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TO THE CHAIRMAN AND MEMBERS OF THE STANDARDS AND AUDIT COMMITTEE

You are hereby summoned to attend a meeting of the Standards and Audit Committee to be held on Thursday, 21 September 2017 at 7.00 pm in the Council Chamber, Civic Offices, Gloucester Square, Woking, Surrey GU21 6YL.

The agenda for the meeting is set out below.

RAY MORGAN
Chief Executive

NOTE: Filming Council Meetings

Please note the meeting will be filmed and will be broadcast live and subsequently as an archive on the Council's website (www.woking.gov.uk). The images and sound recording will also be used for training purposes within the Council. Generally the public seating areas are not filmed. However by entering the meeting room and using the public seating area, you are consenting to being filmed.

AGENDA

PART I - PRESS AND PUBLIC PRESENT

1. Minutes

To approve the minutes of the meeting of the Standards and Audit Committee held on 12 July 2017 as published.

2. Declarations of Interest

To receive declarations of disclosable pecuniary and other interests from Members in respect of any item to be considered at the meeting.

In accordance with the Members' Code of Conduct, Councillor John Kingsbury will declare a non-pecuniary interest in any items under which the Thameswey Group of Companies, Brookwood Cemetery or Victoria Square (Woking) Ltd are discussed, arising from his position as a Director of the subsidiary companies. The interest is such that speaking and voting are permissible.

In accordance with the Officer Procedure Rules, the Head of Democratic and Legal Services, Peter Bryant, will declare an interest in any items under which the Thameswey Group of Companies or Brookwood Cemetery are discussed, arising from his position as a Director of the subsidiary companies. The interest is such that speaking was permissible.

3. Urgent Business

To consider any business that the Chairman rules may be dealt with under Section 100B(4) of the Local Government Act 1972.

4. External Audit Report to Those Charged with Governance (ISA 260) 2016-17 (Pages 1 - 38)

Reporting Person – Leigh Clarke

5. Internal Audit Service Progress Update (Pages 39 - 44)

Reporting Person – Leigh Clarke

6. Members' Code of Conduct (Pages 45 - 48)

Reporting Person – Peter Bryant

7. Ombudsmen Complaints (Pages 49 - 56)

Reporting Person – Peter Bryant

8. Appointment of External Auditors

Reporting Person – Leigh Clarke

AGENDA ENDS

Date Published - 13 September 2017

For further information regarding this agenda and arrangements for the meeting, please contact Doug Davern on 01483 743018 or email doug.davern@woking.gov.uk



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STANDARDS AND AUDIT COMMITTEE - 21 SEPTEMBER 2017

EXTERNAL AUDIT REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA260) 2016-17

Executive Summary

Attached as Appendix 1 is the External Auditor's report to those charged with Governance (ISA 260) for 2016/17. Attached as Appendix 2 is a draft Management Representation letter, a copy of which will be signed following approval of the Statement of Accounts by Council on the 28 September 2017.

Overall, this is a good report. In their report, the External Auditor draws the Committee's attention to the matters of concern discovered during the audit, and any adjusted or unadjusted audit differences. The External Auditor raised 4 recommendations as a result of their work this year and there was one audit adjustment which was made to the Group Accounts.

This report contains the Council's assessment of going concern, demonstrating that the assumption of going concern in preparing the accounts is appropriate.

The Standards and Audit Committee, in its role of governance and overseeing audit arrangements, is requested to receive the report and make any comments to full Council on 28 September 2017 as part of the Council's consideration of the Annual Statement of Accounts.

Recommendations

The Committee is requested to:

RECOMMEND to Council that the Report To Those Charged with Governance (ISA 260) 2016/17 and the Management Representation letter be received.

This item will need to be dealt with by way of a recommendation to Council

Background Papers:

None.

Reporting and Contact Person:

Leigh Clarke, Finance Director
Ext. 3277, E Mail: Leigh.Clarke@woking.gov.uk

Date Published:

13 September 2017

1.0 Introduction

- 1.1 Attached as Appendix 1 is the External Auditor's report to those charged with Governance (ISA 260) for 2016/17. Attached as Appendix 2 is a draft Management Representation letter, a copy of which will be presented to Council on the 28 September 2017 for signature after approval by Council.
- 1.2 In their report the External Auditor, KPMG, draws the Committee's attention to matters of concern discovered during the audit. The report also sets out any significant adjusted or unadjusted audit differences.
- 1.3 Four recommendations have been raised as a result of the audit work this year. None of the recommendations are high priority.
- 1.4 One recommendation relates to the controls around journals, improvements to the control environment which can be made whilst maintaining efficient accounting processes will be considered. Another relates to one instance where a member of staff still had access to post journals when this was no longer required. A lower priority recommendation has been raised due to an exceptional entry not being processed onto the finance system on a timely basis..
- 1.5 The final recommendation relates to the faster close timetable for 2017/18 onwards. For next year the statutory deadlines for the preparation of the Statement of Accounts will be brought forward with the draft accounts being completed by 31 May (currently 30 June) and the final audited version being approved by 31 July (currently 30 September). This will be challenging for both the preparation and the audit of the accounts. It will be necessary to reschedule preparatory work for during the financial year and ensure issues are resolved before the year end. Officers will also need to be prepared to make estimates and take judgements on materiality if final figures are not available, in order that the process is not delayed. The finance team will work closely with KPMG to prepare for this change.
- 1.6 There were no audit recommendations outstanding from previous years.

2.0 Going Concern Assessment

- 2.1 As part of their audit work, KPMG consider going concern, and require the Council to demonstrate it's ability to continue as a going concern for a period of 12 months from the signing of the accounts. From 2016/17 authorities are being asked to report their assessment of going concern to their Audit Committee.
- 2.2 Going concern is the assumption that the Council, it's functions and services will continue in operational existence for the foreseeable future. It is a fundamental principle in the preparation of the accounts and is required by the Local Authority Code of Accounting Practice.
- 2.3 If going concern was in doubt the impact on the accounts would include revaluation of fixed assets to ensure the values were actually realisable, and the inclusion of provisions for service closure and redundancies.
- 2.4 The Code assumes going concern on the basis that essential services to communities need to continue and that authorities are revenue-raising bodies with potential central government flexibility and support should they be in serious financial difficulty. Nevertheless it is best practice to consider and demonstrate that this assumption is appropriate.

External Audit Report to those charged with governance (ISA260) 2016-17

- 2.5 The main factors which underpin the assessment are as set out below and considered further in the following sections.
- The Council's current financial position;
 - The Council's projected financial position;
 - The Council's governance arrangements;
 - Identified risks and external conditions which could affect the Council's position.

Current Financial Position

- 2.6 The Statement of Accounts sets out the financial position at 31 March 2017, and the performance in the year to that date. KPMG have completed their audit of the accounts and have recommended one change to the Group Accounts. They have raised 4 recommendations as detailed in the section above, none of which affect the figures in the accounts.
- 2.7 The Council's financial and performance monitoring report for March 2017 showed underspends against budget of almost £1m. This has enabled an increased transfer into the Investment Strategy Reserve and is a positive outturn for the year.
- 2.8 There was also an improved position on Business Rates where the budget assumption of baseline income plus £300,000 was exceeded by an increase in the collectable rates and a reduction in the amounts required to be set aside for appeals. £1.3m was added to the Business Rates reserve to mitigate future changes in the distribution of Business Rates income.
- 2.9 There was some use of reserves in year, including the use of the Wolsey Place reserve to offset reductions in rental income following the surrender of a lease some years ago. However, overall there was an increase in General Fund revenue reserves and balances from £21.6m to £24.3m, and £8.9m to £10.7m for HRA reserves. In setting the budget for 2017/18 there is an expected £1.8m use of revenue reserves to support the budget and fund projects.
- 2.10 Reserves are set aside for specific purposes but there may be some flexibility in the timing of when they are required. Some reserves, in particular the Business Rates and MTFS reserve (which has a balance of £2.7m), are specifically to offset the impact of future funding threats including the impact of economic downturn.

Medium Term Financial Strategy (MTFS)

- 2.11 The 2017/18 budget was approved in February 2017 and included a £644,000 use of reserves to offset funding reductions ahead of the mitigating revenue as identified by the MTFS being in place.
- 2.12 To date the performance in year has not identified any significant adverse variances to the base budget. The Green Book for July 2017 shows a projected underspend of £45,000 and £110,000 of the £250,000 contingency allocated to one-off items.
- 2.13 The MTFS approved by Council in April 2017, identified the need for £7.5m of ongoing cost savings or increased income by 31 March 2022. Of this total, £4m has been identified with plans in place to mitigate the pressures.

External Audit Report to those charged with governance (ISA260) 2016-17

- 2.14 This leaves £3.5m to be secured, including £1.2m in 2018/19. Whilst this is challenging, the 2018/19 figures include no use of reserves, and no Business Rates or Council Tax surplus. Having finalised the collection fund for 2016/17 the Council Tax surplus is £136,000. The business rates pooling surplus in 2016/17 will cover both the 2017/18 budget, when the Council is not part of the pool, and 2018/19 whether or not pooling continues. The 2017/18 outturn also allowed sufficient funds to be set aside to cover the forecast requirement in 2018/19 should the MTFs strategies be delayed.
- 2.15 In addition a proportion of the pressure arises through the impact of Investment Programme projects, some of which could be delayed should the need arise.
- 2.16 Plans continue to be developed to meet the medium term financial requirement, however, the 2017/18 results provide additional flexibility to manage the transition.

Governance Arrangements

- 2.17 At its meeting in July this committee approved the Annual Governance Statement (AGS) for inclusion in the Statement of Accounts 2016/17.
- 2.18 The AGS together with supporting detailed schedules demonstrates how the Council meets the requirements of the CIPFA/Solace governance framework. It sets out in detail the arrangements within which the Council operates, plans and monitors use of its assets to achieve its objectives.
- 2.19 An action plan is included within the AGS to track the implementation of identified improvements. Of the actions for 2017/18 the most significant is the progress on Business Continuity plans which are in hand.

Risks and External conditions

- 2.20 Central to the MTFs is the assumption of withdrawal of government funding. To the extent that the multi-year settlement can be relied upon, the reductions are set and built into the Council's plans. However, post 2019/20 the funding position is unclear. The MTFs assumes continual reductions with the risk that these could be greater than the forecast amounts.
- 2.21 The Council is undertaking significant projects in Victoria Square and Sheerwater. However, the governance structures are such that these are managed through the Council's subsidiary and associate companies. Whilst ongoing funding will be required from the Council, the structures protect the Council from the impact of significant adverse variations whilst the project finances are remodelled.
- 2.22 The Council requires loan finance to progress investment plans and its MTFs strategy. Should access to PWLB funding be limited funds would have to be secured from elsewhere. However, there are alternative sources of finance available to the Council. A significant increase in interest rates would increase project costs and increase the time to generate the forecast cashflows. Currently interest rate forecasts suggest only gradual increases over the MTFs period.

Going concern assessment conclusion

- 2.23 The analysis above confirms that the going concern assumption is valid and appropriate. Despite continued funding reductions over recent years the Council has maintained services, increased activity in some areas, and is shown to be able to do so for the foreseeable future. The Council has reserves which can mitigate a one-off or unexpected

shock, and could cushion the ongoing operations for a period of time while a revised base position was secured. Most recent outturn performance confirms that revenue budgets are realistic and prudent, with some opportunity for in year underspends should management action be required.

3.0 Implications

Financial

3.1 There are no new financial implications arising from this report.

Human Resource/Training and Development

3.2 There are no specific HR, training and development issues arising, however skills and resources will need to be considered ahead of the earlier deadlines next year.

Community Safety

3.3 There are no community safety issues.

Risk Management

3.4 Risks are addressed within the Medium Term Financial Strategy. The External Auditors have raised recommendations which will be considered and appropriate actions taken.

Sustainability

3.5 There are no specific sustainability issues.

Equalities

3.6 There are no equalities issues.

4.0 Conclusions

4.1 The Statement of Accounts will be presented for approval by Council on the 28 September 2017 together with the External Auditor's report, the Management Representation letter and any comments this Committee wishes to make on the report.

4.2 The Auditors have indicated that they anticipate issuing an unqualified audit opinion by the 30 September 2017 in accordance with the statutory timetable.

4.3 The Standards and Audit Committee, in its role of governance and overseeing audit arrangements, is requested to receive the report and make any comments to full Council.

REPORT ENDS



External Audit Report 2016/17

Woking Borough Council

September 2017

Content

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	Page
Important notice	3
1. Summary	4
2. Financial statements audit	6
3. Value for money conclusion	17
Appendices	19

Important notice

1. Summary

2. Financial statements audit

3. Value for money conclusion

Appendices

- 1 Recommendations raised
- 2 Materiality and reporting of audit differences
- 3 Audit differences
- 4 Audit independence
- 5 Audit quality framework

This report is addressed to Woking Borough Council (the Authority) and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. PSAA issued a document, entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on PSAA's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Hewitson, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (0207 694 8981, andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

important notice

This report is presented in accordance with our PSAA engagement. Circulation of this report is restricted. The content of this report is based solely on the procedures necessary for our audit. This report is addressed to Woking Borough Council (the Authority) and has been prepared for your use only. We accept no responsibility towards any member of staff acting on their own or to any third parties. The National Audit Office (NAO) has issued a document entitled Code of Audit Practice (the Code). This summarises where the responsibilities of auditors begin and end and what is expected from the Authority. External auditors do not act as a substitute for the Authority's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Basis of preparation: We have prepared this External Audit Report (Report) in accordance with our responsibilities under the National Audit Office Code of Audit Practice (the Code) and the terms of our Public Sector Audit Appointments Ltd (PSAA) engagement.

Purpose of this report: This Report is made to the Authority's Standards and Audit Committee in order to communicate matters as required by International Audit Standards (ISAs) (UK and Ireland) and other matters coming to our attention during our audit work that we consider might be of interest and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report or for the opinions we have formed in respect of this Report.

Limitations on work performed: This Report is separate from our audit opinion and does not provide an additional opinion on the Authority's financial statements nor does it add to or extend or alter our duties and responsibilities as auditors. We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report. The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit: Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status of our audit at the Audit Committee meeting. The following work is ongoing:

- Final review of annual report;
- Whole of Government Accounts submission;
- Final review of audit files.

Section One

Summary

Financial statements audit – see section 2 for further details

Subject to all outstanding queries and procedures being satisfactorily resolved we intend to issue an unqualified audit opinion on the Authority's financial statements for the deadline of 30 September 2017, following the Council approving the financial statements on 28 September 2017 and receipt of the management representations letter.

We have completed our audit of the financial statements. We have read the Narrative Report and reviewed the Annual Governance Statement (AGS). Our key findings are:

- There are no unadjusted audit differences, and one adjusted audit difference explained in section 2 and appendix 3.
- We agreed presentational changes to the accounts with Finance, mainly related to compliance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
- We report here that your AGS complies with delivering Good Governance guidance issued by CIPFA / SOLACE in April 2016.
- We reviewed the narrative report and have no matters to raise with you.
- We did not receive any queries or objections from local electors this year.

We are now in the completion stage of the audit and anticipate issuing our completion certificate for 30 September 2017.

Value for money – see section 3 for further details

Based on the findings of our work, we have concluded that the Authority has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion for the deadline of 30 September 2017.

Section One

Summary

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control, issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions / objections, opening balances, etc.)

There are no matters which we wish to draw to your attention other than those highlighted in this report relating to the audit of the Authority's 2016/17 financial statements.

We did not raise any recommendations in our 2015/16 ISA 260 report. We have made four new recommendations as a result of our 2016/17 work. The recommendations relate to journals, the timeliness of processing transactions into the Financial Information System and the closedown process. All recommendations are shown in appendix 1.

We undertake other grants and claims work for the Authority that does not fall under the PSAA arrangements. The status of our grants and claim work is summarised below.

- We will complete the certification of Pooling of Housing Capital Receipts in September 2017; and
- We will complete the certification of the Housing Benefits claim in September 2017.

The fees for this work are explained in section two.

Section Two

Financial statements audit

We audit your financial statements by undertaking the following:

Work Performed	Accounts production stage		
	Before	During	After
1. Business understanding: review your operations	✓	✓	-
2. Controls: assess the control framework	✓	-	-
3. Prepared by client request (PBC): issue our prepared by client request	✓	-	-
4. Accounting standards: agree the impact of any new accounting standards	✓	✓	-
5. Accounts production: review the accounts production process	✓	✓	✓
6. Testing: test and confirm material or significant balances and disclosures	-	✓	✓
7. Representations and opinions: seek and provide representations before issuing our opinions	✓	✓	✓

We have completed the first six stages and report our key findings below:

1. Business understanding	In our 2016/17 audit plan we assessed your operations to identify significant issues that might have a financial statements consequence. We confirmed this risk assessment as part of our audit work. We provide an update on each of the risks identified later in this section.
2. Assessment of the control environment	We assessed the effectiveness of your key financial system controls that prevent and detect material fraud and error. We found that the financial controls on which we seek to place reliance are operating effectively. We have made four recommendations which relate to journals, the timeliness of clearing reconciling items on the bank reconciliation and the closedown process. We believe that these recommendations (see appendix 1) will strengthen your control environment. We reviewed work undertaken by your internal auditors, in accordance with ISA 610 and used the findings to inform our work. We have chosen not to place reliance on their work due to the approach we adopted for the financial statements audit.
3. Prepared by client request (PBC)	We produced the PBC to summarise the working papers and evidence we ask you to collate as part of the preparation of the financial statements. We discussed and tailored our request with the Financial Services Manager and this was issued as a final document to the finance team. We are pleased to report that this has resulted in good-quality working papers with clear audit trails, although we note the provision of source documents in an editable format, such as the trial balance provided in excel, as well as a .pdf document would assist with the efficiency of the audit.

Section Two

Financial statements audit

4. Accounting standards	<p>We work with you to understand changes to accounting standards and other technical issues. For 2016/17 these changes related to:</p> <ul style="list-style-type: none"> • Updates to the presentation of the Comprehensive Income and Expenditure Statement and the Movements in Reserves Statement and the introduction of the new Expenditure and Funding Analysis: this resulted in material changes year on year to the presentation of the financial statements. We have audited the presentation and content of the current and prior year restated disclosures, and are satisfied they are materially accurate; and • Amended guidance on the Annual Governance Statement. We reviewed the Annual Governance Statement against the updated requirements in the CIPFA code and are satisfied the content is compliant.
5. Accounts Production	<p>We received complete draft accounts by 30 June 2017 in accordance with the deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We will debrief with Finance to share views on the final accounts audit which hopefully will lead to further efficiencies in the 2017/18 audit process. Although the accounts deadline has remained the same as in prior year, the finance team have moved many of their internal deadlines forward in order to prepare for the early close required for 2017/18. The Finance Team acknowledges that there is lots to be done to prepare for the earlier deadline next year, including bringing preparatory work forward, taking a different approach to non-material accounting issues, and considering the production of a period 9 hard close account.</p> <p>We thank Finance for their cooperation throughout the visit which allowed the audit to progress and complete within the allocated timeframe.</p>
6. Testing	<p>We have summarised the findings from our testing of significant risks and areas of judgement in the financial statements on the following pages. We identified presentational changes to the accounts along with an audit adjustment to the Capital Grants Receipts in Advance balance in the Group Accounts (balance in 2016/17 £7,408k; adjustment required £-1,544k) which we have presented in appendix 2.</p>
7. Representations	<p>You are required to provide us with representations on specific matters such as your going concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. We provided a draft of this representation letter to the Finance Director on 22 August 2017. We draw attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us.</p>



Section Two

Financial statements audit

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with Management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, opening balances, public interest reporting, questions/objections, etc.).

There are no others matters which we wish to draw to your attention other than those highlighted in this report relating to the audit of the Authority's 2016/17 financial statements.

To ensure that we provide a comprehensive summary of our work, we have over the next pages set out:

- The results of the procedures we performed over: the Pension Liability; Restatement of the Comprehensive Income and Expenditure statement, Expenditure and Funding Analysis, and Movement in Reserves statement; Valuation of Land and Buildings; Valuation and Consolidation of Subsidiaries. These were identified as significant risks within our audit plan;
- The results of our procedures to review the required risks of the fraudulent risk of revenue recognition (which we have rebutted as part of our audit planning) and management override of control; and
- Our view of the level of prudence applied to key balances in the financial statements.

Section Two Financial statements audit

SIGNIFICANT audit risk	Account balances effected	Summary of findings
Valuation and consolidation of subsidiary investments	Shareholdings in companies: £30,733k (PY £22,726k)	<p>Approach:</p> <ul style="list-style-type: none"> ▪ We liaised with the subsidiary auditor and confirmed their professional qualifications, experience and independence; ▪ We reviewed the Authority's impairment review; ▪ We compared the accounting between the subsidiary and the Authority accounts; and ▪ We tested the classification and accuracy of the investments in the Authority's accounts, and reviewed the presentation of the consolidated Group accounts. <p>In performing this testing we found that the Authority appoints an auditor of the Thamesway group with suitable qualifications, experience and independence. The Authority carries out a regular review of Thamesway investments for any impairment indicators. We tested the adjustments posted as part of the consolidation process to align the accounting treatment of the Thamesway group and Authority accounts. This found one error in the consolidation of Capital Grants Received in Advance – we have outlined this audit adjustment in Appendix 3. We confirm here that management have corrected this error. We found that the classification and accuracy of investments recognised in the Authority accounts (2016/17 £30,733k) was materially correct and appropriately presented in the Group accounts.</p>
Restatement of Comprehensive Income and Expenditure Statement, Expenditure and Funding Analysis, and Movement in Reserves Statement	Disclosure	<p>Approach:</p> <ul style="list-style-type: none"> ▪ We assessed how the Authority actioned the revised disclosure requirements for the CIES, MIRS and the new EFA statement as required by the Code; and ▪ We checked the restated numbers and associated disclosures for accuracy, correct presentation and compliance with applicable Accounting Standards and Code guidance. <p>We performed audit testing on the restated figures. This involved ensuring that the presentation of the notes was in line with the Authority's internal reporting and monitoring structure. We agreed prior year figures back to the audited 2015/16 accounts and gained an understanding of the adjustments that were posted in order to restate the prior year figures. We ensured that the presentation of the new format notes was in line with the presentational requirements outlined in the CIPFA 2016/17 Code of Practice. We did not identify any issues with the restatement.</p>

14



Section Two

Financial statements audit

SIGNIFICANT audit risk	Account balances affected	Summary of findings
<p>Significant changes in the pension liability due to LGPS triennial valuation</p>	<p>Pension Liability: £62,021 (PY £50,725)</p>	<p>Approach: We have undertaken work on a test basis to agree the data provided to the actuary back to the systems and reports from which it was derived and to understand the controls in place to ensure the accuracy of this data. This included checking data provided to the actuary back to underlying payslips. We performed an evaluation of the actuary's expertise using our own KPMG specialists. We performed benchmarking of the assumptions used in the valuation against KPMG benchmarks and against those used by other Surrey District Councils. Finally we ensured that numbers included in the actuary's report had been correctly reflected in the Authority's financial statements.</p> <p>No issues were identified as part of the testing of the pension scheme balances.</p>
<p>Valuation of land and buildings</p>	<p>Property, Plant and Equipment: £469,984k (PY £432,739k)</p>	<p>Approach : We have undertaken an assessment of the expertise of the Authority's valuers, Wilks Head and Eve (WHE) and Frazers. This involved confirmation of their professional experience, qualifications and independence. For this we used our own KPMG specialist to evaluate the work of WHE and Frazers.</p> <p>We reviewed the instructions provided by the Authority to WHE and Frazers to confirm they are complete and accurate, i.e. that they include the Authority's full estate and are appropriate for the purposes of the valuation. We checked that the instructions are in line with the Code.</p> <p>We reviewed the valuation provided by the valuers and assessed whether it has been reflected accurately in the Fixed Assets Register and in the financial statements, and considered the accuracy of information provided by the Authority to the valuers.</p> <p>We reviewed the revaluation basis and were satisfied the approach was appropriate. In doing so we have drawn on national benchmarks outlined in the Gerald Eve report, which provides an overview of national property market performance. We engaged our property team experts to undertake an assessment of the revaluation.</p> <p>We tested the floor space inputs into the valuations (combination of Gross Internal Area, Net Internal Area and Site Area depending on the operational use of the asset). This included ensuring that information supplied by the Authority to WHE had been used correctly in the valuations. We tested the accuracy of information by re-performing a sample of area calculations. We found no issues with the completeness and accuracy of the internal area data supplied to the valuer.</p> <p>We have undertaken appropriate work to understand the basis upon which any impairments to land and buildings have been calculated, and have tested associated assumptions. Impairments in 2016/17 were £1,182k for Other Land and Buildings and £12,751k for Investment Property. The approach was considered to be reasonable by our valuation specialist.</p>



Section Two

Financial statements audit

Other areas of audit focus

We identified 6 other areas of audit focus. These are not considered to be significant risks as they are less likely to give rise to a material error. Nonetheless these are areas of importance where we carry out audit procedures to ensure that there is no material misstatement.

Other areas	Account balances affected	Summary of findings
Cash	Cash: £10,100k (PY £10,000k)	We reviewed bank confirmations and reconciliations to ensure that internal controls are operating effectively and that the year end cash balance is accurate. We have raised a low priority recommendation in relation to timely clearance of items from the bank reconciliation.
Payroll	Payroll: £10,600k (PY £10,300k)	We reviewed the approach and tested the systems and specific transactions to ensure completeness, existence and accuracy of the payroll balance. We formed our own expectation of payroll costs for the year, disaggregated across different grades of employees. We did not identify any issues with the payroll balance.
Business rates and council tax	Business rates and council tax: £117,000k (PY £109,000k)	We tested the completeness, accuracy and existence of these revenue sources through testing the calculations, agreeing a sample to supporting evidence and to the prior year and comparable benchmarks. No issues found with the recognition and recording of business rates and council tax.
HRA rental income	HRA gross rental income: £18,971k (PY £19,022k)	We tested the accuracy of income and expenditure through testing a sample to supporting evidence. We gained assurance of the completeness of income and expenditure through cut off testing procedures. No issues identified.
Housing benefits	Housing benefits: £29,335k (PY £29,387k)	We reviewed the processes to ensure that appropriate controls are in place. We selected a sample of housing benefit claims and payments and agreed these to supporting documentation. No issues identified.
Grant income	Capital grants received: £16,350 (PY £3,400k)	We reviewed the processes over the different grants to ensure that they are accurately recorded. We selected a sample and tested back to underlying evidence to ensure that grants have been recognised correctly and that the Authority has the right to receive the grant. No issues identified.

Section Two

Financial statements audit

Risks that ISAs require us to assess in all cases	Why	Our findings from the audit
<p>Fraud risk from revenue recognition</p>	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>In our External Audit Plan 2016/17 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.</p>	<p>We have not conducted any specific procedures in relation to the risk of fraud in recognition, as we have rebutted this risk as part of our audit plan.</p>
<p>Fraud risk from management override of controls</p>	<p>Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk.</p> <p>In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p> <p>We have not identified any specific additional risks of management override relating to this audit.</p>	<p>There are no matters arising from this work that we need to bring to your attention.</p>

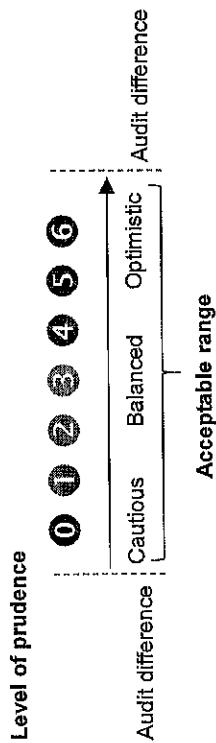


Section Two

Financial statements audit

Judgements in your financial statements

We consider the level of prudence in key judgements in your financial statements. We summarise our view below using the following scale:



Assessment of subjective areas			
Asset / liability class	Current year	Prior year	Balance (£m)
Provisions, including NDR provision	3	3	£1.4m (PY: £2.5m)
Accruals de minimis level	3	3	£1,000* (PY: £500)
Accruals and sundry creditors	3	3	£12.7m (PY £10.1m)

KPMG comment

In 2013/14, changes to the local authority funding arrangements meant that the Authority is now responsible for a proportion of successful rateable value appeals. The Authority has provided for a fixed percentage of outstanding appeals in accounting for the potential liability, based on historical appeals success rates. We have tested this and found that the Authority have made appropriate judgements in deriving and assessing the appeals percentage. We conclude this is a balanced judgement

The Authority has increased its de minimis accruals level in response to the shorter closedown period. We have been actively engaging with Management to understand the impact of this. Whilst not a material change, in light of it, the Authority should consider its financial reporting process throughout the year. The £1,000 limit is sensible for an organisation the size of Woking, and in line with what we see at other councils. We therefore conclude this is a balanced judgement

** note these values are whole pounds, not millions.*

We performed substantive testing over a sample of accruals. For each accrual we found that there was sufficient appropriate evidence to justify the accrued amount. Where possible we matched the accrual to the actual amount paid and found it to have been estimated reliably. The movement in accruals is mainly attributable to a reduction in income received in advance and sundry deposits.



Section Two

Financial statements audit

Assessment of subjective areas			
Asset / liability class	Current year	Prior year	Balance (£m)
PPE: HRA assets	③	③	£294m PY: £277m
KPMG comment	The Authority continues its use of the beacon methodology in line with the DCLG's <i>Stock Valuation for Resource Accounting</i> published in November 2016. Beacon properties have been valued by Frazers chartered surveyors. The resulting increase of 6% is in line with regional indices provided by Gerald Eve, the valuation firm engaged by the NAO to provide supporting valuation information. Based on our assessment of these assumptions, we have concluded this is a balanced judgement.		
PPE: Impairments	③	③	£23.9m PY: £12.8m
KPMG comment	There was an increase in the value of impairments recognised in 2016/17. The main contributors to the impairment were falls in value of the Hoe Valley Community Buildings and Wolsey Place Shopping Centre. The impairment to the Hoe Valley Community Buildings resulted from a change in the way they are valued – whilst under construction they were valued at the cost to construct the assets (£8.7m). However, following construction, they are valued based on the rental value of the leases. As this is a community asset, these rental yields are low, resulting in revised valuation of £87,500. The second contributor to the impairment was a fall in value of the Wolsey Place Shopping Centre. This is due to some parts of the building being closed and tenants being relocated as a result of the Victoria Square redevelopment. This led to an impairment of £12.3m. We have assessed the valuations prepared by Wilks Head and Eve using our own valuation specialist. Our assessment is that WHE have used prudent assumptions about property prices and rental yields, which are tailored appropriately for the Surrey area. We therefore conclude that this is a balanced estimate.		
Bad debt provision	③	③	£2.9m PY: £3.7m
KPMG comment	The provision for bad debts fell by £0.8m in 2016/17. This was due to a higher number of sundry creditors being collected prior to year end. In addition there was a significant debt write off in year, which has resulted in a lower provision being required. The Authority has analysed the aging of its debtors, and compared it to historic debt collection rates. The provision is a reasonable reflection of these historic rates, so we have concluded it is a balanced estimate.		
Pension liability	③	③	£62m PY: £50m
KPMG comment	The year on year increase is due to the triennial valuation of the scheme. We performed detailed audit procedures over the pension liability. This included agreeing the amounts disclosed back to the actuary's report, substantively testing the information provided to the actuary, and performing a review of the key assumptions that affect the balance. In addition, we reviewed the PWC report of the Local Government Pension Scheme, and communicated with Grant Thornton, the auditors responsible for the Surrey Pension Scheme. We found that the assumptions were reasonable and the underlying data was accurate. We found that the assumptions applied by the Authority were in line with other Surrey Authorities, and with our own internal benchmarks. We have therefore concluded this is a balanced assumption.		

Section Two

Financial statements audit

Group audit

We liaised with the subsidiary auditor, Hamlyns, and confirmed their professional qualifications, experience and independence. No issues were identified from this work. We reviewed the Authority's impairment review, which did not identify any issues. We compared the accounting between the subsidiary and the Authority accounts, which did not identify any issues. We liaised with Hamlyns to confirm whether the accounts of the Thamesway Ltd were materially accurate. Hamlyns confirmed their accuracy.

One corrected adjustment relating to Capital Grants Receipts in Advance, adjustment required £1,544k (see appendix 3) resulted from our audit of the Group. No other issues were noted.

Narrative report of the Authority

We reviewed the Authority's narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

Queries from local electors

We did not receive any questions or objections from members of the public this year.

Audit certificate

We have completed all our responsibilities in relation to the audit of the accounts for the year end 31 March 2017 and anticipate issuing our audit certificate with our audit opinion.

Section Two

Financial statements audit

Whole of Government Accounts (WGA)

We are in the process of reviewing your WGA consolidation pack.

Other grants and claims work

We undertake other grants and claims work for the Authority that does not fall under the PSAA arrangements. The status of our grants and claim work is presented below:

- We will complete the certification of Pooling of Housing Capital Receipts in September 2017; and
- We will complete the certification of the Housing Benefits claim in September 2017.

Audit fees

Our fee for the audit was £54,702 excluding VAT (£54,702 excluding VAT in 2015/16). This fee was in line with that highlighted in our audit plan approved by the Standards and Audit Committee on 9 March 2017.

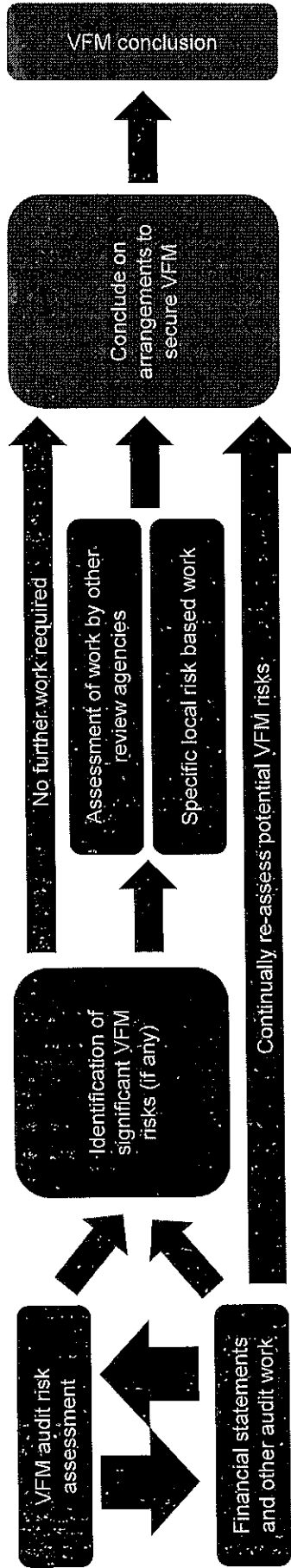
Our work on the certification of Housing Benefits (BEN01) is planned for September 2017. The planned scale fee for this is £7,208 excluding VAT (£7,208 excluding VAT in 2015/16). The planned fee for Capital Pooling which does not fall under the PSAA arrangements is £3,000 excluding VAT (£3,000 excluding VAT in 2015/16).

We have completed non-audit work at the Authority in 2016/17 delivering a high level tax awareness session to Mole Valley District Council, with Woking Borough Council in attendance, and have included in appendix 4 confirmation of the safeguards that have been put in place to preserve our independence.

Section Three

Value for money

Our VFM work follows NAO guidance. It is risk based and our approach is summarised below. We identified one significant VFM risk which is reported below. We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017, based upon the criteria of informed decision making, sustainable resource deployment and working with partners and third parties.



Significant risk based VFM audit work

Below we set out the detailed findings of our significant risk based VFM work. This work was completed to address the residual risks remaining after our assessment of the higher level controls in place to address the VFM risks identified in our planning and financial statements audit work.

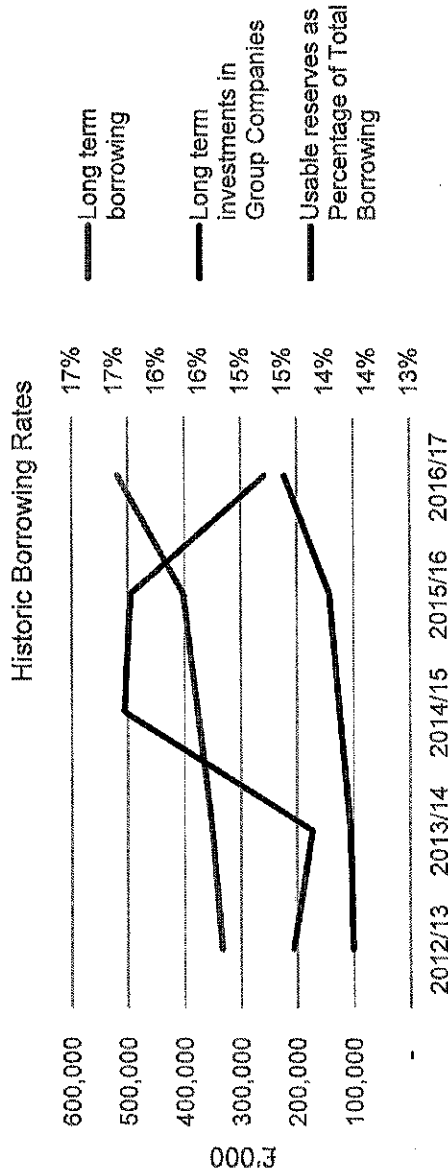
Significant VFM risk	Why this is significant	Our audit response and findings
Financial resilience	These is increased pressure on authorities to deliver services with reduced budgets. In 2016/17, Woking Borough Council has undertaken significant infrastructure projects and increased borrowing.	<p>We assessed whether the Authority has robust systems and processes to effectively manage financial risks and opportunities and to secure a stable financial position that enables it to operate for the foreseeable future. We did this by reviewing the Medium Term Financial Strategy (MTFS) for 2016/17 to 2021/22 and by reviewing relevant minutes from Council meetings to support our understanding of processes followed in setting the MTFS.</p> <p>We reviewed the budget process and assumptions included such as savings estimates. We also reviewed related support and evidence of challenge. In particular, the MTFS states that the Authority must find £7.5m of savings over the 5 years to 2022. We enquired with the managers of each of the main departments about the assumptions underpinning the MTFS, and they felt the assumptions were reasonable based on past performance. In 2016/17 there was an underspend of £981k, with a forecast underspend in 2017/18 of £296k.</p>

Section Three

Value for money

Our audit response and findings (continued...)

We performed an analysis of historic borrowing rates, and comparison with reserves. This included an analysis of where the majority of savings have come from and met with key managers to discuss the assumptions underpinning the Medium Term Financial Strategy.



Long term borrowings have been increasing significantly: up from £333m in 12/13 to £518m in 16/17, an increase of 55%. The Council borrows in order to fund purchases of property, build and do major works to community facilities, or to acquire strategic assets to help with the aim of regeneration. With current property rises outpacing the interest rates on the PWLB loans, this is a sensible investment strategy. In addition, over this period the Council has grown its usable reserves from £53m in 13/14 to £84m in 16/17. Usable reserves as a percentage of borrowing has remained fairly static at between 14%-16% across the period. This suggests the Council is actively managing its reserves to ensure that they are kept at an appropriate level relative to borrowing commitments.

Overall we have not identified any significant concerns with the financial resilience of the Authority that would impact on our value for money conclusion.

Appendix 1

Recommendations raised

Recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations		
①	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	②
②	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	③
③	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.	

#	Risk Recommendation	Management Response / Officer / Due Date
1	<p style="text-align: center;">②</p> <p>Journal controls</p> <p>The Authority does not have a number of the controls we expect to see embedded into the journals process. We have provided management with a 'best practice' summary of the typical journal controls used by other organisations.</p> <p>Whilst we are satisfied that there are mitigating controls in place that could detect a material misstatement in the financial statements, in light of the faster close timetable next year and current good practice, the Authority should consider how it could improve the efficiency and effectiveness of its journals control environment (our best practice list of controls has been shared with management).</p>	<p style="text-align: center;">③</p> <p>Agreed</p> <p>Access to journals is restricted to members of the Finance Team which minimises the risk of inappropriate journal entry. Mitigating controls are in place to identify errors. A management control report will be generated to identify back-posted journals.</p> <p>Financial Services Manager December 2017</p>
2	<p style="text-align: center;">③</p> <p>Journals authorisation</p> <p>One member of staff remained on the journals authorisation list when they should have been removed. This was due to the member of staff being temporarily seconded to the finance team to assist with a busy period. They were correctly given journals privileges, but these were not removed when that person left the team. We reviewed the journals list and found that no journals had been posted by that person in 2016/17, and they have now been removed from the approved list.</p> <p>We recommend that management frequently review the access rights for posting journals.</p>	<p style="text-align: center;">Agreed</p> <p>A management report of staff with access to journals will be reviewed quarterly.</p> <p>Financial Services Manager, December 2017</p>

Appendix 1

Recommendations raised

#	Risk	Recommendation	Management Response / Officer / Due Date
3	③	<p>Faster close preparations</p> <p>In preparation for the mandatory faster close timetable for 2017/18 onwards, Finance could benefit from ensuring that the accounts timetable has sufficient time set aside for preparing and quality assuring its draft accounts and supporting working papers. This should help to ensure that the tighter deadlines are met next year. A detailed 2016/17 debrief should take place internally to identify lessons learnt and potential efficiencies for next year's process, which we would be happy to take part in.</p>	<p>Agreed</p> <p>The Finance Team will work with KPMG to prepare for next year's process.</p>
4	③	<p>Timeliness of processing transactions into the Financial Information System</p> <p>A CHAPS payment was not input into Integra pending a decision on its accounting treatment. This was picked up and reported in the bank reconciliation process in a timely manner and highlighted as unreconciled item. Reconciling items could be removed more quickly from the bank reconciliation if discussions about accounting treatment of unusual transactions could take place within a 30 day period. This will may also facilitate early closedown.</p>	<p>Agreed.</p> <p>A 30 day period will be adopted as a target for processing transactions onto the financial information system.</p>



Appendix 2

Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects:

- Material errors by **value** are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements;
- Errors which are material by **nature** may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff, and
- Errors that are material by **context** are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2016/17, presented on 9 March 2017

Materiality for the Authority's accounts was set at £1.8 million for the Group accounts and £1.7 million for the Authority accounts. This equates to around 1.9% of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to Standards and Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Standards and Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £85,000 for the Authority

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Standards and Audit Committee to assist it in fulfilling its governance responsibilities.

Appendix 3

Audit differences

Unadjusted audit differences

There are no unadjusted audit differences.

Adjusted audit differences

To assist the Standards and Audit Committee in fulfilling its governance responsibilities we present in the table below a summary of adjusted audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Authority adjusted audit differences (£'000)						
#	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Comments
1	-	-	-	Dr Capital Grants Received in Advance £1,544k	Cr Profit and loss reserve £1,544k	We identified a misstatement in a consolidation adjustment posted by the Authority. The adjustment is to align the recognition of grants made to Thamesway Ltd with International Financial Reporting Standards requirements. The value of grants made to Thamesway was incorrectly taken from the draft Thamesway accounts. A value of £5,177,340 was used in the adjustment calculation. The actual value of the grant from Thamesway audited accounts was £6,721,062, resulting in a difference of £1,543,722.
				Dr £1,544k	Cr £1,544k	Total impact of corrected audit differences

Presentational audit differences

In addition to the adjusted audit difference noted above, our work identified presentational differences that the Authority has agreed to change.

Appendix 4

Audit independence

This appendix communicates all significant facts and matters that bear on KPMG LLP's independence and objectivity and informs you of the requirements of ISA 260 (UK and Ireland) *Communication of Audit Matters to Those Charged with Governance*.

Integrity, objectivity and independence

We are required to communicate to you in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and audit team. We have considered the fees paid to us by the Authority for professional services provided by us during the reporting period. We are satisfied that our general procedures support our independence and objectivity.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies all KPMG LLP audit partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings. Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: instilling professional values; communications; internal accountability; risk management; and independent reviews. We would be happy to discuss any of these aspects of our procedures in more detail. There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed.

Audit matters

We are required to comply with ISA (UK and Ireland) 260 *Communication of Audit Matters to Those Charged with Governance* when carrying out the audit. ISA 260 requires that we consider the following audit matters and formally communicate them to those charged with governance:

- Relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement lead and audit staff;
- The general approach and overall scope of the audit, including any expected limitations thereon, or any additional requirements;
- The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Authority's financial statements;
- The potential effect on the accounts of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements;
- Audit adjustments, whether or not recorded by the entity that have, or could have, a material effect on the Authority's financial statements;
- Material uncertainties related to events and conditions that may cast significant doubt on the Authority's ability to continue as a going concern;
- Disagreements with Management about matters that, individually or in aggregate, could be significant to the Authority's financial statements or the auditor's report. These communications include consideration of whether the matter has, or has not, been resolved and the significance of the matter;
- Expected modifications to the auditor's report;

28

Appendix 4

Audit independence

- Other matters warranting attention by those charged with governance, such as material weaknesses in internal control, questions regarding management integrity, and fraud involving management; and
- Any other matters agreed upon in the terms of the audit engagement.

We continue to discharge these responsibilities through our attendance at Standards and Audit Committees, commentary and reporting and, in the case of uncorrected misstatements, through our request for management representations.

Auditor declaration

In relation to the audit of the financial statements of Woking Borough Council for the financial year ending 31 March 2017 we confirm that there were no relationships between KPMG LLP and Woking Borough Council, their directors and senior management and their affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity. We summarise below the non-audit services that we have provided, the fee, the potential threats to auditor independence and the associated safeguards in place.

Description of non-audit services	2016-17 fees	Potential threat to auditor independence	Associated safeguards in place
High level tax awareness session delivered to Mole Valley District Council, with Woking Borough Council in attendance.	£200 recharge to Woking of a £3,000 fee for the course.	Self-Interest	The tax awareness session was undertaken by a separate team from the audit team. There was no communication between teams. The fee for the session (of which only £200 was recharge to Woking) is a trifling percentage of our audit fee, so the self-interest threat is acceptably insignificant.
Total fees	£200		
Total fees as a % of the external audit fees	<1%		

We considered the ratio of audit to non-audit fees and as required by the APB Ethical Standards. The principal threat which arises from fees from non-audit services which are large in absolute terms relative to the audit fee is the perception of self-interest and advocacy. In this regard, we do not consider that the above ratio creates such a self-interest or advocacy threat since the absolute level of non-audit fees is not significant to our firm as a whole and neither the audit partner nor members of the audit team are incentivised on, or rewarded in respect of, the provision of non-audit services to you. We believe that the question of perception is best addressed through appropriate disclosure as to use of the auditor for the provision of non-audit services in the Authority's annual report and accounts.

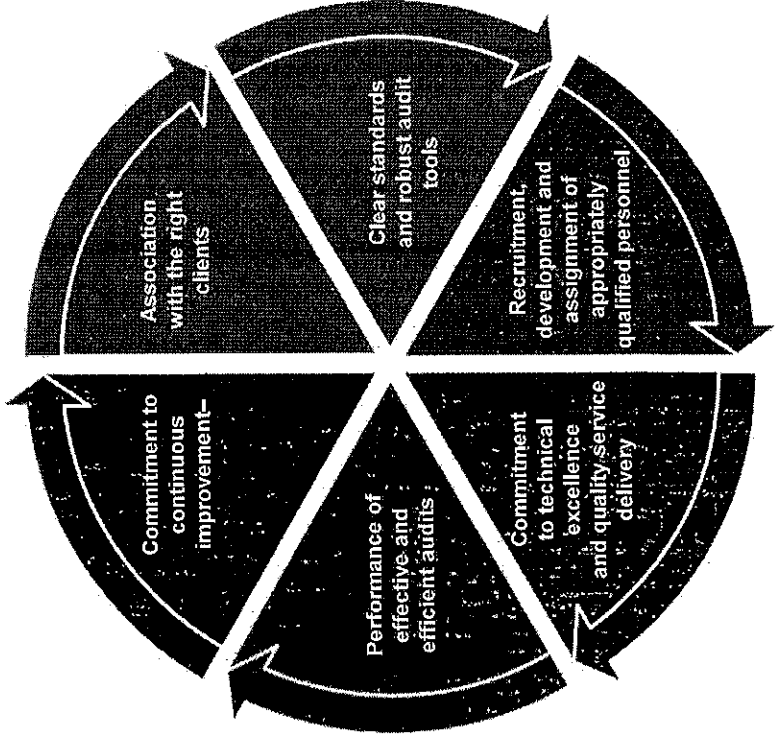
Appendix 5 Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework

- Comprehensive effective monitoring processes
- Proactive identification of emerging risks and opportunities to improve quality, and provide insights
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Relationships built on mutual respect
- Insightful, open and honest two way communications

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- Independence policies

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists



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Neil Hewitson
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29 September 2017

Dear Neil

This representation letter is provided in connection with your audit of the financial statements of Woking Borough Council ("the Authority"), for the year ended 31 March 2017, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority and the Group as at 31 March 2017 and of the Authority's and the Group's expenditure and income for the year then ended; and
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

These financial statements comprise the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:
 - i. give a true and fair view of the financial position of the Authority and the Group as at 31 March 2017 and of the Authority's and the Group's expenditure and income for the year then ended; and



- ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

All misstatements identified as part of the audit have been corrected.

Information provided

4. The Authority has provided you with:

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

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

6. The Authority confirms the following:

- i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Authority has disclosed to you all information in relation to:

- a) Fraud or suspected fraud that it is aware of and that affects the Authority and the Group and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
- b) allegations of fraud, or suspected fraud, affecting the Authority's and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

8. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you the identity of the Authority's and the Group's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.
10. The Authority confirms that:
 - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's and the Group's ability to continue as a going concern as required to provide a true and fair view.
 - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority and the Group to continue as a going concern.
11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,have been identified and properly accounted for; and
- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Council on 28 September 2017.

Yours faithfully,

Leigh Clarke
Finance Director

For further information please contact Leigh Clarke on 01483 743277 (Direct Line) or
Email Leigh.Clarke@woking.gov.uk
EBC21B27

Appendix to the Authority Representation Letter of Woking Borough Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and

- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

STANDARDS AND AUDIT COMMITTEE – 21 SEPTEMBER 2017

INTERNAL AUDIT PROGRESS REPORT

Executive Summary

Financial Regulation 2.8 requires that the Chief Finance Officer shall report regularly to the Standards and Audit Committee on the work undertaken by Internal Audit. This report is accordingly submitted to the Committee for consideration.

This report covers audit activity and performance from 1 April 2017 to 8 September 2017.

Recommendations

The Committee is requested to:

RESOLVE that the report be received and progress against the 2017-18 Internal Audit Plan and implementation of Internal Audit recommendations be noted.

The Committee has authority to determine the above recommendation.

Background Papers:

None

Reporting Person:

Jeremy Welburn, Head of Internal Audit
Ext. 3236, E Mail: Jeremy.Welburn@woking.gov.uk

Contact Person:

Leigh Clarke, Finance Director
Ext. 3277, E Mail: Leigh.Clarke@woking.gov.uk

Jeremy Welburn, Head of Internal Audit
Ext. 3236, E Mail: Jeremy.Welburn@woking.gov.uk

Date Published:

13 September 2017

1.0 Introduction

- 1.1 Financial Regulation 2.8 requires that the Chief Finance Officer shall report regularly to the Standards and Audit Committee on the work undertaken by Internal Audit. This report covers audit activity and performance from 1 April 2017 to 8 September 2017.
- 1.2 The Standards and Audit Committee approved the 2017/18 Plan on 9 March 2017.
- 1.3 The purpose of this report is to outline the following in respect of Internal Audit Activity during the period 1 April 2017 to 8 September 2017:
 - A description of key audit issues and also of non-audit activity undertaken during the year;
 - details of reports issued during the period;
 - a list of reports in progress as at 8 September 2017.
 - any major (ie. high risk) recommendations made in Internal Audit reports issued between 1 April 2017 and 8 September 2017; and
 - an update on all recommendations that remain outstanding for implementation.

2.0 Internal Audit Activity 1 April 2017 to 8 September 2017

- 2.1 Table 1 below provides a summary of progress in terms of the number of reports at draft or final stage and those in progress, as at 8 September:

Table 1

Audit Status	Number of reviews	Percentage Completion
Finalised	2	9
Draft	4	17
In Progress	4	17
To be undertaken	13	57
Cancelled	0	0
Deferred to 18/19	0	0
Total	23	100

- 2.5 Table 1 above illustrates that 26% of the plan has been delivered to at least draft report stage to date, with a further 17% of the plan being fieldwork in progress.
- 2.6 Table 2 below shows the status of all audits on the 2017/18 plan, including the reviews carried forward from 2016/17:

Table 2

Audit Title	Audit Status	Recommendations by Priority		
		High	Medium	Low
Data Protection Act & Freedom of Information	To be scheduled – Q4 17/18	-	-	-
Gifts, Hospitality & Declarations of Interest	In progress	-	-	-
Information Management	To be scheduled – Q3 17/18	-	-	-

Internal Audit Progress Report

Health & Safety	Draft report issued	-	-	-
Project Reviews – Thematic audits	To be scheduled – Q3 17/18	-	-	-
Savings Plans, including MTFs, monitoring of budgets	To be scheduled – Q4 17/18	-	-	-
Contract Management	To be scheduled – Q4 17/18	-	-	-
Critical friend reviews	To be scheduled – Q4 17/18	-	-	-
Key Financial testing, including: - Payroll - Accounts Payable - Accounts receivable - Council tax; - NNDR; - General Ledger	In progress	-	-	-
Safeguarding Adults & Children	To be scheduled – Q3 17/18	-	-	-
S106/CIL	Draft report issued	-	-	-
Affordable Homes	To be scheduled Q4 17/18	-	-	-
Temporary Accommodation	In progress	-	-	-
Parking Services	Draft report issued	-	-	-
Planning Services	Draft report issued	-	-	-
Commercial Property Estate	To be scheduled Q4 17/18	-	-	-
Taxi Licensing	In progress	-	-	-
Victoria Square development	To be scheduled Q3 17/18	-	-	-
ICT risk assessment	To be scheduled Q3 17/18	-	-	-
Cloud Computing	Scheduled for October	-	-	-
Cybersecurity	Final report issued	0	0	0

Deferred from 2016/17

Health and Wellbeing	To be scheduled Q3 17/18	-	-	-
Sharepoint Document & Records Management	Final report issued	-	4	-

2.7 Internal Audit categorise recommendations as high, medium or low risk to differentiate between the types of recommendation made. This gives management an indication on the urgency of implementing the suggested control or cost saving measure.

2.8 Recommendation classifications are:

- **High risk** – fundamental absence/failure of key control procedures (e.g. breach of legislation, council policies or procedures), immediate action required.
- **Medium risk** – inadequate management of key risks. Control procedures are in place but are not working effectively. Action is necessary to avoid exposure to risk.
- **Low risk** – actions merit attention to enhance the control environment, i.e. action is considered desirable.

2.9 There were no high risk recommendations made in final reports issued between 1st April and 8 September 2017, and no Limited or Nil assurance final reports have been issued. The Council's improvement tracking tool, Shikari, is used to record all recommendations made in Internal Audit reports and to monitor their implementation status.

3.0 Follow ups

3.1 All recommendations are entered onto an improvement plan in Shikari. The Shikari system automatically reminds managers when recommendation due dates are approaching (note: the target dates are set by managers themselves, not by Internal Audit) and again when the implementation date has been missed. Managers update progress on the system and close down the recommendations on the system once implemented.

3.2 Internal Audit use system generated reports to monitor levels of implementation. This is supplemented by spot checks in the business area concerned to confirm that the recommendation is being implemented in practice. A procedure is in place to escalate recommendations that have not been implemented as agreed to CMG and finally to this committee where necessary.

3.3 As of the 8 September, there are 7 outstanding recommendations (ie. the recommendations are past their agreed implementation dates), of which 2 are classified as high risk. Details of the outstanding High Risk recommendations are detailed in Appendix 1.

3.4 New recommendations will be agreed as the draft reports detailed in Table 2 are finalised. It is important that these are implemented within the agreed timescales to ensure that the position reported in 3.3 above is maintained.

3.6 Outstanding recommendations are regularly reported to CMG. In addition, recommendations are routinely followed up as part of our audit work.

4.0 Implications

Financial

4.1 There are minimal financial implications around the implementation of internal audit recommendations. Some audit recommendations are designed to improve value for money.

Human Resource/Training and Development

- 4.2 Some audit recommendations need minimal resource to put in place.

Community Safety

- 4.3 There are no implications.

Risk Management

- 4.4 Internal Audit identifies weaknesses in the control environment. Implementation of recommendations therefore improves the control environment and hence the management of risk.

Sustainability

- 4.5 There are no implications.

Equalities

- 4.6 There are no implications.

REPORT ENDS

Outstanding High Risk recommendations as at 8 September 2017	
Recommendation	
Business Continuity and Disaster Recovery (2008/09)	
<p>Recommendation: Concurrent with the previous recommendations an IT DR plan should be drafted which is aligned with the Council's Business Continuity priorities. Officer response: There is a great deal of work to be done to create a working DR plan for IT. It will involve investment and resources to achieve. An estimated target for the draft plan is 12 months from the start but implementation and testing timescales will depend upon the outcome of investigations and may involve other business areas e.g. Asset Management. It may be possible to test some areas of the plan in isolation before the complete plan is implemented. Risk rating: High Agreed implementation date: 31/12/10</p> <p>Status: Dependent upon data centre as below - final plan to be created when second data centre implemented.</p> <p>Original Due Date: 31/12/2010 Current Due Date: 31/03/2016</p>	
Information Security (2009/10)	
<p>Recommendation: Formal arrangements should be agreed to provide a long term cold fallback arrangement for IT equipment. The council should consider this a high priority. Officer response: A draft report has been produced with recommendations / actions required to achieve ICT Business Continuity. CMG will need to agree requirements to ascertain the costs of implementation. AD to circulate report after review with Steve Bonsor. Risk rating: High Responsible officer: Adele Devon/CMG Agreed implementation date: 28 February 2010</p> <p>Status: Replicated SAN has been implemented. SIP trunks are installed and being commissioned. Additional internet pipe has been installed at Export House.</p> <p>Original Due Date: 31/12/2010 Current Due Date: 31/03/2017</p>	

STANDARDS AND AUDIT COMMITTEE - 21 SEPTEMBER 2017

MEMBERS' CODE OF CONDUCT

Executive Summary

This report advises the Committee of complaints, submitted under the Members' Code of Conduct, received by the Monitoring Officer between 1 August 2017 and 31 July 2017.

The report also provides the Committee with an opportunity to review Registers of Interests in respect of Members and Officers.

Recommendations

The Committee is requested to:

RESOLVE That the report detailing the complaints, submitted under the Members' Code of Conduct, received by the Monitoring Officer between 1 August 2016 and 31 July 2017 be noted.

The Committee has authority to determine the above recommendations.

Background Papers:

None which are public.

Reporting and Contact Person:

Peter Bryant, Head of Democratic and Legal Services/Monitoring Officer
Ext. 3030, E Mail: Peter.Bryant@woking.gov.uk

Date Published:

13 September 2017

1.0 Introduction

- 1.1 The Arrangements for Dealing with Standards Allegations under the Localism Act 2011, adopted by the Council, provide for the Monitoring Officer to submit an annual report to the Standards and Audit Committee with appropriate details of complaints received.
- 1.2 This report details complaints received by the Monitoring Officer between 1 August 2016 and 31 July 2017.

2.0 Complaints Received

- 2.1 The Monitoring Officer received three complaints between 1 August 2016 and 31 July 2017.
- 2.2 On 31 July 2016, Councillor 1 complained that Councillor 2 had discussed confidential information at a public meeting (note: although the complaint was dated 31 July 2016, it was not received by the Monitoring Officer until 1 August 2016, so is included in this year's annual report). The Monitoring Officer considered that there was an arguable case that Councillor 2 had breached the Members' Code of Conduct and referred the complaint for formal investigation. The investigator appointed by the Monitoring Officer found that Councillor 2 had not breached the Members' Code of Conduct, so no further action was taken in respect of the complaint.
- 2.3 On 4 August 2016, Councillor 2 complained that Councillor 1 had, at a public meeting, made defamatory and/or derogatory statements about Councillor 2 and another Councillor. The Monitoring Officer considered that there was an arguable case that Councillor 1 had breached the Members' Code of Conduct and referred the complaint for formal investigation. The investigator appointed by the Monitoring Officer found that Councillor 1 had not breached the Members' Code of Conduct, so no further action was taken in respect of the complaint.
- 2.4 On 22 May 2017, a member of the public complained that Councillor 3 had used his/her position to secure approval of a planning application submitted by a third-party. The Monitoring Officer found that there was no evidence (even circumstantial) to support the allegation that Councillor 3 had breached the Members' Code of Conduct. The complaint did not merit formal investigation, so no further action was taken in respect of it.

3.0 Registers of Interests

- 3.1 This annual report on the Members' Code of Conduct provides an opportunity for the Committee to review the following Registers of Interests:-
 - (i) The Register of Members' Interests. This is published on the Council's website, and can be viewed through the following link:-
<https://www.woking.gov.uk/council/councillors2/membersinterests>
 - (ii) The Register of Gifts and Hospitality Received by Members:- this will be available for inspection by Members at the meeting of the Committee.
 - (iii) The Register of Officers' Interests, Gifts and Hospitality:- this will be available for inspection by Members at the meeting of the Committee.

4.0 Implications

Financial

4.1 None.

Human Resource/Training and Development

4.2 None.

Community Safety

4.3 None.

Risk Management

4.4 None.

Sustainability

4.5 None.

Equalities

4.6 None.

REPORT ENDS

STANDARDS AND AUDIT COMMITTEE – 21 SEPTEMBER 2017

OMBUDSMEN COMPLAINTS

Executive Summary

The Committee is responsible for the oversight of payments in cases of maladministration which are neither disputed nor significant (which are dealt with by the Monitoring Officer).

This report provides details of recent complaints to the Local Government & Social Care Ombudsman and the Housing Ombudsman.

Recommendations

The Committee is requested to:

RESOLVE That the position regarding complaints to the Local Government & Social Care Ombudsman and the Housing Ombudsman be noted.

The Committee has authority to determine the above recommendations.

Background Papers:

None which are public.

Reporting and Contact Person:

Peter Bryant, Head of Democratic and Legal Services/Monitoring Officer
Ext. 3030, E Mail: Peter.Bryant@woking.gov.uk

Date Published:

13 September 2017

1.0 Introduction

- 1.1 The Council's Constitution provides for the Standards and Audit Committee to have "oversight of payments in cases of maladministration which are neither disputed nor significant (which are dealt with by the Monitoring Officer)." Full Council retains responsibility for "disputed/significant payments in cases of maladministration".
- 1.2 At its meeting on 7 July 2016, the Committee asked for an annual report on Ombudsmen complaints. The Local Government & Social Care Ombudsman provides Councils with an Annual Review letter in July each year. It is, therefore, sensible for the annual report to be submitted to the September meeting of the Committee.

2.0 Ombudsmen

- 2.1 The Council is subject to the oversight of two Ombudsmen, the Housing Ombudsman and the Local Government & Social Care Ombudsman.
- 2.2 The Housing Ombudsman considers complaints arising from the provision of housing by the Council if the complainant is not satisfied with the outcome of New Vision Homes/the Council's consideration of the complaint.
- 2.3 The Local Government & Social Care Ombudsman considers complaints arising from the provision of other, non-housing, services by the Council if the complainant is not satisfied with the outcome of the Council's consideration of the complaint.

3.0 Complaints Submitted to the Ombudsmen

- 3.1 A copy of the 2017 Annual Review letter from the Local Government & Social Care Ombudsman is appended to this report. This details (i) the complaints and enquiries received by the Ombudsman and (ii) the decisions made by him for the year ended 31 March 2017.
- 3.2 It can be seen from the Annual Review letter that the Council was the subject of twenty complaints and enquiries to the Ombudsman, with the Ombudsman deciding nineteen cases during the period concerned. No complaints were the subject of a finding of maladministration by the Ombudsman.
- 3.3 The Housing Ombudsman does not issue an Annual Review letter. This report, therefore, details findings made by the Housing Ombudsman since those referred to in last year's annual report, i.e. the period between June 2016 and 31 August 2017.
- 3.4 In December 2016, a member of the public submitted two complaints to the Housing Ombudsman on behalf of two tenants of Council housing. These were in respect of (i) alleged damp and cold conditions and (ii) alleged delays in carrying out repairs. The Housing Ombudsman took no action on the complaints as New Vision Homes had not had an opportunity to investigate them prior to their referral to the Ombudsman. The complaints were, therefore, dealt with under New Vision Homes' complaints procedure.

4.0 Conclusions

- 4.1 Although it would be preferable for there to be no complaints to the Ombudsmen, this is never going to happen due to (i) the varied nature of the services provided by the Council and (ii) the number of recipients of those services. That said, the number of complaints reported is not disproportionate and it is noteworthy that no complaints resulted in adverse

findings against the Council. There are no matters of concern which the Monitoring Officer needs to bring to the attention of the Committee

5.0 Implications

Financial

5.1 None.

Human Resource/Training and Development

5.2 None.

Community Safety

5.3 None.

Risk Management

5.4 None.

Sustainability

5.5 None.

Equalities

5.6 None.

REPORT ENDS

20 July 2017

By email

Ray Morgan
Chief Executive
Woking Borough Council

Dear Ray Morgan,

Annual Review letter 2017

I write to you with our annual summary of statistics on the complaints made to the Local Government and Social Care Ombudsman (LGO) about your authority for the year ended 31 March 2017. The enclosed tables present the number of complaints and enquiries received about your authority and the decisions we made during the period. I hope this information will prove helpful in assessing your authority's performance in handling complaints.

The reporting year saw the retirement of Dr Jane Martin after completing her seven year tenure as Local Government Ombudsman. I was delighted to be appointed to the role of Ombudsman in January and look forward to working with you and colleagues across the local government sector in my new role.

You may notice the inclusion of the '*Social Care Ombudsman*' in our name and logo. You will be aware that since 2010 we have operated with jurisdiction over all registered adult social care providers, able to investigate complaints about care funded and arranged privately. The change is in response to frequent feedback from care providers who tell us that our current name is a real barrier to recognition within the social care sector. We hope this change will help to give this part of our jurisdiction the profile it deserves.

Complaint statistics

Last year, we provided for the first time statistics on how the complaints we upheld against your authority were remedied. This year's letter, again, includes a breakdown of upheld complaints to show how they were remedied. This includes the number of cases where our recommendations remedied the fault and the number of cases where we decided your authority had offered a satisfactory remedy during the local complaints process. In these latter cases we provide reassurance that your authority had satisfactorily attempted to resolve the complaint before the person came to us.

We have chosen not to include a 'compliance rate' this year; this indicated a council's compliance with our recommendations to remedy a fault. From April 2016, we established a new mechanism for ensuring the recommendations we make to councils are implemented, where they are agreed to. This has meant the recommendations we make are more specific, and will often include a time-frame for completion. We will then follow up with a council and seek evidence that recommendations have been implemented. As a result of this new process, we plan to report a more sophisticated suite of information about compliance and service improvement in the future.

This is likely to be just one of several changes we will make to our annual letters and the way we present our data to you in the future. We surveyed councils earlier in the year to find out, amongst other things, how they use the data in annual letters and what data is the most useful; thank you to those officers who responded. The feedback will inform new work to

provide you, your officers and elected members, and members of the public, with more meaningful data that allows for more effective scrutiny and easier comparison with other councils. We will keep in touch with you as this work progresses.

I want to emphasise that the statistics in this letter comprise the data we hold, and may not necessarily align with the data your authority holds. For example, our numbers include enquiries from people we signpost back to the authority, but who may never contact you.

In line with usual practice, we are publishing our annual data for all authorities on our website. The aim of this is to be transparent and provide information that aids the scrutiny of local services.

The statutory duty to report Ombudsman findings and recommendations

As you will no doubt be aware, there is duty under section 5(2) of the Local Government and Housing Act 1989 for your Monitoring Officer to prepare a formal report to the council where it appears that the authority, or any part of it, has acted or is likely to act in such a manner as to constitute maladministration or service failure, and where the LGO has conducted an investigation in relation to the matter.

This requirement applies to all Ombudsman complaint decisions, not just those that result in a public report. It is therefore a significant statutory duty that is triggered in most authorities every year following findings of fault by my office. I have received several enquiries from authorities to ask how I expect this duty to be discharged. I thought it would therefore be useful for me to take this opportunity to comment on this responsibility.

I am conscious that authorities have adopted different approaches to respond proportionately to the issues raised in different Ombudsman investigations in a way that best reflects their own local circumstances. I am comfortable with, and supportive of, a flexible approach to how this duty is discharged. I do not seek to impose a proscriptive approach, as long as the Parliamentary intent is fulfilled in some meaningful way and the authority's performance in relation to Ombudsman investigations is properly communicated to elected members.

As a general guide I would suggest:

- Where my office has made findings of maladministration/fault in regard to routine mistakes and service failures, and the authority has agreed to remedy the complaint by implementing the recommendations made following an investigation, I feel that the duty is satisfactorily discharged if the Monitoring Officer makes a periodic report to the council summarising the findings on all upheld complaints over a specific period. In a small authority this may be adequately addressed through an annual report on complaints to members, for example.
- Where an investigation has wider implications for council policy or exposes a more significant finding of maladministration, perhaps because of the scale of the fault or injustice, or the number of people affected, I would expect the Monitoring Officer to consider whether the implications of that investigation should be individually reported to members.
- In the unlikely event that an authority is minded not to comply with my recommendations following a finding of maladministration, I would always expect the Monitoring Officer to report this to members under section five of the Act. This is an exceptional and unusual course of action for any authority to take and should be considered at the highest tier of the authority.

The duties set out above in relation to the Local Government and Housing Act 1989 are in addition to, not instead of, the pre-existing duties placed on all authorities in relation to Ombudsman reports under The Local Government Act 1974. Under those provisions, whenever my office issues a formal, public report to your authority you are obliged to lay that report before the council for consideration and respond within three months setting out the action that you have taken, or propose to take, in response to the report.

I know that most local authorities are familiar with these arrangements, but I happy to discuss this further with you or your Monitoring Officer if there is any doubt about how to discharge these duties in future.

Manual for Councils

We greatly value our relationships with council Complaints Officers, our single contact points at each authority. To support them in their roles, we have published a Manual for Councils, setting out in detail what we do and how we investigate the complaints we receive. When we surveyed Complaints Officers, we were pleased to hear that 73% reported they have found the manual useful.

The manual is a practical resource and reference point for all council staff, not just those working directly with us, and I encourage you to share it widely within your organisation. The manual can be found on our website www.lgo.org.uk/link-officers

Complaint handling training

Our training programme is one of the ways we use the outcomes of complaints to promote wider service improvements and learning. We delivered an ambitious programme of 75 courses during the year, training over 800 council staff and more 400 care provider staff. Post-course surveys showed a 92% increase in delegates' confidence in dealing with complaints. To find out more visit www.lgo.org.uk/training

Yours sincerely



Michael King
Local Government and Social Care Ombudsman for England
Chair, Commission for Local Administration in England

For further information on how to interpret our statistics, please visit our website:
<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
0	3	1	1	1	0	5	9	0	20

Decisions made

Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate	Total
0	2	7	5	5	0	0%	19

Notes	Complaints Remedied by LGO	Satisfactorily by Authority before LGO Involvement
Our uphold rate is calculated in relation to the total number of detailed investigations. The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.	0	0