

Notice of Meeting

Governance & Audit Committee – Advisory Meeting

Councillor Allen (Chair),
Councillor Wade (Vice-Chairman),
Councillors Brossard, Gbadebo, Mrs Hayes MBE, Heydon, Leake
and Parker

Wednesday 26 January 2022, 7.30 pm

Online Only - Via MST



Agenda

Recommendations arising from this meeting will be considered in accordance with the delegations approved by Council on 28 April 2021.

Item	Description	Page
1.	Apologies for Absence	
	To receive apologies for absence and to note the attendance of any substitute members.	
2.	Declarations of Interest	
	<p>Members are asked to declare any disclosable pecuniary or affected interests in respect of any matter to be considered at this meeting.</p> <p>Any Member with a Disclosable Pecuniary Interest in a matter should withdraw from the meeting when the matter is under consideration and should notify the Democratic Services Officer in attendance that they are withdrawing as they have such an interest. If the Disclosable Pecuniary Interest is not entered on the register of Members interests the Monitoring Officer must be notified of the interest within 28 days.</p> <p>Any Member with an affected Interest in a matter must disclose the interest to the meeting. There is no requirement to withdraw from the meeting when the interest is only an affected interest, but the Monitoring Officer should be notified of the interest, if not previously notified of it, within 28 days of the meeting.</p>	
3.	Minutes of previous meeting	3 - 6
	To approve as a correct record the minutes of the meetings of the Committee held on 22 September 2021.	
4.	Urgent Items of Business	
	Any other items which, pursuant to Section 100B(4)(b) of the Local Government Act 1972, the Chairman decides are urgent.	
5.	External Audit Plan	7 - 54
	The Council's External Auditor to present to the Committee the Audit plan covering the 2020/21 financial year	

EMERGENCY EVACUATION INSTRUCTIONS

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	Reporting: Stuart McKellar	
6.	Appointment of Local External Auditors	55 - 58
	To agreed arrangements for the appointment of local external auditors under the Local Audit and Accountability Act 2014 for the financial years 2023/24 to 2027/28. Reporting: Stuart McKellar	
7.	Internal Audit Update	59 - 82
	To receive the update on progress on the annual Internal Audit Plan. Reporting: Sally Hendrick	
8.	Treasury Management Report 2022/23 and 2021/22 Mid-Year Review	83 - 88
	To receive the Treasury Management Report 2022/23 and 2021/22 Mid-Year Review Reporting: Calvin Orr	

Sound recording, photographing, filming and use of social media is permitted. Please contact Hannah Stevenson, 01344 352308, Hannah.stevenson@bracknell-forest.gov.uk, so that any special arrangements can be made.

Published: 17 January 2022

EMERGENCY EVACUATION INSTRUCTIONS

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GOVERNANCE & AUDIT COMMITTEE 22 SEPTEMBER 2021 7.30 - 8.45 AM



Present:

Councillors Allen (Chairman), Wade (Vice-Chairman), Gbadebo, Mrs Hayes MBE, Heydon, Leake and Tullett

10. Declarations of Interest

There were no declarations of interest.

11. Minutes of previous meeting

RESOLVED that the minutes of the meeting of the committee held on 23 June 2021 be approved as a correct record and signed by the Chairman.

12. Urgent Item of Business - Local Audit Framework

Stuart McKellar, Executive Director: Resources, relayed to members an urgent report inviting Members of the Committee to consider a specific proposal in a technical consultation issued by MHCLG as part of its response to the Redmond Review of local audit arrangements. The committee was asked the following:

Do you agree with the proposals that auditors should be required to present an annual report to Full Council, and that the Audit Committee should also report its responses to the Auditor's report?

Arising from questions and discussion, the following points were noted:

- Reporting to Full Council undermines the purpose of the committee and would not be able to go as in-depth as the committee.
- Full Council was considered more visible to members of the public and allows other Members who understand Governance & Audit to give comment and allow them an opportunity to participate.
- Forwarding a report to Full Council is already an option, should the committee deem it necessary, and a report is already produced annually.
- Auditors presenting the report to Full Council would undermine the committee and did not seem necessary, as they would have already presented the same report to the committee.

RESOLVED that Stuart McKellar respond to the MHCLG consultation based on the committee's comments.

13. External Audit: Audit Results Report

Andrew Brittain from Ernst & Young LLP was invited to speak on the conclusion to the 2019/20 external audit.

It was asked if the section of the report detailing ensure financial resilience within the council would also be happening in other authorities based on the impact of Covid-19. It was a risk that would be universal in many councils, due to the circumstances and uncertainty of the pandemic.

A section of the report detailing the pension scheme and an overnight loan to the Royal Borough of Windsor & Maidenhead was questioned, as to whether it was something of concern, or if additional action was needed. It was explained the reason for including it was for Members to be aware of and to give some insight into the delays in producing the report.

It was confirmed that the impact of Covid-19 had made the audit more inefficient, as access to the site was not possible. Information had to be found and passed electronically. All valuers that responded also noted material uncertainty due to the pandemic and therefore further work was needed. It was noted that this should not be as problematic for the 2020/21 audit, as all involved were much more accustomed to the new way of working.

Timings were addressed for the next audit and it was the intention to bring the results to the next committee being held in January 2022.

The report was noted.

14. **Financial Statements 2019/20**

Arthur Parker, Chief Accountant, reported to members on the Financial Statements 2019/20. The Council finished the year with an underspend of approximately £600,000. Further details including significant variances had been outlined in the covering report.

A question was asked about the joint venture, which did not exist in this financial year and would not be seen until the 2022 account.

RECOMMENDED that the Financial Statement 2019/20 be approved.

15. **Strategic Risk Register**

Sally Hendrick, Head of Audit and Risk Management, reported on the latest version of the Strategic Risk Register, which went to the Strategic Risk Management Group in August 2021, and asked members of the committee for their feedback. Key changes included:

- An increase to the risk on finance, which typically happened on an annual basis whilst developing the balanced budget.
- An increase to the risk within Adults Social Care, which was based on the impact of Covid-19 to the supply chain.
- The risk around data protection had been increased slightly due to the volume of sensitive data being held.
- Children's Social Care had also seen an increase in risk again due to the supply chains being affected by Covid-19.

Arising from questions and discussion, the following points were noted:

- Working from home had not been raised as a significant issue, or risk that needed to be reflected in the risk register so far, but it was agreed this point would be taken back to CMT.

- Transformation of Time Square, as a large project would have its own risk register, which would then tie in with the corporate risk register.
- The Executive Director: Delivery was asked why the increase to the risk on sensitive data was only happening now.
- Members praised the IT infrastructure.

It was agreed that the Committee's feedback would be conveyed to CMT.

16. Internal Audit Update

Sally Hendrick, Head of Audit and Risk Management, reported to the committee on the first interim report for 2021/22. The delivery model had changed on Internal Audit, as two senior auditors had been recruited, therefore the team was able to deliver more in house, with less reliance on external providers.

No questions were raised on the Internal Audit Update.

The Internal Audit Update was noted.

17. Exclusion of Public and Press

It was agreed that pursuant to Regulation 21 of the Local Authorities (Executive Arrangements) (Access to Information) Regulations 2000 and having regard to the public interest, members of the public and press be excluded from the meeting for the consideration of item 13 which involves the likely disclosure of exempt information under the following category of Schedule 12A of the Local Government Act 1972:

- (3) Information relating to the financial or business affairs of any particular person.

18. Counter Fraud Update

Sally Hendrick, Head of Audit and Risk Management, presented a report to the committee on Counter Fraud. This illustrated that there could be potential consequences to having weaknesses in controls such as those previously highlighted to the Committee.

The Counter Fraud Update was noted.

CHAIRMAN

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**TO: GOVERNANCE AND AUDIT COMMITTEE
26TH JANUARY 2021**

EXTERNAL AUDIT PLAN EXECUTIVE DIRECTOR: RESOURCES

1 PURPOSE OF REPORT

- 1.1 To enable the Council's External Auditor to present to the Committee the Audit plan covering the 2020/21 financial year.

2 RECOMMENDATION

- 2.1 The Committee notes the Audit plan for the 2020/21 financial year.

3 REASONS FOR RECOMMENDATION(S)

- 3.1 To ensure that the Committee is aware of the External Audit approach for the year 2020/21.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 None available.

5 SUPPORTING INFORMATION

- 5.1 The Council's External Auditor Ernst and Young has provided the Committee a report setting out its planned approach to the annual audit for 2020/21. Andrew Brittain, Director, Ernst and Young will attend the meeting to present the report and answer questions.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 Nothing to add to the report.

Executive Director: Resources

- 6.2 Nothing to add to the report.

Equalities Impact Assessment

- 6.3 Not applicable

Strategic Risk Management Issues

- 6.4 None arising from this report.

Other Officers

- 6.5 Not applicable

7 CONSULTATION

Principal Groups Consulted

- 7.1 Not applicable

Background Papers

BFC Audit Planning Report – Ernst & Young Report

Contact for further information

Stuart McKellar, Director: Finance - 01344 352180

Stuart.mckellar@bracknell-forest.gov.uk



Bracknell Forest Council

Audit planning report

Year ended 31 March 2021

January 2022



Private and Confidential

Bracknell Forest District Council
Governance and Audit Committee,
Time Square,
Market Street,
Bracknell,
RG12 1JD.

January 2022

Dear Governance and Audit Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Governance and Audit Committee with a basis to review our proposed audit approach and scope for the 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. Our planning procedures remain ongoing; we will inform the Governance and Assurance Committee if there are any significant changes or revisions once we have completed these procedures and will provide an update to the next meeting of the committee.

This report is intended solely for the information and use of the Governance and Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 26 January 2022 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Andrew Brittain

For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



01

Overview of our 2020/21 audit strategy



Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Governance and Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error (<i>management override</i>)	Significant and Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
→ Inappropriate capitalisation of revenue expenditure (<i>Risk of fraud in revenue and expenditure recognition</i>)	Significant and Fraud risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed one area the risk is most likely to occur is through the inappropriate capitalisation of revenue expenditure.
Inappropriate recognition of income from rental properties (<i>Risk of fraud in revenue and expenditure recognition</i>)	Significant and Fraud risk	New area of risk in 2020/21	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In previous audits this risk has been rebutted, however updated guidance places greater emphasis on non-core income streams and their potential to be misstated due to inappropriate revenue recognition. We have assessed one area the risk is most likely to occur is through the inappropriate recognition of rental income from investment properties.
Valuation of Land and Buildings	Significant risk	No change in risk or focus	The value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet, covering both those assets that are revalued within the year and the continuing material accuracy of those valued in prior periods.

Overview of our 2020/21 audit strategy

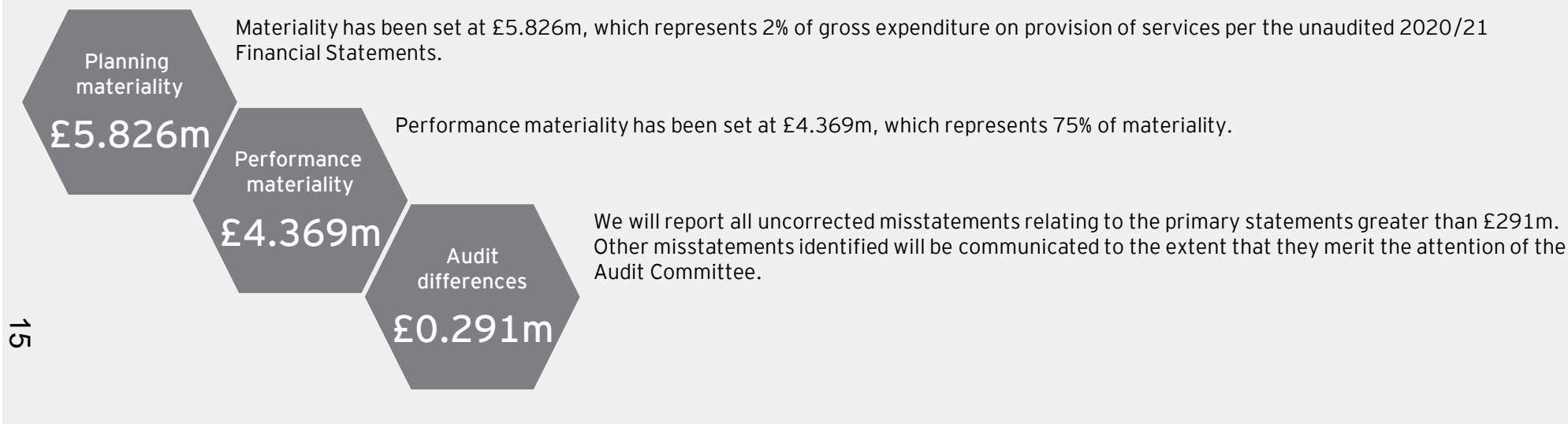
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Governance and Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
14 Pension Liability Valuation	Significant risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Windsor & Maidenhead Council, the Berkshire Pension Fund Administrator.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>In 2019/20, unadjusted audit difference were identified and there is a risk that these could repeat in 2020/21.</p>
Accounting for Covid-19 Grants	Inherent risk	New area of risk in 2020/21	The Council has received a significant level of government funding in the relation to Covid-19. There is a need for the Council to ensure that it has recognised and accounted for these appropriately, taking into account any associated restrictions and conditions.
Accounting for Public Finance Initiative (PFI)	Inherent risk	No change in risk or focus	The Council has a material PFI arrangement and the associated accounting is a complex area. We will review the accounting entries and disclosures in relation to PFI in detail in 2020/21, with a focus on any significant changes since the previous year.
NDR Appeals Provision	Inherent risk	No change in risk or focus	The provision for NDR appeals represents a material transaction in the Council's accounts and requires significant estimation. There is a higher level of uncertainty involved in the estimation of the non-domestic rates appeals provision due to Covid-19. Businesses have faced a significant level of change and uncertainty during 2020/21, which might drive a change in their rateable value appeals behaviour.

Overview of our 2020/21 audit strategy

Materiality - Bracknell Forest Council Single Entity¹



¹For the group accounts, we will use the slightly higher materiality figures of £5.832m; £4.374m and £0.292m respectively

Overview of our 2020/21 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Bracknell Forest Council Council give a true and fair view of the financial position as at 31 March 2021 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- 51 The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new or revised auditing and accounting standards such as ISA 540, ISA 570, IFRS 9 and IFRS 15 in recent years and the new NAO code incorporating the updated and expanded scope of the value for money work. Therefore to the extent any of these or any other risks are relevant in the context of Bracknell Forest Council's audit, we will discuss these with management as to the impact on the scale fee.



02

Audit risks



Our response to significant risks (continued)

<p>Misstatements due to fraud or error <i>(management override)</i></p>	<p>What is the risk?</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>What will we do?</p> <p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Identifying fraud risks during the planning stages. ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks. ▶ Understanding the oversight given by those charged with governance of management's processes over fraud. ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud. ▶ Determining an appropriate strategy to address those identified risks of fraud. ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including <ul style="list-style-type: none"> ▶ Testing of journal entries and other adjustments in the preparation of the financial statements. ▶ Reviewing accounting estimates for evidence of management bias. ▶ Evaluating the business rationale for significant unusual transactions.
<p>Financial statement impact</p> <p>Misstatements that occur in relation to the risk of fraud and error could materially affect the income and expenditure accounts. While there are no statutory financial performance targets in local government, management remains under pressure to ensure that the Council balances its annual budgets as central funding continues to reduce.</p>		

Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
<p data-bbox="120 443 499 502">Inappropriate capitalisation of revenue expenditure*</p> <p data-bbox="120 523 479 582"><i>(Risk of fraud in revenue and expenditure recognition)</i></p> <p data-bbox="120 804 470 831">Financial statement impact</p> <p data-bbox="112 858 508 1141">We have assessed that one area the risk of fraud in revenue and expenditure recognition is most likely to occur is through the inappropriate capitalisation of revenue expenditure. This would have the impact of reducing revenue expenditure and increasing additions to PPE.</p>	<p data-bbox="580 459 1167 715">Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p data-bbox="580 742 1173 1027">We have assessed that one area the risk is most likely to occur is through the inappropriate capitalisation of revenue expenditure, as there is an incentive to reduce expenditure which is funded from Council Tax. This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.</p>	<p data-bbox="1207 459 2018 518">In order to address this risk we will carry out a range of procedures including:</p> <ul data-bbox="1207 539 2110 890" style="list-style-type: none"><li data-bbox="1207 539 2110 635">▶ Test PPE additions using lowered testing thresholds, to ensure they are appropriately supported by documentary evidence, and that the expenditure incurred and capitalised is clearly capital in nature;<li data-bbox="1207 651 2110 778">▶ Seek to identify and understand the basis for any significant journals transferring expenditure from non-capital codes to PPE additions or from revenue to capital codes on the general ledger at the end of the year; and<li data-bbox="1207 794 2110 890">▶ Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources.

Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Inappropriate recognition of income from rental properties*

(Risk of fraud in revenue and expenditure recognition)

Financial statement impact

We have assessed that one area the risk of fraud in revenue and expenditure recognition is most likely to occur is through the inappropriate recognition of income from rental properties. This would have the impact of overstating rental income.

Rental income from investment properties amounted to £8.7m in 2020/21 financial year (unaudited).

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed that one area the risk is most likely to occur is through the inappropriate recognition of income from rental properties, as this is a non-standard income stream for Local Government bodies. There is an incentive to overstate revenue from rental properties to improve the general fund position.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Test revenue from rental properties using lowered testing thresholds, to ensure they are appropriately supported by documentary evidence, and that the revenue recognised is appropriate;
- ▶ Test cut-off of revenue from rental properties at to ensure income from rental agreements straddling the financial year end is recognised in the correct accounting period.

Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
<p data-bbox="120 443 517 469">Valuation of Land and Buildings</p> <p data-bbox="103 730 129 769">21</p> <p data-bbox="120 804 472 829">Financial statement impact</p> <p data-bbox="112 858 539 1011">The Council's land and buildings valuation is a material item. Small changes in assumptions when valuing it can have a material impact on the financial statements.</p> <p data-bbox="112 1037 539 1222">We have reflected on the significance of the valuations in the Council's balance sheet, as well as the complexity involved in applying the correct valuation methodology for each type of asset.</p>	<p data-bbox="580 459 1171 584">The Local Authority Accounting Code of Practice require the Council to make extensive disclosures within its financial statements regarding its land and buildings.</p> <p data-bbox="580 622 1171 807">The value of Property, Plant and Equipment (PPE) and Investment Property represent significant balances in the Council's accounts at £565.0m and £118.4m (unaudited) respectively and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p data-bbox="580 845 1155 970">Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p data-bbox="1207 459 1301 485">We will:</p> <ul data-bbox="1207 491 2112 1177" style="list-style-type: none"><li data-bbox="1207 491 2112 584">▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;<li data-bbox="1207 596 2112 654">▶ review the internal challenge of WHE's valuations by the Council's surveyor;<li data-bbox="1207 667 2112 791">▶ Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre) and challenge the key assumptions used by the valuers;<li data-bbox="1207 804 2112 960">▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Property. We will also consider if there are any specific changes to assets that have occurred and whether these have been communicated to the valuers;<li data-bbox="1207 973 2112 1031">▶ Review assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;<li data-bbox="1207 1043 2112 1101">▶ Consider changes to useful economic lives as a result of the most recent valuation; and<li data-bbox="1207 1114 2112 1177">▶ Test to confirm that accounting entries have been correctly processed in the financial statements.

Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
Pension Liability Valuation	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Berkshire County Council Local Government Pension Scheme, administered by the Royal Borough of Windsor and Maidenhead Unitary Authority (RBWM).</p>	<p>We will:</p> <ul style="list-style-type: none">▶ liaise with the auditors of the Royal County of Berkshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Bracknell Forest Council.
Financial statement impact <p>The Council's pension fund deficit is a material and sensitive item. Small changes in assumptions when valuing it can have a material impact on the financial statements. The Code requires the Council to disclose this net liability on the Council's Balance Sheet.</p> <p>We have reflected on the significance of the liability to the Council's balance sheet, as well as the difficulty in valuing some of the pension fund assets caused by their nature and size, in the current uncertain economic environment, and classified this as a significant risk.</p>	<p>At 31 March 2021 the pension fund deficit totalled £354.4m (unaudited). The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Pension Fund Administrator.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 (revised) require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>In the prior year, unadjusted audit differences were identified and there is a risk that these could repeat in 2020/21.</p>	<ul style="list-style-type: none">▶ assess the work of the Pension Fund actuary (Barnett Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and▶ review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Accounting for Covid-19 related grant funding

The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.

RE3

Accounting for Public Finance Initiative (PFI)

The Council has one waste PFI arrangement with the Waste Recycling Group RE3 Limited. This is a joint PFI contract entered into with Reading and Wokingham Council's in 2006/07 for the disposal of waste.

What will we do?

We will:

- ▶ Consider the Council's judgement on material grants received in relation to whether it is acting as:
 - An agent, where it has determined that it is acting as an intermediary; or
 - Principal, where the Council has determined that it is acting on its own behalf.
- ▶ For grants received where the Council acted as principal, we will further consider whether any associated restrictions and conditions have been met and that grants have been claimed and recognised in accordance with the scheme rules.
- ▶ Check the Council has adequately disclosed grant income received in the year, under both principal and agent arrangements.

PFI is a complex area and we commissioned a detailed review of the RE3 arrangements, for the three councils involved, namely Bracknell Forest, Reading and Wokingham Borough Councils as part of the 2018/19 audit,

Work conducted by our PFI specialist in 2018/19, included:

- ▶ a review of the assumptions used in the RE3 PFI accounting model; and
- ▶ comment on local adjustments, if any, by the Council, made to the output from the RE3 model held by the host council, Reading Borough Council.

For the 2020/21 audit, our work will include:

- ▶ a review of the assumptions used in the Waste PFI accounting model;
- ▶ commenting on local adjustments, made by the Council, following any changes to the accounting model held by the host council, Reading Borough Council;
- ▶ review the planned entries and disclosures for the Council's 2020/21 accounts.



Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

NDR Appeals Provision

The provision for NDR appeals represents a material transaction in the Council's accounts and requires significant estimation. There is a higher level of uncertainty involved in the estimation of the non-domestic rates appeals provision due to Covid-19. Businesses have faced a significant level of change and uncertainty during 2020/21, which might drive a change in their rateable value appeals behaviour.

What will we do?

We will consider the Council's estimation of the NNDR appeals provision by performing the following:

- ▶ Review the Council's methodology for calculating the provision and the considerations for the uncertain environment as at the reporting date;
- ▶ Assess the work of the Council's specialist (Rates Plus Rating) including the adequacy of the scope of the work performed, their professional capabilities and managements' challenge and review of their work;
- ▶ Assess the soundness of the assumptions used in the calculation of the provision in light of Covid-19 uncertainties.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Going Concern: Compliance with ISA 570

The standard is effective for audits of financial statements for periods commencing on or after 15 December 2019. This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 states that an authority's financial statements should be prepared on a going concern basis; the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future and can only be discontinued under statutory prescription.

However, ISA 570, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report.

The revised standard increases the work we are required to perform when assessing whether the pension fund is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards, and we have therefore judged it appropriate to bring this to the attention of the Audit Committee.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

What will we do?

The revised standard requires:

- ▶ auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- ▶ greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained, evaluate the risk of management bias, and make greater use of the viability statement. Our challenge will be made based on our knowledge of the pension fund obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements;
- ▶ a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- ▶ necessary consideration regarding the appropriateness of financial statement disclosures around going concern.

Please note that due to the advent of Covid-19 we performed additional detailed work over the Council's assessment of Going Concern in our 2019/20 audit. We do not expect the change in ISA to significantly increase our work beyond the work performed in 2019/20.



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03

Value for Money Risks





Value for money

Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

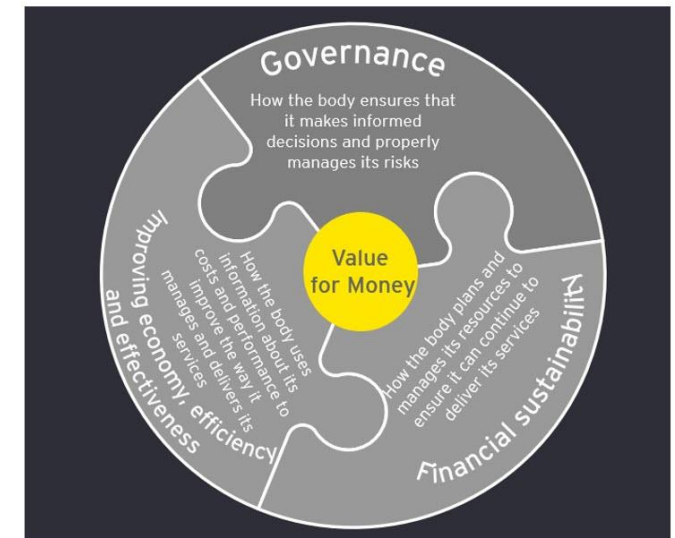
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in an annual governance statement. In preparing its annual governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer one overall evaluation criterion on which we need to conclude. Instead the 2020 Code requires us to design our work to provide sufficient assurance to enable us to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- ▶ Financial sustainability
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- ▶ Governance
How the Council ensures that it makes informed decisions and properly manages its risks; and
- ▶ Improving economy, efficiency and effectiveness:
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.





Value for money risks

Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes, where the NAO required auditors, as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- ▶ The Council's Annual Governance Statement;
- ▶ Evidence that the Council's arrangements were in place during the reporting period;
- ▶ Evidence obtained from our work on the accounts;
- ▶ The work of inspectorates and other bodies; and
- ▶ Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

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- ▶ Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
 - ▶ Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
 - ▶ Leads to - or could reasonably be expected to lead to - unlawful actions; or
 - ▶ Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- ▶ The magnitude of the issue in relation to the size of the Council;
- ▶ Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- ▶ The impact of the weakness on the Council's reported performance;
- ▶ Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- ▶ Whether any legal judgements have been made including judicial review;
- ▶ Whether there has been any intervention by a regulator or Secretary of State;
- ▶ Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- ▶ The impact on delivery of services to local taxpayers; and
- ▶ The length of time the Council has had to respond to the issue.



Value for money risks

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit Committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

The new Code promotes more timely reporting by auditors. So where we have sufficient evidence to determine that there is a significant weakness on VFM related arrangements we can report that weakness, and an associated recommendation for improvement, at that time and not wait until we issue our Audit Results Report on the audit of the statement of accounts.

Status of our 2020/21 VFM Planning

Delays in the completion of the 2019/20 audit have impacted on our planning time. Our risk assessment is therefore not yet complete. However, based on the planning procedures we have completed to date, we have not identified any significant weaknesses in your arrangements. We will update the Committee once our risk assessment is complete to confirm whether any further risks have been identified, and the work which will be undertaken to address them.



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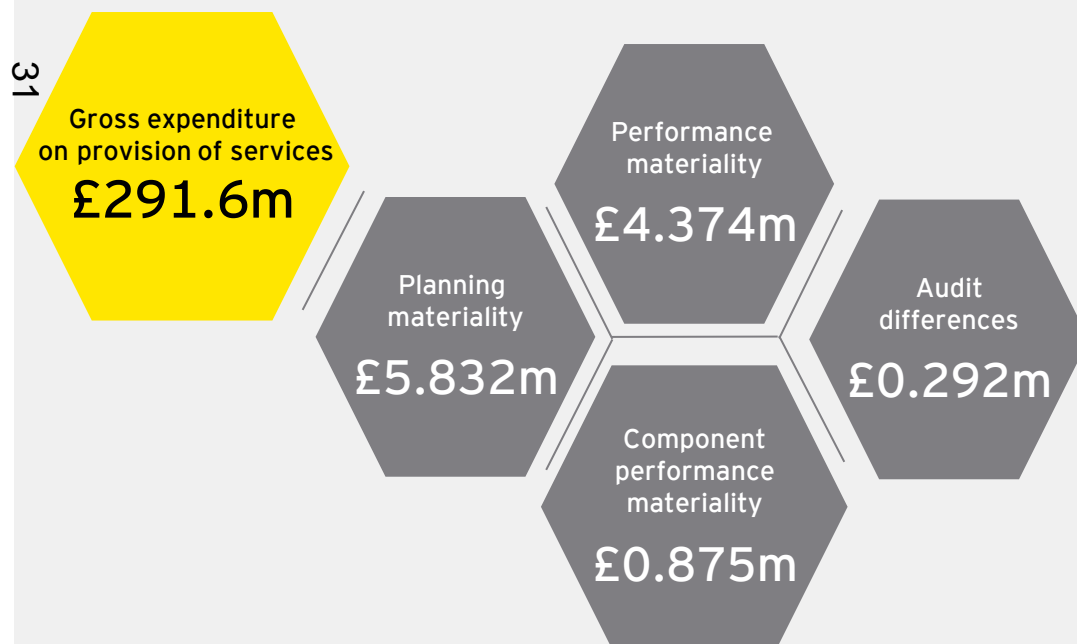
Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2020/21 has been set at £5.832m. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process.



We request that the Governance and Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £4.374m which represents 75% of planning materiality. The rationale for using 75% is based on the anticipation of identifying few or no errors in routine processing of transactions throughout the year that could result in pervasive errors. This expectation has been built on our experience of the Council in the prior year.

Component performance materiality range - we determine component (Downshire Homes Ltd) materiality as a percentage of Group materiality based on risk and relative size. We will complete the specific audit procedures on Downshire Homes PPE balance to this materiality.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, collection fund and that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Governance and Audit Committee, or are important from a qualitative perspective.

Specific materiality - We set a lower materiality for specify account disclosure e.g. remuneration disclosures, related party transactions, members' allowances and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.



05 Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO [delete if not applicable]

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2020/21 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

3

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will regularly meet with the Head of Audit and Risk Management, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Scope of our audit

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

- 1. Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
- 2. Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For other components we perform other procedures to confirm that there is no risk of material misstatement. These procedures are detailed below.

We have determined that Downshire Homes Ltd is a significant component due to risk, specifically PPE valuation. We have also determined our approach will be to apply a specific scope to our work on Downshire Homes Ltd related to the PPE balance. We are not the auditors of Downshire Homes Ltd however will complete all procedures in relation to the specific scope ourselves. This consistent with our approach in prior audit cycles.

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Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below. We provide scope details for each component within Appendix E.

None	A	Full scope audits
DH	B	Specific scope audits
None	C	Review scope audits
None	D	Specified procedures
None	E	Other procedures

DH = Downshire Homes Ltd

Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified Procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.



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06

Audit team



Audit team

Audit team structure:

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Andrew Brittain
Associate Partner
abrittain@uk.ey.com

Tom Archer
Audit Manager
tarcher1@uk.ey.com

Taher Merimi
Senior Auditor
tmerimi@uk.ey.com

EY Specialists

EY Pensions

Changes to the audit team

Tom joined the audit team as Manager for completion of the 2019/20 audit. Tom first joined EY in 2015 and has significant experience of leading teams across a range of local government clients.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	Management specialist: Wilkes, Head and EVE - PPE and IP Valuer
Pensions valuation	EY pensions specialists and PWC Actuary commissioned by the NAO Management specialist: Barnett Waddington - Actuary
NDR Appeals Provision	Management specialist: Rates Plus Rating

3

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

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

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



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07

Audit timeline





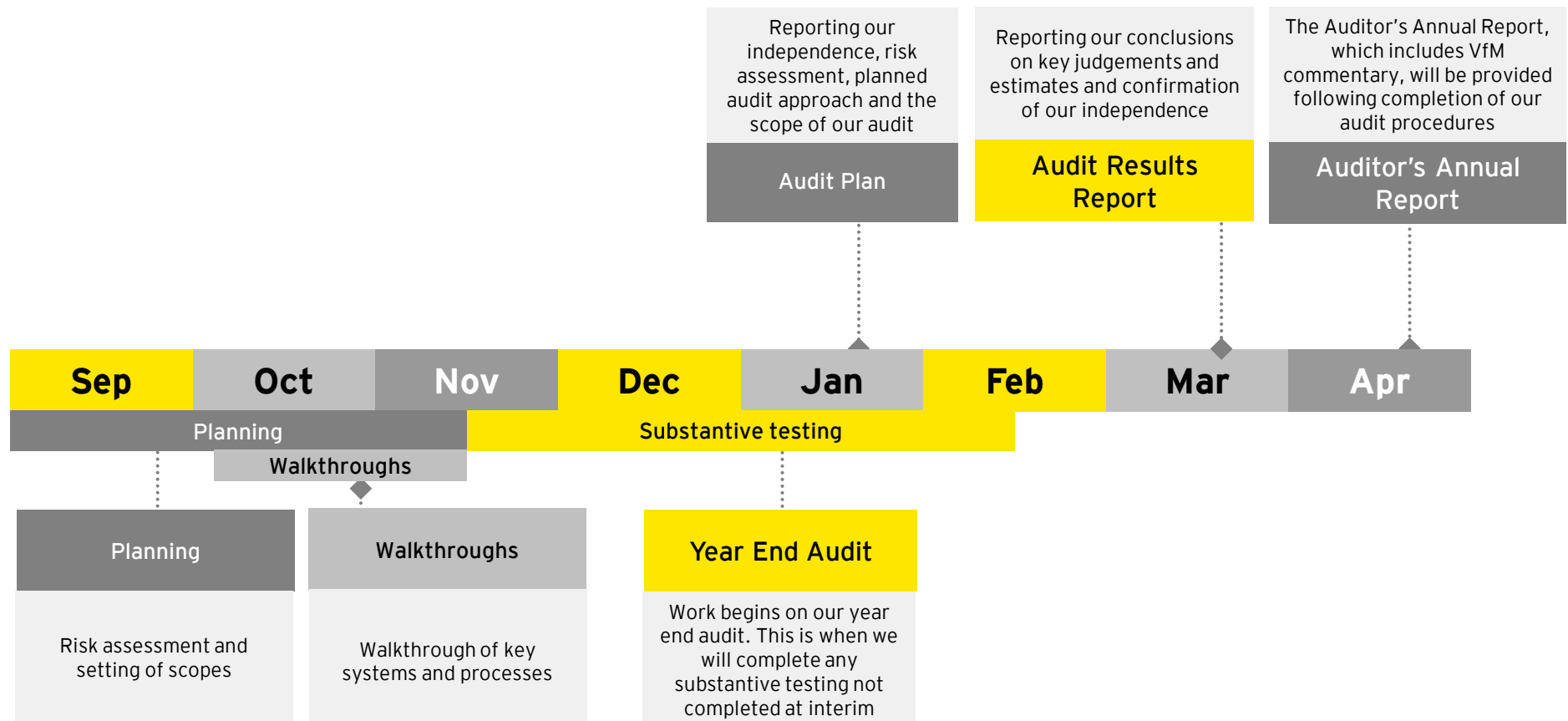
Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2020/21.

From time to time matters may arise that require immediate communication with the Governance Audit Committee and we will discuss them with the Governance and Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





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08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; <p>42 Information about the general policies and process within EY to maintain objectivity and independence.</p> <ul style="list-style-type: none"> ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation] 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Andrew Brittain, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval.

The ratio of non audit fees to audits fees is not permitted to exceed 70% and this has not been exceeded, therefore no additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Relationships, services and related threats and safeguards

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2020:

https://www.ey.com/en_uk/who-we-are/transparency-report-2020



09

Appendices





Appendix A - Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

Description	Planned Fee 2020/21	Scale Fee 2020/21	Final Fee 2019/20
	£	£	£
Total Audit Fee - Code work	£80,639	£80,639	£80,639
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	£45,361	N/A	£45,361
Revised Proposed Scale Fee	£126,000	N/A	£126,000
Scale Fee Variation - new VFM arrangements (Note 2)	£10,000 - £19,000	-	N/A
Scale Fee Variation - revised ISA 540 (Note 2)	£4,400	-	N/A
Scale Fee Variation due to one-off issues impacting 2019/20 and 2020/21 audits (see Note 3)	TBD	N/A	£21,300
Total Proposed Audit Fee	TBD	£80,639	£147,300
None Audit Fee - Housing Benefit Certification Work (Note 4)	£19,530	N/A	£19,146
None Audit Fee - Teacher's Pension Certification Work (Note 5)	£11,000	N/A	-

Appendix A – Fees

Note 1

We have discussed with the management and the Governance and Audit Committee that we do not believe the existing scale fees provide a clear link with a public sector organisation's risk and complexity and laid out the impact of regulatory changes which have caused that. We have quantified the implications of these factors on our assessment of the baseline fee to deliver a sustainable high-quality external audit. For 2019/20 and 2020/21 the scale fee has been re-assessed to take these into account. The 2019/20 additional fee remains subject to approval by the PSAA.

Note 2

In 2020/21, we expect the new VFM arrangements and revised ISA 540 (estimates) to result in a scale fee variation. PSAA have published guidance on these matters and advise for minimum additional fees, for a unitary authority, of £10,000 - £19,000 in respect of the new VFM arrangements, and £4,400 in respect of the revised ISA 540.

Note 3

▶ We have quantified the addition work we undertook in the completion of the 2019/20 audit, including costs associated with delays in receiving the Deloitte IAS 19 report; resolving material issues with the report; responding to finding, including input from EY Pensions specialists; impact of Covid-19 including additional risk assessment procedures and consultations; the elongated audit period and impact on volume of post balance sheet event work. We have agreed this fee variation with the s151 officer and are seeking approval from the PSAA.

Note 4

From 2018/19 onwards the Housing Benefit subsidy audit work falls outside the PSAA regime and is subject to a separate fee proposal and engagement terms. This work is ongoing and the agreed baseline fee for 2020/21 is £19,530.

Note 5

For 2020/21 we have been engaged by the Council to complete the Teacher's Pension Audit. This work has been completed and the agreed fee was £11,000.

Appendix B




Required communications with the Audit Committee

We have detailed the communications that we must provide to the Governance and Audit Committee.

Our Reporting to you		
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Governance and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report - January 2022
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - Expected to be presented March 2022
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - Expected to be presented March 2022

Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit Results Report - Expected to be presented March 2022
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Governance and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit Results Report - Expected to be presented March 2022
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - Expected to be presented March 2022




Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Planning Report - January 2022 and Audit Results Report - Expected to be presented March 2022
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - Expected to be presented March 2022
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Governance and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance and Audit Committee may be aware of 	Audit Results Report - Expected to be presented March 2022
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - Expected to be presented March 2022

Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
51 Group audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit Planning Report – January 2022 and Audit Results Report – Expected to be presented March 2022
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report – Expected to be presented March 2022
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report – Expected to be presented March 2022
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report – Expected to be presented March 2022
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Planning Report – January 2022 and Audit Results Report – Expected to be presented March 2022

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit 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 the Group's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Governance and Audit Committee reporting appropriately addresses matters communicated by us to the Governance and Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.



Appendix C

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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**TO: GOVERNANCE AND AUDIT COMMITTEE
26TH JANUARY 2022**

APPOINTMENT OF LOCAL EXTERNAL AUDITORS EXECUTIVE DIRECTOR: RESOURCES

1 PURPOSE OF REPORT

- 1.1 To recommend arrangements for the appointment of local external auditors under the Local Audit and Accountability Act 2014 for the financial years 2023/24 to 2027/28.

2 RECOMMENDATIONS

- 2.1 **The Committee is asked to recommend to Council at its meeting on 23 February that Bracknell Forest remains part of the Public Sector Auditor Appointments (PSAA) collective procurement arrangement to appoint an External Auditor from the 2023/24 financial year on the grounds that this approach is most likely to achieve best value in a restricted market and avoids the need and cost of the Council itself undertaking a complex and time-consuming procurement process.**

3 REASONS FOR RECOMMENDATION(S)

- 3.1 To ensure that arrangements are agreed for procuring local external auditors in time for the 2023/24 accounting year.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The options of the Council undertaking its own procurement or doing so in partnership with one or more local council, which would include establishing an independent Auditor Panel to advise on the selection process, have been evaluated but are not recommended, for the reasons detailed in the report.

5 SUPPORTING INFORMATION

Background

- 5.1 Under the Local Audit and Accountability Act 2014, following the closure of the Audit Commission, local authorities are responsible for appointing their own external auditor. The appointment process needs to be undertaken in accordance with procurement rules which specify particular stages and timescales. There are five key stages of the process which are likely to be common across authorities:
- i) decide on the appointment process (a decision for Council whether to use the sector led body or appoint independently)
 - ii) (if appointing independently) determine the important criteria to be considered when selecting the auditor and invite expressions of interest against these
 - iii) evaluate expressions received
 - iv) final evaluation of tenders
 - v) recommendation to the authority.

- 5.2 Having reviewed the options available and in common with almost all local authorities, the Council in February 2017 decided to opt in to the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
- 5.3 PSAA is specified as the 'appointing person' for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015 and is now undertaking the work needed to invite eligible bodies to opt in for the next appointing period (2023/24 – 2027/28) and to complete a procurement for audit services. The national opt-in scheme provides the following:
- The appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023.
 - Appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints.
 - Managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy.
 - Ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period.
 - Minimising the scheme management costs and returning any surpluses to scheme members.
 - Consulting with authorities on auditor appointments, giving the Council the opportunity to influence which auditor is appointed.
 - Consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk.
 - Ongoing contract and performance management of the contracts once these have been let.
- 5.4 When audit contracts were last awarded in 2017 the audit market was relatively stable, there had been few changes in audit requirements, and local audit fees had been gradually reducing over a long period. During 2018 a series of financial crises and failures in the private sector year led to questioning about the role of auditors and the focus and value of their work. Four independent reviews were commissioned by Government: Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator; the Competition and Markets Authority review of the audit market; Sir Donald Brydon's review of the quality and effectiveness of audit; and Sir Tony Redmond's review of local authority financial reporting and external audit. The recommendations are now under consideration by Government, with the clear implication that significant reforms will follow. A new audit regulator (ARGA) is to be established, and arrangements for system leadership in local audit are to be introduced. Further change will follow as other recommendations are implemented.
- 5.5 A national drive to improve audit quality has created a major pressure for audit firms to ensure full compliance with regulatory requirements and expectations in every audit they undertake. Firms have asked their audit teams to undertake additional work to gain deeper levels of assurance. However, additional work requires more time, posing a threat to the firms' ability to complete all their audits by the target date for publication of audited accounts. While changes to working practices arising from the Covid pandemic have been a factor in delayed audit opinions in recent times, timescales were increasingly under pressure prior to 2020. Additional audit work costs more and as a result, many more fee variation claims have been needed than in prior years.

- 5.6 These challenges have not been unique to local government audit, although the complexity of local government financial statements together with increasingly innovative responses to funding reductions have played a part.
- 5.7 Against this backdrop, the arguments in favour of participating in a sector-wide collective approach to appointing a local auditor rather than doing this independently are felt to be even stronger than in 2017. Supporting the sector-led body also offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long-term. It is therefore proposed that the Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023. The deadline for submission of opt-in documents to PSAA is 11 March 2022, with a decision to participate required by a meeting of Full Council prior to that date.
- 5.8 Indications from Berkshire s151 Officers are that all their authorities plan to sign up to the PSAA process. Early discussions have also highlighted that there would be some advantages of having the same firm appointed to cover the Berkshire area, due to the links between authorities such as a shared Pension Fund and joint arrangements covering some authorities including the Waste PFI and Public Protection Partnership, which Bracknell Forest is party to. Currently reliance needs to be placed on the findings of different audit firms for such issues, which can cause complexity and delays in audit signing offs. Against this, resourcing the audit would potentially be difficult for a single firm, with all authorities facing the same certification deadline. Members are asked to endorse a continuation of discussions between Section 151 Officers and engagement with PSAA should this issue be felt worth pursuing.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 As set out in the report the Local Audit and Accountability Act 2014 Act creates a legal framework enabling the Government to nominate a 'person' to act as a joint procurement body for local audit and to give that body the powers and duties to operate collective procurement arrangements. Such a body is required to appoint auditors to those local authorities which 'opt in' to the collective procurement arrangement. Any decision to opt in would be reserved to Full Council and not the Executive

Financial Advice

- 6.2 The Borough Treasurer recommends the Council opting in to the PSAA collective arrangements, for the reasons detailed in the report.

Equalities Impact Assessment

- 6.3 Not applicable

Strategic Risk Management Issues

- 6.4 There is a risk costs may potentially rise if the procurement option chosen does not maximise economies of scale. There are also risks that authorities cannot attract sufficient independent individuals with relevant experience to sit on the Panels.

Other Officers

- 6.5 Not applicable

7 CONSULTATION

Principal Groups Consulted

7.1 Not applicable

Background Papers

none

Contact for further information

Stuart McKellar, Executive Director: Resources - 01344 352180
stuart.mckellar@bracknell-forest.gov.uk

To: Governance and Audit Committee
26th January 2022

Internal Audit Update
Head of Audit and Risk Management

1 Purpose of Report

- 1.1 This report presents the update on progress on the annual Internal Audit Plan.

2 Recommendations

- 2.1 To note the update on progress on the Internal Audit Plan for 2021/22.

3 Reasons for Recommendations

- 3.1 To ensure the Council complies with statutory requirements for internal audit.

4 Alternative Options Considered

- 4.1 There are no alternatives.

5 Supporting Information

Internal Audit

- 5.1 Delivery of the Council's internal audit services in 2021/22 is being delivered as follows:
- TIAA Ltd who will undertake IT audit;
 - Farsight Consulting who will audit schools,
 - Wokingham Council's Business Assurance team delivering internal audit services under a S113 agreement;
 - Temporary senior auditors; and
 - two permanent in-house senior auditors who joined us in the summer of 2021.
- 5.2 Progress against the 2021/22 Internal Audit Plan is set out in Appendix 1. There has been some delay in progressing the 21/22 Audit Plan as a backlog of 20/21 audits deferred to late qtr 4 or early qtr 1 of 21/22 at management request had first to be cleared, schools scheduled to be audited were not prepared to have audits undertaken until the autumn and the new senior auditors were not able to join us until July and August. One of the senior auditors has now had to resign for health reasons. This is having a knock on effect and hence additional temporary senior auditor support is now being brought in and some audits have been deferred to 22/23.

6 Consultation and Other Considerations

Legal Advice

- 6.1 There are no specific legal implications arising from the recommendations in this Report.

Financial Advice

- 6.2 There are no financial implications arising from this report.

Equalities Impact Assessment

- 6.3 Not applicable.

Strategic Risk Management Issues

- 6.4 A robust internal audit service is essential for ensuring proper processes are in place for effective control.

Background Papers

Internal Audit Plan 2021/22

Internal Audit Charter

Contact for further information

Sally Hendrick, Head of Audit and Risk Management - 01344 352092

**BRACKNELL FOREST COUNCIL
HEAD OF AUDIT AND RISK
MANAGEMENT'S INTERIM REPORT**

JANUARY 2022

Sally Hendrick
Head of Audit and Risk Management
Sally.hendrick@bracknell-forest.gov.uk
01344 352092

1.BACKGROUND

- 1.1 The Council is required under the Accounts and Audit (Amendment) (England) Regulations to “maintain an adequate and effective system of internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control.” This report summarises the activities of Internal Audit for the period April to December 2021 drawing together progress on the Annual Internal Audit Plan, risk management and other activities carried out by Internal Audit.

2. INTERNAL AUDIT

- 2.1 The basic approach adopted by Internal Audit falls broadly into four types of audit:
- System reviews provide assurance that the system of control in all activities undertaken by the Council is appropriate and adequately protects the Council's interests.
 - Regularity (financial) checking helps ensure that the accounts maintained by the Council accurately reflect the business transacted during the year. It also contributes directly towards the external auditor's audit of the annual accounts.
 - Computer/IT audits, carried out by specialist audit staff, provide assurance that an adequate level of control exists over the provision and use of computing facilities
 - Certification as required by relevant Government departments that grant monies have been spent in accordance with grant terms and conditions.
- 2.2 Recommendations are made after individual audits, leading to an overall assurance opinion for the system or establishment under review and building into an overall annual assurance opinion on the Council's operations called the Head of Internal Audit Annual Opinion. The different categories of recommendation and assurance opinions are set out in the following tables.
- 2.3 Since 1st April 2019 we have been categorising our **audit opinions** according to our assessment of the controls in place and the level of compliance with these controls as follows::

	Good - There is a sound system of internal control designed to achieve the objectives of the system/process and manage the risks to the achievement of objectives and this is being complied with. Recommendations will only be of low priority.
	Adequate - there is basically a sound system of control but there are some areas of minor weakness and/or some areas of non- compliance which put the system/process objectives at risk. Recommendations will only be low or moderate in priority.
	Partial - there are areas of weakness and/or non- compliance with control which put the system/process objectives at risk and undermine the system's overall integrity.

	Recommendations may include major recommendations but could only include critical priority recommendations if mitigated by significant strengths elsewhere.
	Inadequate - controls are weak across a number areas of the control environment and/or not complied with putting the system/process objectives at significant risk. Recommendations will include major and/or critical recommendations
	None - There is no control framework in place and management is inadequate leaving the system open to risk of significant error or fraud.

2.4 We categorise our recommendations according to their level of priority as set out below:

	Critical - Critical and urgent in that failure to address the risk could lead to factors such as significant financial loss, significant fraud, serious safeguarding breach, critical loss of service, critical information loss, failure of major projects, intense political or media scrutiny. Remedial action must be taken immediately.
	Major - failure to address issues identified by the audit could have significant impact such as high financial loss, safeguarding breach, significant disruption to services, major information loss, significant reputational damage or adverse scrutiny by external agencies. Remedial action to be taken urgently.
	Moderate - failure to address issues identified by the audit could lead to moderate risk factors materialising such as medium financial loss, fraud, short term disruption to non-core activities, scrutiny by internal committees, limited reputational damage from unfavourable media coverage. Prompt specific remedial should be taken.
	Low - failure to address issues identified by the audit could lead to low level risks materialising such as minor errors in system operations or processes, minor delays without impact on service or small financial loss. Remedial action is required.

3. SUMMARY OF INTERNAL AUDIT RESULTS TO DATE

- 3.1 The Annual Internal Audit Plan for 2021/22 was considered and approved by the Governance and Audit Committee on 24th March 2021. The delivery of the individual audits during 2021/22 is being undertaken by
- TIAA Ltd who will undertake IT audit;
 - Farsight Consulting who will audit schools,
 - Wokingham Council's Business Assurance team delivering internal audit services under a S113 agreement;
 - Temporary senior auditors; and
 - two permanent in-house senior auditors who joined us in the summer of 2021.
- 3.2 There has been some delay in progressing the 21/22 Audit Plan as a backlog of 20/21 audits deferred to late qtr 4 or early qtr 1 of 21/22 at management request had first to be cleared, schools scheduled to be audited were not prepared to have audits undertaken until the autumn. Good progress has now been made on school audits. The two new senior auditors were not able to join us until July and August and one has now resigned for health reasons. This is putting additional pressure on delivery and hence some further audits have now been deferred to 22/23. One new temporary senior had already been appointed to address backlog and a further temp is now being recruited.

- 3.3 Between April to December 2021, 7 grant audits and 20 reports/memos were finalised, 3 reports/memos were issued in draft awaiting management responses, 4 were issued for discussion, 3 reports were at quality review stage and 10 audits were work in progress.
- 3.4 Details on the status and outcome of all audits are attached at Appendix A. A summary of the outcome of finalised and audits with reports issued in draft are set out below.

2021/22 ASSURANCE LEVELS	NUMBER OF AUDITS TO DATE		2020/21 ASSURANCE LEVELS	NUMBER OF AUDITS
Good	2		Good	4
Adequate	10		Adequate	15
Partial	5		Partial	10
Inadequate	2		Inadequate	0
No assurance	0		No assurance	0
<u>Total for Audits with an Opinion</u>	19		<u>Total for Audits with an Opinion</u>	29
Memos and reports with Major Recommendation and no Opinion	3		Memos and reports with Major Recommendation and no Opinion	4
Other Follow Up Memos/ Reports with no Opinion	2		Other Follow Up Memos/ Reports with no Opinion	3
<u>Total Audits</u>	24		<u>Total Audits</u>	36
Grant Certifications/Submissions	7		Grant Certifications	7
Overall Total	31		Overall Total	43

Identified High Priority Control Issues

- 3.5 Audits which have identified high priority recommendations will generally be revisited in 2022/23, to ensure successful implementation of agreed recommendations. The audits where major and critical recommendations have been raised are set out below:

AUDITS WHERE HIGH PRIORITY ISSUES HAVE BEEN IDENTIFIED SINCE THE LAST UPDATE IN THE INTERNAL AUDIT 20/21 ANNUAL REPORT IN SEPTEMBER 2021		
<ul style="list-style-type: none"> ● PARENTING ASSESSMENTS (20/21 AUDIT) 	<p>The audit was requested by the Assistant Director: Children's Social Care to establish if there was any validity in concerns that she had that procedures may not be being consistently applied. Three major recommendations were raised relating to non-compliance with key steps in the processes, the lack of performance & quality checks and the gaps in knowledge within the service. A new management team is now in place which will address weaknesses in compliance and supervisory oversight and address gaps in knowledge and understanding of processes.</p>	<p>ASSURANCE OPINION: INADEQUATE</p>
<ul style="list-style-type: none"> ● GREEN HOMES GRANTS 	<p>This audit was requested by the Executive Director: Delivery as it was a significant expenditure stream that had been transferred from another Directorate and there had been gaps at manager level during the period that the grants were being given which could potentially have increased risk. The audit established that there were weaknesses in controls. Eight major recommendations were raised on resourcing, the promotion of the scheme, procurement processes, lack of independence in the assessment process, weaknesses in the process for agreeing quotes with contractors, weak control over payments for works, GDPR weaknesses and concerns around records maintained and reporting on grant spend. There is now a robust management structure in place, action will be taken to ensure that appropriate administrative support would be put in place for any future tranches of grant funding, clarification has been sought on procurement requirements and guidance has been provided on expenditure controls.</p>	<p>ASSURANCE OPINION: INADEQUATE</p>

<ul style="list-style-type: none"> ● COMPLAINTS PROCESS 	<p>Four major recommendations were raised in respect of resourcing complex complaints; completeness of records, monitoring of complaints and actions for improvement and corporate reporting. An action plan has been developed by senior managers which includes creating a new Complaints Officer post to provide specialist support. Actions are already progressing and will be overseen by the Corporate Management Team.</p>	<p>ASSURANCE OPINION: PARTIAL</p>
<ul style="list-style-type: none"> ● E+ CARD 	<p>Two major recommendations were raised relating to the absence of both a Data Protection Impact Assessment and data flow mapping for the interface systems.</p>	<p>ASSURANCE OPINION: PARTIAL</p>
<ul style="list-style-type: none"> ● LARCHWOOD 	<p>Three major recommendations were raised on pre-employment checks for agency workers, expenditure controls and imprest reconciliations.</p>	<p>ASSURANCE OPINION: PARTIAL</p>
<ul style="list-style-type: none"> ● PERMANENCY PLANNING 	<p>Permanency Planning processes assess the most effective and viable options for a permanency plan for a child or young person. This was an advisory review requested by the Assistant Director: Children's Social Care to establish if there was any validity in concerns that she had that these processes may not be being consistently applied. Two major observations were raised by Internal Audit in relation to meetings records and management information on compliance with statutory timeframes for meetings that will be taken forward by the management team.</p>	<p>ADVISORY REVIEW WITH NO AUDIT OPINION BUT MAJOR RECOMMENDATION RAISED</p>
<ul style="list-style-type: none"> ● SERVICES TO SCHOOLS 	<p>Three major recommendations have been raised. These relate to costing of services and overheads to ensure accurate recharging and assess viability, systems integration procedures and resourcing of systems support and systems finance administration support.</p>	<p>ASSURANCE OPINION: PARTIAL</p>

In addition, some major recommendations have been raised at a number of audits such as climate change which though considered significant for management did not prevent us from concluding that controls were adequate. A major recommendation was raised at all school audits undertaken to date in respect to medium term budget forecasts predicting deficits over the next 3 years. Whilst this has not resulted in itself in a partial or inadequate opinion this is something governing bodies should continue to monitor.

Update of Previous Audits with High Priority Recommendations

- 3.6 Since April 2021, we have followed up one audit from 2020/21 where significant weaknesses had been identified (reactive maintenance). The Head of Audit and Risk Management can report that issues previously identified have been addressed.

External Quality Assessment and Quality Assurance and Improvement Programme

- 3.7 Under mandatory Public Sector Internal Audit Standards our internal audit service has to be externally assessed every 5 years. This is now due and is being undertaken by CIPFA in April 2022.
- 3.8 As shown below, to date all completed client questionnaires received for 2021/22 have shown the auditees to be satisfied with the service. In 77% of cases internal audit delivered the first draft report within 15 days of the exit meeting.

	Client Questionnaires		Draft Report /Memo Produced within 15 Days of Exit meeting
	Received	Satisfactory	
1st April to 31st August 2021	6	100%	77%
2020/21	9	89%	60%

4. PROGRESS ON INTERNAL CONTROL ENVIRONMENT 2021/22

- 4.1 It is still too early in the financial year to make a reliable assessment on the direction of travel of the control environment. Progress to improve the control environment will be monitored quarterly based on the outcome of the audits undertaken and in particular identifying whether agreed management actions for areas previously found to have significant control weaknesses have been implemented as this has been a key factor in the Head of Audit and Risk Management's annual opinion on the control environment for the last 3 years.

5. RISK MANAGEMENT

- 5.1 The Strategic Risk Register has already been reviewed three times by the Strategic Risk Management Group (SRMG) and once by the Corporate Management Team. Directorate risk registers continue to be updated quarterly.

APPENDIX 1

2020/21 INTERNAL AUDIT PLAN OUTCOMES NOT PREVIOUSLY REPORTED

*Key indicator- Draft report issued within 15 days of exit meeting

“D”- deferred at management request from 20/21 to 21/22

AUDIT	Start Date	Date of Draft Report	*Key Indicator Met	Assurance Level				Recommendation Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
Security camera controls	2/3/21	20/8/21	✓			✓				3	2	Finalised
Parenting Assessments	11/1/21	9/6/21	✓				✓			3	3	Finalised
Foster Panels Compliance	May 2021	26/6/21	✓		✓					4	2	Finalised
Continuing Health Care	17/3/21	2/7/21	✓		✓					4	1	Finalised

2021/22 INTERNAL AUDIT PLAN

1.GOVERNANCE

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance Level				Recommendation Priority				Status
				Good	Adequate	Partial	inadequate	Critical	Major	Moderate	Low	
Data indicators												Deferred to Qtr 1 of 22/23
Project management of O&S reviews and subsequent action plan implementation												Deferred to 22/23
Business Continuity												“D”

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance Level				Recommendation Priority				Status
				Good	Adequate	Partial	inadequate	Critical	Major	Moderate	Low	
												Audit deferred to qtr 1 of 22/23 as Business continuity project delayed due to COVID
Complaints Process	August 21	14/9/21	✓			✓			4	5		Finalised
Corporate Governance infrastructure— People only												Deferred to 22/23
E+ card- general control, IT controls and information governance arrangements with contractors	14/9/21	3/12/21	X			✓			2	6	3	Revised draft report issued
Grant Reviews and Certifications Bus Service Operator	21/9/21	21/9/21	✓	N/A – Grant certification								Certified
Troubled Families	24/6/21	30/6/21	✓	N/A – Memo to support PBR grant submission								Finalised
Troubled Families	27/9/21	30/9/21	✓	N/A – Memo to support PBR grant submission						1		Finalised
Troubled Families- March 2022 submission												Qtr 4 audit
Green Homes Grants compliance audit	26/7/21	31/8/21	✓				✓		8			Finalised
COVID Restart grants	August 21		✓	N/A- no opinion. Observations raised rather than recommendations					3	2	1	Finalised
COVID Additional Restrictions grants	August 21	01/12/21	✓	N/A- no opinion. Observations raised rather than recommendations					3	2	2	Finalised

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance Level				Recommendation Priority				Status
				Good	Adequate	Partial	inadequate	Critical	Major	Moderate	Low	
Pot Hole Fund	6/9/21	21/9/21	✓	N/A – Grant certification								Certified
Local transport capital block funding (integrated transport and highways maintenance)	6/9/21	21/9/21	✓	N/A – Grant certification								Certified
Emergency Active Travel Fund	13/9/21	21/9/21	✓	N/A – Grant certification								Certified
Active Travel Fund Tranche 2	13/9/21	21/9/21	✓	N/A – Grant certification								Certified

2. COUNCIL WIDE

3. CORE FINANCIAL SYSTEMS

[illegible]

4. IT AUDIT

[illegible]

[illegible]

5. PLACE, PLANNING, AND REGENERATION

AUDIT	Start Date	Date of Draft Report	Key Indicator met	Assurance Level				Recommendation priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
SANGs	May 2021	16/7/21	✓	N/A – Advisory memo							1	"D" Finalised
S106 – Use of the monies in compliance with development in the relevant geographic area		11/8/21	✓	✓							6	"D" Finalised
Tree service	1/9/21											Received for review
Street lighting follow up (partial assurance opinion 2019/20)												Qtr 4 audit
Development Control	23/8/21	6/12/21	✓		✓					9	1	Draft issued
Building Control and land charges	29/9/21	29/11/21	✓		✓					6	1	Finalised
Public Health												Deferred to Qtr 1 of 22/23

6. CHIEF EXECUTIVE'S OFFICE

AUDIT	Start Date	Date of Draft Report	Key Indicator met*	Assurance Level				Recommendation Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
Transformation support costs advisory review												Deferred to Qtr 1 of 22/23

7. DELIVERY

AUDIT	Start Date	Date of Draft Report	Key Indicator met*	Assurance level				Recommendation Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
Public Protection Partnership (Follow up- partial assurance 2020/21)												Qtr 4 audit
Reactive Maintenance (Follow up- partial assurance 2020/21)	August 2021	27/8/21	✓	N/A- Follow up memo. All recommendations addressed								Finalised
Commercial property (Follow up- partial assurance 2020/21)												Deferred to Qtr 1 of 22/23 as completion of actions expected June 22
Cemetery and Crematorium	12/7/21	15/9/21	X		✓					10	1	"D" Finalised
Everyone Active Covid support		30/6/21	✓	✓								Finalised

8. PEOPLE

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance levels				Recommendation Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
Transport in CTPLD- advisory review												"D" Unable to progress planning due to staff sickness therefore defer to 22/23

[illegible]

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance levels				Recommendation Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
Group supervision and Motivational interviews												Audit cancelled at request of service area
Equality, diversity and fair access to children's social service												Deferred to 22/23
Permanency planning	August 2021	21/9/21		N/A memo issued on advisory with no opinion					2	1		Final memo issued
Post leaving Care												Deferred to 22/23
Larchwood	26/7/21	27/10/21	X			✓			3	4	1	Draft report issued
Glenfield-mental health supported living	August 2021	8/10/21	✓		✓					3		"D" Final report issued
Youth Offending service												Cancelled by service area
Forestcare	November 21											Work in progress
Disabled Facilities Grants-												Deferred to Qtr 1 of 22/23
Homelessness procurement advisory piece	12/10/21											Received for client-side review
Housing Management follow up												Deferred to Qtr 1 of 22/23

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance levels				Recommendation Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
COVID Test and trace grants												Defer to 22/23 after grant programme has closed
Open Learning Centre												Deferred to late qtr 4 at service area request
Nursery provider support payments												Deferred to late qtr 4 at service area request

9. SCHOOLS

AUDIT	Start Date	Date of Draft Report	Key Indicator Met	Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	Status
School census												Work in progress
Services to schools- Can Do	12/8/21	7/12/21	X			✓			3	9		Draft report issued
Free school meals												Work in progress
Fox Hill (follow up -Ltd 2017/18 and 2018/19)												"D" Now deferred to qtr 4
The Pines	14/10/21	24/12/21	✓									D" Draft report

AUDIT	Start Date	Date of Draft Report	Key Indicator Met	Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	Status
												issued for discussion
Woodenhill (follow up -Ltd 2018/19)												"D" Qtr 4 audit
Ascot heath (reaudit-Ltd 2018/19)	1/11/21	24/12/21										"D" Work in progress
Sandhurst (follow up partial 19/20) Cancelled as becoming an academy												"D" cancelled
Kennel Lane follow up												"D" Qtr 3 audit
St Michael's Easthampstead (follow up partial 19/20)												"D" Qtr 3 audit
Whitegrove	7/6/21	29/7/21	X		✓				1	4		"D" Final issued
Binfield	22/11/21	17/12/21	✓									"D" Draft report issued for discussion
St Michael's Sandhurst	11/10/21	22/12/21	x		✓				1	3	1	"D" Draft report issued

AUDIT	Start Date	Date of Draft Report	Key Indicator Met	Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	Status
Winkfield	4/10/21	20/12/21	X									D D" Draft report issued for discussion"
Owlsmoor	18/10/21		X									Draft report issued for discussion

APPENDIX 2

2020/21 AUDITS IDENTIFYING SIGNIFICANT ISSUES		
AUDIT	RATING	CURRENT AUDIT STATUS
• Debt Management	PARTIAL	To be re-audited in Qtr 4
• Management of Essential Car User Allowances and Mileage	PARTIAL	To be re-audited in Qtr 1 of 22/23
• Public Protection Partnership	PARTIAL	To be followed up in Qtr 4
• Management of Commercial Properties	PARTIAL	To be followed up in Qtr 3
• Reactive Maintenance	PARTIAL	Followed up and all significant issues raised have been addressed
• Cyber	PARTIAL	To be followed up in Qtr 4
• Agresso IT System Follow Up	FOLLOW UP HENCE NO OPINION BUT MAJOR RECOMMENDATIONS RAISED	Re-audit in progress
• Creditors	PARTIAL	To be re-audited in Qtr 4
• Business Rates	BOTH PARTIAL	Re-audit in progress
• Council Tax and council tax		
• Domiciliary Care Follow up	FOLLOW UP HENCE NO OPINION BUT MAJOR RECOMMENDATION STILL OUTSTANDING	To be re-audited in Qtr 1 of 22/23
• Breakthrough	PARTIAL	To be followed up in Qtr 4

OTHER AUDITS AREAS WHERE SIGNIFICANT ISSUES IDENTIFIED PRE 20/21 WERE STILL OUSTANING AT 31/3/21	CURRENT AUDIT STATUS
<ul style="list-style-type: none"> Forestcare (Follow Up Memo. 2019/20 Also limited in 2017/18) 	Re-audit in progress
<ul style="list-style-type: none"> Adult Social Care Pathway (Qtr 4 2017/18 Audit) 	To be followed up in Qtr 1 of 21/22
<ul style="list-style-type: none"> Loans for Housing Rents and Deposits 	To be followed up as part of the debt management audit in Qtr 4 of 21/22
<ul style="list-style-type: none"> Public Health 	To be re-audited in Qtr 4
<ul style="list-style-type: none"> Disabled Facilities Grants 	To be re-audited in Qtr 4
<ul style="list-style-type: none"> ICT Continuity Management 	To be re-audited as part of business continuity in Qtr 1 of 22/23

**TO: GOVERNANCE AND AUDIT COMMITTEE
26 JANUARY 2022**

TREASURY MANAGEMENT REPORT 2022/23 AND 2021/22 MID-YEAR REVIEW (Director of Finance)

1 PURPOSE OF DECISION

- 1.1 The Council must operate a balanced budget, which broadly means cash raised during the year plus any use of reserves will meet its cash expenditure. Part of the treasury management operations ensures this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity before considering maximising investment return.
- 1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the longer-term cash flow planning needs to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short term loans or using longer term cash flow surpluses.
- 1.3 The Local Government Act 2003 requires a local authority to "have regard to" guidance issued by, or specified by, the Secretary of State. As such, the Council is required to have regard to the Prudential Code and the Code of Practice on Treasury Management in the Public Sector, both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.4 CIPFA published the updated Treasury Management and Prudential Codes on 20th December 2021. CIPFA has stated that there will be a soft introduction of the codes with local authorities not being expected to have to change their current draft Treasury Statement reports for 2022/23 but that full implementation would be required for 2023/24.
- 1.5 It should also be noted that the Department of Levelling Up, Housing and Communities (DLUHC) is proposing to tighten up regulations around local authorities financing capital expenditure on investments in commercial projects for yield and has already closed access to all PWLB borrowing if such schemes are included in an authority's capital programme. Consultation on these issues close in February 2022.
- 1.6 The Council will review and update its Capital Strategy once these reviews are concluded and the Codes are revised.
- 1.7 The Code of Practice requires the Council's annual Treasury Management Strategy (and associated documents) to be examined and reviewed by a responsible body. An additional primary requirement of the code is for the receipt by Full Council of a Mid-Year Review of the Treasury Management activities of the authority.
- 1.8 This report seeks to achieve both these requirements of updating Members on progress in 2021/22 and to review the Treasury Management Report for 2022/23.

2 RECOMMENDATIONS

- 2.1 **That the Committee consider and review the Mid-Year Review Report.**

- 2.2 That the Committee agree that the Mid-Year Review Report be circulated to all Members of the Council.**
- 2.3 That the Committee review the Treasury Management Report in Annex A for 2022/23 prior to its approval by Council.**

3 REASONS FOR RECOMMENDATIONS

- 3.1 The reasons for the recommendations are set out in the report.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The Code of Practice requires the Council's annual Treasury Strategy to be examined and reviewed by a responsible body and for that body to review progress of the Council's treasury management activities. The Governance and Audit Committee has been nominated by Council to be that body.

5 SUPPORTING INFORMATION

Mid-Year Review

- 5.1 This mid-year report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:
- An economic update for the first nine months of 2021/22
 - A review of the Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy
 - The Council's capital expenditure
 - A review of the Council's investment portfolio for 2021/22
 - A review of compliance with Treasury and Prudential Limits for 2021/22

Economic Update

- 5.2 The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021. Economies continue to re-open, while governments have either commenced or are contemplating dialling down emergency fiscal support mechanisms.
- 5.3 For the UK, fiscal policy tightening has already been put in place. On the monetary policy front, matters are more complex, with price pressures on the rise and expected to remain elevated into 2022/23, while economic recoveries are seemingly losing momentum heading into the latter stages of 2021/22. Markets are unsettled, with asset prices coming under pressure following their largesse gains made in the formative stages of recovery. The forecast for Bank Rate now includes four increases, one in quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.
- 5.4 Vaccines were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the Omicron mutation at the end of November changed the landscape again. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection,

as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations.

- 5.5 With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021 but now looks likely to be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid.

Treasury Management Strategy Statement Review

- 5.6 The Treasury Management Strategy Statement (TMSS) for 2021/22 was approved by the Council on 24th February 2021. There are no policy changes to the TMSS in 2021/22

Review of Investment and Debt Portfolio 2021/22

- 5.7 The Council held £42.238m of investments as at 31 December 2021 and the investment portfolio yield for the first nine months of the year is 0.04% against a benchmark (Local Authority 7-Day Rate) of 0.01%.

Investment	Maturity	Amount (£'000)	Rate (%)
Money Market Funds			
Aberdeen	1 Day	9,997	0.07
Black Rock	1 Day	9,997	0.02
Federated	1 Day	6,997	0.05
Federated Cash Plus	2 Day	3,000	0.15
Goldman Sachs	1 Day	9,997	0.01
Deutsche	1 Day	2,250	0.00
Total Investments		42,238	

- 5.8 The 2021/22 interest budget assumed that an average interest rate of 0.1% would be earned on the Council's investment portfolio. However as interest rates have been cut to historic lows and with the negative rates being offered in the market this target will not be achieved. However cash balances are higher as a result in the interruption caused due to the pandemic and as such the investment budget should still be achieved this year.

- 5.9 As at 31 December 2021 the Council's debt portfolio was as follows

Short Term Market Loans				
Counterparty	Amount £	Rate	Start Date	Maturity Date
NIL	0			
	<u>0</u>			

PWLB Loans				
PWLB	Amount	Rate	Start Date	Maturity Date
PWLB	10,000,000	2.60%	09/02/2017	31/03/2062
PWLB	10,000,000	2.60%	09/02/2017	31/03/2066

PWLB	10,000,000	2.42%	20/06/2017	31/03/2063
PWLB	10,000,000	2.41%	20/06/2017	31/03/2064
PWLB	20,000,000	1.85%	21/11/2017	21/11/2024
PWLB	10,000,000	2.50%	21/11/2017	21/11/2062
PWLB	10,000,000	2.14%	03/12/2018	03/12/2028
	80,000,000			

Compliance with Treasury and Prudential Limits for 2021/22

- 5.10 The Director of Finance can confirm that the approved limits within the Annual Investment Strategy were not breached during the first nine months of 2021/22 and no changes to these limits are proposed for the remaining 3 months.

Treasury Management Report 2022/23

- 5.11 The Council is required to have regard to the Prudential Code and Code of Practice on Treasury Management in the Public Sector, both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Under these requirements the Council must set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. At its meeting on 2 March 2011 Council nominated the Governance and Audit Committee as the responsible body to examine and assess the effectiveness of the treasury management strategy and policies and recommend them to Council.
- 5.12 The attached Treasury Management Report 2022/23 (Annex A) was approved by the Executive, as a part of the Council's overall budget proposals, on 14 December 2021 and outlines the Council's Prudential Indicators for 2022/23 to 2024/25 in addition to setting out the expected treasury strategy and operations for this period. The Executive requested that the Governance and Audit Committee review each of the key elements. Following this review the Treasury Management Report and associated documents will be presented to Council for approval on 23 February 2022.

6 Consultation and Other Considerations

Legal Advice

- 6.1 The Treasury Management Activities by local authorities must have regard to the CIPFA Code of Practice.

Financial Advice

- 6.2 The financial implications are contained within the report.

Other Consultation Responses

- 6.3 The Overview & Scrutiny Commission was consulted on the budget proposals, including the Treasury Management Strategy, in January 2022.

Equalities Impact Assessment

- 6.3 None.

Climate Change Implications

- 6.4 The recommendations in Section 2 above will have no immediate impact on emissions of CO₂.

Background Papers

None

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