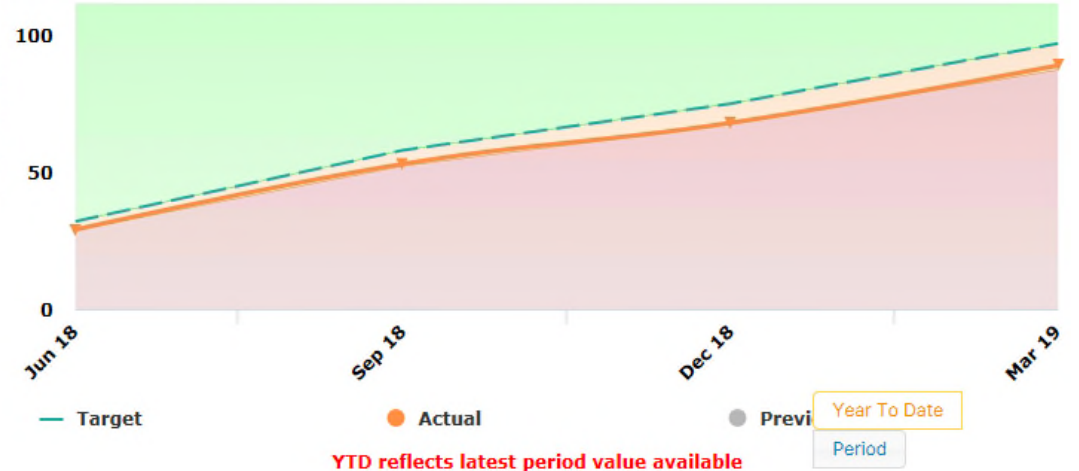
(3.5.1) Number of homelessness preventions through council advice and activity



YTD reflects latest period value available

(3.5.1) Number of homelessness preventions through council advice and activity

	Actual (YTD)	DoT (YTD)	Target (YTD)
Jun 18	29 ●	?	32
Sep 18	53 ●	🟢	58
Dec 18	68 ●	🔴	75
Mar 19	89 ●	🟢	97



85

Commentary: Although the end of year outturn is just short of the target, performance in Q4 was 21 against a target of 22. It is expected that the continued move to a more prevention led approach alongside the recruitment of permanent staff to the new housing team structure will see the number of preventions increase.

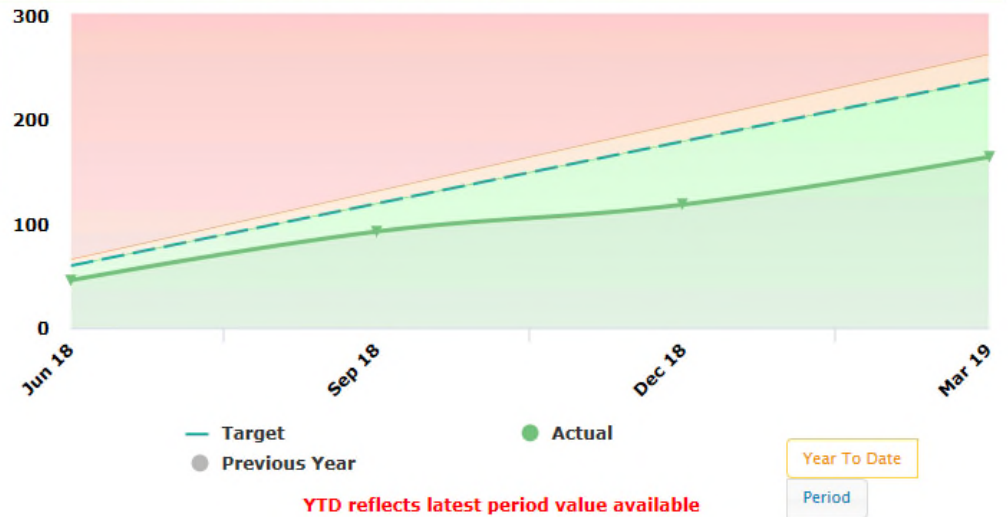
(3.5.2) Number of homeless households placed in temporary accommodation



YTD reflects latest period value available

(3.5.2) Number of homeless households placed in temporary accommodation

	Actual (YTD)	DoT (YTD)	Target (YTD)
Jun 18	46 🟢	🔵	60
Sep 18	93 🟢	🔴	120
Dec 18	119 🟢	🟢	180
Mar 19	165 🟢	🔴	240

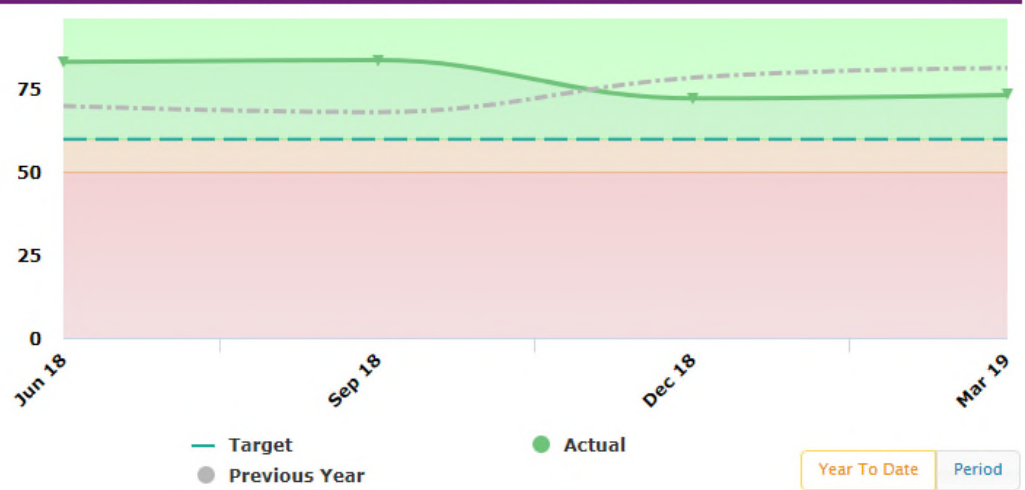


(4.1.3) Percentage of Major Planning Applications processed in time



(4.1.3) Percentage of Major planning applications processed in time

	Actual (YTD)	DoT (YTD)	Target (YTD)
Jun 18	83.3%		60.0%
Sep 18	83.9%		60.0%
Dec 18	72.3%		60.0%
Mar 19	73.3%		60.0%

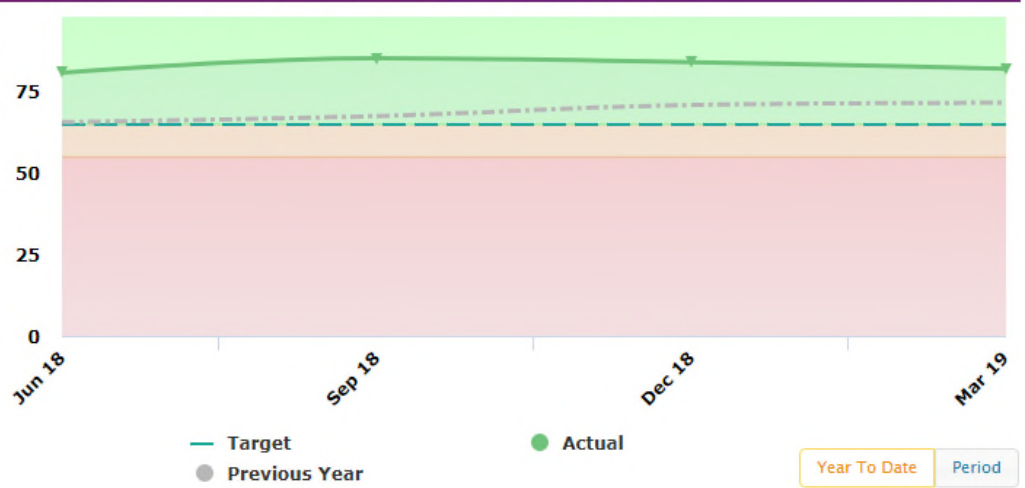


(4.1.4) Percentage of Minor Planning Applications processed in time



(4.1.4) Percentage of Minor Planning Applications processed in time

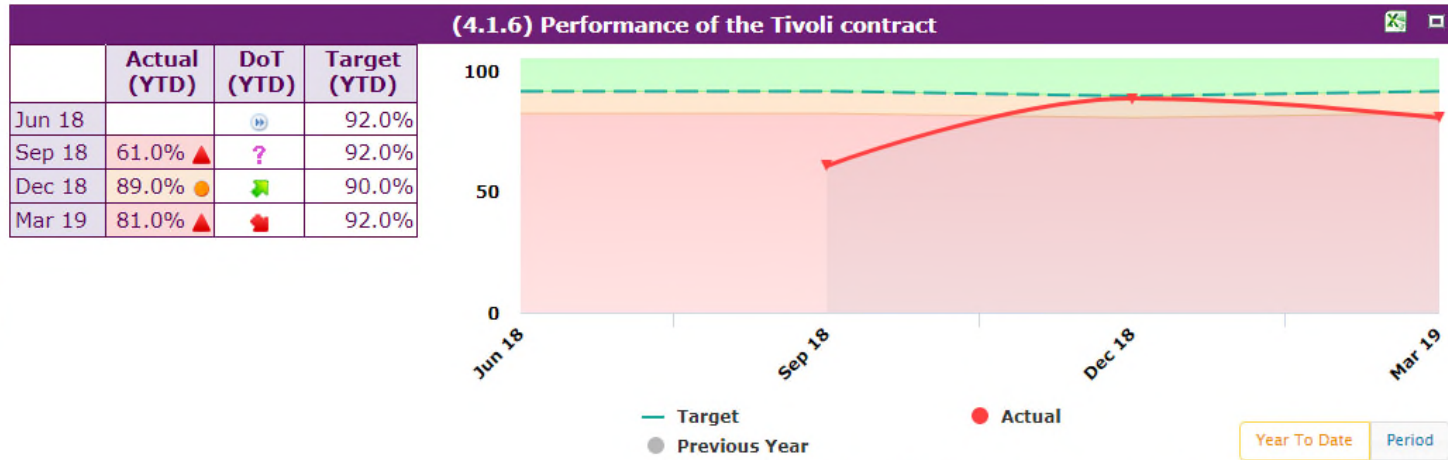
	Actual (YTD)	DoT (YTD)	Target (YTD)
Jun 18	80.9%		65.0%
Sep 18	85.3%		65.0%
Dec 18	84.1%		65.0%
Mar 19	82.2%		65.0%



(4.1.6) Performance of the Tivoli contract



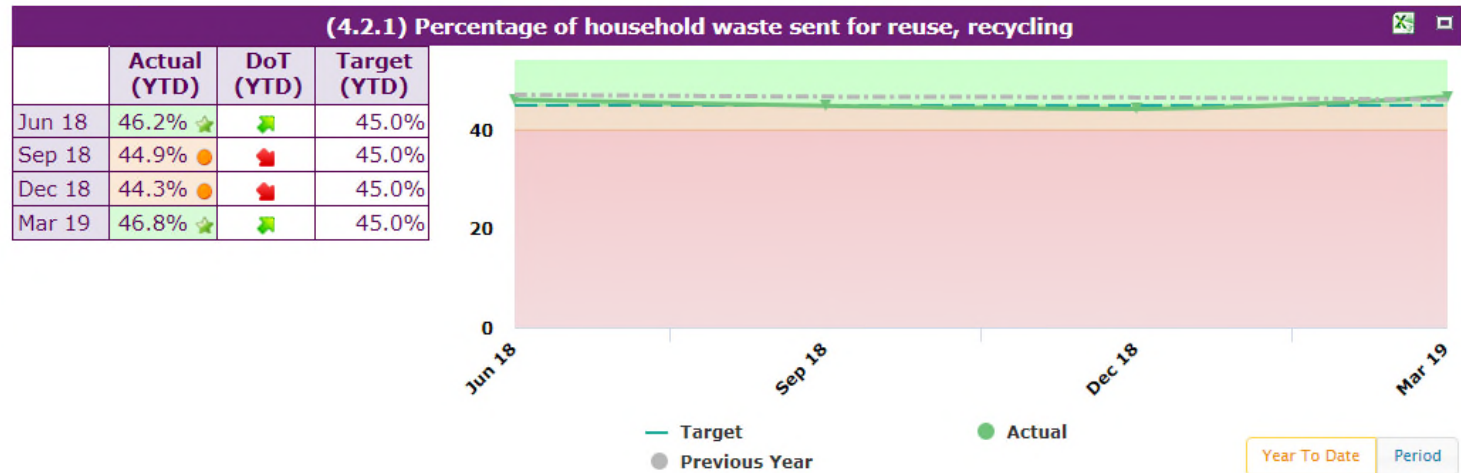
YTD reflects the latest period value available



YTD reflects the latest period value available

Commentary: Additional resources have recently been secured to improve poor performance in specific areas, for example: litter bin emptying. However, sustained improvement across the contract is not being realised – increased performance management and monitoring is in place and issues have been escalated to Director level within ‘Tivoli’. Financial penalties have been applied and revised contract options are being considered between officers; Lead Member and ‘Tivoli’, including giving notice on the contract.

(4.2.1) Percentage of household waste sent for reuse, recycling

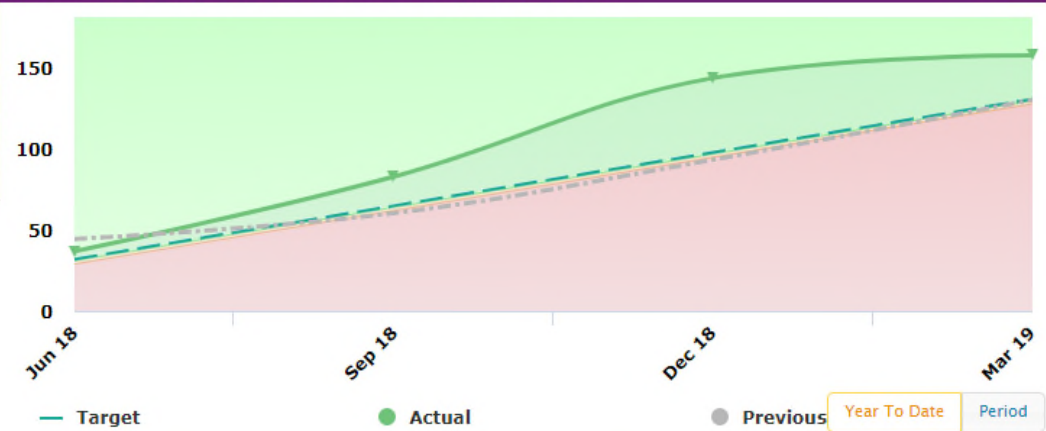


(4.4.1) Number of days of roadworks on highways saved



(4.4.1) Number of days of roadworks on highways saved

	Actual (YTD)	DoT (YTD)	Target (YTD)
Jun 18	37	🟢	32
Sep 18	83	🟢	65
Dec 18	144	🟢	98
Mar 19	158	🔴	131

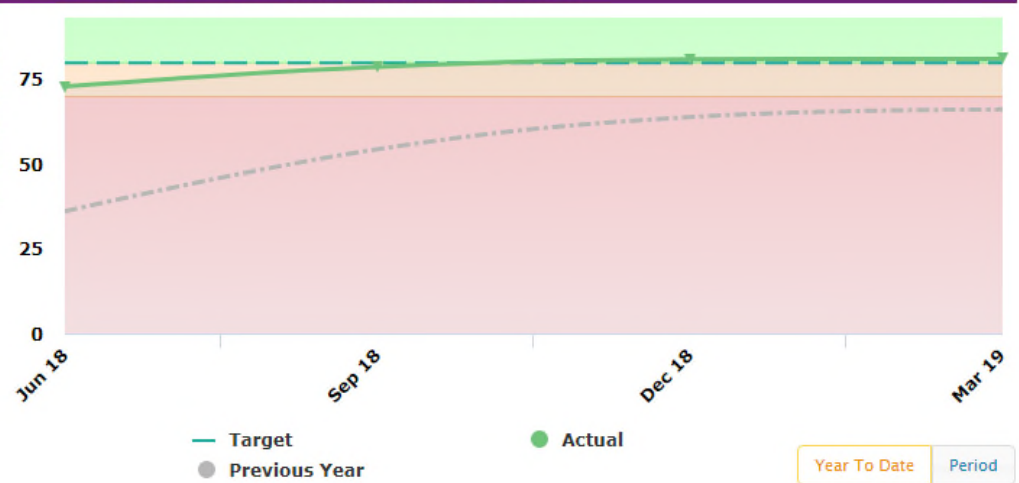


(5.3.1) Percentage of calls answered within 60 seconds



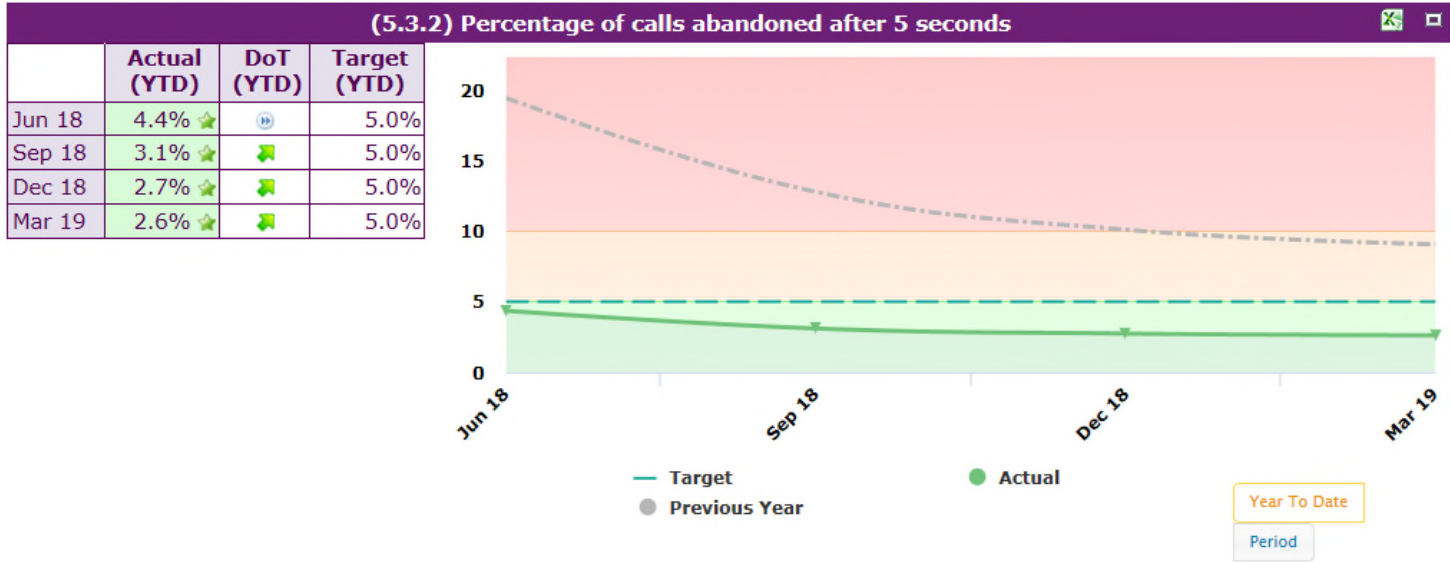
(5.3.1) Percentage of calls answered within 60 seconds

	Actual (YTD)	DoT (YTD)	Target (YTD)
Jun 18	73.0%	🟡	80.0%
Sep 18	78.8%	🟢	80.0%
Dec 18	81.1%	🟢	80.0%
Mar 19	81.2%	🟢	80.0%

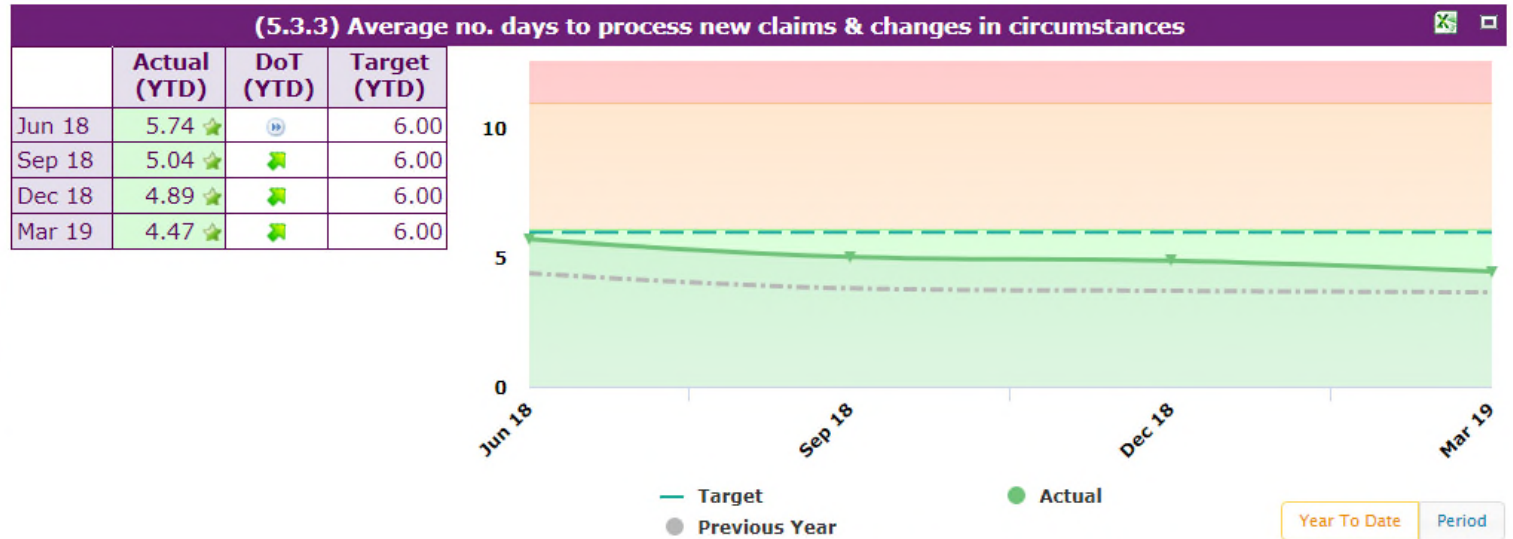




(5.3.2) Percentage of calls abandoned after 5 seconds



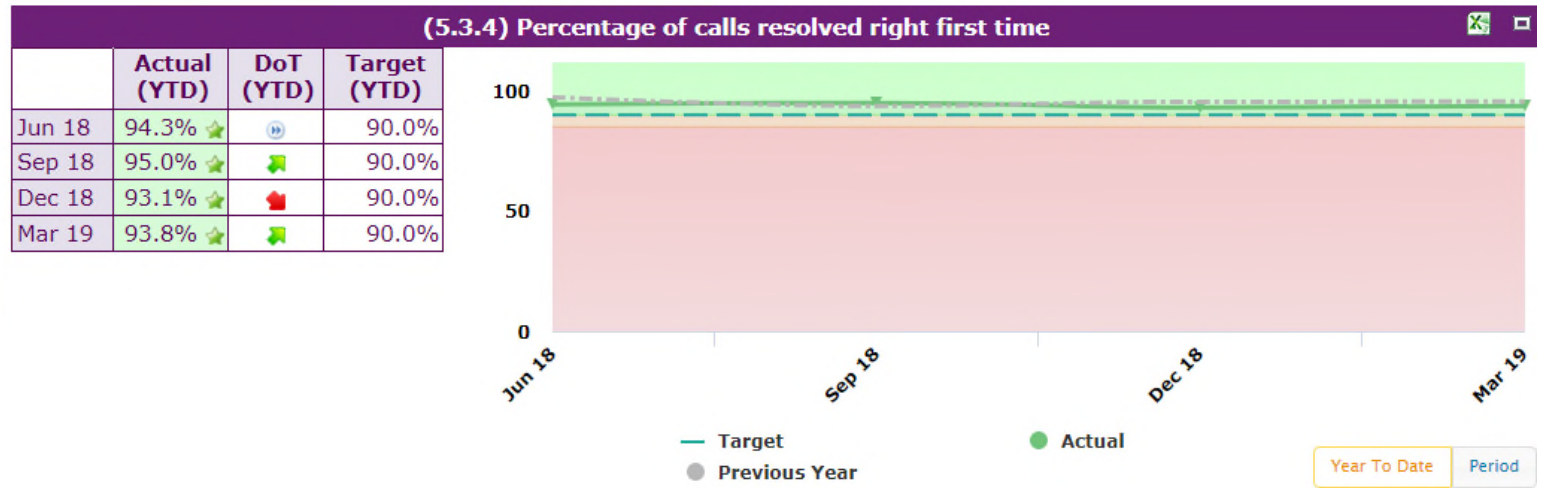
(5.3.3) Average no. days to process new claims and changes in circumstances



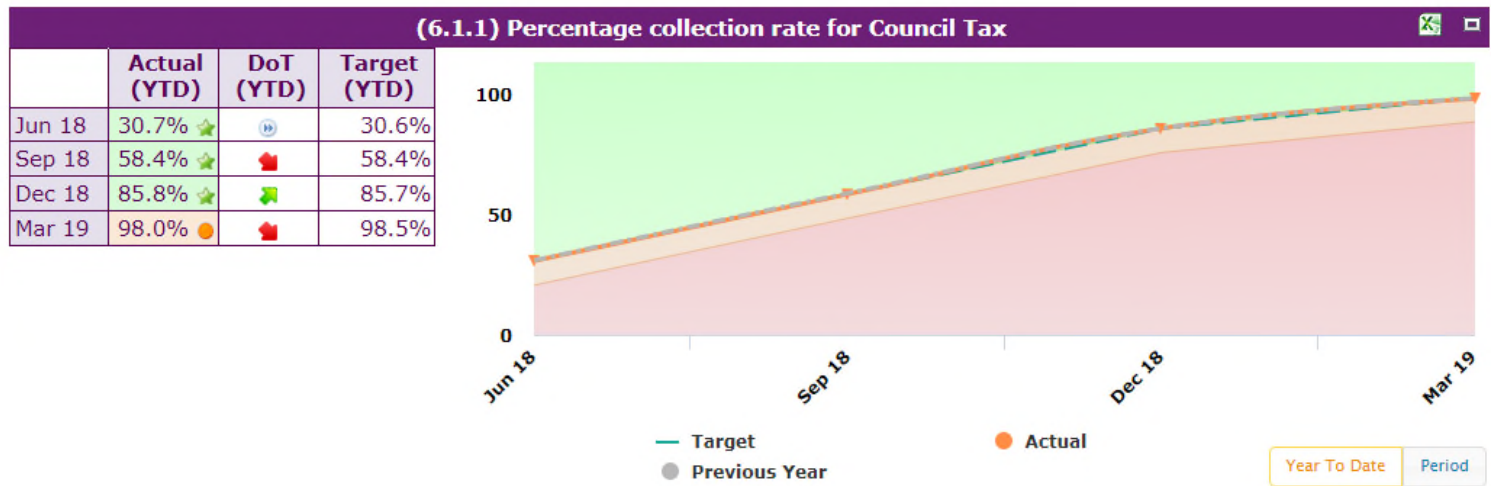
YTD reflects average value in that year

YTD reflects average value in that year

(5.3.4) Percentage of calls resolved right first time



(6.1.1) Percentage collection rate for Council Tax



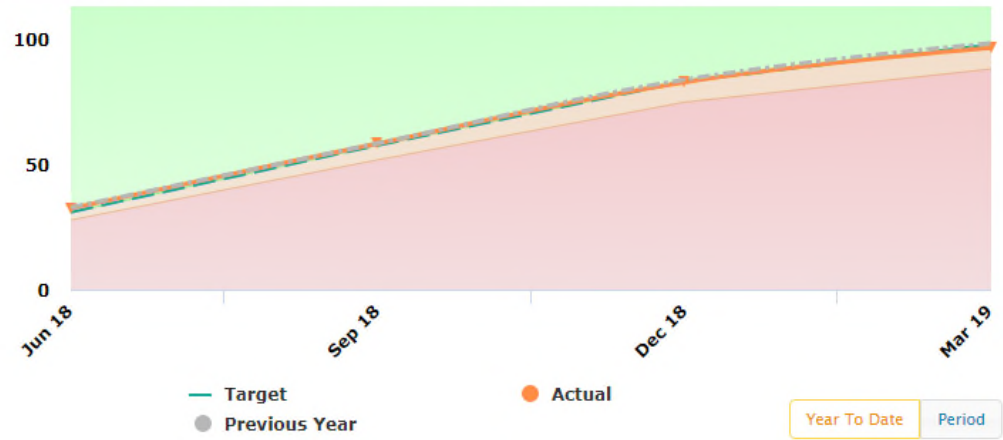
Commentary: Although the collection rate target was missed, the monetary value of the collection rate achieved was £2,781,895 more than in 2017/18.

(6.1.2) Percentage collection rate for Non-Domestic Rates (Business Rates)



(6.1.2) Percentage collection rate for Non-Domestic Rates (Business Rates)

	Actual (YTD)	DoT (YTD)	Target (YTD)
Jun 18	32.6%		31.0%
Sep 18	58.6%		57.8%
Dec 18	83.1%		83.5%
Mar 19	96.9%		98.3%



Commentary: Although the collection rate target was missed, the monetary value of the collection rate achieved was £4,483,497 more than last year. Analysis shows that, until 20 March 2019, the collection rate was on target to be achieved. However, in the last 11 days of the financial year, £1m less was paid by businesses when compared to the same period last year. This will form part of the arrears due and collection will continue against the sums outstanding.

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## WORK PROGRAMME - CORPORATE OVERVIEW AND SCRUTINY PANEL

<b>DIRECTORS</b>	<ul style="list-style-type: none"> <li>• Duncan Sharkey (Managing Director)</li> <li>• Russell O’Keefe (Executive Director)</li> <li>• Andy Jeffs (Executive Director)</li> </ul>
<b>LINK OFFICERS &amp; HEADS OF SERVICES</b>	<ul style="list-style-type: none"> <li>• Elaine Browne, (Interim Head of Law &amp; Governance)</li> <li>• Nikki Craig, (Head of HR and Corporate Projects)</li> <li>• Catherine Hickman, (Lead Specialist Audit and Investigation)</li> <li>• Louise Freeth, (Head of Revenues and Benefits)</li> <li>• Barbara Richardson, (Managing Director RBWM Property Co)</li> <li>• Rob Stubbs, (Deputy Director &amp; Head of Finance)</li> <li>• Head of IT Services (TBC)</li> <li>• Anna Robinson, (Strategy and Performance Manager)</li> </ul>

### MEETING: 25<sup>th</sup> SEPTEMBER 2019

ITEM	RESPONSIBLE OFFICER
Performance Q1 Report	<b>Anna Robinson,</b> <i>Strategy and Performance Manager</i>
Annual Complaints Report	<b>Nikki Craig,</b> <i>Head of HR and Corporate Projects</i>
Finance Update	<b>Rob Stubbs,</b> <i>Deputy Director and Head of Finance</i>
Key Risk Report ( Bi-Annual)	<b>Steve Mappley,</b> <i>Insurance and Risk Manager</i>
Insurance Tender Renewal Update	<b>Steve Mappley,</b> <i>Insurance and Risk Manager</i>
Work Programme	Panel clerk
<b>TASK AND FINISH</b>	
TBC	

### MEETING: 4<sup>th</sup> FEBRUARY 2020

ITEM	RESPONSIBLE OFFICER
Performance Q3 Report	<b>Anna Robinson,</b> <i>Strategy and Performance Manager</i>
Budget Report	<b>Lead Officers &amp; Finance</b>
2019/20 Interim Audit and Investigation Report	<b>Catherine Hickman,</b> <i>Lead Specialist Audit and Investigation</i>
Annual Scrutiny Report (Draft)	Chairman & Lead Officers
Work Programme	Panel clerk
<b>TASK AND FINISH</b>	
TBC	

### MEETING: 22<sup>nd</sup> APRIL 2020

ITEM	RESPONSIBLE OFFICER
Annual Scrutiny Report ( Final version for approval and submission for Full Council)	Chairman & Lead Officers
Key Risk Report ( Bi-Annual)	<b>Steve Mappley,</b> <i>Insurance and Risk Manager</i>
Work Programme	Panel clerk
<b>TASK AND FINISH</b>	

TBC	
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**ITEMS SUGGESTED BUT NOT YET PROGRAMMED**

<b>ITEM</b>	<b>RESPONSIBLE OFFICER</b>
LGA Peer Review & Recommendations	<b>Duncan Sharkey, <i>Managing Director</i></b>