

READING BOROUGH COUNCIL

REPORT BY THE ASSISTANT DIRECTOR OF PROCUREMENT AND CONTRACTS

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| TO: | AUDIT & GOVERNANCE COMMITTEE | | |
| DATE: | 23 rd July 2019 | | |
| TITLE: | AUDIT ARRANGEMENTS FOR BRIGHTER FUTURES FOR CHILDREN | | |
| LEAD COUNCILLORS: | CLLR JASON BROCK, CLLR LIZ TERRY, CLLR ASHLEY PEARCE | PORTFOLIO: | LEADER OF THE COUNCIL, LEAD COUNCILLOR FOR CHILDREN, LEAD COUNCILLOR FOR EDUCATION |
| SERVICE: | PROCUREMENT & CONTRACTS | WARDS: | ALL |
| LEAD OFFICER: | KATE GRAEFE | TEL: | 0118 937 4132/ 74132 |
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 Audit & Governance Committee on 19th April 2019 requested, "That a report from the Council's Contract Manager be provided to the next meeting setting out the audit arrangements for Brighter Futures for Children (BFFC) to provide assurance that children and education service related risks that had previously been reported to this Committee were now being appropriately monitored and acted on by the Company." This report has been prepared in response to that request.

2. RECOMMENDED ACTION

It is recommended that Audit & Governance Committee:

- 2.1 Note the BFFC Internal Audit arrangements and governance in place to ensure that children and education service related risks are appropriately monitored and acted on by the Company.

3. BACKGROUND

- 3.1 At Full Council on the 16th October 2018, it was agreed to transfer the delivery of the Council's children's services, including Education and Early Help, to a newly established, wholly owned subsidiary Company of the Council, Brighter Futures for Children Limited ('BFFC'/the 'Company') to allow a holistic, focussed approach to the promotion and delivery of improved outcomes for the Reading's children, young people and their families.
- 3.2 Following this decision, the Service Delivery Contract and other relevant arrangements were finalised to allow the transfer of Children's Services (excl. Fostering) to BFFC on the 1st December 2018. Fostering subsequently transferred on the 1st March 2019 following the Company's successful registration with Ofsted as an IFA (Independent Fostering Agency). The Council has 100% ownership of BFFC, which is

run by a senior management team reporting to the Company board of directors. In turn, the Board reports to the Council (Policy Committee) as its sole member/owner.

- 3.3 The set-up of BFFC has been undertaken on the basis that the Company will 'buy back' the majority of support functions from the Council for a minimum of two years (from 1st April 2019, i.e. earliest termination possible would be 31st March 2021). An overarching Managed Services Agreement acts as an umbrella contract for all the Service Level Agreements (SLAs) between the Company and the Council. The SLAs are then detailed within Schedules to the Managed Services Agreement and include services for:
- Audit & Investigation; and
 - Emergency Planning, Business Continuity & Risk Management

4. BFFC AUDIT & PERFORMANCE ASSURANCE

- 4.1 BFFC operate an audit regime that is similar to the Council's, with the BFFC Audit & Risk Committee being a key component in the Company's Corporate Governance Arrangements. The Audit & Risk Committee meets quarterly throughout the year to review and discuss the effectiveness of the Company's internal control, governance and risk management arrangements. The Audit & Risk Committee is composed of two BFFC Non-Executive Directors, the BFFC Director of Finance & Resources and the BFFC Managing Director. The Chairperson is a Non-Executive Director appointed by the Company Board.

- 4.2 As part of the Company's assurance process, the Audit & Risk Committee routinely reports on its activity to the Company Board, including an Annual Report regarding its work throughout the year.

- 4.3 The Internal Audit Service is provided to the Company, by the Council's Internal Audit Team under a Service Level Agreement (SLA). As part of this agreement, services provided include:

- (i) An annual audit plan, which is compiled through discussions with the Director of Finance & Resources, senior managers and an understanding of risk. The outputs from the planning process have been prioritised to produce a plan that balances the following:

- the requirement to give an objective and evidenced based opinion on aspects of governance, risk management and internal control;
- the requirement for internal audit to add value through improving controls, streamlining processes and supporting corporate priorities;
- the resource and skill mix available to undertake the work.

- The plan is responsive in nature and all efforts are made to maximise coverage to provide the most effective and agile internal audit service possible that focuses on those key risks facing the organisation throughout the year. At the same time ensuring there is sufficient coverage and internal audit resource to provide an evidence-based assurance opinion that concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- The audit plan needs to be deliverable within available resources and the 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.

- Resource requirements will be reviewed each year as part of the audit planning process and discussed with the BFFC Director of Finance & Resources. The service level agreement between the Council and the Company allows for 100 planned days (including schools); however it is for the BFFC Director of Finance and Company Board, in consultation with the Audit & Risk Committee to decide if there is a need for more or less coverage. There is no statutory minimum or maximum coverage; it is very much dependent on the level of assurance required and the risk appetite.
 - The Internal Audit coverage for 2019/20 with BFFC is as follows:

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| – Payment controls | Q3 | 20 days |
| – Performance Information Management | Q4 | 20 days |
| – Special Educational Needs and Disability | Q2 | 20 days |
| – 8 Schools | Q3/Q4 | 40 days |
 - Two further schools were requested to be undertaken in quarter 1 and will be charged for as additional work.
 - In addition the following Q4 audits from 2018/19 were completed and reported to BFFC:
 - Child Sexual Exploitation follow up
 - Looked After Children
 - Foster Care follow up
 - 3 schools
- (ii) Reporting of performance: A status report on internal audit work is presented to the Company's Audit and Risk Committee on a quarterly basis. This provides an update on the progress made against the delivery of the Internal Audit Plan. The report provides details of audits completed to date, the assurance opinions given and the number and type of recommendations made. The report also provides a summary of internal audit performance, planning and any resourcing issues if applicable.
- (iii) Ad-hoc projects: The RBC Internal Audit Team will undertake special ad-hoc projects if and as required by the Company, depending on available resources.
- (iv) Investigations: The RBC Investigations Team will investigate irregularities which may include, but is not limited to, fraud or internal disciplinary investigations if/ as required by the Company.
- (v) Whistleblowing: Where the Council receives whistleblowing allegations relating to the service being provided by the Company under the Services Contract (whether received via the Council's website, telephone hotline or otherwise), these whistleblowing allegations will be monitored and reported to the Company. All whistleblowing allegations are dealt with in accordance with the Company's whistleblowing policy.
- 4.4 The RBC Chief Auditor has a standing invitation to attend the Company Audit & Risk Committee as does the BFFC external auditor. These parties have direct access to the Committee, or the Chair, as required.
- 4.5 The Company Audit & Risk Committee has also been provided with a list of all outstanding audit recommendations, along with individual internal audit reports for all audits completed over the past 2-years. From this, the BFFC Board and Audit & Risk Committee are committed to I take the necessary action to follow up outstanding audit recommendations.

- 4.6 The Company Audit & Risk Committee oversee the process for the appointment of the external auditor and receive and consider the external auditors report on the company's accounts and thus make recommendation to the BfFC Board regarding signing of the Accounts for onward submission to the Council and Companies House. The appointment of the external auditors itself, as well as requiring BfFC Board approval, is a 'reserved matter' under the Company Articles of Association. Approval of the appointment of the external auditor was provided by Policy Committee (in its capacity as sole Member) in January 2019. The Auditors report on the BfFC Accounts will be completed and filed in August and form part of the annual report on performance referred to in 4.7, below, to be reported to Policy Committee in September.

Service Performance & Financial Assurance:

- 4.7 Whilst this report is about audit arrangement assurance, the following paragraphs are included to provide comfort on the contract governance arrangements in place to monitor service and financial performance of the Company. In order to provide the appropriate assurances to the Council on service delivery the agreed contract monitoring and governance framework includes:

- An annual report from BfFC on performance, including the Company Audited Accounts, to Policy Committee (in its capacity as sole member);
- An annual report from BfFC on the Company's Business Plan to Policy Committee (in its capacity as sole member), which includes the agreement of the Contract Sum to be paid to the Company for delivery of services;
- Reports from BfFC to the Adults, Children's and Education Committee;
- Monthly performance monitoring of Children's Services (social care) service delivery through the Children's Services Improvement Board, chaired by an independent chair and supported by relevant RBC partners such as the Police, Health and LCSB (to transfer to the Multi-Agency Safeguarding Arrangements [MASA] in 2019).
- Monthly financial monitoring through the contract management function underpinned by contractual reporting requirements including open book provision of data;
- Bi-monthly (6 times a year) Contract Management Group meetings to review overall contract performance and also review performance of the Council in terms of Support Services provision.

(It should be noted that whilst Children's Services are under intervention, there is also a reporting and oversight requirement between the Company Chair and the Department for Education (DFE)).

- 4.8 Underpinning all of the above is a set of contract Key Performance Indicators. In order to allow the Company sufficient operational independence and permit the Company Board to proactively address any issues in performance that may be indicated by the KPIs, the provision of reporting information and the proposed timing of the Contract Management meetings has been scheduled to allow the BfFC Board at least one opportunity to view and comment on the information to be provided to RBC prior to issue. Practically this means that:
- Financial information is provided 30 days after the end of the period to be reported, i.e. Jan 2019 financial data should be provided by no later than 1st March
 - The Contract Management Group will review other performance information once every 2 months and with an approximate 60 day time lag, i.e. Dec 2018 and Jan 2019 performance information should be advised for consideration at the March 2019 Contract Management Group, Feb & Mar 2019 information will be considered at the May 2019 meeting, and so on.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 All elements within this report are focused on the Corporate Plan priorities of: Ensuring the Council is fit for the future and Protecting and enhancing the lives of vulnerable adults and children.

6. COMMUNITY ENGAGEMENT AND INFORMATION

- 6.1 No community engagement has been carried out or is required in the creation of or as a result of this report.

7. EQUALITY IMPACT ASSESSMENT

- 7.1 An Equality Impact Assessment (EIA) is not relevant to the report or its recommendations.

8. LEGAL IMPLICATIONS

- 8.1 There are no legal implications arising directly from this report.

9. FINANCIAL IMPLICATIONS

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

10. BACKGROUND PAPERS

- 10.1 16 October Full Council Report - Establishment of BFfC