

To: Councillors Stevens (Chairman), Debs  
Absolom, Lovelock, McElligott, Page, Steele  
and Terry

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11 April 2016

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### NOTICE OF MEETING - AUDIT AND GOVERNANCE COMMITTEE - 19 APRIL 2016

A meeting of the Audit & Governance Committee will be held on Thursday 19 April 2016 at 6.30pm in the Council Chamber, Civic Offices, Reading. The Agenda for the meeting is set out below.

#### AGENDA

		<u>PAGE NO</u>
1.	<b>DECLARATIONS OF INTEREST</b>	-
2.	<b>MINUTES OF THE COMMITTEE'S MEETING OF 28 JANUARY 2016</b>	1
3.	<b>DCEEH QUALITY ASSURANCE FRAMEWORK</b>  A report presenting the Quality Assurance Framework for the Children, Education and Early Help Directorate, which has been referred to the Committee for information by the Adult Social Care, Children's Services and Education Committee.	4
4.	<b>AUDIT &amp; INVESTIGATIONS QUARTERLY PROGRESS REPORT</b>  This report provides an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in January 2016.	65

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5.	<p><b>DRAFT INTERNAL AUDIT PLAN 2016/17</b></p> <p>This report is the high-level statement of how the internal audit service will be delivered and developed in accordance with the terms of reference and how it links to the organisational objectives and priorities of the Council.</p>	80
6.	<p><b>IMPACT OF REVISED MINIMUM REVENUE PROVISION POLICY FROM 2017/18</b></p> <p>This report provides information for the Committee on the impact of the Council's revised policy on minimum revenue provision in 2017/18 and beyond, as referred to it by the Council budget meeting in February 2016.</p>	94
7.	<p><b>EXTERNAL AUDIT ARRANGEMENTS AFTER 2017/18</b></p> <p>This report explains the latest position on the requirement in the Local Audit &amp; Accountability Act 2014 for the Council to eventually appoint its own auditor.</p>	103
8.	<p><b>EXTERNAL AUDIT PLAN UPDATE</b></p> <p>This report presents an updated Audit Plan from EY, the Council's external auditors, which sets out in more detail the revised approach to value for money work and updates the EY assessment of internal controls.</p>	107

## AUDIT AND GOVERNANCE COMMITTEE MINUTES - 28 JANUARY 2016

**Present:** Councillor Stevens (Chair), Debs Absolom, Lovelock, McElligott, Page, Steele & Terry.

**Also in attendance:**

Alan Cross	Head of Finance
Russell Dyer	Corporate Finance Business Partner
Paul Harrington	Chief Auditor
Ian Wardle	Managing Director
Paul King	Executive Director, EY LLP
Alan Witty	Engagement Senior Manager, EY LLP

### 11. MINUTES

The Minutes of the meeting of 24 September 2015 were confirmed as a correct record and signed by the Chair.

### 12. INTRODUCTION OF EY LLP, APPOINTED EXTERNAL AUDITOR FROM 2015/16

Alan Cross, Head of Finance, submitted a report introducing the new external auditor EY LLP to the Committee. EY's local government sector briefing was attached to the report at Appendix 1 and their 2015/16 Audit Plan was attached to the report at Appendix 2.

The Audit Plan submitted by EY set out a current assessment of the financial statement risks facing the Council, their approach to the requirement for the audit to assess value for money (economy, efficiency and effectiveness), the proposed audit process and strategy, and an explanation of auditor independence. Information on audit fees and required communication was appended to the Plan. The cover report included Council officer comments on a number of the risks identified in Audit Plan.

The Committee noted the external audit reporting timetable, which would include submission of a progress report to the April 2016 meeting and the final audit report to the September 2016 meeting.

Paul King and Alan Witty from EY attended the meeting and answered questions from the Committee.

**Resolved:**

That EY's Audit Plan and reporting timetable be noted.

### 13. AUDIT & INVESTIGATIONS QUARTERLY PROGRESS REPORT

Paul Harrington, Chief Auditor, submitted a report providing the Committee with an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in September 2015.

The report set out a summary of the audit reports and an assurance finding for an audit of Adult Social Care Income and four School reviews, and a summary of follow-up reviews of the following services where an audit had resulted in limited assurance: Licensing, Deferred Payment Scheme, Phoenix College, Special Education Needs (SEN), Home to School Transport. The report also set out information on other audit

## AUDIT AND GOVERNANCE COMMITTEE MINUTES - 28 JANUARY 2016

and investigations activity including investigations into benefit and housing tenancy fraud.

At the meeting it was proposed that a follow-up review of Adult Social Care Income be reported to a future meeting, and that the Adult Social Care, Children's Services and Education Committee be requested to look at whether actions implemented following the audit of Special Education Needs had been successful in addressing the increase in the number and cost of SEN statements.

### Resolved:

- (1) That the report be noted;
- (2) That a follow-up review of Adult Social Care Income be carried out and reported to a future meeting of the Committee;
- (3) That, further to the audit and follow-up review of Special Education Needs (SEN) services, the Adult Social Care, Children's Services and Education Committee be requested to consider the effectiveness of the actions implemented following the audit in reducing the number and related costs of SEN statements.

## 14. STRATEGIC RISK REGISTER

Further to Minute 5 of the meeting held on 8 July 2015, the Head of Finance submitted a report updating the Committee on the Q3 status of the Council's 2015/16 Strategic Risk Register, in line with the requirements of the Council's risk management strategy.

The report explained that the Strategic Register was compiled from risks identified at directorate level which had been escalated, along with high-level generic risks which required strategic management. Entries within the Register reflected the risks identified by the Council Management Team thereby strengthening their strategic perspective, management response and controls. The inclusion of risks within any level of risk register did not necessarily mean there was a problem but reflected the fact that officers were aware of potential risks and had devised strategies for the implementation of mitigating controls.

The report explained that each entry within the register had been scored to provide an assessment of the residual level of risk, based on an assessment of their impact and likelihood. These assessments were made at two points, before any actions were in place (inherent risk) and after identified controls were in place (residual risk). Whatever level of residual risk remained, it was essential that the controls identified were appropriate, working effectively and kept under review.

The Strategic Risk Register was attached to the report at Appendix 1 and set out the inherent risk, mitigation and residual risk for 10 risks covering the following areas:

- Budget Risk
- Data Protection
- Property Risk
- Safeguarding (children)

## AUDIT AND GOVERNANCE COMMITTEE MINUTES - 28 JANUARY 2016

- Safeguarding (adults)
- School attainment
- Impact on staff resilience of organisational change
- Impact of Better Care Fund
- Homelessness and Temporary Accommodation
- Health & Safety Training

Further to the mitigating actions for the Safeguarding (children) risk, it was suggested that the Committee consider a refreshed Quality Assurance Framework for the Directorate of Children, Education and Early Help (DCEEH), which would include an audit programme for the Directorate, and would be submitted to the forthcoming meeting of the Adult Social Care, Children's Services and Education Committee.

**Resolved:**

- (1) That the Q3 status of the Council's 2015/16 Strategic Risk Register be noted;
- (2) That the DCEEH Quality Assurance Framework be submitted to the next meeting of the Committee.

### 15. DRAFT TREASURY STRATEGY & INVESTMENT STATEMENT FOR 2016/17

The Head of Finance submitted a report presenting the draft Treasury Strategy & Investment Statement, which the Chartered Institute of Public Finance and Accountancy recommended should be considered by Audit Committee prior to approval by Council, as part of the overall governance arrangements. The draft statement, which was attached to the report at Appendix 1 would be submitted to the Council meeting on 23 February 2016 as part of the overall budget proposals.

Alan Cross, Head of Finance, gave a presentation at the meeting on key treasury issues including the current lending and borrowing positions, the outlook for the next few years and some recent developments in treasury management.

**Resolved:** That the draft Treasury Strategy & Investment Statement for 2016/17 be noted.

### 16. BUDGET MONITORING 2015/16

Alan Cross, Head of Finance, submitted a report setting out the budget monitoring position for the Council to the end of November 2015.

The Committee requested that for future reports the Directorate and total budget variances shown in the report also be given in percentage terms.

**Resolved:** That the budget monitoring position for 2015/16 as at the end of November 2015, and that the Council were currently forecast to be at the minimum General Fund Balance level, be noted.

(The meeting started at 6.30pm and closed at 7.51pm).

## READING BOROUGH COUNCIL

### REPORT OF DIRECTOR OF CHILDREN EDUCATION AND EARLY HELP

<b>TO:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>		
<b>DATE:</b>	<b>19 APRIL 2016</b>	<b>AGENDA ITEM:</b>	<b>3</b>
<b>TITLE:</b>	<b>QUALITY ASSURANCE FRAMEWORK REFRESH</b>		
<b>LEAD COUNCILLOR:</b>	<b>CLLR JAN GAVIN</b>	<b>PORTFOLIO:</b>	<b>CHILDREN'S SERVICES</b>
<b>SERVICE:</b>	<b>CHILDREN, EDUCATION AND EARLY HELP</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
<b>LEAD OFFICER:</b>	<b>KATHERINE PEDDIE</b>	<b>TEL:</b>	<b>0118 937 3786 (ext 73786)</b>
<b>JOB TITLE:</b>	<b>HEAD OF TRANSFORMATION AND GOVERNANCE</b>	<b>E-MAIL:</b>	<b>Katherine.peddie@reading.gov.uk</b>

#### 1. PURPOSE OF THE REPORT AND EXECUTIVE SUMMARY

- 1.1 Adult Children and Education Committee received a paper from the Managing Director in June 2015 recommending that a Children's Services Improvement Board be established. This was agreed and the Board has had oversight of the quality of service provision in order to support the service in driving forward improvements. The refreshed framework was presented to Adult Children and Education Committee on 3 February 2016 where it was agreed and the recommendation of that Committee was that it should be presented to Audit and Governance for information.
- 1.2 This report builds on the emphasis of quality and refreshes the directorate's approach to performance and to quality assurance. It outlines how we will assure ourselves, the elected members and service users that the services we deliver are of high quality.
- 1.3 It contains a refreshed audit programme for the directorate which will ensure that we are auditing approximately 100 case files per quarter and using the findings from those audits to deliver improvements and to share best practice.
- 1.4 A strong quality assurance framework assists the organisation to deliver an efficient and effective service. The framework if applied correctly will assist managers and the organisation to ensure:

- Vulnerable children, young people and their families' outcomes are improved.
- Services are achieving consistently high standards.
- Services are regularly monitored, reviewed and evaluated.
- The organisational culture is committed to learning and continual development.
- The continuous improvement and development of the children's workforce.

1.4 It is important for this framework to be agreed by members both as part of their corporate parenting responsibilities and their democratic accountability.

1.4 The Quality Assurance Framework is attached as Appendix 1

## **2. RECOMMENDED ACTION**

**2.1 It is recommended that the Committee notes the Quality Assurance Framework for use in Children, Education and Early Help Directorate and that it notes that the Annual Report should be added to the forward plan.**

## **3. POLICY CONTEXT**

3.1 Quality Assurance is part of a continual cycle of improvement. Whilst audit is one component of quality assurance, it is one of a number of tools we can use to evaluate our understanding of how we are delivering services and understand the experience of the service user. Surveys, consultations, focus groups and direct observations are other ways in which we can establish a baseline understanding of our services.

3.2 The Directorate has agreed that in order to deliver the framework they will have operational boards that fit neatly into the performance and business planning cycles.

3.3 A series of monthly operational performance boards will be summarised and themes fed into a quarterly operational quality assurance board. At the quarterly board, Heads of Service and key service managers will receive feedback from performance reports, audits, complaints, IRO escalations, service user feedback, quality of commissioned provision and themes arising from supervision.

3.4 The themes will be collated from this information and will be prioritised into a workplan that will inform the service plans and will input directly into the Learning and Development framework to secure continual improvement. It will also determine what activity needs to take place, for example, whether

we need to refresh a process, to undertake a multi-agency audit, or to undertake further consultation or focus groups with service users.

- 3.5 Quality Assurance and performance reports will be available through the normal Corporate Performance Reporting systems.
- 3.6 The Annual Quality Assurance report will however be reported formally to the Adult Children and Education Committee.

#### 4. CONTRIBUTION TO STRATEGIC AIMS

- 4.1 This proposal is in line with the overall direction of the Council by meeting two of the following Corporate Plan priorities:

- 1. Safeguarding and protecting those that are most vulnerable;
- 2. Providing the best start in life through education, early help and healthy living.

- 4.2 Delivery of the Quality Assurance Framework will demonstrate the delivery of the Corporate Values and it is expected that the Quality Assurance Board will ensure this is done taking into account how we deliver on equalities.

- 4.3 The directorate's deliver of the Strategic Aim "To promote equality, social inclusion and a safe and healthy environment for all" will be monitored through the Quality Assurance Framework.

- 4.4 **Community Safety Implications** - Under Section 17 of the Crime and Disorder Act 1988, the Council must consider the following in the exercise of its duties and decision-making:

- crime and disorder
- anti-social behaviour
- behaviour adversely affecting the environment
- substance misuse reduction

- 4.5 The Quality Assurance Framework will be an additional mechanism for improvements and dissemination of best practice in relation to all service delivery areas within Children, Education and Early Help, including monitoring how the Directorate responds to youth offending, domestic violence and anti-social behaviour issues including substance misuse.

- 4.6 A regular quality assurance and performance monitoring framework will assist in addressing health inequalities for our service users and will help us to identify and address with partners how they can assist in addressing this issue.



## **5. EQUALITY IMPACT ASSESSMENT**

- 5.1 Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to—
- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 5.2 An Equality Impact Assessment (EIA) is not relevant to the decision as a good overview of the quality of service delivery will address any inequalities and seek to remove them.

## **6. LEGAL IMPLICATIONS**

- 6.1 Whilst there are no legal implications in relation to this report, it is important to note that under Children's Services legislation, we are required under a general duty of the Children Act 2004 to address the quality of services and to safeguard and promote the welfare of children. This framework establishes a clear mechanism for doing so.

## **7. FINANCIAL IMPLICATIONS**

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

# Children's Social Care Quality Assurance Framework

February 2016

Author: Katherine Peddie

Head of Transformation and Governance

Contact: Gary Campbell

Interim Service Manager - Quality Assurance

Version FINAL v1.1- 4 April 2016

# About this document

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Title	<b>Quality Assurance Framework</b>
Purpose	<b>To set out how Children Education and Early Help Directorate will assure itself of the quality of service delivery.</b>
Updated by	<b>Katherine Peddie</b>
Approved by	<b>Adults Children and Education Committee</b>
Date	<b>03/02/2016</b>
Version number	<b>Final v1.1</b>
Status	<b>Approved</b>
Review frequency	<b>Annually</b>
Next review date	<b>31/03/2017</b>

# Version Control

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**Document Location:** Reading Borough Council Online Procedure Manual

This document is only valid on the day it is printed

Date Issued:	Version	Summary of Changes	Created by
22/01/2016	Draft 0.1	First Issued	Katherine Peddie
03/02/2016	Final v1	Agreed at ACE Committee	Katherine Peddie
04/04/2016	Final v1.1	Amendment to typos / contact name on front cover	Katherine Peddie

## Intended Audience

This document has been issued to the following people for Review (R) Information (I) and Review and Sign off (S). The Quality Assurance Framework should be shared with all staff and elected members.

Name	Position	S/R/I
ACE Committee	Reading Borough Council's Adult Children and Education Committee	S
Helen McMullen	Director of Children Education and Early Help	S

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## Our Priorities and Values

Our Corporate priorities set out in the Corporate Plan outline the key priorities of the organisation. They are:

- **Safeguarding and protecting those that are most vulnerable**
- **Providing the best life through education, early help and healthy living**
- **Providing homes for those in most need**
- **Keeping the town clean, safe, green and active**
- **Providing infrastructure to support the economy**
- **Remaining financially sustainable to deliver these service priorities**

Within Children's Services, these priorities are underpinned by our vision:

***"Listening to Children and Young People, Enabling Families & Act quickly and in Partnership"***

The graphic is titled "LEAP Vision" in a large, bold, purple font. Below the title is the text "Directorate for Children, Education & Early Help Services". The central visual is a purple silhouette of a person jumping over a gap between two purple blocks. To the left of the gap, the text reads: "Listen to Children and Young People, Enable families, Act quickly & in Partnership". To the right of the gap, there are three paragraphs of text, each starting with a purple letter: "Listen to our children, young people and families.", "Enable families to make better constructive choices to have a positive impact.", and "Act quickly to deliver the right support & outcomes for each child working in a child focused, transparent, timely and inclusive way." Below these paragraphs is another paragraph: "Partnership working to deliver integrated help early enough to be effective, efficient and Proportionate." In the bottom right corner, there is the Reading Borough Council logo with the tagline "Working better with you".

The Corporate Priorities and our Children's Services vision are underpinned by the values of the organisation. We deliver our services by working to the values of being:

- Fair
  - tackling inequality and promoting residents rights
  - ensuring residents are part of decision making
  - ensuring our staff have the right support
  
- Caring
  - putting residents at the heart of what we do
  - working with residents to look after each other
  
- Enterprising
  - unlocking the power of our communities
  - acting now to create a better future

Reading Children's Services are committed to achieving excellence through continual improvement where children and their families are at the heart of everything that we do and have the opportunity to influence and shape the services that they receive.

The delivery of quality services is dependent upon a whole system approach to organisational competence which reflects continual improvement and a learning organisation. The success of service delivery is measured by improving the outcomes for children and their families, achieving agreed targets and raising standards. It will need the commitment and support of all managers and their teams to ensure that quality assurance activity is embedded, evaluated and acted upon.

We recognise that we can only deliver our vision through effective and integrated partnership working across a variety of agencies, including schools, police, health and voluntary and community sectors. At the heart of our vision is the intention to always put children and young people and their families first and to deliver services that will help them to sustainably help themselves.

Our Quality Assurance Framework establishes a clear mechanism for ensuring that services are delivered to the standards we want for our children and families. Through the delivery of the framework we can ensure and demonstrate that from the councillors to frontline staff that children are at the heart of service planning and delivery

# 1 Introduction

- 1.1 Quality assurance is an integral part of everyday practice within Children's Services. Measuring the impact of service delivery is central to achieving improved outcomes for children. This requires a strong quality assurance system to be in place that evidences that services are being delivered effectively and to standards that enable children's welfare to be safeguarded and promoted.
- 1.2 A strong quality assurance framework assists the organisation to deliver an efficient and effective service. The framework if applied correctly will assist managers and the organisation to ensure:
- Vulnerable children, young people and their families' outcomes are improved.
  - Services are achieving consistently high standards.
  - Services are regularly monitored, reviewed and evaluated.
  - The organisational culture is committed to learning and continual development.
  - The continuous improvement and development of the children's workforce.
- 1.3 Whilst quality assurance has a scrutiny role, it is important to focus on the supportive and educative function of the role by describing what good practice looks like, and evaluating against this. Effective quality assurance will provide high challenge and support, and is crucially important in supporting the workforce to improve outcomes for children and young people.
- 1.4 Underpinning the Quality Assurance Framework is an understanding that continual improvement depends on a culture of reflection in action and reflection following action (reflection during social work practice and in supervision/ consultation/ discussion). This is then fed into the double learning loop for the practitioner, service and organisation so that we can re-think, plan appropriately and improve outcomes.
- 1.5 The purpose of the Quality Assurance Framework is to:
- Ensure that children and families are getting consistent and high quality services
  - Review and evaluate standards
  - Provide consistency in our system of monitoring and evaluating our effectiveness
  - Prioritise and facilitate continuous improvements within Children's Services
  - Support learning and to inform our Workforce Development Strategy
- 1.6 The Framework is underpinned by a set of overarching principle priorities and standards which are continually reviewed and updated in line with new learning and understanding gained through improvement.



## 2 Key roles and functions

2.1 Assuring quality is everyone’s responsibility. There are some specific roles, for instance:

- Frontline staff
- Managers
- Reviewing and Quality Assurance Service
- Directorate leadership team
- Local Safeguarding Children Board
- Elected Members

2.2 There are a number of different roles/functions/boards within the organisation that have a specific purpose in quality assuring our work., the responsibility to implement this framework rests with all of Children’s Social Care; whether that be as the first point of contact for people approaching Children’s Social Care or as a member of the Senior Management Team. Below is a table outlining the key roles/functions/boards within Reading Borough Council and their quality assurance function.

Role/Function	Description
All Staff	All staff are responsible for ensuring they uphold high quality practice standards and that this is reflected in the quality of case files and outcomes for children and families, monitor their effectiveness and are responsible for embedding a culture of learning and continuous improvement in their teams. Those conducting inspections, audits and other quality assurance approaches share responsibility for ensuring that frontline staffs are actively engaged in the quality assurance process of setting and monitoring standards.
Team Managers and Assistant Team Managers	Team Managers and Assistant Team Managers are responsible for ensuring that quality standards are met and to take corrective action where necessary. They are responsible for supporting frontline and support staff to deliver services that are of a high standard and effective. This is achieved through the line manager process, including performance management. Managers are responsible for ensuring their direct reports are very clear about managers and employees in the supervision and appraisal structure and how practice standards are an integral element of the process. Managers will use all of the available processes to recognise and praise good performance and address poor performance. They will quality control pieces of work, for example by

	<p>signing off assessments and by auditing a case file. They will also work with the staff they manage, using the council's supervision and appraisal systems, to give staff feedback about the quality of their work and ensure that staff receive the support and challenge they need to maintain and improve practice. Team Managers are also responsible for devising and monitoring Team Development Plans.</p>
<p>Service Managers and Heads of Service</p>	<p>Service Managers are responsible for ensuring that quality assurance activity is carried out thoroughly on a regular basis and that the findings are acted upon and shared with staff and form a part of any further development/improvement plan.</p> <p>Heads of Service are responsible for ensuring that findings inform policy and the strategic framework.</p>
<p>Director of Children's Services (DCS)</p>	<p>The DCS has professional responsibility for the leadership, strategy and effectiveness of local authority children's services. The DCS is responsible for securing the provision of services which address the needs of all children and young people, including the most disadvantaged and vulnerable, and their families and carers. The DCS will work closely with other local partners to improve the outcomes and well-being of children and young people. The DCS is responsible for the performance of local authority functions relating to the education and social care of children and young people. The DCS is responsible for ensuring that effective systems are in place for discharging these functions, including where a local authority has commissioned any services from another provider rather than delivering them itself. The DCS should have regard to the General Principles of the United Nations Convention on the Rights of the Child (UNCRC) and ensure that children and young people are involved in the development and delivery of local services (Statutory guidance on the roles and responsibilities of the Director of Children's Services and the Lead Member for Children's Services, DfE, April 2013).</p>
<p>The Directorate Leadership Team (DLT)</p>	<p>The Directorate Leadership Team is responsible for the strategic and operational function of Children's Services, inclusive of quality and performance. The Team receives quantitative and qualitative performance data from the Quality Assurance Team. The data is used to analyse performance against need, approve improvement plans and resource allocations. The Directorate Leadership Team is held to account by the Lead Member for Children's Services, for improving outcomes for children, young people and their families through the delivery of high quality services.</p>

Lead Member for Children's Services (LMCS)	<p>The LMCS, as a member of the Council, has political responsibility for the leadership, strategy and effectiveness of local authority children's services. The LMCS is also democratically accountable to local communities and has a key role in defining the local vision and setting political priorities for children's services within the broader political context of the Council.</p> <p>The LMCS is responsible for ensuring that the needs of all children and young people, including the most disadvantaged and vulnerable, and their families and carers, are addressed. In doing so, the LMCS will work closely with other local partners to improve the outcomes and well-being of children and young people. The LMCS should have regard to the UNCRC and ensure that children and young people are involved in the development and delivery of local services (Statutory guidance on the roles and responsibilities of the Director of Children's Services and the Lead Member for Children's Services, DfE, April 2013).</p>
Principal Social Worker	<p>The Principal Social Worker represents the views of frontline staff to senior managers and will champion frontline practitioners and the quality of practice. This includes mentoring and coaching practitioners, providing practice learning opportunities to students, undertaking reflective supervision, promoting innovation, and disseminating informed and evidence based interventions.</p>
Training and Development Lead Officer	<p>The Training and Development Lead Officer is responsible for promoting continuous professional development. In terms of quality assurance of practice they have a role in taking on board lessons from quality assurance and ensuring they are embedded into relevant learning and development opportunities for practitioners.</p>
Service Manager - Quality Assurance	<p>The QA service manager is responsible for oversight of this framework, for Independent Reviewing Officers and Child Protection Chairs; and the LADO and Quality Assurance manager. This team reviews, audits and raises challenge and themes of practice in their areas of responsibility. It is their responsibility to ensure the quality assurance processes in place are robust.</p>
Performance Analysts	<p>The Performance Analyst role is to provide a range of reports and information to support operational activity. Performance data ensures that there is sufficient reporting on local and national indicators, whilst highlighting areas of strengths and areas for development. Performance Analysts maintain a data quality role and are responsible for submitting statutory returns on behalf of Children's Social Care.</p>

Corporate Complaints Team	Children’s Social Care recognise that on occasions standards of service may fall below expectations. Where this leads to complaints, Children’s Social Care will use the outcomes from such complaints to feed into improvements. Reading Borough Council implement restorative approaches to aim to respond to complaints swiftly and lead to early resolution. The Corporate Complaints Team will liaise regularly with Team Managers regarding ongoing complaints, and will feedback emerging themes and discuss actions that need to be undertaken in order for improvement to take place, in partnership with the Quality Assurance Manager.
Human Resources	Human Resources are involved in ensuring we understand the needs of our workforce. They also support us where individual practice consistently falls below expected standards, but also when organisational changes are required.
Children in Care Council (Your Destiny, Your Choice)	The Children in Care Council is made up of young people in care and care leavers and leads consultation projects with children about their experience in local authority care and feedback their findings to Councillors and senior managers. The Children in Care Council also meets annually with the Independent Chair of the Safeguarding Children Board.
Corporate Parenting Panel	The responsibility for improving outcomes and actively promoting the life chances of looked after children is shared by the local Authority and partner agencies. The Corporate Parenting Panel meets regularly and receives reports on progress, and participates in discussion about proposals for improvement and development. Children looked after and young people leaving care are subject to consultation through the Corporate Parenting Panel.
Local Safeguarding Children Board	The Local Safeguarding Children Board is a key statutory board for ensuring the effectiveness of safeguarding of all organisations working with children and young people. The LSCB plays a key role in relation to the links between Quality Assurance in Children’s Social Care and partner agencies. The LSCB undertakes multi-agency audits, themed audits, serious case reviews, and collects and analyses multi-agency data. The outcomes of the work carried out through the LSCB will inform ongoing improvement.

2.3 The LSCB is a key statutory mechanism for ensuring relevant organisations in a local area co-operate to safeguard and promote the welfare of children, young people and their families and ensure single agency and multiagency work in child protection is of a good standard. In delivering its function the LSCB Performance and Quality

Assurance sub-group receives regular reports on the performance of member agencies. The Performance and Quality Assurance sub-group provides the quality assurance function of the LSCB, commissioning multi-agency audits and reviewing audits of individual organisations.

2.4 A part of the Board’s scrutiny function is carried out through the Serious Case Review process. The Serious Case Review process is an investigation into the engagement of services with that child or young person before their death or near miss of a death. Each Serious Case Review includes internal management review reports from each agency involved. The internal management review sets out how the agency carried out its functions. The LSCB Berkshire West Case Review Group analyses the learning from the Serious Case Review, develops and monitors the implementation of an action plan to achieve improvements. Serious Case Reviews are conducted under the guidance contained in Working Together to safeguard children (2015). The LSCB needs to demonstrate that all partner organisations have learnt from Serious Case Reviews and that practice has evolved as a result of the review.

### 3 Professional standards – Social Workers

3.1 Children’s Social Care employ qualified and registered Social Workers. Where needed we also contract with Social Workers to carry out bespoke pieces of work or to cover vacancies in our social work teams. Social Workers be registered with the Health and Care Professions Council who is the professions regulator.

3.2 Individuals are responsible for the way they practice and whilst our systems and processes are in place to support them, professionals employed or contracted by Children’s Social Care are individually accountable for the standards of their work. The various documents/codes listed below govern/direct the standard expected of those regulated professionals.

3.3 The Reading Borough Council Practice Standards are included at Appendix 1.

Registered Social Workers	
Social Work Professional Capabilities Framework 2012	This documents sets out consistent expectations of social workers at every stage in their career and provides a backdrop to post qualifying continuous professional development.
Health and Care Professions Council Standards of Conduct,	This document must be observed by registered Social Workers, Art Therapists and Psychologists and those applying to register. All standards relate to providing high

Performance and Ethics  
(HCPC, 2012)

quality and safe services, below are a selection;

- You must act in the best interests of service users (Standard 1)
- You must keep high standards of personal conduct (Standard 3)
- You must keep your professional knowledge and skills up to date (Standard 5)
- You must act within the limits of your knowledge, skills and experience and, if necessary, refer the matter to another practitioner (Standard 6)
- You must effectively supervise tasks that you have asked other people to carry out (Standard 8)
- You must keep accurate records (Standard 10)

HCPC regulated professionals must meet their standards for continuous professional development which are;

- Maintain a continuous, up-to-date and accurate record of their CPD activities
- Demonstrate that their CPD activities are a mixture of learning activities relevant to current or future practice
- Seek to ensure that their CPD has contributed to the quality of their practice and service delivery
- Seek to ensure that their CPD benefits the service user
- Upon request, present a written profile (which must be their own work and supported by evidence) explaining how they have met the standards for CPD

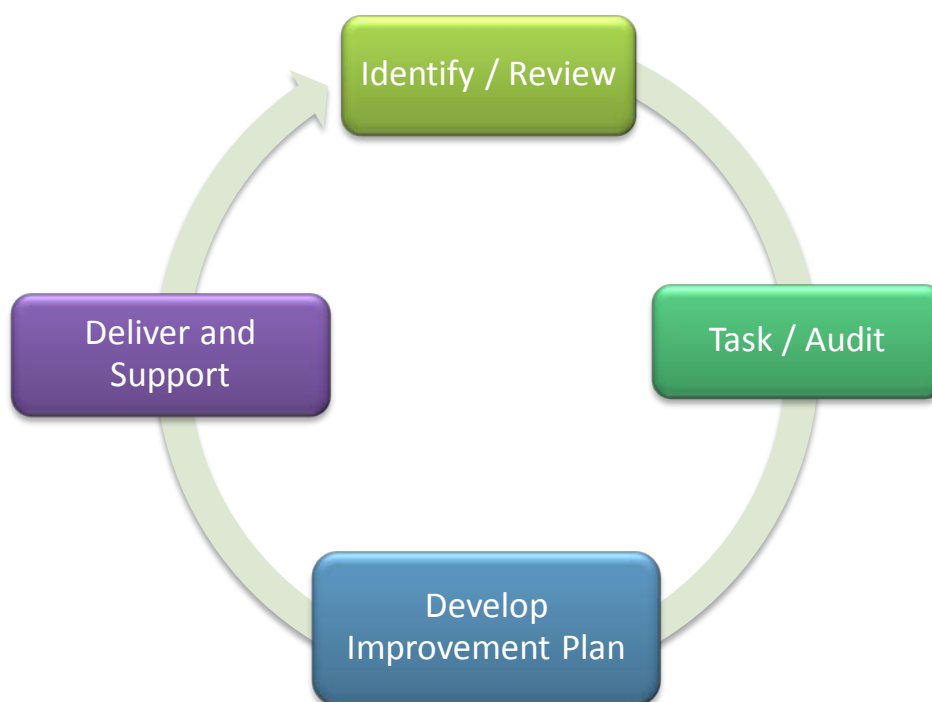
Health and Care  
Professions Council  
Standards of Proficiency –  
Social Workers in England  
(HCPC, 2012)

The Standards of Proficiency set out what a social worker in England should know, understand and be able to do when they complete their social work training so that they can register with the HCPC. They set out clear expectations of a social worker's knowledge and abilities when they start practising. It places responsibility on workers to engage with quality assurance.

Other Standards of Proficiency exist for other professionals such as Art Therapists and Psychologists.

## 4 Quality Assurance Cycle

- 4.1 The diagram below shows clearly and simply that quality assurance can be seen as a cycle. To improve the services that we deliver it is necessary to agree standards, monitor work; listen to those that use our services; and invest in the development of the organisation in order to secure the right outcomes for service users.



4.2 **Identify** : A Quality Assurance Board will review practice standards, audits, inspections performance information, compliments and complaints, IRO escalations, procedures and current issues for the service. This will identify key themes for service improvement and may result in action being required, whether this is an audit, a case review or observed practice.

4.3 **Task / Audit**: There are a number of outcomes of the discussion at the Quality Assurance Board. This could include the commissioning of an audit or a case review, the issuing of a management instruction, the development of a new procedure or managers observing some practice. For each, a scope will be developed by the Service Manager for Quality Assurance who will ensure that the scope is firmly linked to the request of the Quality Assurance Board.

4.4 **Develop improvement plan**: The outcome of the task or audit will be the writing of a report that is presented to the Quality Assurance Board and to the Children's Services

Management Team (CSMT). CSMT will have responsibility for developing an improvement plan to ensure that the outcomes of the audit lead to improvements in service design and delivery. Where the task was the development of a procedure or new process, CSMT will be responsible for developing an implementation plan that is monitored by the Quality Assurance Board.

**4.5 Support:** Support in delivering the improvements will be offered by the Principal Social Worker who will assist frontline practitioners in implementing any changes in practice. The Workforce Development Team will assist this process in ensuring that appropriate training is offered. Team Managers and Assistant Team Managers will ensure that supervision acts as a conduit for ensuring that changes have been made.

**4.6 Review:** When the cycle comes back to 'Review', the Quality Assurance Board will provide challenge to Service Managers and Team Managers to ensure that improvements have been delivered and are delivering positive outcomes for children and young people. By reviewing performance data, service user feedback and information from IROs and CP Chairs, the Board will assure itself that the relevant improvements have been made. A rolling work programme will be established by the board to ensure that key areas of practice are addressed and sufficient management oversight is given to key issues.

## 5 Methodologies for assuring quality of services

**5.1** The framework covers the full range of services for children and young people across early help, targeted support, protection and specialist provision. This enables the creation of a more comprehensive understanding of the child's journey from which we can learn and improve our service delivery and make better informed decisions to achieve the desired outcomes.

**5.2** Information is considered and gathered from the following sources:

- a) **Performance and Management Information:** Weekly data tells us something about how well the service is doing and will ordinarily measure either service outputs or outcomes for children. Many of these indicators are nationally set and reported upon. Statistical neighbours and best performance authorities benchmarking data is available and is used by Reading to drive service improvement. Looking at activity data allows us to consider the demands on the service. The journey of the child can be better understood through our system and conversion rates eg the number of referrals that become assessments, how many Section 47



enquiries lead to Child Protection Plans, how many children subject to child protection plans go on to become cared for children etc. This helps management identify whether there are any variations that require further exploration.

- b) **Complaints and Compliments** about Children's Services are another important element of the Quality Assurance Framework. The Complaints Officer will provide quarterly reports, briefly identifying the nature of all reports received and provide an analysis which identifies trends and makes comparisons about the nature of complaints.
- c) **Service User Feedback** It is essential that children, young people and their families' views about the services that they received are sought and captured within the quality assurance process. This ensures services are matching needs and that service users are central to the service delivery.

Consulting with – and using feedback gained – from children, young people, families, and workers is central to understanding the subjective experiences of those accessing or working for Children's Social Care. The Principal Social Worker role is pivotal in understanding the experiences of frontline practitioners. Seeking feedback helps us to improve how we deliver our services to individuals, improve the working conditions and processes for our teams, and enables us to identify themes to be addressed. Identifying themes will allow us to build upon excellence and continuously improve.

Feedback can be obtained in a number of different ways, even when not formally requested. Feedback can typically be found:

- Within assessments
- From staff and carer supervision records
- Within annual carer review records
- Contained within case notes
- From telephone call records or emails
- From complaints and compliments logs

There is an expectation that every child and carer who comes into contact with the service has an opportunity to express their views. Some of the ways we do this include;

- Frontline staff will undertake simple questionnaires with children during one of their initial visits.
- Follow up questionnaires will be completed at later points in the child's journey, review, case closure, and for a sample of cases six months after the end of our involvement. This will enable us to compare the child's position at each point.

- Parental views will be sought at closure using a standard questionnaire.
- Child and parent views will also be gained via the senior management audit, questionnaires from LAC Reviews and Child Protection Conferences.
- Feedback will be gained from thematic audits.

Foster Carer views will be obtained on an annual basis through their annual review. In addition to this there is an annual survey of foster carers.

- d) **Participation and Advocacy** work completed with children and their families is also a vital component in the Quality Assurance Framework. The Children's Participation Worker will complete a quarterly report of all advocacy provided to young people and the report will contain a brief analysis which will identify key themes and trends in the nature of difficulties young people are experiencing with service provision and engagement.
- e) **Observation of practice:** Learning at and through work is an essential means of employee development. Direct observation involves a manager or supervisor observing a worker, carrying out a task, evaluating their practice and performance and providing structured constructive feedback. Every worker will be observed at least once a year by their manager. This may include a visit to a child or young person and their family or carer, a network or core group meeting, a child or young person's review meeting, a child protection conference, a looked-after children's review or Court presentation.
- f) **Mid-way reviews – Independent Reviewing Officers (IROs) and Child Protection Chairs (CPC):** IROs and CPC's play a key role in planning and assuring the impact and quality of work undertaken by children's social care. Their role is to ensure that the quality of the work on a single and multi-agency basis is of a high standard, that performance indicators and procedural requirements are met, and that plans for children and young people are outcome-based and meet the individual needs of the child or young person. IROs and CPC's undertake mid-way reviews on all children and young people who are looked after or in the child protections process.
- g) **Serious case reviews, serious incident and near misses** serious case reviews, serious incidents and near misses provide the opportunity to reflect in detail on practice within individual cases, and to identify and act on areas for improvement. The learning from all of these cases will be disseminated across Children's Services.
- h) **Team meetings:** Team meetings are an integral tool to ensure that key messages are disseminated across the service. All teams are encouraged to have a regular meeting to which the Service Manager and Head of Service are invited. A standing item on these agendas should include messages from CSMT and from DLT. Team meetings should take place monthly.

- i) **Joint meetings:** In order to promote good practice teams are encouraged to work effectively together. IROs and CP Chairs should meet with frontline teams to feedback on issues of quality at reviews and at conferences. A joint meeting between frontline teams and the IROs / CP Chairs should take place at least once per quarter. Where issues can be resolved informally in this way it is a constructive way of minimizing the need for IRO escalation of issues.
- j) **Transfer / Workload Allocation Meetings:** A weekly meeting takes place to ensure that cases can be effectively transferred between teams. This is chaired by the Head of Safeguarding and Long Term Teams. The Transfer procedure sets out the standards required of case file recording at the point of transfer. The Team Manager must have signed off a Transfer Summary and a Transfer Audit before the case can be transferred to another team.
- k) **Supervision:** The Supervision Policy requires that all social workers are supervised at least monthly although it may happen more frequently where the worker has a complex caseload. This is the opportunity for managers to ensure that practice standards are being adhered to and constructive support can be identified at an early stage where necessary.
- l) **Group Supervision** is encouraged as a mechanism for the team or a group of peers to reflect on the work undertaken with a particular family in order to help move the case on and secure positive outcomes. It may also be used to learn new practices together or to share best practice.
- m) **The Principal Social Worker:** The Principal Social Worker will offer support to teams to ensure that practice improvements are embedded and secured. Issues arising during the course of any work will be fed back routinely to the DCS and the Head of Safeguarding and Long Term Teams and will be a standing item on the agenda of the Quality Assurance Board. Key training issues identified by the Principal Social Worker will be notified to the Workforce Development Team to secure appropriate training.
- n) **Audits:** see section 6. Audits will be commissioned to regularly review the quality of case work to ensure that children and families are being supported appropriately and that positive changes are being made. The outcomes of these audits will be reported back to the Quality Assurance Board and to the Children's Services Management Team (CSMT) in order to monitor improvements.

## 6 Audit framework

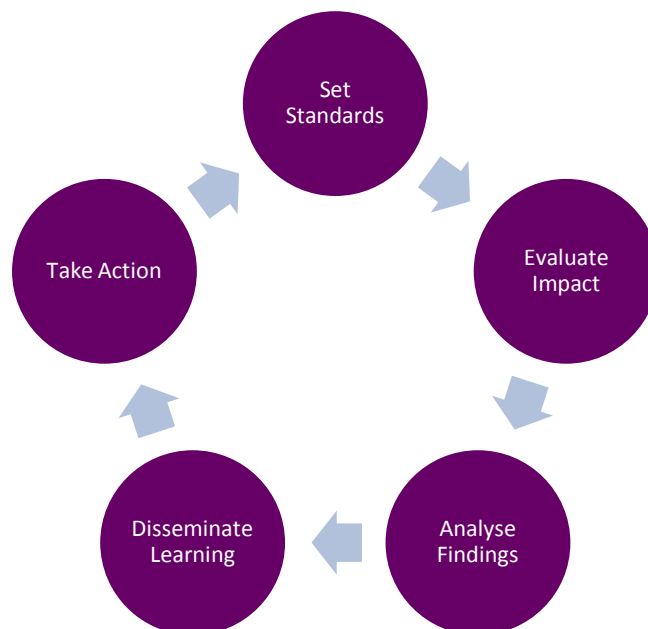
- 6.1 The audit framework provides a structure for the process of case work audit and review, creating a culture in which both quantitative and qualitative aspects of case management are routinely examined and reported in a systematic way to ensure the best possible outcomes for children and young people. Although these two aspects

of auditing can be conducted independently, both are necessary to ensure a total quality management approach.

- **Quantitative Auditing** Considers whether the record is up-to-date, contains all the relevant documentation and that the documentation has been properly completed, within timescale.
- **Qualitative Auditing** Consider the quality of the information and recording on the child or young person's file, the quality of the decision making process, risk assessment and analysis, and whether it reflects good practice.
- **Moderation Process** Built into any audit process must be a quality assurance process of monitoring the quality of the auditing carried out. This can be established through a process in which a manager or peer of the auditor re-audits random case files. Service Managers will be responsible for their service areas.

6.2 Audit is a continual and dynamic process. It is part on an improvement cycle by which we set standards, evaluate impact, analyse findings, disseminate learning (strengths and areas for development), and take action to improve.

6.3 The audit process should create dialogue between the auditor and the worker. Whilst the worker must be open to professional scrutiny and challenge as part of the process, it is important for this to be done in a way that is open, honest and transparent, so that everyone works together to improve the quality of service we deliver.



6.4 All staff are accountable for making sure that Reading Children's Services practice standards and priorities are met. Practice standards and priorities are informed by statutory guidance and regulation, based on evidence about the elements of practice

which are most likely to lead to good quality services and positive outcomes for children and young people.

6.5 A number of audit tools have been developed that are structured around Reading's practice standards and priorities and that scrutinise all areas of service delivery - see appendix 2. The types of audit include:

- a) **Case file audits:** Quarterly audits across the service are carried out by operational managers and are randomly peer reviewed across the service. In addition, group audits, comprising of staff from across Children's Services take place and serve as a means to involve staff at all levels in the learning and development process. This work is crucial to add some qualitative information to data analysis and to pick up any practice themes that need attention. The Director of Children's Services and Managing Director will audit 2 randomly selected cases on a quarterly basis.

The Fostering and Adoption Team, Youth Offending Service, Children's Action Team undertake routine monthly audits using audit tools specific to their service and The Access and Assessment Team audit cases prior to transfer.

- b) **Thematic audit:** These audits will take place at least twice a year. The primary purpose of a thematic audit is to identify and develop understanding in respect of a service, area of practice or issue, in order to assess the quality of practice. A thematic audit will follow an area of work across different teams or services and will examine a particular theme over a period of time and include a variety of methods, such as file audits and direct interviews or focus groups with staff across the relevant service and with other key stakeholders.
- c) **Supervision audits:** Throughout the course of the year, Team Managers will undertake an audit of supervision files of each Assistant Team Manager's supervision with Social Workers. Service Managers will audit the supervision files of each Team Manager with Assistant Team Managers. Head of Service will complete a sample of supervision audits of each Service Managers' Supervision of Team Managers.
- d) **Multi agency audits** facilitated through the performance and Quality Assurance subgroup. A rolling programme of multi-agency audits is in place to promote learning for all partner agencies. To ensure Reading LSCB has in place sound mechanisms for monitoring, evaluating and auditing safeguarding activity by partner agencies, particularly in relation to front line services, ensuring that improvements are made to deliver better outcomes for children. In addition its role is to demonstrate that Reading LSCB is a 'learning organisation' that has a strong focus on impact and effectiveness.

## 7 Learning and Development

- 7.1. It is imperative that learning from each quality assurance activity is shared with the right people and used meaningfully to change practice and improve outcomes for children, families and employees. Learning should make evidenced links to the following areas:
- Supervision
  - Training
  - Complaints and Compliments
  - Workforce Planning and Development
  - Commissioning
  - Service Plans and Team Plans
  - Reading Children's Services Priorities and Business Plans
  - Reading's Service Improvement Plan
  - Reviewing Officer/Child Protection Conference Chair quality assurance.
  - Monthly Performance Challenge Meetings
  - Adoption Panel and Fostering Panel quality assurance reports
- 7.2. Service Manager Quality Assurance with the support of the Principal Social Worker will provide quarterly reports which will identify themes from audits. The Quality Assurance Board will consider the messages and learning from these processes in connection to learning and action planning that emerges from this framework. The service level self-assessment will facilitate this process.
- 7.3. The quarterly reports will form the basis of the report that goes to Adult Children and Education (ACE) committee.
- 7.4. The Director of Children's Services, Head of Children's Services and The Principal Social Worker have regular dialogue with staff in Children's Services, to gather views/comments on practice issues, in a range of fora, for instance, focus groups, staff briefings, whole service conferences and Induction of new starters. Feedback in respect of the findings of audits and the relevant themes will be disseminated at such events.
- 7.5. The quarterly Quality Assurance Board is chaired by the Head of Transformation and Governance. The meeting will look at the various strands of quality assurance activity and will agree action plans developed as a result of activity. This meeting will act as a challenge meeting where the Heads of Service can scrutinise activity, receive exception and corrective action reports and call managers to account.

## 8 Conclusion

- 8.1. Work to protect children is by definition complex and multi-faceted, requiring a whole system approach. The needs of the children involved are such that the

system need to ensure that areas in need of improvement and apparent strengths are constantly explored and unpicked to ensure the strengths are real and embedded and the areas for improvement are being effectively addressed.

- 8.2. This Quality Assurance Framework sets out how that exploration will take place in Reading and ensures that improvement can never stand still. The framework will be reviewed on an annual basis.




# Good Practice Standards For Children's Social Care

September 2013



This document sets out the standards of service we work to and against which we are measured in the quality assurance and performance framework.

### **Standards Overview:**

1. In all our activities, the child's best interests will come first.
  2. In our assessments and work we aim to understand and improve the child's lived experience.
  3. Work is carried out in partnership with parents and carers to enable them to meet their responsibilities and achieve the best outcomes.
  4. Children have a right to be involved in decisions that affect them.
  5. In all our work, we will maintain an awareness of equal opportunities and the impact of discrimination.
  6. We will work closely with other agencies to improve support that is offered to children, young people and families.
  7. Work with children and families is undertaken within the legislative framework and makes use of best practice guidance.
  8. Our records are accurate, complete and demonstrate the child's story.
  9. Work with children is managed and supervised to achieve the best possible outcomes.
  10. We treat children, families and our working partners with courtesy and respect.
- 

## Standard 1

In all our activities, the child's best interests will come first

### Criteria

- 1.1 We will follow the Berkshire LSCB policy and procedures to ensure that children are safeguarded from harm.
- 1.2 Children's needs are identified and assessed using the agreed assessment processes, tools and frameworks.
- 1.3 Children are supported to achieve and enjoy their full potential in all aspects of their development.
- 1.4 We will ensure that our work promotes permanency for children – either in their birth families or in alternative permanent arrangements.

## Standard 2

In our assessments and work we aim to understand and improve the child's lived experience.

### Criteria

- 2.1 Children are seen alone, where appropriate, observed and communicated with according to their developmental needs and in accordance with the plans for them.
- 2.2 Intervention with children is timely and responsive to risk and need.
- 2.3 Children's identity is promoted through life story work and ensuring that they have personal possessions and family material.
- 2.3 All Plans for children will be focused on improving outcomes and the child's daily lived experience. Plans will be SMART and written in language that is understood by parents, carers and partners.

## Standard 3

Work is carried out in partnership with parents and carers to enable them to meet their responsibilities and achieve the best outcomes.

### Criteria

- 3.1 Planning and decision making promotes the child's upbringing within family and community networks wherever possible.
- 3.2 Parents and carers are engaged in assessment, planning and implementation of services to their family.
- 3.3 Parents and carers are treated with respect and encouraged to express their views and potential solutions to current issues.

- 3.4 Parents and carers are advised clearly about concerns and what needs to change to keep their children safe.
- 3.5 Contact is maintained between children and their families and communities wherever possible.
- 3.6 In the event that children cannot live with their parents, all steps possible will be taken to ensure that they can remain within their extended networks wherever possible.

## **Standard 4**

**Children have a right to be involved in decisions that affect them.**

### **Criteria**

- 4.1 Children's rights are promoted in all areas of work.
- 4.2 We will use a variety of tools to enable children to communicate their lived experience, their worries and hopes to us.
- 4.3 We run our meetings to enable children's participation wherever possible. Where they can or should not attend, we will use a variety of methods to ensure that their views are taken into account.

## **Standard 5**

**In all our work, we will maintain an awareness of equal opportunities and the impact of discrimination.**

### **Criteria**

- 5.1 Work challenges organisational culture and practices which contribute to discrimination and disadvantage.
- 5.2 Casework addresses and respects individual's race, culture, language and religion.
- 5.3 Work takes into account the impact of social disadvantage in neighbourhoods, networks and communities.
- 5.4 We advocate with and on behalf of children, parents and carers to enable them to access sources of support.

## **Standard 6**

**We will work closely with other services and agencies to improve support that is offered to children, young people and families.**

### **Criteria**

- 6.1 Assessments, plans and reviews take full account of the information and professional opinions

- 6.2 Plans for children are holistic and use the resources of the wider family and partner agencies.
- 6.3 Working relationships with agency partners are professional and responsive in including and engaging local agency forums and lead professionals.
- 6.4 Communication with agency partners is clear, timely and proportionate to the child's needs. This includes a commitment to share information as appropriate.
- 6.5 Active steps are taken to resolve conflicts should they arise between teams, services and agency partners.
- 6.6 In cases concerning child protection, agency checks will be undertaken.

## **Standard 7**

**Work with children and families is undertaken within the legislative framework and makes use of best practice guidance.**

### **Criteria**

- 7.1 Work is in accordance with legislation, guidance and local policy and procedure.
- 7.2 Work is undertaken with due regard to the national minimum standards, best practice guidance and is informed by the best evidence available including research findings.
- 7.3 Work is in accordance with the principles of Best Value.
- 7.4 Work will contribute towards self-evaluation and external inspection.

## **Standard 8**

**Our records are accurate, complete and demonstrate the child's story.**

### **Criteria**

- 8.1 Case recording is up to date and demonstrate the purpose and outcome of each contact. We will avoid the use of jargon and acronyms wherever possible.
- 8.2 All relevant basic details concerning the child are reflected on the case record and are up to date.
- 8.3 There is a genogram, care plan and chronology for each child receiving a service. These adhere to the good practice guidance.
- 8.4 Recording is concise, analytical and distinguishes between fact and opinion.
- 8.5 Information about the child is written and stored in accordance with Data Protection and Information Sharing protocols.

## Standard 9

### Work with children is managed and supervised to achieve the best possible outcomes.

#### Criteria

- 9.1 Managers use agreed systems to ensure that children receive a timely and appropriate service.
- 9.2 Work is allocated to suitably trained and qualified staff, who fully understand what is required of them.
- 9.3 Management accountability and decision making is evidenced at all stages of work with the child from referral to closure.
- 9.4 Managers audit case records on a regular basis and require action to be taken where necessary.
- 9.5 Good practice is promoted and recognised.
- 9.6 Reflective supervision takes place regularly and outcomes and decisions are recorded.
- 9.7 Managers critically evaluate the work of their staff and actively challenge poor practice, delay and drift in decision making.

## Standard 10

### We will treat children, families and our working partners with courtesy and respect.

#### Criteria

- 10.1 Communication through email, telephone and letter will be timely, polite and responsive.
- 10.2 We will be punctual for meetings and visits and if we are unavoidably delayed, we will explain and apologise.
- 10.3 The Council will be presented as one organisation and we will take responsibility for resolving any inter-service issues without involving service users or partners.

## Appendix 2: Audit Programme

The chart below sets out Reading Children’s Services Annual Audit Programme. The Programme will be kept under review by the Director of Children, Education and Early Help Services throughout the year and updated to reflect any changes required to support evolving organisational priorities. Routine audits cover all social work teams including early help services and the youth offending service.

Service Area	Key tests of activity	Themes as identified	Method	Frequency	Quantity for service area	Audit Tool
Contact and Referral and Access and Assessment	<ul style="list-style-type: none"> <li>• Threshold application</li> <li>• Appropriateness of response to action</li> <li>• Management oversight and decision making</li> <li>• Timeliness</li> <li>• Outcomes communicated with referrer or agencies</li> <li>• Transfer/Closure procedures</li> </ul>		Case Audit	Quarterly	4 per ATM 4 per TM  Moderation by SM	Audit Tool A
Children In Need	<ul style="list-style-type: none"> <li>• Assessment</li> <li>• Risk Assessment</li> <li>• Information gathering and analysis</li> <li>• Chronology</li> <li>• CIN planning (including partnership working)</li> <li>• Direct work with child</li> <li>• Visits</li> <li>• Family engagement</li> <li>• Supervision and Management oversight</li> <li>• Improved outcome</li> <li>• Escalation or de escalation</li> <li>• Case Closure/transfer procedure completed</li> </ul>		Case Audit	Quarterly	Locality Teams 4 per ATM 4 per TM  Moderation by SM	Audit Tool A
Child Protection	<ul style="list-style-type: none"> <li>• S 47 - outcome</li> </ul>		Case Audit	Quarterly	Locality Team –	Audit Tool A

Service Area	Key tests of activity	Themes as identified	Method	Frequency	Quantity for service area	Audit Tool
	<ul style="list-style-type: none"> <li>• CP Conference</li> <li>• Core group meeting</li> <li>• CP Planning ( multi agency working)</li> <li>• Legal planning</li> <li>• Direct work with child and visits</li> <li>• Family engagement</li> <li>• Chronology</li> <li>• Supervision and management oversight</li> <li>• Effectiveness and impact</li> <li>• Escalation or de escalation</li> <li>• Case transfer procedure completed</li> </ul>				as above	
Looked After Children	<ul style="list-style-type: none"> <li>• Assessment</li> <li>• LAC planning (including multi agency working)</li> <li>• LAC review (including child/young person's participation)</li> <li>• Contact arrangements</li> <li>• Legal Planning and court reports</li> <li>• Health Assessment</li> <li>• Personal education plan</li> <li>• Direct work with child and visits</li> <li>• Family and carer engagement</li> <li>• Chronology</li> <li>• Supervision and management oversight</li> <li>• Effectiveness and impact</li> <li>• Improved outcomes</li> </ul>		Case Audit	Quarterly	Locality Teams - As above  CYPD – LAC cases to be included in quarterly CIN audits (as will CP cases)	Audit Tool A

Service Area	Key tests of activity	Themes as identified	Method	Frequency	Quantity for service area	Audit Tool
	<ul style="list-style-type: none"> <li>Case closure/transfer procedure completed</li> </ul>					
Care Leavers	<ul style="list-style-type: none"> <li>Education training and employment</li> <li>Housing and accommodation</li> <li>Pathway planning (including multi agency working)</li> <li>Health assessment</li> <li>Personal education plan</li> <li>Direct work with young people and visits</li> <li>Chronology</li> <li>Supervision and management oversight</li> <li>Effectiveness and impact</li> <li>Improved outcomes</li> <li>Case closure procedure completed</li> </ul>		Case Audit	Quarterly	Locality Team 4 per ATM 4 per TM  Moderation by SM	Audit Tool A
Adoption	<ul style="list-style-type: none"> <li>Management oversight and quality of SSW support and supervision</li> <li>Regularity compliance and recording consistency</li> <li>Quality of assessment and reports</li> <li>Effectiveness of preparation and support</li> </ul>		Case Audit	Monthly	Adoption Team 2 x SM 2 x TM 2 x ATM	Adoption Audit Tools
Fostering	<ul style="list-style-type: none"> <li>Management oversight and quality of SSW support and</li> </ul>		Case Audit	Monthly	Fostering Team 1 x SM	Fostering Audit Tool



Service Area	Key tests of activity	Themes as identified	Method	Frequency	Quantity for service area	Audit Tool
	<ul style="list-style-type: none"> <li>supervision</li> <li>Regulatory compliance and recording consistency</li> <li>Quality of Assessment</li> <li>Quality of foster carer support and supervision</li> <li>Quality of foster carer training and development</li> <li>Foster care reviews and checks</li> </ul>				2 x TM 2 x ATM	
YOS	<ul style="list-style-type: none"> <li>Timely and appropriate assessment of the factors linked to offending behaviour</li> <li>Effective engagement with the young person, including assessment of basic skills</li> <li>Risk assessment</li> <li>Vulnerability screening</li> <li>Effective plan for young person including integrated action plan</li> <li>Young person's review is timely and effective</li> </ul>		Case Audit  National Standards Audit  Transitions Audit	Monthly  Annually  Annually	YOS 2 x TM 2 x ATM	YOS Audit Tool
Family Support; Targeted Youth Support Troubled Families	<ul style="list-style-type: none"> <li>Quality and appropriateness of child and young person assessment</li> <li>Risk assessment</li> <li>Effectiveness of information gathering and analysis</li> <li>Chronology</li> <li>Dynamic plan for the child or young person</li> <li>Direct work</li> <li>Supervision and management</li> </ul>		Case Audit		CAT  2 x SM 2 X TM 2 x ATM	CAT Audit Tool

Service Area	Key tests of activity	Themes as identified	Method	Frequency	Quantity for service area	Audit Tool
	oversight					
Direct Observation	Quality and effectiveness of: <ul style="list-style-type: none"> <li>• Direct work with child or young person</li> <li>• Participation and engagement of child and family</li> <li>• Supervision</li> <li>• Management and decision making</li> <li>• Role of the social worker</li> <li>• Partnership working</li> </ul>		1 to 1 audit	Throughout the year	Every Manager will observe all of their staff in practice at least once	Audit Tool B
Supervision	<ul style="list-style-type: none"> <li>• File structured in accordance with policy</li> <li>• Case discussion evident</li> <li>• Practice observations</li> <li>• Risk assessments and absence management</li> <li>• Frequency in respect of standards</li> <li>• Performance Management</li> <li>• Management Decisions and authorisation</li> <li>• Professional Development and record of training</li> <li>• NQSW compliance</li> </ul>		File Audit	Ongoing	SMs and Quality Improvement Manager	Audit Tool C
Group Supervision	All aspects of practice in Children's Services		Deep Dive File Audit	Quarterly	Members of staff from all service areas	Audit Tool A
DCS,HOS, Elected Member	All aspects of practice in Children's Services		File Audit	Quarterly	2 x DCS 2 x HOS	Audit Tool A

# Full Case Audit Tool A

## GUIDANCE FOR THE COMPLETION OF THE CASE FILE AUDIT

This tool should be used by the auditor and case worker together. The audit tool seeks to capture a holistic view of the case; monitor compliance with legislation and procedures; identify good practice and areas for improvement. The file should reflect the journey of the child and evidence of their voice being heard.

Evaluation of the case will follow discussion using the Ofsted criteria.

The grades match those of Ofsted and the descriptors are a succinct version of those set out in inspection framework:

- |          |                             |   |
|----------|-----------------------------|---|
| <b>4</b> | <b>Outstanding</b>          | Highest quality practice delivering measurably improved outcomes, for some children their progress exceeds expectations.  |
| <b>3</b> | <b>Good</b>                 | Practice is of a good standard, risks are identified and reduced. Decisions are made so that delay is avoided and children are helped to live in safe homes, with safe secure relationships with adults that will support them over time. There is clear evidence that the aims of the work are shared by the child, professional network and family and any obstacles to achieving these aims are quickly addressed. |
| <b>2</b> | <b>Requires improvement</b> | Minimum standards have been achieved, children are not at risk of significant harm and the welfare of looked after children is promoted and safeguarded.  |
| <b>1</b> | <b>Inadequate</b>           | Practice is below standard and may cause risk of harm to children and the welfare of looked after children is not safeguarded.  |

The section grades should then be recorded in the table on the final summary page of the audit tool with a grade then being given for the three overall judgements.

**Once the audit is complete, please discuss with the social worker / their supervisor to agree remedial actions and timescales (section 7).**

**Send completed audit and remedial actions to Service Manager Quality Assurance**

## AUDIT

This tool should be used to ensure the consistent recording of evidence when reading case records. It brings together the key criteria from the Ofsted evaluation schedule. Priority is afforded to evidence concerning the quality and effectiveness of help, care and protection and the impact this has on children, young people and families.

The auditor should only evidence criteria which is relevant / applicable to their area of work and should cross-reference with the 'evaluation guidance'.

### 1. Basic Details

<b>Child's First Name</b>		<b>Child's Surname</b>	
<b>Mosaic ID</b>		<b>Date of Birth</b>	
<b>Does the child have a disability (Y/N)?</b>		<b>Does the child have a status of SEN (Y/N)?</b>	
<b>Allocated Worker</b>		<b>Team</b>	
<b>Was worker interviewed for the audit (Y/N)</b>			
<b>Auditor Name and Role</b>		<b>Date of Audit</b>	

<b>Basic information on Mosaic complete? Y/N</b>			
Name		Ethnicity	
Address		Religion	
Key professionals		Disability	
DOB		Family members	
Are contact details for family recorded?			

### Case overview

Give a brief overview of the case (why we are working with the family / key interventions and impact) and the progress in the last 12 months

## 2. Case Details

### Case Status:

Early Help	<input type="checkbox"/>	CP	<input type="checkbox"/>
CIN	<input type="checkbox"/>	CLA	<input type="checkbox"/>
Care Leaver	<input type="checkbox"/>		

Any **key changes** within the last 12 months? Do **not** count transfer from A&A to long term team.

	Number
Allocated social worker	
Supervisor (ATM?TM)	
IRO	
Number of placements	

### Comments/Action (including impact on the child)

### Genogram

	Y/N
Is there a genogram on the file that enables you to understand the child's network?	

### Comments/Action

### Chronology

	Y/N
Is the chronology up to date (should be reviewed every three months)	
Does the chronology highlight significant events	

Is there evidence significant events have been selected using judgement (rather just copy and pasted)	
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**Comments/Action**

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	Y/N
Are case notes up to date and give you a good sense of the child and their journey?	

**Comments/Action**

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**Diversity**

	Y/N
Are diversity factors such as race, culture, religion and gender recorded accurately on the front sheet?	

**Comments/Action**

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**3. Referral and Response**

**Section 3 to be completed where case has been open for less than one year**

What is the type of referral ?	
CAF	
Police	
Other (please state)	

	Y/N
Does the referral relate to CSE / FGM / Missing / Domestic Abuse? (state which)	
Does the referral contain sufficient information to make a decision?	
Was the referral acted upon promptly? (within 24 hours)	
Was the response to the referral appropriate?	
At the point of referral, was there evidence of risk analysis and appropriate response	
Is this a repeat referral (please give details below of the previous intervention and why the case was re-referred noting if the child was previously subject to a CP plan and why the plan was discontinued)	
Was the information sharing done in a timely way?	

**Comments/Action about referral and response**



#### 4. Audit Framework

##### 1) Risk is identified, responded to and reduced in a timely way.

*Where relevant include evaluation of identification and response to children who experience and/or are at risk of: sexual exploitation / neglect / emotional abuse / sexual abuse / physical abuse /domestic abuse*

		<b>Y / N</b>	
Is risk managed appropriately?			
Is the response timely?			
Is the response effective?			
<b>Analysis:</b>			
<b>Judgement:</b>			
<b>Outstanding</b>	<input type="checkbox"/>	<b>Good</b>	<input type="checkbox"/>
<b>Requires Improvement</b>	<input type="checkbox"/>	<b>Inadequate</b>	<input type="checkbox"/>

##### 2) Children, young people and families are appropriately involved

		<b><u>Y/N</u></b>	
Is there evidence of impact of the involvement of children and their families in assessment, planning and intervention			
Are the views of significant males effectively gathered?			
Are children seen and seen alone and do they benefit from stable and effective relationships?			
Do children and parents/carers have an equal voice?			
Does it evidence individual work undertaken, including appropriate direct work?			
Is this linked to the plan and the reduction of risk?			

What is the impact of this for children and their families?			
<b>Analysis:</b>			
<b>Judgement:</b>			
<b>Outstanding</b>	<input type="checkbox"/>	<b>Good</b>	<input type="checkbox"/>
<b>Requires Improvement</b>	<input type="checkbox"/>	<b>Inadequate</b>	<input type="checkbox"/>

3) Decision making is effective and timely.			
	<b>Y/N</b>		
Is there evidence of effective and timely management oversight and direction on cases, and clearly recorded rationale for decisions being made?			
Is there evidence of regular case supervision (comment on the quality of this below)			
Is case recording clear, comprehensive and reflective of work undertaken and focused on the experience and progress of children and young people?			
<b>Analysis:</b>			
<b>Judgement:</b>			
<b>Outstanding</b>	<input type="checkbox"/>	<b>Good</b>	<input type="checkbox"/>
<b>Requires Improvement</b>	<input type="checkbox"/>	<b>Inadequate</b>	<input type="checkbox"/>

4) Assessments are timely, comprehensive, analytical and of high quality. They lead to appropriately focused help.	
What is the category of the most recent assessment of the child's needs e.g. s47; single assessment; review; case summary	
Date Assessment completed	
<b>Does the assessment include:</b>	<b><u>Y/N</u></b>
The child/young person's changing needs	

Significant relationships for the child			
Relevant historical factors informed by up to date chronology			
Information from partner agencies			
Risks, needs and protective factors which include parental capacity			
Evidence that the child has been seen <b>alone</b> and their wishes and feelings taken into account?			
Evidence that the family were notified of the outcomes of the assessment?			
<b>Analysis:</b>			
<b>Judgement:</b>			
<b>Outstanding</b>	<input type="checkbox"/>	<b>Good</b>	<input type="checkbox"/>
<b>Requires Improvement</b>	<input type="checkbox"/>	<b>Inadequate</b>	<input type="checkbox"/>

<b>5) Coordination between agencies is effective</b>			
			<u><b>Y/N</b></u>
Is joint working and information sharing improving the experience and sustaining the progress of children and young people?			
<b>Analysis:</b>			
<b>Judgement:</b>			
<b>Outstanding</b>	<input type="checkbox"/>	<b>Good</b>	<input type="checkbox"/>
<b>Requires Improvement</b>	<input type="checkbox"/>	<b>Inadequate</b>	<input type="checkbox"/>

6) Consideration and impact of diversity			
			<u>Y/N</u>
Do issues of diversity inform the response and the plan? ( <i>For example, age, disability, ethnicity, faith or belief, gender, identity, language, race and sexual orientation.</i> )			
<b><u>Analysis:</u></b>			
<b>Judgement:</b>			
<b>Outstanding</b>	<input type="checkbox"/>	<b>Good</b>	<input type="checkbox"/>
<b>Requires Improvement</b>	<input type="checkbox"/>	<b>Inadequate</b>	<input type="checkbox"/>

7) Quality of plans.			
<b>Type of plan in place (e.g. CP Plan / Pathway Plan):</b>			
			<b>Y/N</b>
Is the plan up to date and updated?			
Is the plan SMART?			
Does the plan effectively address permanence for the child?			
Is the plan implemented?			
Does the plan show quality of management oversight?			
Have other agencies positively contributed to the plan?			
Is the plan influenced by views of children and parents /carers and diversity issues?			
<b><u>Analysis:</u></b>			
<b>Judgement:</b>			
<b>Outstanding</b>	<input type="checkbox"/>	<b>Good</b>	<input type="checkbox"/>
<b>Requires Improvement</b>	<input type="checkbox"/>	<b>Inadequate</b>	<input type="checkbox"/>

<b>8) Permanency is achieved without delay and reflects assessed needs.</b>			
			<u><b>Y/N</b></u>
Are plans for permanency, including adoption, in the best interests of children and young people and achieved without delay?			
<b>Analysis:</b> (consider the quality of preparation for placement):			
<b>Judgement:</b>			
<b>Outstanding</b>	<input type="checkbox"/>	<b>Good</b>	<input type="checkbox"/>
<b>Requires Improvement</b>	<input type="checkbox"/>	<b>Inadequate</b>	<input type="checkbox"/>

<b>9) Children and young people participate in and benefit from effective regular reviews</b>			
			<u><b>Y/N</b></u>
Are reviews scrutinised and challenged robustly to ensure that they support children in making good progress?			
<b>Analysis:</b> (consider the influence and impact of the Independent Reviewing Officer/Child Protection):			
<b>Judgement:</b>			
<b>Outstanding</b>	<input type="checkbox"/>	<b>Good</b>	<input type="checkbox"/>
<b>Requires Improvement</b>	<input type="checkbox"/>	<b>Inadequate</b>	<input type="checkbox"/>

<b>10) Quality of placement</b>			
			<u><b>Y/N</b></u>
Are children appropriately placed according to their assessed needs? (at home or looked after)			
<b>Analysis:</b> Include contact with family/friends support for placements (including adoption support)			
<b>Judgement:</b>			

<b>Outstanding</b>	<input type="checkbox"/>	<b>Good</b>	<input type="checkbox"/>
<b>Requires Improvement</b>	<input type="checkbox"/>	<b>Inadequate</b>	<input type="checkbox"/>

<b>11) Are young people prepared for independence and are they living in high quality accommodation that meets their needs?</b>			
			<u><b>Y/N</b></u>
Is it safe, permanent and affordable (children at home or looked after)?			
<b><u>Analysis:</u></b>			
<b>Judgement:</b>			
<b>Outstanding</b>	<input type="checkbox"/>	<b>Good</b>	<input type="checkbox"/>
<b>Requires Improvement</b>	<input type="checkbox"/>	<b>Inadequate</b>	<input type="checkbox"/>

<b>12) How has the help provided improved outcomes?</b>			
			<u><b>Y/N</b></u>
<i>Are children supported to achieve their full potential?</i>			
<i>Do children have developed networks within their community and are they safe?</i>			
<b><u>Analysis:</u></b> <i>(Evaluate impact (including education, physical health, and their emotional well-being))</i>			
<b>Judgement:</b>			
<b>Outstanding</b>	<input type="checkbox"/>	<b>Good</b>	<input type="checkbox"/>
<b>Requires Improvement</b>	<input type="checkbox"/>	<b>Inadequate</b>	<input type="checkbox"/>

## 5. Overall Summary:

**Strengths:**

**Areas for improvement:**

## 6. Overall Grade

Judgements summary	Grade
1) Risk is identified, responded to and reduced in a timely way	
2) Children, young people and families are appropriately involved	
3) Decision making is effective and timely	
4) Assessments are timely, comprehensive, analytical and of high quality. They lead to appropriately focused help	
5) Coordination between agencies is effective	
6) Consideration and impact of diversity	
7) Quality of plans	
8) Permanency is achieved without delay and reflects assessed needs	
9) Children and young people participate in and benefit from effective regular reviews	
10) Quality of placement	
11) Are young people prepared for independence and are they living in high quality accommodation that meets their needs?	
12) How has the help provided improved outcomes?	
13) Overall judgement	

**Grading of the quality of recording and practice - See 'Grading Guidance'.**

Key issues to consider at each stage of the child’s journey:

- The quality and timeliness of assessment, risk management and planning.
- The effectiveness and impact of the help given to children and their families.
- The quality and effectiveness of inter-agency working.
- The effectiveness of quality assurance and management oversight of practice and decision making.
- The experience of particularly vulnerable children who live in households where there is domestic abuse, drug misuse and/or adult mental health issues.
- How well children and young people’s wishes and feelings inform every aspect of their care.
- How well diversity and identity has been considered and taken account of in care planning.

OUTSTANDING	GOOD	REQUIRES IMPROVEMENT	INADEQUATE

**Justification for the Grading**

**If your overall grade is inadequate – please state whether you can tell if the child may be safe or unsafe because of the decisions made:**

Safe		Unsafe	
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**ESCALATE IMMEDIATELY TO TEAM MANAGER AND SERVICE MANAGER**



## 7. Remedial Actions

Section	Action	By when	Signed off by Manager
1)	Risk is identified, responded to and reduced in a timely way		
2)	Children, young people and families are appropriately involved		
3)	Decision making is effective and timely		
4)	Assessments are timely, comprehensive, analytical and of high quality. They lead to appropriately focused help		
5)	Coordination between agencies is effective		
6)	Consideration and impact of diversity		
7)	Quality of plans		
8)	Permanency is achieved without delay and reflects assessed needs		
9)	Children and young people participate in and benefit from effective regular reviews		
10)	Quality of placement		
11)	Are young people prepared for independence and are they living in high quality accommodation that meets their needs?		
12)	How has the help provided improved outcomes?		
Other			

The supervisor and the allocated worker should review the audit findings and action plan. The allocated worker updates the action plan record with details of actions completed and comments/ actions on the findings and process. This is retained on the allocated workers professional supervision file and progress monitored on Mosaic supervision case note.

## Signatures

Name	Role (e.g SW / TM / Auditor / Moderator)	Signature	Date

### Post Audit Actions:

- Step 1. Business Support:** to email this audit form to case worker and copy in worker's line manager with a request to complete action points.
- Step 2. Business Support:** to provide list of cases where actions were identified, with worker name and manager and timescales to Service Manager for Safeguarding
- Step 3. Case Worker:** to complete the action points in Section 14 and forward audit form to line manager for sign off.
- Step 4. Line Manager:** within one month of receipt of audit form to confirm and sign off that all action points have been fully completed, and e mail Safeguarding Unit to confirm this has been signed off.
- Step 5. Line manager:** to arrange for fully completed audit form to be filed on child's electronic file.
- Step 6. Safeguarding Unit** to log completed audit form in 'completed and actioned' spreadsheet.

End of Audit Form

**Reading Borough Council  
Children's Services  
Social Care**

**Name of Practitioner being observed:**

**Name of Manager undertaking Observation:**

**Nature of Observation:**

(Telephone calls/Home visits/Meeting)

**Date of Observation:**

**Record of Observation** (to be completed by person observing)

**Strengths Identified** (to be completed by person observing)

**Areas for Development Identified** (to be completed by person observing)

**Conclusions / Recommendation** (to be completed by Supervisor and Supervisee during feedback session)

**Any Actions Required** (who will do what and by when)

**Aspects Recommended for Discussion and Reflection at next Supervision** (to be completed by Supervisor and Supervisee during feedback session)

**Signature of supervisee**.....

**Signature of supervisor**.....

Please ensure that a typed version is e-mailed to the worker and their line manager for discussion at their forthcoming supervision and to Jenny Quinn also for her to collate the forms.

**SUPERVISION AUDIT      Audit Tool C**

**READING BOROUGH COUNCIL CHILDRENS SERVICES**

<p><b>Name of Supervisor:</b></p>   <p><b>Designation:</b></p> <p><b>Team:</b></p>	<p><b>Name of Supervisee:</b></p> <p>Frequency of supervision requirements:</p>  <p><b>Designation/Grade:</b></p> <p><b>Date of Audit:</b></p>
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File Structure	Y/N	Comments	Action Required
Is the supervision file structured in accordance with Supervision Policy/Supervision File Guidance?			
Has a Supervision Agreement been completed between the supervisee & the current supervisor?  Date?			
Case Discussion Records (Is the reader directed to the case file or most recent notes on file?)  Observed Practice Records  Risk assessments (relating to employees welfare at work) and absence management  Admin Section  Current HCPC Registration & CRB/DBS update if applicable.			
<b>Evidence Of:</b>			
Does the frequency and duration of supervision meet minimum standards as outlined in the supervision policy?			

Performance Management (focussing on outcomes and workload management).			
Is the record of the supervision sessions appropriate: - detailed enough to provide guidance / direction and legible, dated and signed by both supervisor/supervisee?			
Have decisions made about service users also been recorded on the case file/electronic record and signed and dated/authorised by the Manager as appropriate.			
Professional development - Is there evidence that the supervisor has considered and acted on the supervisee's performance / training / development needs? - Record of training in line with HCPC Registration requirements? - Is there evidence of an up to date PDP/PDR?			
Evidence of additional requirements for social workers in their NQSW / Assessed and Supported Year of Employment (including assessment, support and development opportunities, also evidence of Learning Agreement and quarterly reviews)			
Is there evidence that the supervisee's attendance has been managed in line with the Attendance Management and Sickness Policy and procedure?			
Welfare/Support Needs Is there evidence that the supervisor has acted on any concerns and issues identified?			
From the file audit is there a necessity to arrange an observation of the supervisors' supervision skills?			
<b>Additional comments from the auditor following conversations with the supervisee and supervisor</b>			

**Audit Completed by: (Name of Auditor)**

**Signature:**

**Date:**

	Action	By When	Completed
1			
2			
3			
4			
5			

**Actions Completed by:**

**(Name of Supervisor)**

**Signature:**

**Date:**

***NB Once actions are completed please confirm by email with auditor.***



READING BOROUGH COUNCIL – AUDITING OF SUPERVISION PRACTICE

SUPERVISEE QUESTIONS

**SUPERVISEE INITIALS:**

**SERVICE/TEAM:**

**AUDITOR:**

<b>QUESTION</b>	<b>RESPONSE</b>
<b>DO YOU HAVE SUPERVISION AT THE REQUIRED FREQUENCY?</b>	
<b>HOW DO YOU PREPARE FOR SUPERVISION?</b>	
<b>WHAT ARE THE BENEFITS OF SUPERVISION FOR YOU AND YOUR PRACTICE?</b>	
<b>DO YOU RECEIVE YOUR SUPERVISION NOTES TYPED, SIGNED AND IN A TIMELY WAY?</b>	
<b>IN SUPERVISION DO YOU REFER BACK TO PREVIOUSLY AGREED ACTIONS?</b>	
<b>ARE THERE PARTS OF SUPERVISION YOU FIND HELPFUL OR UNHELPFUL?</b>	
<b>WHAT THREE WORDS WOULD YOU USE TO DESCRIBE YOUR SUPERVISION?</b>	
<b>DO YOU HAVE THE OPPORTUNITY TO BE REFLECTIVE AND ANALYTICAL IN SUPERVISION? CAN YOU GIVE AN EXAMPLE OF THIS?</b>	
<b>IS THERE OPPORTUNITY FOR YOU TO DISCUSS YOUR PROFESSIONAL DEVELOPMENT?</b>	
<b>IS THERE ANYTHING ELSE YOU WOULD LIKE TO SAY?</b>	

READING BOROUGH COUNCIL – AUDITING OF SUPERVISION PRACTICE

SUPERVISOR QUESTIONS

SUPERVISOR INITIALS:

SERVICE/TEAM

AUDITOR:

QUESTION	RESPONSE
HOW DO YOU PLAN FOR SUPERVISION?	
DO YOU TRACK PROGRESS ON PREVIOUSLY AGREED ACTIONS?	
DO YOU PROVIDE A TYPED RECORD OF THE SESSION, SIGNED AND IN A TIMELY WAY?	
HOW DO YOU ENSURE THAT YOU HAVE REFLECTIVE, CHALLENGING AND SUPPORTIVE DISCUSSIONS? CAN YOU GIVE AN EXAMPLE?	
DO YOU PROVIDE OPPORTUNITY TO DISCUSS, REVIEW AND EXPLORE AREAS OF PROFESSIONAL DEVELOPMENT? CAN YOU GIVE AN EXAMPLE?	
DO YOU FEEL THAT YOU HAVE SUFFICIENT SKILLS, KNOWLEDGE AND SUPPORT TO PROVIDE QUALITY SUPERVISION?	
ANY OTHER COMMENTS?	

## READING BOROUGH COUNCIL

### HEAD OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	19 April 2016	AGENDA ITEM:	4
TITLE:	AUDIT & INVESTIGATIONS QUARTERLY PROGRESS REPORT		
RESPONSIBLE COUNCILLOR:	COUNCILLOR STEVENS	PORTFOLIO:	FINANCE
SERVICE:	FINANCE	WARDS:	N/A
LEAD OFFICER:	PAUL HARRINGTON	TEL:	9372695
JOB TITLE:	CHIEF AUDITOR	E-MAIL:	<a href="mailto:Paul.Harrington@reading.gov.uk">Paul.Harrington@reading.gov.uk</a>

#### 1. EXECUTIVE SUMMARY

1.1 This report provides the Audit & Governance Committee with an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in January.

1.2 The report aims to:





- Provide a high level of assurance, or otherwise, on internal controls operated across the Council that have been subject to audit.
- Advise of significant issues where controls need to improve to effectively manage risks.
- Track progress on the response to audit reports and the implementation of agreed audit recommendations
- Provide an update on the progress of implementing actions reported in the 2014/15 Annual Governance Statement
- Provide details of investigations undertaken for the financial year ending the 31 March 2016 in respect of benefit, housing tenancy fraud and other corporate investigations.

#### 2. RECOMMENDED ACTION

2.1 The Audit & Governance Committee are requested to consider the report.




### 3. ASSURANCE FRAMEWORK

3.1 Where appropriate each report we issue during the year is given an overall assurance opinion. The opinion stated in the audit report provides a brief objective assessment of the current and expected level of control over the subject audited. It is a statement of the audit view based on the terms of reference agreed at the start of the audit; it is not a statement of fact. The opinion should be independent of local circumstances but should draw attention to any such problems to present a rounded picture. The audit assurance opinion framework is as follows:

Substantial	 GREEN	<b>Substantial assurance</b> can be taken that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with <b>low impact on residual risk exposure</b> .
Reasonable	 YELLOW	We can give <b>reasonable assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with <b>low to moderate impact on residual risk exposure</b> until resolved.
Limited	 AMBER	<b>Limited assurance</b> can be taken that arrangements to secure governance, risk management and internal control within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with <b>moderate impact on residual risk exposure</b> until resolved.
No assurance	 RED	There is <b>no assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Action is required to address the whole control framework in this area with <b>high impact on residual risk exposure</b> until resolved.

## 3.2 Grading of recommendations

3.2.1 In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Priority	Current Risk
 <b>High</b>	Poor key control design or widespread non-compliance with key controls. Plus a significant risk to achievement of a system objective or evidence present of material loss, error or misstatement.
 <b>Medium</b>	Minor weakness in control design or limited non-compliance with established controls. Plus some risk to achievement of a system objective
 <b>Low</b>	Potential to enhance system design to improve efficiency or effectiveness of controls. These are generally issues of good practice for management consideration

3.4.2 The assurance opinion is based upon the initial risk factor allocated to the subject under review and the number and type of recommendations we make.

3.4.3 It is management's responsibility to ensure that effective controls operate within their service areas. However, we undertake follow up work to provide independent assurance that agreed recommendations arising from audit reviews are implemented in a timely manner. We intend to follow up those audits where we have given limited or 'no' assurance.

## 4. HIGH LEVEL SUMMARY OF AUDIT FINDINGS

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### 4.1 Foster & Adoption Allowances

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- 4.1.1 The Council has a range of foster carer types (including Family and Friends Foster Carers) providing placements for Looked after Children and pays weekly allowances to the carers based on the age of the child and an hourly rate for short breaks, respite care and day care. Adoption allowances are discretionary and means-tested.
- 4.1.2 RBC currently has 69 foster carers that provide care for children along with independent residential and foster agencies. During the 2015/16 financial year the Fostering Service paid a total of £1.6m care allowances to their foster carers and £4m to foster agencies. As at March 2016 there were 64 children allocated to foster carers and 88 with independent fostering agencies.
- 4.1.3 The current number of supported adopters as at March 2016 was 74 and during the 2015/16 financial year the Adoption Service had paid a total of £0.62m adoption allowances to adopted families.
- 4.1.4 The highest priority risks identified related to the continued dependency upon high cost independent foster agencies and the need to strengthen operational procedures, incorporating the governance arrangements of the Access to Resource Panel. We note the Panel's terms of reference has recently been refreshed to incorporate greater challenge and overview of placement costs and it is now established as the Children's Services Solutions Panel. There is however more work to do to secure financial modelling around packages and how this can then be used to underpin the annually required sufficiency assessment<sup>1</sup>.
- 4.1.5 There are a number of manual interventions and spreadsheets in use, due to the current reporting limitations of the MOSAIC information system used by Children's Services. This is currently hampering the effective monitoring of the adoption financial assessment status. Recommendations were made to help improve this and longer term MOSAIC development requirements are being scoped across the service and the milestones plan will include requirements for Fostering and Adoption Services.
- 4.1.6 Although recent CIPFA<sup>2</sup> benchmarking highlights that the Council's average standard payment per child is 17% greater than the national average, no benchmarking has been undertaken locally and we've recommended that benchmarking with neighbouring authorities is also considered to understand if there are local issues behind these figures.

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<sup>1</sup> Under the Childcare Act 2006, local authorities must ensure that there is sufficient, quality, flexible, and sustainable childcare for parents and carers.

<sup>2</sup> The Chartered Institute of Public Finance and Accountancy

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4.2 Homelessness

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- 4.2.1 Legislation<sup>3</sup>, places statutory duties on local housing authorities to provide assistance to people who are homeless or threatened with homelessness. Authorities must consider all applications from people seeking accommodation or assistance in obtaining accommodation.
- 4.2.2 The increasing number of people becoming homeless and the associated financial pressure on the Council to provide temporary accommodation (including bed & breakfast (B&B)) is recognised as a key risk for the Council. The number of households who are owed a statutory duty for the Council to secure accommodation increased from 80 in 2011/12 to 339 in 2014/15. Based on the percentage increase from 13/14 to 14/15 (35%), this number is predicted to increase to over 450 by the end of 2015/16.
- 4.2.3 It is recognised that there are market and social-economic drivers which make it difficult to prevent further growth in the use of B&B accommodation, resulting in significant budget pressures.
- 4.2.4 In order to address the growth in the use of temporary accommodation, including B&B, the Council has developed a Homelessness Strategy to prevent homelessness and to ensure appropriate accommodation is available for those who are or may become homeless. The actions centre on prevention of homelessness, increasing the supply of alternative temporary accommodation and increasing the supply of affordable permanent housing across sectors. A model has also been developed to forecast supply and demand to help with forward planning.
- 4.2.5 There are clear and up to date policies and procedures in place determining the Council's approach to homelessness. Existing procedures meet legislative requirements, and all housing needs assessments (and then decisions) are made on a timely basis and supported by reliable and bona fide evidence.
- 4.2.6 We found satisfactory controls in place to monitor and report the duration and costs of people in B&B and our analysis suggests that despite growing demand, during 2015 the service has been able to reduce the average cost per night per person by 7%. A separate audit to review the monitoring and control of bed and breakfast placements and how the service is sourcing cost effective solutions to meet the demand for emergency accommodation will be undertaken in 2016/17.

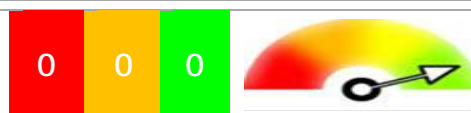
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<sup>3</sup> Part 7 of the Housing Act 1996, as amended by the Homelessness Act 2002 and the Localism Act 2011.

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4.3 LSTF - Grant Sign Off



4.3.1 The grant expenditure was reviewed against the conditions set down for expenditure and was certified as having been spent appropriately.

4.4 School Audits

4.5 Reading Girls School

4.5.1 The school was judged as Inadequate by Ofsted following their inspection in December 2015 and our audit review identified some shortcomings in the financial and governance framework. The school has responded positively to the audit review with an action plan to address the audit recommendations. The Head of Service is monitoring progress of the action plan as part of the wider governance improvement process via a bi-monthly formal review meeting with the Chair of Governors and Headteacher.

4.6 St Anne's Catholic Primary School

4.6.1 It is our opinion the School has a good understanding of its financial and operational risks, including its present financial position and is keen to be proactive in improving its financial control system and position. It is recognised that the school is coming out of a period where it has been in special measures and that during that time financial controls did not always operate in an appropriate manner leaving a number of areas with issues to be fully resolved but which the Chair of Governors and Head are in the act of addressing.

**5 AUDIT FOLLOW UP REVIEWS**

5.1 Fuel System

5.1.1 Following a review of the Council's fuel system in May 2015 we made recommendations to improve control over the use of fuel for the Council's fleet of vehicles. We recommended restrictions were put in place to constrain the volume of fuel at any one dispensing and limit the volume of fuel dispensed within a set period of time. In addition to fuel usage restrictions, more needed to be done to manage and restrict the number of fuel keys (including override keys) and develop better information on vehicle/equipment fuel usage, such as fuel capacity for identification of variations in fuel consumption, efficiency and possible fuel misuse.



5.1.2 In response to our recommendations an exercise has been completed to review the usage of all existing fuel keys (vehicle & plant). The Corporate Facilities Team has worked with fleet management and service managers to improve management information and monitoring is now in place. Restrictions on fuel dispersal for plant machinery have been implemented and discussions are being held with service managers on applying additional restrictions for vehicles, such as limiting the numbers of litres that can be dispensed per day.

## 5.2 Fleet Management

5.2.1 Following a review of the Council's fleet management in 2015 we made recommendations to increase the frequency of checking of driver licences with respect to fleet vehicles and for staff using their own vehicles on Council business (these are known as the 'grey fleet'). We also recommended that the implementation and use of trackers needs to be reviewed, updated and then universally implemented.

5.2.2 Following the audit a programme of checks by HR has been undertaken on all drivers of fleet vehicles. The issue of carrying out systematic checking of the grey fleet is currently in motion. It has been recognised that this is a significant and resource intensive initiative that requires careful rollout. Manager briefings about the plans have taken place and guidance notes, along with a proforma for completing the checks have been placed on the Council's intranet. From the 1<sup>st</sup> April onwards payroll will be checking mileage returns against vehicle data to ensure checks have been completed.

5.2.3 A single vehicle tracking system that covers all council vehicles is now in place. The system can provide a variety of information for managers, including location, routes on a time and date line basis. The system also provides further features that could be rolled out in future (reporting on driver performance, speed etc).

## 5.3 School Attainment

5.3.1 Our follow review confirmed that all internal audit recommendations made following our audit in April 2015 have been implemented. A number of improvements to strengthen the quality of attainment data have been made. The Fischer Family Trust Aspire<sup>4</sup> data analytic tool has been introduced to help provide an overview of the key stage 4 target setting and procedures for monitoring data and challenging targets have been strengthened.

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<sup>4</sup> FFT Aspire is a reporting and data tool for schools, local authorities and academy chains. FFT Aspire provides key target setting and school performance evaluation information using the latest curriculum and accountability measures, that allows quick and easy to access and providing in-depth analysis to support future planning and preparation for Ofsted and Estyn inspections.

## 6. ANNUAL GOVERNANCE STATEMENT ACTION PLAN UPDATE

6.1 Appendix 1 sets out the progress made in implementing the actions which were reported in the 2014/15 Annual Governance Statement (AGS). The 2014/15 AGS was approved by the Audit and Governance Committee on 8 July 2015 and contained 17 actions for improvement, with the specific request that Internal Audit followed up agreed actions and reported back progress to the Committee at the end of the following financial year.

## 7. INVESTIGATIONS (April 2015 - March 2016)

### 7.1 Housing Benefit

7.1.1 Whilst the Council no longer investigates Housing Benefit fraud there have been a few residual cases with investigations and Legal services.

7.1.2 For the period April 2015 to March 2016 the total Housing Benefit overpayment figures for cases prosecuted (9 cases) is £70,727.

### 7.2 Fraud & Error Reduction Incentive Scheme

7.2.1 Investigation officers are working very closely with Housing Benefit teams on the Fraud & Error Reduction Incentive Scheme (FERIS). The scheme is a DWP initiative and provides financial incentives (approximately £6.5k per month) to local authorities who reduce fraud and error in their Housing Benefit cases. A schedule of planned visits (45 per month) on current Housing Benefit claimants are undertaken to ensure claimant details held are accurate and up-to-date.

7.2.2 Investigations will look at any referrals coming from this work where the unreported change affects the rate of Council Tax support awarded. Investigations commenced these visits in August 2015 to date 46% of FERIS cases are producing overpayments of Benefit.

### 7.3 Council Tax Support

7.3.1 The Council Tax Support overpayment figure as at March 2015 is £40,997, which include three prosecutions. 35 claimants investigated have been subject to Administration Penalties<sup>5</sup>, with the total fines imposed amounting to £20,361.

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<sup>5</sup> We offer an administrative penalty in circumstances where it is felt that it would be more suitable to dispose of the matter without criminal proceedings being initiated.

#### 7.4 Housing Tenancy

7.4.1 For the period April 2015 to March 2016 the team has assisted in the return to stock of 3 council properties and 2 properties for social landlords within Reading.

7.4.2 It is difficult to quantify the financial implications of these types of investigations, however the national agreed figure of £18,000 is considered to be the average cost per Local Authority for retaining a family in temporary accommodation. Using this figure (5x £18,000) in the region of £90,000 could have been saved as a result of tenancy investigations.

7.4.3 Investigation officers have been working with Housing to undertake a rolling programme of tenancy audits (82 visits to date), which has led to further investigations into potential non-residency for 2 tenancies.

#### 7.5 Tenancy Fraud Hub - Joint Working

7.5.1 Following a successful bid for funding from the DCLG in 2015 the fraud hub was launched in January 2016. The bid provided the technology to set up an intelligence hub for proactive tenancy fraud prevention, detection and deterrence through the sharing and matching of data from both Local Authorities and registered Social Housing.

#### 7.6 Blue Badge Investigations

7.4.1 In the period April 2015 through to March 2016, we have been working closely with RBC Parking services and with the Parking Enforcement offices. We have seen an increase in the cases referred to us and have been actively involved in a number of badge seizures. Over the last financial year we have received a total of 45 referrals of inappropriate use. 19 parking notices have been issued for minor Blue badge offences and 9 Blue Badges have been seized and removed from circulation and we have successfully brought 6 prosecutions for Blue Badge fraud in Reading.

#### 7.7 Adult Social Care

7.6.1 Over the period April 2015 to March 2016 the team have been involved with a complex investigation relating to allegations of possible overcharging by a residential care provide. Following a lengthy investigation the provider agreed to repay almost £24,000 back to Reading Borough Council.

#### 7.5 Other Investigation Activity

7.5.1 One area we have developed over the years is the hand delivery or personal service of legal paperwork. Legal Services have been utilising investigations staff in order to expedite the recovery actions of such cases. In the period we have delivered a total of 17 orders to the value of £68,147, saving the Council an estimated £1,575 in legal costs for the servicing of papers.

## **8. CONTRIBUTION TO STRATEGIC AIMS**

- 8.1 Audit Services aims to assist in the achievement of the strategic aims of the Authority by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes contributing to the strategic aim of remaining financially sustainable.

## **9. COMMUNITY ENGAGEMENT AND INFORMATION**

- 9.1 N/A

## **10. LEGAL IMPLICATIONS**

- 10.1 Legislation dictates the objectives and purpose of the Internal Audit service the requirement for an internal audit function is either explicit or implied in the relevant local government legislation.
- 10.2 Section 151 of the Local Government act 1972 requires every local authority to “make arrangements for the proper administration of its financial affairs” and to ensure that one of the officers has responsibility for the administration of those affairs.
- 10.3 In England, more specific requirements are detailed in the Accounts and Audit Regulations 2011, in that authorities must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices”.
- 10.4 The Internal Audit Service works to best practice as set out in Public Sector Internal Audit Standards Issued by the Relevant Internal Audit Standard Setters. This includes the requirement to prepare and present regular reports to the Committee on the performance of the Internal Audit service.

## **11. FINANCIAL IMPLICATIONS**

- 11.1 N/A

## **12. BACKGROUND PAPERS**

- 12.1 N/A

Appendix 1 AGS Action Plan update

Ref	Action		Progress as at 31.3.16
AGS 1	Develop and manage a budget and financial management strategy to operate within available resources over the period to 2017/18	Managing Director	<p>The Council set the Budget for 2016/17 at Council on 23 February 2016. The report set out the Council's approach to operate services in the context of reducing income in particular significant reductions in Revenue Support Grant over the next 4 years.</p> <p>The report set out proposals to set the budget for this current year and the strategy for reducing costs and maximising income to enable us manage with the forecast budget envelope over the next four years. This included implementing agreed savings and developing options for further savings for consideration in the coming year.</p> <p>The proposals set out in the report at Council will feed into a draft four year "efficiency plan" to be submitted to government by 14 October 2016 in return for a multi-year funding settlement which is intended to give more certainty for financial planning purposes.</p> <p>In year, officers are required by the budget framework to bring forward mitigating measures where practical to address adverse budget variances as part of a robust budget monitoring process.</p>
AGS 2	Strengthen financial and budget management throughout Council services and provide effective financial management support considering reducing budgets and the changing nature of income.	Head of Finance	Financial systems & procedures have been developing and further developments are anticipated during 2016, including Purchase to Pay revised processes (including a strict "no Purchase Order no payment" from 16/17) and stronger system of "Budgetary Control"
AGS 3	Introduce cost effective solutions to meet the demand for safe and adequate emergency accommodation and mitigate the growing pressure on the B&B budget.	Director of Environment & Neighbourhood Services	In order to address the growth in the use of temporary accommodation including bed & breakfast resulting in significant budget pressures, the Council has developed a Homelessness Strategy to prevent homelessness and to ensure appropriate accommodation is available for those who are or may become homeless. The actions centre on prevention of homelessness, increasing the supply of alternative temporary accommodation and increasing the supply of affordable permanent housing across sectors. This Strategy and actions were approved by the Housing, Neighbourhood & Leisure Committee in November 2015.

Ref	Action		Progress as at 31.3.16
AGS 4	Continue work to accelerate progress and reduce the school attainment gap	Director of Children, Education & Early Help Services	The Educational Ambition and Achievement Strategy 2015-2018 and its associated Implementation Plan for Raising Standards were both approved by the ACE Committee in November 2015. These documents place a strong emphasis on narrowing the attainment gap between certain groups of vulnerable children and their peers. Since then the schools-led Reading Educational Excellence for All Partnership (REEAP) has been formally established, and it has identified Closing The Gap as one of three priorities for collaborative working over the coming year. In addition the work of the School Partnership Advisers has been focused on supporting and challenging schools to address under-performance and improve outcomes for all children.
AGS 5	Develop further the Special Educational Needs (SEN) Strategy to enable schools to meet the needs of children and young people with higher levels of need	Director of Children, Education & Early Help Services	Progress on the implementation of the SEND Reforms is on target, particularly in relation to the development of a local offer and of Education, Health and Care Plans for children with SEN. For the past year a Headteachers Working Group, formed as a sub-group of Schools Forum, has been meeting to develop a set of proposals for ensuring that the needs of children with higher levels of need can be effectively met within the available budget (the High Needs Block of the Dedicated Schools Grant). A highly experienced SEND Transformation Manager has recently been appointed to develop Strategic and Operational Plans that will clearly identify the actions that need to be taken in the short, medium and long term.
AGS 6	Continue to refresh forecasts to maintain level of understanding and develop capacity/demand modelling and promote development in children's services	Director of Children, Education & Early Help Services	This work has now been commissioned by the service from Finance as part of a budgeting exercise for the new financial year and should be complete by the end of April 2016
AGS 7	Develop and monitor actions to mitigate the failure of providers around adult and children safeguarding	Directors of Children's & Adult's	A Quality Performance Monitoring Board meets 6-weekly and collates and analyses all info on Provider performance. In 2016, this will be reviewed and refined, to be reported as part of the Commissioning transformation plan
AGS 8	Produce a new workforce development plan to take account of Reshaping the Council, new skills required and the changing demands on services.	Director of Adult Care & Health Services	The planned work for 2015 was deferred in order to deliver a more critical Children's Services workforce strategy. This will be picked up in 2016, and reported in Summer 2016.

Ref	Action		Progress as at 31.3.16
AGS 9	The Council is continuing to refine and simplify processes and procedures and will provide guidance and training to staff to ensure that controls are embedded throughout the organisation.	Managing Director	<p>A planned approach to improve the current business process for Purchase to Pay (PTP) is underway. Process re-design, training, communication and supplier management is under development working towards going live with the new business process, including the supporting communications to staff and online training, in January-February 2016</p> <p>HR processes to make changes to the establishment, new starters, changes to an existing employee, working patterns, notice of leaving, recruitment request etc. are being redesigned with new processes being implemented early in 2016/7.</p> <p>Internal audit have been reviewing and preparing procedure rules for financial processes setting out the consequences of not complying with the approved process. The purpose of these procedure rules is to ensure proper process is followed and the Council can demonstrate it is spending appropriately.</p>
AGS 10	Continue to monitor the impact on staff resilience (stress and motivation) of organisational change and change generally	Head of Legal & Democratic Services	The Council periodically undertakes staff surveys to provide us information on the levels of satisfaction in the workforce. Additionally, absence data provides us with trends of reasons for absence and this process has recently been improved.
AGS 11	Continue to undertake work on embedding the policy, delivery, governance and monitoring arrangements for Health & Safety.	Managing Director	High levels of H&S training continue to be delivered to managers and staff. H&S is being embedded in the normal performance management processes by ensuring that essential health & safety targets are included in individuals 1:1's and appraisals. The Health & Safety Team carry out assurance monitoring of high risk buildings to ensure that building safety-related compliance actions are completed. A guide has been prepared (and sent out) to all building managers and schools that details what regular actions need to be carried out. An action plan is in place covering all other aspects of building safety-related matters. An audit is scheduled to assess the overall progress with embedding health & safety within services and the levels of building safety compliance.
AGS 12	Continue to develop our commissioning, procurement and contract management	Director of Adult Care & Health Services	The DACHS Transformation programme has a portfolio committed to specific projects to address this development. Resources have been committed, and all specified SMART targets are reported via DACHS Transformation Board and then CMT. The plan aims to deliver by end August 16. Progress is also shared with lead councillors.

Ref	Action		Progress as at 31.3.16
AGS 13	Continue to undertake work to further improve information management and the Council's data protection policy and reduce the risk of loss of data.	Head of Legal & Democratic Services	<p>Activity during 2015/16 includes:-</p> <ul style="list-style-type: none"> <li>An ongoing review of Council's data protection policies.</li> <li>New Subject Access Request policy.</li> <li>Corporate e-training data protection programme launched.</li> <li>Council's existing ICT Policies reviewed and updated.</li> <li>Information Governance Officer appointment made.</li> <li>Global Certs and Secure GCSX email accounts rolled out to officers.</li> <li>Maytech secure large file transfer facility Implemented.</li> <li>Cisco Anyconnect remote access solution for secure remote working implemented. Extended use of secure collaborative working using Huddle cloud services.</li> <li>BES 12 secure Mobile Device Management solution implemented for secure control of Blackberry, Android, and ios mobile devices.</li> <li>PSN (GCSX) email services separated and restricted email routing traffic implemented.</li> <li>Upgrades in progress for Websense (Web and email filtering) and Trend (AV &amp; Malware).</li> <li>Ongoing security training and security awareness bulletins issued to staff.</li> <li>N3( health integration) compliance project initiated</li> </ul>
AGS 14	Given the risks presented via the significant changes being delivered and further cost reduction activity across the Council, the Corporate Management Team will continue to closely monitor the operation of the Council's control environment through the transformation and change processes	Managing Director	<p>The Corporate Management Team continues to ensure that appropriate governance and delivery mechanisms are in place for the change activity needed to deliver savings and service improvement. Progress against key milestones is routinely monitored at CMT and integrated with the budget monitoring process.</p> <p>The Council's risk register is periodically reviewed by CMT and reported to Audit &amp; Governance Committee at least twice per annum</p>
AGS 15	Complete a Council wide review of the use of vehicles and fleet in general to ensure compliance with legislation and that value for money is achieved	Director of Environment & Neighbourhood Services	<p>Council wide review completed to ensure compliance with legislation. Driver licences checks for fleet drivers completed and grey fleet driver checks were completed by end March 2016. Payroll has started to check that there is an up to date grey fleet check completed before processing mileage claims. Vehicle maintenance agreements are due to be issued to meet procurement requirements and ensure best value for money. Replacement vehicle policy signed off and vehicle purchase using framework agreements is awaiting sign off. Vehicle Tracking devices are now fitted to all RBC fleet vehicles (and managed by the Transport &amp; Fleet Manager rather than individual services), this is improving vehicle utilisation and reducing outside spend on short term hires. All six of the external/internal audit requirements for fleet have either been fully met or are near to completion.</p>



Ref	Action		Progress as at 31.3.16
AGS 16	Deliver improvements and actions contained in the Finance Improvement Plan	Head of Finance	Some actions have been complete; others are on-going - Finance Improvement Plan periodically reviewed and updated by the Senior Finance Management Team (SFMT).
AGS 17	Deliver and monitor the requirements of the Local Government Data Transparency Code 2015 which sets out the requirement for Councils to publish key information	Head of Customer Services	<p>An action plan to deliver the code was set up and progress has been monitored on a regular basis by Corporate Management Team. Implementation of the code has in the main been delivered with one remaining area requiring further work to complete in full:</p> <p>For the requirement to publish procurement information with a value that exceeds £5000 interim information has been published. Further work will be done systematically to increase the number of contracts published during 2016/17.</p> <p>A range of information will require updating annually and arrangements for this are in place.</p>

READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF CORPORATE RESOURCES

TO:	CMT		
DATE:	19 <sup>th</sup> April 2016	AGENDA ITEM:	5
TITLE:	INTERNAL AUDIT PLAN 2016-17		
LEAD COUNCILLOR:	COUNCILLOR STEVENS	PORTFOLIO:	FINANCE
SERVICE:	FINANCE	WARDS:	N/A
LEAD OFFICER:	PAUL HARRINGTON	TEL:	79390695
JOB TITLE:	CHIEF AUDITOR	E-MAIL:	<a href="mailto:Paul.Harrington@reading.gov.uk">Paul.Harrington@reading.gov.uk</a>

**1. EXECUTIVE SUMMARY**

1.1 This report sets out the work Internal Audit plans to undertake during the financial year 2016/2017. The annual audit plan is designed to implement the internal audit strategy.

1.2 It is internal audit's responsibility to form opinions about the risks and controls identified by management and annually to give a formal opinion on the control environment. In the context of the Public Sector Internal Audit Standards<sup>1</sup>, 'opinion' does not simply mean 'view', 'comment' or 'observation'; it means that internal audit will have done sufficient, evidenced work to form a supportable conclusion about the Council's activities that we have examined. Internal audit will word its opinion appropriately if it cannot give reasonable assurance (e.g. because of limitations to the scope of, or adverse findings arising from, its work). The attached audit plan will allow for the effective discharge of this responsibility.

1.3 The following document is attached to this report:

- Internal audit indicative plan 2016/2017 (appendix A)

**2. RECOMMENDED ACTION**

2.1 That the Audit & Governance Committee approves the audit plan for the period April 2016 to March 2017.

<sup>1</sup> The Public Sector Internal Audit standards - Applying the IIA International Standards to the UK Pubic Sector 2013

### **3. INTERNAL AUDIT PLAN**

- 3.1 The Chief Auditor must produce an audit strategy; this is the high-level statement of how the internal audit service will be delivered and developed in accordance with the terms of reference and how it links to the organisational objectives and priorities of the Council.
- 3.2 The audit strategy sets out how Internal Audit contributes to the Council achieving its objectives and includes:
- a) Internal Audit objectives and outcomes
  - b) How the Chief Auditor will form and evidence his opinion on the control environment to support the Annual Governance Statement
  - c) How internal audit's work will identify and address issues and risks
  - d) The resources and skills required to deliver the strategy.
- 3.3 The risk-based plan is designed to implement the audit strategy. In preparing the plan I have taken account of the adequacy and outcomes of the Council's risk management, performance management and other assurance processes. I have consulted with stakeholders, such as Directors and Heads of Service, the Head of Finance and the Council's external auditors.
- 3.4 The audit plan is fixed for a period of one year; however it must at the same time be fluid, kept under continuous review and amended to take into account emerging risks and areas where assurance work is required to be provided. Any significant changes will be reported back to the Audit & Governance Committee.
- 3.5 CMT and the Audit and Governance Committee will also be advised of performance against the audit plan and be kept informed of the results of those audit reviews undertaken.

### **4. CONTRIBUTION TO STRATEGIC AIMS**

- 4.1 Audit Services aims to assist in the achievement of the strategic aims of the Council set out in the Corporate Plan by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. In particular audit work is likely to contribute to the priority of remaining financially sustainable to deliver our service priorities.

### **5. COMMUNITY ENGAGEMENT AND INFORMATION**

- 5.1 N/A

## **6. LEGAL IMPLICATIONS**

- 6.1 Legislation dictates the objectives and purpose of the internal audit service the requirement for an internal audit function is either explicit or implied in the relevant local government legislation.
- 6.2 Section 151 of the Local Government act 1972 requires every local authority to “make arrangements for the proper administration of its financial affairs” and to ensure that one of the officers has responsibility for the administration of those affairs.
- 6.3 In England, more specific requirements are detailed in the Accounts and Audit Regulations in that authorities must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices”.

## **7. FINANCIAL IMPLICATIONS**

- 7.1 N/A

## **8. BACKGROUND PAPERS**

- 8.1 N/A

Appendix A

# Indicative Internal Audit Plan

(2016/2017)



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**Reading**  
Borough Council  
Working better with you

## Internal Audit Strategy & Approach

### 1. Purpose

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- 1.1 The overall purpose of the Internal Audit work plan is to provide the framework for the use of audit resources and a yardstick for measuring audit performance.

### 2. Audit Strategy

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- 2.1 In the context of the Council's financial position, the vision of the Council is to continue to deliver frontline services to create a better Reading and getting the balance right between paying and providing these services is at the heart of the Council's new Corporate Plan.
- 2.2 To demonstrate this, there is a strong focus in the Council's Corporate Plan to ensure that the Council will live within its means, reducing costs wherever possible and invest resources wisely so that service pressures and priorities are recognised and can be funded accordingly.
- 2.3 To support this aim, Internal Audit will provide independent, objective assurance on the adequacy of internal control arrangements, including risk management and governance.
- 2.4 Responsibility for these arrangements remains fully with management, who should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. Our role is to help management improve risk management, governance and internal control, so reducing the effects of any significant risks facing the Council and its services.
- 2.5 Specifically, the Internal Audit strategy is to:
- Provide assurance that both strategic and key operational risks are being managed,
  - Review corporate and service arrangements for risk management.
  - Carry out auditing of significant core financial systems such as payroll and accounts payable and to verify sufficient financial controls are in place.
  - Carry out reviews of service systems and developments to provide the Audit and Governance Committee with assurance as to the adequacy of the control environment and the systems in place for ensuring proper economic, efficient and effective use of resources.
  - Have due regard to ensuring services are controlling expenditure and spending appropriately.
  - Carry out periodic visits to all schools throughout the borough to verify, by means of testing and review, that good financial control is practised.
  - To provide advice and support to managers as required.

- 2.6 The effectiveness of Internal Audit in delivering the strategy through the annual audit plan will be monitored by the Audit and Governance Committee. This Committee will receive reports from the Chief Auditor detailing key issues and a summary of the audit findings. The progress of audit recommendations implemented by each Directorate will be reviewed by Audit & Governance Committee as part of the annual audit report submitted by the Chief Auditor.

### **3. The Risk Assessment Process**

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- 3.1 The information which has been used to prepare our risk assessment and proposed internal audit plan has been collected and collated from a number of different sources. The starting point for a risk based audit approach is an understanding of the Council's objectives and risks. This has been achieved by reviewing the Councils Strategic risk register, Corporate Plan and minutes of officer and Council meetings. Directors and Heads of Service were consulted for areas to be included in the audit plan and our own knowledge and experience of Council services was also used to inform our subsequent risk assessment. This information is used to inform and design the audit plan.

### **4. The Internal Audit Plan**

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- 4.1 An annual plan is derived following a risk assessment, whereby audits will be selected based on the greatest perceived inherent risk. We will ensure that most effort is focused on inherently high risk areas while, at the same time, not totally ignoring the potential for problems to materialise in other areas.
- 4.2 Whilst Internal Audit will adopt a risk based approach to determine relative risk, there will remain areas where a purely cyclical approach will still be required, i.e. the audit of schools.
- 4.3 Our approach to the audit of financial systems will be a combination of in-year testing using a data analysis and file interrogation tool and system reviews. Such audits will be undertaken, largely to satisfy the requirements of the external auditors who seek to place reliance on the work of internal audit.
- 4.4 The Chief Auditor in liaison with the Head of Finance will keep progress against the audit plan, and the content of the plan itself under review. The Corporate Management Team and the Audit and Governance Committee will also be advised of performance against the Audit Pan and be kept informed of the audits undertaken.
- 4.5 The indicative Internal Audit programme for 2016-2017 is shown from page 7 to 10. We will keep the plan under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.
- 4.6 The plan is set within the context of a multi-year approach to internal audit planning such that all areas of key risk would be looked at over a three year audit cycle.

## 5. Resources

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- 5.1 Resource requirements are reviewed each year as part of the audit planning process and are discussed with the Head of Finance. The impacts of the financial pressures with the requirements to generate efficiencies and hard savings have seen internal audit resources reduce over the last few years from ten to six staff (including the Chief Auditor) in addition we are providing a service to Bracknell Forest Council under a shared agreement, although the level of provision has reduced considerably.
- 5.2 Achievement of the audit plan is based on the assumption that the current internal audit structure will remain essentially unaltered and intact throughout the year.

## 6. Individual Audits

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- 6.1 When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard. Where revisions are required we will obtain approval from the appropriate Corporate Director prior to commencing fieldwork.
- 6.2 In determining the timing of our individual audits we will seek to agree a date which is convenient and ensures the availability of key management and staff.
- 6.3 All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement. Any key (serious) issues arising during the course of the audit review will be promptly reported to the Chief Auditor to determine impact on the scope of the review. Key issues will also be promptly brought to management's attention during the course of the review to enable appropriate remedial action to be taken prior to being formally published in the audit report.
- 6.4 The auditor will draft a report and arrange to meet with management, to ensure factual accuracy of the audit observations and findings and to ensure a proper understanding of the risks to which any action plan relates. These meetings should take place in accordance with dates agreed in the terms of reference or within two weeks of completion of the audit fieldwork, whichever is the sooner.
- 6.5 Management will be required to provide a response to the action plans. Any areas of disagreement between the auditor and management, regarding audit's observations and/or the auditor's assessment of current risk exposure, which cannot be resolved by discussion, will be recorded in the action plans.



- 6.6 Following discussion of the draft report the auditor will draft a clear, concise and constructive report, following a standard format, outlining:
- the overall level of assurance opinion, based on the auditor’s professional judgement of the effectiveness of the framework of internal control, risk management and governance;
  - audit recommendations, along with management response and implementation date
  - an executive summary of the key findings and conclusions
  - Details of findings, to include an explanation of the risk and the identified control weaknesses.
  - The final report will be issued in the name of the auditor conducting the review and the Chief Auditor.

## **7. Follow up Reviews**

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- 7.1 Whether or not an audit review is scheduled for a follow up is reliant on the assurance opinion given at the time of the audit. Where significant gaps in the control environment have been identified then the audit will be subject to a follow up. The timing of the follow up is very much dependent on available resources, but our aim to complete the follow up within six to twelve months of completion of the audit.

## **8. Reports to C.M.T. and the Audit & Governance Committee**

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- 8.1 A status report on internal audit work will be presented to CMT and the Audit and Governance Committee on a quarterly basis (approximately). The purpose of these reports is to provide an update on the progress made against the delivery of the Internal Audit Plan. The report will provide details of audits completed to date, the assurance opinions given and the number and type of recommendations made. The report will also provide a summary of internal audit performance, planning and resourcing issues.

## 9. Annual Assurance Report

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9.1 A formal annual report to the Audit & Governance Committee and CMT, presenting the Chief Auditor's opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control, will be published to enable it to be taken into account within the annual review of the effectiveness of the system of internal audit and in preparing the Corporate Annual Governance Statement. The format of the Chief Auditor's report will follow that set out in the Public Sectors Standards for Internal Audit and will include:

- an opinion on the overall adequacy and effectiveness of the Council's framework of internal control, risk management and governance;
- disclose any qualifications to that opinion, together with the reasons for qualification;
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- any issues considered by the Chief Auditor to be particularly relevant to the Annual Governance Statement;
- A comparison of work undertaken with that planned, with a summary of internal audit performance for the year; and
- Comment on compliance with the Public Sector Standards on Internal Audit and internal audit's quality assurance programme.

## INDICATIVE INTERNAL AUDIT PLAN 2016-2017

Safeguarding and protecting those that are most vulnerable

		Q1	Q2	Q3	Q4
Access to records (Adults & Children)	This audit will review how the Council manages and responds to data requests from individuals who have been in care.		●		
Integrated discharge scheme	A review of arrangements to integrate hospital discharge processes and provide assurance that any key risks, pooled budgets and statutory requirements have been appropriately addressed.		●		
Troubled Families Grant Sign Off	In accordance with the DCLG funding framework we will check and verify at least a representative sample (at least 10%) of results before each claim is made. Internal audit will verify the families' eligibility for the expanded Troubled Families Programme and whether the progress measures have been achieved, with supporting evidence.	●		●	
Looked After Children (Access to Resources Panel)	Our audit will verify that processes are in place to ensure packages are representing best value for money; funding options are robustly costed and monitored and that all resources purchased are allocated to the correct budgets, enabling frequent and accurate budget monitoring. We will provide recommendations about managing whole contract and whole package costs. The audit will encompass a review of the Access to Resources Panel which oversees decision making about residential and foster placements for children and young people. The audit will assess whether there is robust challenge over the placement identification process and pricing and whether all information is required by and received by the Panels.			●	
Financial Assessments for Adult Care (FAB) - follow up	This is a follow up of internal audit recommendations made in 2015/16 internal audit review. To review how fees and charges are set, and in particular how these take into account the cost of providing services or the requirement to make a specific contribution. Review whether processes are sufficiently robust and clear around Adult Social Care charging and income collection.		●		
MASH (Multi-Agency Safeguarding Hub)	The intent of the MASH hub is to drive improved safeguarding approaches for children through better information sharing and high quality and timely safeguarding responses. The audit will review governance and accountability arrangements, including information sharing arrangements and the resulting impact on the uptake of early help assessments and early help pathway effectiveness.		●		
Foster Care & Adoption Allowances - follow up	This is a follow up of internal audit recommendations made in 2015/16 internal audit review.				●
Extra Care Housing	This audit will review the progress to increase extra care provision to reduce residential placements and verify proposed savings are being delivered			●	

## Keeping the town clean, safe, green and active

		Q1	Q2	Q3	Q4
Waste Operations	Review collection performance, arrangements in place for increasing levels of recycling, how we deal with customer complaints, as well as monitoring costs and collecting income (trade waste). The service has undergone a reshaping exercise and has a new service manager and there is a new fleet of refuse vehicles. Confirm progress/delivery of savings/income collection.				●
Health & Safety Review	Internal audit have been requested to review procedures in operation by the Council to ensure compliance with policies and procedures; Health & safety training and risk assessments being undertaken, records maintained and incidents reported. This audit will review the development and progress of the H&S annual plan.	●			
Corporate Buildings H&S Statutory Compliance Regimes	Internal audit have been requested to review the progress of condition surveys including asbestos and legionella management schemes for each building and the program for fire risk assessments.			●	
H&S Statutory Compliance Regimes (Housing & Communal areas)	Internal audit have been requested to review the progress of condition surveys including asbestos and legionella management schemes for each building and the program for fire risk assessments. Will be undertaken in conjunction with the review above, but findings reported separately			●	

## Providing homes for those in most need

		Q1	Q2	Q3	Q4
Right to Buy (RTB)	RTB provides public sector tenants, who are eligible for the scheme, an opportunity to purchase their property at a discounted rate. RTB has continued to be highlighted as an emerging fraud risk. The audit will review the RTB process inc calculations, compliance with statutory timescales and counter fraud arrangements (including vetting and verification, mutual exchange arrangements, money laundering etc.).	●			
Bed and Breakfast Placements	Our audit will review the monitoring and control of bed and breakfast placements including how these are paid for (procurement cards) Review strategy to mitigate the impact and how the service is sourcing cost effective solutions to meet the demand for emergency accommodation			●	

## Remaining financially sustainable to deliver these service priorities

		Q1	Q2	Q3	Q4
Spending appropriately projects	We will review and assist in the preparation of procedure rules for areas identified and set out the consequences of not complying with the approved process. The purpose of these procedure rules is to ensure proper process is followed and the Council can demonstrate it is spending appropriately.	●	●		
MOSAIC / Oracle Fusion end of year reconciliation	Internal Audit has been requested to review the year end reconciliation and accrual process and give assurance that all expenditure has been correctly recorded in the accounts.	●			
General Ledger	Using a data analysis and file interrogation tool we will carry out checks during the year to test the appropriateness of journal entries recorded in the general ledger. This will include various fraud detection tests and trend analysis. We will provide a short synopsis of our findings with any unusual transactions subject to further analysis and investigation.		●		●
Creditors (Accounts Payable)	Using a data analysis and file interrogation tool we will undertake trend analysis, sampling, duplication detection and fraud detection tests on live Accounts Payable Data. We will provide a short synopsis of our findings with any unusual transactions subject to further analysis and investigation.		●		●
Key financial system reconciliations	This audit will look to map the reconciliation process between oracle fusion and key feeder systems, including cash/bank reconciliations, ensuring that all reconciliations are undertaken on a timely basis and are being kept up to date (agreed with E&Y)			●	
Overtime	Review of occurrence of overtime and determine/test business need and highlight more economical ways of delivering the service.	●			
Leisure (Income Collection)	Internal audit have been requested to review daily income procedures with specific attention to cashiering and banking controls (including reconciliation with Oracle Fusion).	●			
Use of cash vouchers & cash accounts	The Council operates a cash voucher system for emergency cash payments and for Council services that require petty cash. The audit will review the adequacy of the processes and controls over the operation of cash vouchers and imprest (cash) accounts.		●		
Nursing & Residential Care Packages (Adults)	This audit will review the reassessment/review process for care packages of clients in nursing and residential care to ensure that proposed savings are being delivered.	●			

### Providing infrastructure to support the economy

		Q1	Q2	Q3	Q4
Transport Grants	Under the conditions of the specific grant determination, the Head of Audit (Chief Auditor) must certify that the conditions of the specific grant determination have been complied with. There are three specific grants within transport which require sign off. 1. Local Pinch Point Funding. 2. Local Transport Capital Settlement. 3. Bus Subsidy Grant.			●	●
Transport for Social Care	This audit will review transport arrangements for children (not home to school transport) & adults in receipt of social care. The audit will include a review of the following: The assessment process undertaken; how services are procured; how transport is allocated and whether the allocations are equitable. This review will also seek to provide assurance that the service is providing VFM and being delivered in an economical fashion.				●

### Providing the best life through education, early help and healthy living

		Q1	Q2	Q3	Q4
School Audits	Visit a small sample of maintained schools to give the Head of Finance adequate assurance over their standards of financial management and the regularity and propriety of their spending.			●	●
Pupil Premium Funding	Thematic audit review for a selection of schools in relation to the effective use of Pupil Premium Funding to support the attainment of disadvantaged pupils.			●	
Early Years	A review of the policies and procedures for early-year's services. Early Years Education is provided by a number of different sorts of providers including registered childcare providers and a range of different sorts of nurseries (private, Voluntary, Independent or Maintained Nurseries. This review would look at a sample of these to understand how the Council monitors and oversees delivery of these services by the provider, how the Council ensuring that all are registered and subject to Disclosure Barring Service (DBS) checks and how Ofsted results are used.				●

Governance Related reviews

		Q1	Q2	Q3	Q4
Electronic Document and Records Management	This review will look at the process for collating and transferring paper records from RBC to Anite to ensure that all documents are securely dispatched and accounted for.	●			
MOSAIC (data quality)	This audit review will provide assurance on the quality and completeness of data held on Mosaic. This will be achieved by taking a snapshot of records and assess their quality and completeness.			●	
eTendering	Undertake audit review of system controls within Intend (the new e-tendering system), review effectiveness of the system and the robustness of its governance.				●
Information Governance & Data Protection	There are substantial risks of losing personal data, leading to reputational loss as well as the risk of substantial fines by the ICO. Having good information governance in place helps prevent data breaches. This review will cover actions being taken to improve information security and also review the Council's arrangements relating to compliance with and implementation of the provisions contained in the Data Protection Act 1998 (the Act).	●			

**READING BOROUGH COUNCIL  
REPORT BY HEAD OF FINANCE**

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	19 APRIL 2016	AGENDA ITEM:	6
TITLE:	IMPACT OF REVISED MRP POLICY FROM 2017/18		
LEAD COUNCILLOR:	COUNCILLOR LOVELOCK	PORTFOLIO:	LEADERSHIP
SERVICE:	ALL	WARDS:	BOROUGHWIDE
LEAD OFFICER:	ALAN CROSS	TEL:	0118 9372058
JOB TITLE:	HEAD OF FINANCE	E-MAIL:	<a href="mailto:Alan.Cross@reading.gov.uk">Alan.Cross@reading.gov.uk</a>

**1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

When the Council debated the budget in February an amendment (Appendix A) was agreed that referred to the Audit & Governance Committee for review for subsequent years after 2016/17. This report provides some information for the committee to undertake that review and make such observations as it sees fit to inform future financial planning.

**2. RECOMMENDED ACTION**

- 2.1 That the Committee considers the information in this report and makes such observations as it wishes for the Administration, working with the Head of Finance to take into account in developing the Council's on-going budget strategy and MRP Policy.

**3. POLICY CONTEXT**

- 3.1 The Council is required to set an MRP (minimum revenue provision) policy each year, setting out its approach to debt repayment. As part of the budget strategy for 2016/17 a revised policy was proposed that changed the policy from 2015/16.
- 3.2 As indicated above there was an agreed amendment that made the change only for 2015/16 and 2016/17, with later years subject to review by the Audit & Governance Committee.
- 3.3 In particular the Head of Finance was asked to report on the following matters for consideration:
- i) the additional overall cost of the revised policy;
  - ii) the guidance regarding the length of asset lives
  - iii) a 'prudent' MRP in the light of prevailing interest rates.



## 4. BACKGROUND

- 4.1 Local authorities have been able to borrow money to help finance capital expenditure for many years, and have always had in place arrangements for repaying that borrowing. At various times Central Government has sought to control local authority borrowing, as the consequent debt is deemed part of the national debt, and the size of public sector debt can be a concern to Government.
- 4.2 In 1990 the then Government introduced the concept of a statutory minimum revenue provision, at that time requiring 4% of General Fund Debt and 2% of HRA Debt to be set aside from the revenue budget for repayment. Both these were on a reducing balance basis, so total debt would never be repaid.
- 4.3 The Local Government Act 2003, which introduced the “Local Authority Prudential Regime” removed the statutory basis of mrp and replaced it with statutory guidance. This was first issued under that Act in 2008 and we are required to take account of the guidance, which is now in its third (2012) edition in setting our MRP Policy. A link to the present guidance, which includes an explanation by DCLG is provided in the Background Papers.
- 4.4 Setting the MRP Policy and most matters related to borrowing overall are functions that are reserved by legislation to Council, and we do them as part of the budget, as the cost of financing borrowing accounts for roughly 10% of the overall General Fund Budget, so our approach is likely to have a significant impact on the overall budget position in any year. Audit & Governance received the draft Treasury Management Strategy Statement each year at its January meeting. With the Government’s move in recent years to issuing the Local Government Finance Settlement (LGFS) about a week before Christmas (rather than at the end of November/first week in December, which was the norm for most years 1990-2010), the Council’s timetable for finalising its detailed budget has been shortened.
- 4.5 As was reported earlier the December 2016 announcement reduced grant by £5m more than we had forecast. This unexpected change led to a need to recast the budget approach in order to set a legal balanced budget. Part of the approach was to change the MRP policy, and unfortunately the revised policy was not available at the time of the January meeting (of A&G). The proposal was published in the Policy Committee Papers on Friday 5 February. The amendment at Council did not change the proposal for the purposes of setting the 2016/17 budget.

### 4.6 General Effect of the Revised MRP Policy

The revised policy took account of various changes to the local authority finance regime since the DCLG Guidance was published and in overall terms ensures all our debt was eventually paid off (whereas the previous policy had retained for some of the debt the historic practice of paying off using the reducing balance method (described above), but reduced the repayment in the early years by moving to a lower percentage or switching the methodology from EIP (equal instalment of principal) to Annuity (a methodology that looks

at total financing costs and equalises these over time - basically a "repayment mortgage").

4.7 The revised policy was based on the approach adopted by Birmingham CC (where incidentally we understand EY had been involved as advisor to the Council in developing its policy), also incorporating aspects of Southampton CC's Policy (where EY are also auditor). EY, as our auditor were consulted about the revised policy during the latter stages of its development, and did not raise any fundamental objection to the change (in that it was using methods contemplated in the guidance, and developing practice in the sector), making some technical points for us to consider.

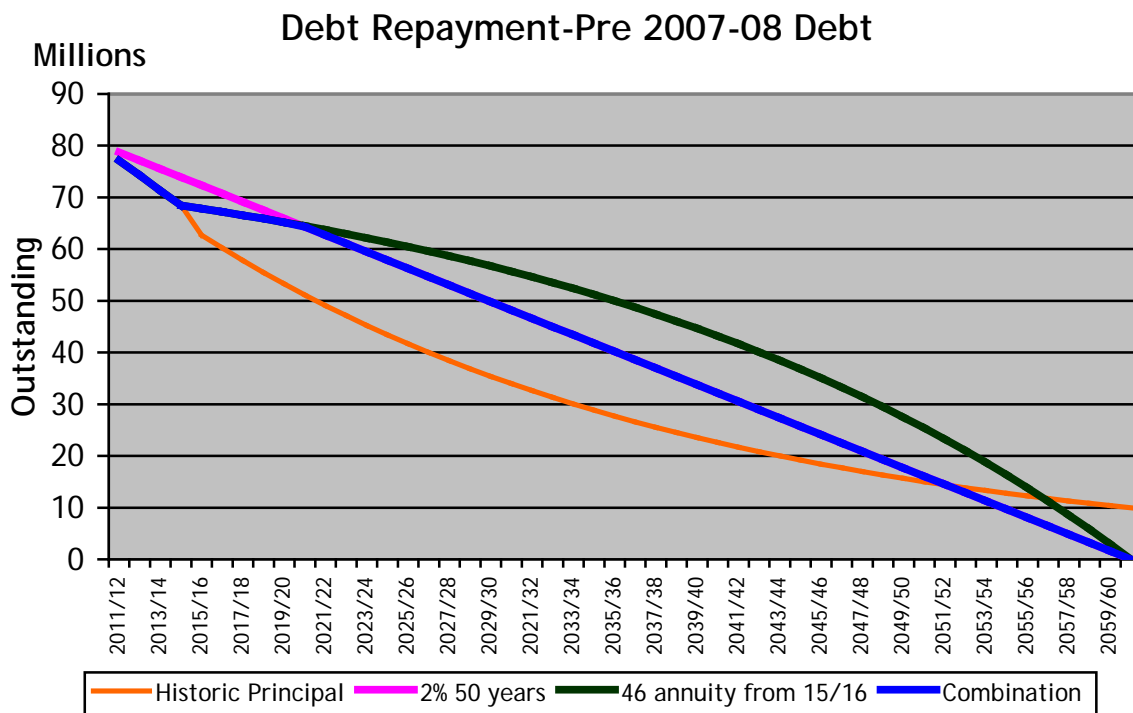
4.8 **Additional overall cost of the revised policy;**

The effect of the revised policy is to reduce the debt repayment in the short term, with the impact that in the medium term the Council will have higher borrowing, and therefore more interest costs.

4.9 For historic reasons the Council's debt is divided into various streams; historic debt prior to 2007/08 (where we do not hold comprehensive records showing which assets were financed by debt, some of which predates Local Government Reorganisation and was inherited from the former Berkshire CC) is treated differently to the debt of each individual year since (where we do know what the assets paid for). The value of the Council's historic assets is however significantly higher than the historic debt.

4.10 Pre 2007/08 Debt.

The graph shows how our MRP plans have changed. Based on the previous policy we were coming down the lower curved (orange) line (but £10m of the debt would still be outstanding in 50 years' time).



4.11 We considered two options;

- (i) Moving to an annuity approach over 46 years (the higher curved line)
- (ii) Moving to a 2% EIP approach starting in 2011/12

The rationale for the 2011/12 start was that one of the reasons for changing our approach is that historically this debt was paid for in substantial part by RSG, as it had almost all arisen historically from Government borrowing approvals, and since 2011/12 Government has been sharply reducing RSG, effectively reducing its contribution to debt repayment, so the historic repayment pattern was no longer affordable in the context of the budget as a whole.

4.12 It was observed that during the middle period with the annuity approach debt would be well over £20m higher than with the old policy, and this approach had potential inter-generational equity problems. (i.e. it would pass too great a financing burden onto the generation of councillors and residents running the Council in about 30 years' time (taking account of the benefit they might be then receiving from the Council's historic assets)). Council was therefore advised to move to the 2% EIP over 50 years approach, but it was not possible to backdate this, so the proposal was that we have a hybrid approach, using 2% EIP in the long run, but using the annuity methodology until 2022. I.e. overall we plan to make MRP such that debt moves along the "combination" (blue) line.

4.13 The impact of this is that between now and about 2052 we will have more debt, initially by about £2m pa rising to £11.6m in 2028 but subsequently falling. During the period when there is more debt, on average it is £8m extra debt pa, at an average interest cost of £290k pa (just over £400k at the peak). Taking account of the later years when debt is lower, over 50 years the estimated additional net interest costs are about £6.2m (so the 50 year average is £124k) and with the additional debt repayment the average additional annual cost is just under £400k

4.14 Overall we therefore have £6.2m additional cost over the next 40 years to reduce by about £9m debt repayment between 2015 & 2020 on this aspect of the proposal. To put this in context, borrowing of £9m for 40 years would incur financing costs of £8.1m, so the financing cost of the MRP change is less than that of an equivalent amount of new borrowing.

4.15 Post 2007/08 Debt to 2011/12

Since 2007/08 we have repaid this debt using the EIP method. The change to the MRP switched this to the annuity method for the remaining debt. New debt after 2012/13 (though there was no new debt in that year) had already been changed to the annuity method a couple of years ago.

4.16 The impact of this is quite complex, because the assets have varying lives, and the amount borrowed varied significantly from year to year, but to illustrate the short term impact the change reduces MRP on these asset streams across these years from the £4.7m made in 2014/15 to £3.2m in 2015/16, £3.4m in 2016/17, £3.5m in 2017/18.

4.17 In overall terms the change reduces the debt repayment costs for about a decade up to 2027/28, with higher annual repayments being made after that time to compensate. Over the decade, about £9.2m less debt will be repaid (£5.2m of it by 2019/20), and overall debt will be higher up to around 2037 by £6.1m pa on average at a total interest cost over that period of £4.6m; about £220k pa on average.

#### 4.18 Overall Additional Cost

On the basis of these estimates the changes to historic debt repayment therefore will add £12.3m mainly interest costs over a 40 year period at an average of £510k pa until the mid 2030s and a reduced amount after that. In terms of the benefit, we will repay less debt of about £14.1m by 2019/20 (the period of the present parliament for which the government has set the spending in the grant settlement).

#### 4.19 Guidance regarding the length of asset lives;

The DCLG's Guidance is available on the link provided in the Background Papers. The Guidance sets out the "options are those likely to be most relevant for the majority of authorities but other approaches are not meant to be ruled out, provided that they are fully consistent with the statutory duty to make prudent revenue provision." The key issue is therefore what the Council considers to be prudent.

4.20 In relation to repayment periods, the Guidance recommends that debt is repaid "over a period bearing some relation to that over which the asset continues to provide a service". We fix the life at the time of the capital expenditure and we have developed classes of assets, so for example most Transport Infrastructure is assumed to have a 20 year life.

4.21 Particular difficulty arises with some assets, such as freehold property (where the freehold has a "permanent" life) or major assets where we expect a very lengthy life. For example we anticipate being in the (new) Civic Offices for many decades and have arrangements to keep the building in good repair, and equally we would expect the new school buildings being built for the Primary Capital Programme to last many decades (albeit no doubt with some need for refurbishment programmes in 20/30/40 years' time (depending upon component). In the case of Freehold land, the guidance provides for a maximum period of 50 years unless the building is estimated to have a longer life. There are other circumstances where the guidance provides a suggested life, though ultimately it is for authorities to decide what is prudent. The guidance also recognises that sometimes we incur capital expenditure for the benefit of the town on assets that are not in our ownership, and recognises that in these circumstances it is reasonable to pay that over the asset lives.

4.22 Finally, the guidance comments that "if it is ever proposed to vary the terms of the original MRP statement during the year, a revised statement should be put to the Council at that time". The statement adopted in February is intended to apply from 2015/16. Overall the revised statement remains broadly consistent with the approaches provided for in the guidance.

#### 4.23 A 'prudent' MRP in the light of prevailing interest rates.

MRP is not necessarily directly linked to prevailing interest rates. However, by moving to an annuity method, we have introduced a link to the average rate we pay on all borrowing which is currently fairly stable at around 3.6%. The Policy as set fixes MRP for the life of the asset based on the average rate we are paying at 31 March in the year it is completed (with MRP normally starting in the following year).

4.24 To illustrate the impact, it is easiest to provide an illustration. Our current average borrowing rate is about 3.6%, so based on the annuity methodology if we had a new 10 year life asset total annual repayments (principal and interest) would be around £120.85m. In a scenario that our average borrowing rate increased to 5% annual repayments would increase to around £129.5m. The MRP in each year of the life of the asset would be as per the following table

Year	MRP @ 3.6%	MRP @ 5%	Difference
1	84,848	79,505	5,344
2	87,903	83,480	4,423
3	91,067	87,654	3,413
4	94,346	92,036	2,309
5	97,742	96,638	1,104
6	101,261	101,470	- 209
7	104,906	106,544	- 1,638
8	108,683	111,871	- 3,188
9	112,595	117,464	- 4,869
10	116,649	123,338	- 6,689

4.25 The table shows that as interest rates rise, in the early years the MRP would tend to fall (and vice versa should interest rates fall), with the difference pattern being reversed. However, the table also illustrates that the changes are not great for what would be a huge change in our average interest rate. Given the large amount of long term fixed rate borrowing we have there is no prospect of our average interest rate rising anywhere near 5% within the next decade, and probably much longer; indeed in the short term the average rate may fall slightly. Clearly the overall annuity repayment tends to fall as interest rates fall.

4.26 In our context, it is therefore reasonable to assume that MRP will not be materially impacted by realistic to anticipate changes to interest rates. i.e. this factor is not likely to be significant,

## 5. CONTRIBUTION TO STRATEGIC AIMS

The changes made to the MRP approach were done to support the overall budget, and ensure resources were available to meet the Council's strategic aims.

**6. COMMUNITY ENGAGEMENT AND INFORMATION**

The Council does not normally consult with the community on this particular issue.

**7. EQUALITY IMPACT ASSESSMENT**

An EIA is not directly relevant.

**8. LEGAL IMPLICATIONS**

None at this stage. The revised MRP approach meets legislative requirements.

**9. FINANCIAL IMPLICATIONS**

As above, noting that all calculation in this report have assumed (unless indicated otherwise) that the Council can maintain a long term average interest cost around 3.6%, the present rate (which has been stable in recent years

**10. BACKGROUND PAPERS**

TMSS

DCLG Guidance

<https://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition>

## Appendix A - Amendment to the Budget Resolution - February 2016

"Delete the wording in recommendation 2.6 on page B5 of the Building a Better Reading: Corporate Plan and Budget 2016-19 report and replace with the following:

'This Council notes that:

- i) paragraph 2.6 of the recommended actions asks the Council to approve a revised Minimum Revenue Provision (MRP) statement to apply from 2015/16; (Annex D, page B153);
- ii) the MRP is the rate at which loans are repaid annually in addition to the interest charge. Currently loans are repaid at 4% per annum of the balance. Most loans are repaid within 25 years. The revised policy will reduce the rate to 2% per annum and the repayment period will be fixed at 50 years; (paragraph 7, page B155);
- iii) the new policy will apply to non-HRA existing borrowings of approximately £230 million and the additional £50 million to be borrowed over the next 3 years;
- iv) the extension of the borrowing period will reduce the annual financing cost but increase the total cost over the lifetime of the loans;
- v) we are currently experiencing a period of historically abnormally low interest rates and that these are forecast to increase over the next decade;
- vi) the statutory Guidance issued by DCLG does not prescribe the annual repayment profile but suggests four options for making MRP that it considers 'prudent'; (paragraph 3, page B154)
- vii) as per paragraph 4 of the revised policy 'the Council considers that 'prudent' in this context does not mean the quickest possible repayment period' (paragraph 4, page B154);
- viii) a draft of the Treasury Management Strategy was presented to the Audit & Governance Committee on 28 January 2016 but that this did not include the revised MRP policy (paragraph 7.3, page B23); and
- ix) paragraph 10 of the statutory Guidance states that elected Members should be given the opportunity to scrutinise any changes to the MRP policy before they are adopted.

Accordingly, the Council resolves that the Treasury Management and Investment Strategy and Prudential Indicators set out in Appendix 8, and the revised MRP Statement be approved, subject to Paragraph 2 of Annex D (under the sub-heading 'Statement of MRP Approach' on page B153), being revised to say:

This policy applies to the financial years 2015/16 and 2016/17 only. The revised policy is referred to the Audit & Governance Committee for review for subsequent years. In particular the committee is instructed to ask the Head of Finance to report on the following matters for consideration:

- i) the additional overall cost of the revised policy;
- ii) the guidance regarding the length of asset lives at paragraph 6 of Annex D;

iii) a 'prudent' MRP in the light of prevailing interest rates.

Any interpretation of the Statutory Guidance or this policy will be determined by the Head of Finance, taking advice as necessary from the Head of Legal & Democratic Services, the Council's treasury advisor, Arlingclose and consulting the external auditor, EY.'"



**READING BOROUGH COUNCIL  
REPORT BY HEAD OF FINANCE**

<b>TO:</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b>		
<b>DATE:</b>	<b>19 APRIL 2016</b>	<b>AGENDA ITEM:</b>	<b>7</b>
<b>TITLE:</b>	<b>EXTERNAL AUDIT ARRANGEMENTS AFTER 2017/18</b>		
<b>RESPONSIBLE COUNCILLOR:</b>	<b>COUNCILLOR STEVENS</b>	<b>PORTFOLIO:</b>	<b>CHAIR OF AUDIT &amp; GOVERNANCE</b>
<b>SERVICE:</b>	<b>ALL</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
<b>LEAD OFFICER:</b>	<b>ALAN CROSS</b>	<b>TEL:</b>	<b>0118 9372058</b>
<b>JOB TITLE:</b>	<b>HEAD OF FINANCE</b>	<b>E-MAIL:</b>	<a href="mailto:Alan.Cross@reading.gov.uk">Alan.Cross@reading.gov.uk</a>

**1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1 This report explains the latest position in relationship to the requirement in the Local Audit & Accountability Act 2014 for the Council to eventually appoint its own auditor.
- 1.2 The report makes an initial non binding recommendation that we should pursue a method of doing this that minimises the work involved locally and is likely to ensure the Council gets the best price for its independent external audit.

**2. RECOMMENDED ACTION**

- 2.1 That the committee supports in principle the proposal that we ask Public Sector Appointments Ltd to assist with the appointment of an external auditor for the 2018/19 and subsequent accounts.

**3. POLICY CONTEXT**

The Council is required to have an independent external audit of its finances, that also provides some assurance that the Council takes reasonable actions to achieve value for public money. As historically the external auditor has been appointed by the Audit Commission the Council has not developed any local policy position in relation to the audit appointment.

**4. THE PROPOSAL**

- 4.1 Following the passing of the Local Audit & Accountability Act the Audit Commission was finally abolished on 31 March 2015. Its key functions were transferred to other bodies, and in relation to auditor appointments, Public Sector Audit Appointments Limited (PSAA), an independent company limited by guarantee incorporated by the Local Government Association took on the role.
- 4.2 The Department for Communities and Local Government recently exercised their contract rights (established when the Audit Commission let the last batches of audit tenders) to extend by one year the two year initial contract that had been agree. This means that EY will continue to be the Council's

auditor until the completion of the 2017/18 audit, and a new appointment will be needed for 2018/19.

- 4.3 By law an authority must make an appointment by the end of December prior to the year for which the audit is required, so we will need to have found our auditor by 31/12 2017 (about 20 months' from now).
- 4.4 PSAA has recently published its corporate plan, and the plan includes a section (the relevant parts of which are) reproduced here, explaining that once the current transition arrangements end, the new arrangements set out in the Act are in place, there are three options available to an audited body for appointing an auditor.

The options are to:

A undertake an individual auditor procurement and appointment exercise;

B undertake a joint audit procurement and appointing exercise with other audited bodies, those in the same locality for example; or

C join a 'sector led body' (SLB) arrangement where specified appointing person status has been achieved.

4.5 PSAA's plan goes on to sets out the key advantages and risks associated with each option.

Option	Advantages	Risks
Individual procurement (principal bodies)	<p>Locally-appointed auditor will reflect local requirements.</p> <p>Body has control over the process and outcome.</p> <p>Body has influence over the level of the audit fee.</p>	<p>Auditor Panel needs to be established by audited body.</p> <p>Time consuming and relatively costly procurement exercise.</p> <p>No economies of scale.</p> <p>Where an OJEU procurement exercise is required this needs a lead in time of around six months.</p> <p>Smaller principal bodies, or those in a geographically remote location, may find auditor procurement choices are more limited than for other larger principal bodies.</p>
Joint procurement (principal bodies)	<p>Locally-appointed auditor more likely to reflect local requirements.</p> <p>Procurement costs are shared.</p> <p>Body has some control over the process and outcome and an opportunity to influence the level of audit fees.</p>	<p>Auditor panel needs to be established by audited body or jointly with another body in the joint arrangement.</p> <p>Where an OJEU procurement exercise is required this needs a lead in time of around six months. Additional time for planning / collaboration with other audited bodies required.</p>
SLB approach (principal bodies)	<p>Some degree of independent auditor appointment, subject to scheme details.</p> <p>No need to establish an auditor panel.</p> <p>Large-scale procurement leading to potentially lower audit fees through economies of scale.</p>	<p>Canvassing of interest and 'sign up' of bodies needs to commence before the SLB is created and a procurement can start.</p> <p>'Opt in' decisions may be deferred until audit fees are known.</p>

- 4.6 In the circumstances, the advantages of the SLB approach outweigh the risks and those of the other options, and the professional advice of the Head of Finance is this option should be fully investigated with a view to pursuing this option. The key advantages are
- (i) Many authorities are thought likely to explore this option, so the potential tender size could be quite large.
  - (ii) The option seems to utilise the existing expertise in PSAA's staff (who largely transferred from the Audit Commission) in letting public sector audit contracts.
  - (iii) Other option would require an Audit Panel to be set up with an independent chair (and the Council has not in generally found it easy to find appropriate people to be independent members of committees when this has hitherto been required.
  - (iv) As PSAA does not have any other responsibilities, it also anticipated that they will be able to offer an improved service for local authorities in the rare circumstances that an authority needs to complain about the conduct of its auditor.

## **5. CONTRIBUTION TO STRATEGIC AIMS**

Independent audit of the Council's accounts ensures that there is public assurance that there is proper management of the Council's finances in place, supporting overall service delivery.

## **6. COMMUNITY ENGAGEMENT AND INFORMATION**

The Council does not anticipate needing to directly consult with the community on this particular issue.

## **7. EQUALITY IMPACT ASSESSMENT**

An EIA is not relevant.

## **8. LEGAL IMPLICATIONS**

None, at this stage, though as indicated above the Local Audit & Accountability Act places some burdens on the Council if we pursue some of the options.

## **9. FINANCIAL IMPLICATIONS**

None at this stage

## **10. BACKGROUND PAPERS**

This report draws on the PSAA Corporate Plan found on their website.

**READING BOROUGH COUNCIL  
REPORT BY HEAD OF FINANCE**

<b>TO:</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b>		
<b>DATE:</b>	<b>28 JANUARY 2016</b>	<b>AGENDA ITEM:</b>	<b>8</b>
<b>TITLE:</b>	<b>EXTERNAL AUDIT UPDATE</b>		
<b>RESPONSIBLE COUNCILLOR:</b>	<b>CLLR STEVENS</b>	<b>AREA COVERED:</b>	<b>CHAIR OF AUDIT &amp; GOVERNANCE</b>
<b>SERVICE:</b>	<b>FINANCIAL</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
<b>AUTHOR:</b>	<b>ALAN CROSS</b>	<b>TEL:</b>	<b>9372058/72398</b>
<b>JOB TITLE:</b>	<b>HEAD OF FINANCE</b>	<b>E-MAIL:</b>	<b><a href="mailto:alan.cross@reading.gov.uk">alan.cross@reading.gov.uk</a></b>

**1. PURPOSE AND SUMMARY OF REPORT**

1.1 This report introduces the External Auditor's report.

**2. RECOMMENDATION**

2.1 To consider the External Auditor's updated plan.

2.2 To note that in future we will circulate EY's bulletin as it is published and only include on the agenda at the specific request of a committee member.

**3. POLICY CONTEXT**

3.1 In January we introduced to EY LLP as the new external auditor from the financial year 2015/16 now for a period of 3 years.

**4. EXTERNAL AUDIT PRESENTATION AND ATTACHMENTS**

4.1 EY have indicated that they will normally attend each meeting of the Committee, and on this occasion have submitted an updated plan for the Committee to consider.

4.2 EY produce quarterly local government sector briefings. We attached the current one to the previous committee agenda and have separately circulated their most recent, which was published shortly after the previous meeting. We intend to circulate these to Committee Members as they are published, but will not normally include on the Agenda unless a Member of the Committee requests inclusion to facilitate discussion of a particular item therein.

4.2 Also, in future, where the Committee is merely being provided information or asked to provide general comments on External Audit's work, we do not intend to provide a cover report.

**5. FINANCIAL IMPLICATIONS**

5.1 None.

**6. LEGAL IMPLICATIONS**

6.1 The External Auditor's role is governed by the Local Audit and Accountability Act 2014.

**7. CONTRIBUTION TO STRATEGIC AIMS / COMMUNITY ENGAGEMENT /EQUALITY IMPACT ASSESSMENT**

7.1 None directly from the report.

**8. BACKGROUND PAPERS**

8.1 None

# Reading Borough Council

Year ending 31 March 2016

Audit Plan

19 April 2016

Ernst & Young LLP



Members of the Audit and Governance Committee  
Reading Borough Council  
Civic Offices  
Bridge Street  
Reading  
RG1 2LU

19 April 2016

Dear Committee Members

## **Audit Plan**

We are pleased to attach our updated Audit Plan which sets out in more detail the revised approach to value for money work and updates our assessment of internal controls.

Its purpose is to provide the Audit and Governance Committee with a basis to review our proposed audit approach and scope for the 2015/16 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

2015/16 will be our first year as your external auditor. We are currently working through the transitional arrangements with our predecessors, KPMG, including a review of their files. This report therefore summarises our preliminary assessment of the key issues which drive the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this revised plan with you on 19 April 2016 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Maria Grindley  
Executive Director

*For and behalf of Ernst & Young LLP*  
*Enc*



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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

# 1. Overview

## Context for the audit

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

- ▶ Our audit opinion on whether the financial statements of Reading Borough Council give a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended; and
- ▶ Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

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

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

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

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

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

We will provide an update to the Audit and Governance Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2016.

## 2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

### Significant risks (including fraud risks)      Our audit approach

#### Risk of fraud in revenue and/or expenditure recognition

Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.

In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

Our approach will focus on:

- ▶ Reviewing and testing revenue and expenditure recognition policies;
- ▶ Reviewing and discussing with management any accounting estimates on revenue or expenditure recognition for evidence of bias;
- ▶ Developing a testing strategy to test material revenue and expenditure streams; and
- ▶ Reviewing and testing revenue and expenditure cut-off at the period end date.

#### Risk of management override

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

Our approach will focus on:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Reviewing accounting estimates for evidence of management bias; and
- ▶ Evaluating the business rationale for significant unusual transactions.

### Not significant risks

#### Risk of understatement of Equal Pay provision

The equal pay provision may be understated based on the estimates provided by internal legal advisors.

Our approach will focus on:

- ▶ Obtaining the schedule of equal pay provision, and agree amounts to the general ledger accounts;
- ▶ Reviewing schedule for correctness and completeness, including whether the unequal pay provision is consistent with our understanding of the entity's business, and test recorded amounts; and
- ▶ Enquiring with management around the process controls and policy that were used and implemented regarding the equal pay provision.

### Reliance on one contractor to prepare year-end financial information

The risk exists that the reliance on one contractor with no formal contract to prepare financial information could impede the clients' ability to compile the financial statements in a timely manner. As complex spreadsheets form a crucial part of compiling the financial information there is an additional element of risk due to susceptibility to errors, either human or as a result of data corruption. Currently there is no succession or continuity plans in place for this role.

Our approach will focus on:

- ▶ Reviewing any plans developed by the Council to provide continuity and succession for this work;
- ▶ Obtaining the spreadsheet that forms the basis of the accounts preparation and agreeing amounts to the general ledger accounts;
- ▶ Reviewing the spreadsheet for correctness and completeness, including whether the balances are consistent with our understanding of the entity's business and underlying data and testing recorded amounts.

### Valuation of Property Plant and Equipment

The former Council office building is in the process of being demolished. The accounting treatment of the building was queried by the previous auditors last year and was recorded as an uncorrected misstatement in their ISA 260 report. We will review the current valuation treatment to ensure that it is materially correct.

Our approach will focus on:

- ▶ Reviewing the proposed accounting treatment in 2015/16;
- ▶ Reviewing any valuer's report on the building; and
- ▶ Reviewing the disclosure to ensure that it is appropriate.

### Valuation of Investment Properties

The Council does not value investment properties on an annual basis as required by the CIPFA Local Government Statement of Accounting Practice.

Our approach will focus on:

- ▶ Reviewing proposed valuation treatment in 2015/16;
- ▶ Reviewing any valuer's report on the properties; and
- ▶ Reviewing disclosures to ensure that they are appropriate.

### Respective responsibilities in relation to fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud, and,
- ▶ Performing mandatory procedures regardless of specifically identified risks.

.

### 3. Value for money risks - Economy, efficiency and effectiveness

We are required to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. For 2015/16 this is based on the overall evaluation criterion:

*“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”.*

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government, to ensure that our assessment is made against a framework that you are already required to have in place and to report on, through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

*“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”.*

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

We have considered the guidance in the context of our knowledge and understanding of the Council’s circumstances and the risks that it faces. We have identified the following significant risk:

Significant risk	Our audit approach	
<b>Delivering financial resilience</b>		
<p>The Council is facing a challenging financial position and is reporting an overspend in both Adult and Children’s Social Care and is having to plan for significant cuts in spending in future years. The recent announcement by the Government of a reduction in the Revenue Support Grant requires the Council to make further savings. The timing of the announcement in December 2015 means that the Council will revisit its 2016/17 budget and Medium Term Financial Plan. The Council may find it challenging to set a balanced budget.</p>	<p>Financial resilience</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Reviewing the 2015/16 outturn position against budget;</li> <li>▶ Assessing the robustness of processes for identifying and implementing savings; and</li> <li>▶ Reviewing revised 2016/17 budgets and the updated Medium Term Financial Plan.</li> </ul>

## 4. Our audit process and strategy

### 4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- ▶ Financial statements; and
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

#### i Financial statement audit

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

We report to you by exception in respect of your governance statement, and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also:

- ▶ Review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require;

#### ii Arrangements for securing economy, efficiency and effectiveness

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

### 4.2 Audit process overview

#### Processes

We have completed our assessment of manual internal controls operated by the Council and the reliance we can place on them and have concluded that we will not be able to rely on them for all financial systems. The reason for this is that during the financial year control accounts have not been maintained on a regular basis and these are an important element of internal control which we seek to rely on. Management have agreed to implement improved monitoring of the completion and review of control accounts.

Controls surrounding the accounts that are processed in Academy (Housing Benefits, Council Tax and National Non-Domestic Rates) are good and we will seek to take a controls based approach when testing these accounts. We are currently testing IT and manual controls over the Academy system and if we find them to be working appropriately this will provide us with additional assurance and reduce our level of transaction testing.

#### Analytics

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

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

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

**Internal audit**

We will review internal audit plans and the results of their work. We will take into account that could have an impact on the year-end financial statements and our value for money work.

**Use of specialists**

We will use specialist EY resource as necessary to help us to form a view on judgments made in the financial statements. When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions	EY valuations team/ Third party specialists
Valuations	EY valuations team/ Third party specialists

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

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

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

**4.3 Mandatory audit procedures required by auditing standards and the Code**

As well as the financial statement risks outlined in section two, we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

***Procedures required by standards:***

- ▶ Addressing the risk of fraud and error;
- ▶ Reviewing significant disclosures included in the financial statements;
- ▶ Assessing entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- ▶ Assessing auditor independence.



### **Procedures required by the Code**

- ▶ Reviewing, and reporting on, as appropriate, other information published with the financial statements, including the Governance Statement;
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO; and
- ▶ Satisfying ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

## **4.4 Materiality**

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined the proposed overall materiality for the financial statement of the Council is £8,272,000 based on 2% of gross expenditure. We will communicate uncorrected audit misstatements greater than £414,000 to you.

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

## **4.5 Fees**

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Reading Borough Council is £108,938 with an estimated fee of £20,187 for the certification of the housing benefit subsidy claim.

## **4.6 Your audit team**

The engagement team is led by Maria Grindley, who has significant experience of auditing local government clients. They are supported by Alan Witty as senior manager who is responsible for the day-to-day direction of audit work and is the key point of contact for the Corporate Finance Business Partner.

## **4.7 Timetable of communication, deliverables and insights**

We have set out below a timetable showing the key stages of the audit, including the VFM work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit and Governance Committee's cycle in 2015/16. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Chairperson as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

<b>Audit phase</b>	<b>Timetable</b>	<b>Audit and Governance Committee timetable</b>	<b>Deliverables</b>
High level planning	<b>April 2015</b>	<b>April 2015</b>	Audit Fee letter
Risk assessment and setting of scopes	<b>December 2015</b>	<b>January 2016</b>	Audit Plan
Testing routine processes and controls	<b>February-March 2016</b>	<b>April 2016</b>	Revised Plan
Year-end audit	<b>July-August 2016</b>		
Completion of audit	<b>August 2016</b>	<b>September 2016</b>	Report to those charged with governance via the Audit Results Report Audit report including our opinion on the financial statements; and, overall value for money conclusion. Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	<b>By 31 October 2016</b>	<b>December 2016</b>	Annual Audit Letter
Reporting on Housing Benefit	<b>November 2016</b>	<b>January 2017</b>	Annual Grant Claim Report

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

## 5. Independence

### 5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

#### Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul>	<ul style="list-style-type: none"> <li>▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that we are independent;</li> <li>▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Engagement and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services.

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

### 5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

### ***Self-interest threats***

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

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with the Audit Commission's Standing Guidance.

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

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

### ***Self-review threats***

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

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

### ***Management threats***

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

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

### ***Other threats***

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

There are no other threats at the date of this report

### ***Overall Assessment***

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

## **5.3 Other required communications**

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

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2015 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2015>

## Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2015/16 £	Scale fee 2015/16 [current year] £	Outturn fee by KPMG 2014/15 [prior year] £	Explanation
Opinion Audit and VFM Conclusion	£108,938	£108,938	£145,250*	
<b>Total Audit Fee – Code work</b>	<b>£108,938</b>	<b>£108,938</b>	<b>£145,250*</b>	
Certification of claims and returns <sup>1</sup>	£20,187	£20,187	20,130*	
Non-audit work	0	0	0	

*All fees exclude VAT.*

\* These fees are included for information, they are not EY fees.

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ The operating effectiveness of the internal controls for the key processes outlined in section 4.2 above;
- ▶ We can rely on the work of internal audit as planned;
- ▶ The NAO making no significant changes to the final value for money guidance on which our conclusion will be based;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

<sup>1</sup> Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission.

## Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit and Governance Committee. These are detailed here:

Required communication	Reference
<p><b>Planning and audit approach</b></p> <p>Communication of the planned scope and timing of the audit including any limitations.</p>	<p>▶ Audit Plan</p>
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	<p>▶ Report to those charged with governance</p>
<p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	<p>▶ Report to those charged with governance</p>
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	<p>▶ Report to those charged with governance</p>
<p><b>Related parties</b></p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> </ul>	<p>▶ Report to those charged with governance</p>

Required communication	Reference
<ul style="list-style-type: none"> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	
<p><b>External confirmations</b></p> <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of</li> </ul>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Report to those charged with governance</li> <li>▶ Annual Audit Letter if considered necessary</li> </ul>
<p><b>Group audits [if relevant]</b></p> <ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> </ul>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>

Required communication	Reference
<ul style="list-style-type: none"> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements</li> </ul>	
<b>Opening Balances</b>	▶ Report to those charged with governance
<ul style="list-style-type: none"> <li>▶ Findings and issues regarding the opening balance of initial audits</li> </ul>	
<b>Certification work</b>	▶ Annual Report to those charged with governance summarising grant certification
<ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>	



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