

Audit, Governance and Standards Committee

Monday 27 February 2017

7.00 pm

Ground Floor Meeting Room G02C - 160 Tooley Street, London SE1 2QH

Membership

Councillor Paul Fleming (Chair)
Councillor James Barber (Vice-Chair)
Councillor Catherine Dale
Councillor Nick Dolezal
Councillor Renata Hamvas
Councillor Hamish McCallum
Councillor Andy Simmons

Reserves

Councillor Evelyn Akoto
Councillor Dora Dixon-Fyle MBE
Councillor Karl Eastham
Councillor David Hubber
Councillor Sarah King
Councillor Rosie Shimell
Councillor Cleo Soanes

INFORMATION FOR MEMBERS OF THE PUBLIC

Access to information

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Contact

Victoria Foreman on 020 7525 5485 or email: victoria.foreman@southwark.gov.uk

Members of the committee are summoned to attend this meeting

Eleanor Kelly

Chief Executive

Date: 17 February 2017



Audit, Governance and Standards Committee

Monday 27 February 2017

7.00 pm

Ground Floor Meeting Room G02C - 160 Tooley Street, London SE1 2QH

Order of Business

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PART A - OPEN BUSINESS

THE CHAIR WOULD LIKE TO REMIND MEMBERS THAT PRIOR TO THE MEETING THEY HAVE THE OPPORTUNITY TO INFORM OFFICERS OF PARTICULAR AREAS OF INTEREST RELATING TO REPORTS ON THE AGENDA, IN ORDER FOR OFFICERS TO UNDERTAKE PREPARATORY WORK TO ADDRESS MATTERS THAT MAY ARISE DURING DEBATE.

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. CONFIRMATION OF VOTING MEMBERS

A representative of each political group will confirm the voting members of the committee.

3. NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT

In special circumstances, an item of business may be added to an agenda within five clear days of the meeting.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

Members to declare any personal interests and dispensation in respect of any item of business to be considered at this meeting.

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ANY OTHER OPEN BUSINESS AS NOTIFIED AT THE START OF THE MEETING AND ACCEPTED BY THE CHAIR AS URGENT

EXCLUSION OF PRESS AND PUBLIC

The following motion should be moved, seconded and approved if the sub-committee wishes to exclude the press and public to deal with reports revealing exempt information:

“That the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 1-7, Access to Information Procedure rules of the Constitution.”

Date: 17 February 2017



Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Wednesday 16 November 2016 at 7.00 pm at Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

PRESENT: Councillor Paul Fleming (Chair)
Councillor James Barber
Councillor Catherine Dale
Councillor Nick Dolezal
Councillor Renata Hamvas
Councillor Hamish McCallum
Councillor Andy Simmons
Mr Charles Wynn-Evans (Independent member)

OFFICER SUPPORT: Jennifer Seeley, Director of Finance
Jo Anson, Head of Financial and Information Governance
Norman Coombe, Head of Corporate Team, Legal
Fay Hammond, Departmental Finance Manager
Rob Woollat, Interim Chief Accountant
Victoria Foreman, Constitutional Officer
Paul Dossett, Head of Public Sector Assurance, Grant Thornton
Chris Harris, Partner, RSM
Caroline Watson, Divisional Accountant, Treasury and Pensions
Mike Pinder, Head of Anti Fraud and Internal Audit
Dr Jin Lim, Director of Public Health (Acting)
Paul Symington, Head of Facilities Management Strategy and Performance
Barbara Crabb, Corporate Facilities Management Contract Manager

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. CONFIRMATION OF VOTING MEMBERS

Those members listed as present were confirmed as voting members for the meeting.

3. NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT

There were no late items of business.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were no declarations of interest or dispensations.

5. MINUTES

RESOLVED:

That the minutes of the meeting held on 14 September 2016 be agreed as a correct record and signed by the chair.

6. GOVERNANCE TOPIC: SOUTHWARK LOCAL GOVERNMENT PENSIONS SCHEME - GOVERNANCE ARRANGEMENTS

The committee heard from Fay Hammond, Departmental Finance Manager and Caroline Watson, Divisional Accountant. Members asked questions of the officers.

RESOLVED:

1. That the briefing regarding the governance arrangements for the Southwark local government pension scheme (Appendix A) be noted.
2. That the constitutional arrangements for the Pensions Advisory Panel and Local Pensions Board be supplied to the committee by officers.

7. GOVERNANCE TOPIC: PUBLIC HEALTH UPDATE ON IMPLEMENTATION OF PUBLIC HEALTH IMPACT ASSESSMENTS INTO THE DECISION MAKING PROCESS

The committee heard from Jin Lim, Director of Public Health (Acting). Members asked questions of the officer.

RESOLVED:

1. That the update on the implementation of public health impact assessments into the decision making process be noted.
2. That officers develop a guidance document to show how public health and other departments work together in order to ensure that public health is considered in all areas of the council's work.

8. REPORT ON RETROSPECTIVE CONTRACT-RELATED DECISIONS

Officers introduced the report. Members had questions of officers.

RESOLVED:

1. That the retrospective contract decisions detailed in the report be noted.
2. That the actions taken to ensure that the risk of future retrospective contract decisions is minimised for the future, as set out in paragraphs 15 to 17 and 22 to 26, be noted.
3. That officers produce a document explaining issues encountered, and how these will be prevented in the future, and share with others who had also attended audit, governance and standards committee with other retrospective contract related matters.

9. TREASURY MANAGEMENT: REVIEW OF POLICY, PRACTICES AND STRATEGY

Officers introduced the report. Members asked questions of officers.

RESOLVED:

1. That the revised Treasury Management Policy Statement (Appendix A) be considered.
2. That the council's draft 2017-18 treasury management strategy statement (Appendix B) be considered ahead of consideration by council assembly at its budget and council tax setting meeting in February 2017.
3. That the reference to 'Option 3: Asset Life Method' of the DCLG guidance referenced at point 7, page 72 of the agenda be extended and explained further to the committee and in any future reports.

10. ANNUAL AUDIT LETTER 2015-16

Grant Thornton introduced the report. Members had questions of Grant Thornton.

RESOLVED:

1. That the annual audit letter 2015-16 (Appendix 1) be noted.
2. That copies of the client briefings referenced at page 87 of the agenda be provided to the committee.
3. That further details of work undertaken for the council by Grant Thornton on Investors in People accreditation be provided to the committee.
4. It was noted that the Highways Network Asset work scheduled for 2016/17 had been deferred until 2017/18.

11. PROGRESS REPORT ON IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS

Officers introduced the report.

RESOLVED:

That the progress and actions for implementing the external auditors' recommendations be noted.

12. PROGRESS REPORT ON THE WORK OF THE INTERNAL AUDIT AND ANTI-FRAUD TEAMS FOR THE PERIOD 1 JULY 2016 TO 17 OCTOBER 2016

Officers introduced the report. Members asked questions of officers.

RESOLVED:

1. That the progress report on the work of the internal audit and anti-fraud teams for the period 1 July 2016 to 17 October 2016 be noted.
2. That further information regarding the applications tested in the audit of the council's disaster recovery arrangements be provided to the committee.
3. That children's and adults' services be invited to a future meeting of the committee to explain the delay in implementation of actions agreed relating to data management and security.
4. That a letter of thanks be written on behalf of the committee to RSM, who had been the council's internal auditors for the past seven years, but whose contract was ending shortly.

13. APPOINTMENT OF LOCAL AUDITOR

Officers introduced the report. Members had questions of officers.

RESOLVED:

That the option of opting in to the authorised national scheme for the appointment of external auditors through the sector-led body, Public Sector Audit Appointments (PSAA) be recommended to council assembly.

14. WHISTLE BLOWING COMPLAINTS AND OUTCOMES

Officers introduced the report. Members had questions of the officers.

RESOLVED:

1. That the report be noted.
2. That at the end of the investigative process, whistle-blowers be given the option to agree that an anonymous and confidential version of the case be considered by the committee.

3. That future reports on whistle-blowing be produced in the style of the London Borough of Camden, as detailed at point 17, page 111 of the agenda.

15. REVIEW OF ARRANGEMENTS FOR DEALING WITH STANDARDS ALLEGATIONS UNDER THE LOCALISM ACT 2011

Officers introduced the report. Members had questions of the officers.

RESOLVED:

1. That the issues outlined in the report be noted.
2. That the amendments to the arrangements for dealing with standards allegations under the Localism Act 2011 contained in Appendix A be agreed.
3. That paragraph 27 of the arrangements for dealing with standards allegations under the Localism Act 2011 document, at page 119 of the agenda, be re-worded by the relevant officer and circulated to the committee.

16. REVIEW OF MEMBER AND OFFICER PROTOCOL AND COMMUNICATIONS PROTOCOL

Officers introduced the report. Members had questions of the officers.

RESOLVED:

1. That the report be noted.
2. That paragraph 23 of the communication protocol, as set out at page 147 of the agenda, be amended to include an exception for members accessing agenda papers online.

17. GRANT THORNTON - AUDIT, GOVERNANCE AND STANDARDS COMMITTEE UPDATE NOVEMBER 2016

Grant Thornton introduced the report.

RESOLVED:

That Grant Thornton's audit, governance and standards committee update, as attached (Appendix 1) be noted.

The meeting ended at 9.05 pm.

CHAIR:

DATED:

Item No. 6.	Classification: Open	Date: 27 February 2017	Meeting Name: Audit, governance and standards committee
Report title:		Governance topic: update on human resources	
Ward(s) or groups affected		All wards	
From:		Head of Human Resources	

RECOMMENDATION

1. That the audit and governance committee note the progress in changes across the human resources and organisation transformation services, the workforce achievements since the last update in February 2016 and plans for the coming year.

Background and team changes

2. Through its governance framework the council can monitor performance and the achievement of strategic objectives. At its meeting in September 2015, the audit and governance committee selected human resources as its governance theme for the year and an initial report was considered in February 2016. This report outlines the progress made since that time.
3. The leadership of the modernise division is now in place with appointments to the Director of Modernise and heads of service for IT, HR and Organisation Transformation joining the existing head of corporate facilities management.
4. The restructure of the HR service took place during summer 2016, resulting in a new HR business partner team, resourcing and change expertise and a small policy and analytics function. Most vacancies have been filled, although some recruitment is still taking place as certain roles have proven harder to fill.
5. We are reviewing all processes to remove bureaucracy, making best use of technology to automate activity, freeing HR colleagues up to provide more valued professional advice on complex cases and to allow more focus on workforce planning, talent management and performance improvement. This is coupled with a skills development framework for HR colleagues to develop and share their expertise and progress their careers.
6. We have started to pilot quarterly narrative HR workforce reports developing better skills in using an evidence base to inform workforce priorities.
7. The Organisation Transformation team started a reorganisation on 15 February. The proposed structure is due to implement in May and creates capacity to support the council across learning and development, organisation development and business transformation.

Workforce strategy

8. On 1 November, Cabinet agreed a new workforce strategy for the council as part of its modernisation programme. The strategy aims to develop the culture, skills,

processes and management capability to support a productive, motivated and high performing workforce.

9. The workforce strategy was developed as a result of discussions and contributions from staff across the council, ensuring it is meaningful and addresses key service concerns. It identifies nine delivery areas in order to achieve our ambitions:

- New ways of working
- Recruitment and retention
- Management and leadership
- Learning and development
- HR management and policies
- Pay and reward
- Equality and diversity
- Job design and organisational structure
- Wellbeing and engagement.

10. HR and organisation transformation colleagues have been developing a work programme to deliver against this ambitious strategy and a brief summary of achievements and plans against each area is set out below:

New ways of working

- The strategy will help us to be fit for the future, transforming how Southwark operates as a council, fulfilling our promise to modernise our council by transforming where and how we work in order to better serve our customers.
- This includes improvements to our technology which will allow us to better connect colleagues and share information. Increasing, more mobile technology will enable us to work more efficiently and easily from different locations, reducing printing.
- We continue to offer excellent flexible working arrangements with 14% of staff working part-time and many others able to work in less formal flexible ways such as home working and flexible start and finish times.
- These arrangements are particularly taken up by female staff, often with caring responsibilities and older workers as they approach retirement.

Recruitment and retention

- We are increasingly using digital channels, reducing our reliance on traditional media, ensuring value for money on campaigns. We have recently met with our advertising partner to explore opportunities for more creative campaigns and use of social media to better target candidates for hard to fill areas.
- We continue to modernise our recruitment application system and are shortly to introduce a responsive jobs site rebranded in the Southwark style which will allow applications from mobile devices, bring content management in house and connect content to job types, improving the candidate experience without them having to create and manage accounts.
- Our time to hire new recruits remains stable with data showing that 87% of posts are filled within three months, including all safeguarding checks. This is

helped by our on-line portal through which the average turnaround time has decreased from 25 days to 16. Over 80% of applications are completed within 10 days.

- An interrogative review of our recruitment policies and procedures is underway, including our ability to source and attract the best candidates.
- We have started a project to review and update our induction and on-boarding of new employees, giving new joiners a high quality first experience of Southwark, increasing the likelihood of retention. Maximising the use of technology through our induction process will set out our expectation for new starters and support the embedding of a digitally-enabled culture in the council.

Management and leadership

- We are developing a behaviours framework underpinned by the existing Fairer Future Principles to better portray to prospective candidates and existing staff our values, including a clearer narrative on what it means to be a Southwark manager.
- In January 2016, we held our first top 100 leaders event. In response to positive feedback, this will be rolled out in spring 2017 as a quarterly event and a monthly briefing for the top 500 managers will be issued to support engagement and timely information sharing.
- Our Leadership and Management Development programme offers managers at different levels the opportunity to enhance their skills and knowledge to progress their careers. The programme is endorsed by the Institute of Leadership and Management (ILM). At present there are 74 employees on the programme, at a variety of levels. Since the inception of the ILM programme in 2014, 234 managers have completed an ILM programme and remain within the council.

Learning and development

- We are consulting on a corporate learning and development plan underpinned by a review of our learning and development management system and refreshed intranet to ensure that it supports our digital agenda, allowing better use of e-learning, social learning, content sharing and virtual classroom. The design of the programme will maximise our ability to use technology but where courses are classroom based, we will promote opportunities to network with colleagues across the council.
- We continue to holding the coveted liP gold status and are working to ensure this is retained when we seek reaccreditation in 2018. In the 2015 staff survey 62% give a good or very good rating to their manager for identifying training needs and/or areas of professional development for team members.
- Southwark is one of three boroughs (with Lewisham and Greenwich) to form a DfE funded South East London Teaching Partnership to provide innovative and sector-leading development for our social workers.

- We will continue to lead the apprenticeship agenda, with an increased focus on post-entry training, and attracting candidates to hard to reach areas by offering high quality training opportunities through high level apprenticeships. This maximises the opportunities presented to us by the apprenticeship levy. In January we became the only London borough to be included in the national top 100 apprentice employers. As at January 2017 we have 72 apprentices on our programme and 25 trainees.

HR management and policies

- We have started a fundamental HR policy review programme, looking to modernise internal procedures for dealing swiftly and sensitively with staff grievances, performance, absence and disciplinary matters.
- We will also be streamlining our organisational change procedure, ensuring we are able to be agile in reshaping the organisation to meet our strategic objectives while providing appropriate opportunities for early and ongoing engagement and consultation with affected staff and trade union colleagues.

Pay and reward

- We are placing a strong focus on our pay and benefits packages to ensure that the rewards of working for Southwark are attractive, modern, and relevant to the aspirations of our workforce. This will include making sure that our employment package is consistent where it needs to be, but offers flexibility to be tailored to meet different business or individual needs, while ensuring value for money in difficult financial times.
- We continue to maintain the London Living Wage for all staff, meeting the commitment to ensure that staff on salaries below £21k receive at least a £250 pay increase.
- We continue to offer a wide range of employee benefits, aimed at improving recruitment and retention of valued staff. Our suite of benefits facilitates employment for parent-carers, addresses our ambitions for a greener borough through supporting sustainable travel and promotes good health in line with our public health priorities.
- Examples include: free access to swim and gym borough-wide, season ticket loans, a childcare voucher scheme, childcare loans, the recently introduced cycle scheme and an employee discount platform, all of which have good take-up.

Equality and diversity

- Our annual workforce report shows that the demographics of our workforce have remained stable over the past few years, despite the significant staffing reductions as a result of our financial challenges; for example 51% of our staff are female, 48% from a black or minority ethnic background, both of which are very similar to the percentages in the Southwark community. 3.3% have declared a disability. The average age of our staff is 45.

- We are seeing an increase in colleagues wishing to organise employee networks which we continue to support, e.g. women's network, young workers and those on the autism spectrum.
- New requirements for gender pay gap reporting will be coming into force this year and we will be required to publish gender data in accordance with statutory calculations by March 2018. We propose publishing this as part of our annual workforce report and will work with the women's network on any arising actions.

Job design and organisational structure

- The development of a dedicated change team within HR as well as proposals under consultation for a business transformation team will enable us to better meet the recommendations of the November 2015 LGA peer review which advised that a more strategic approach to organisational change and transformation ought to be developed.
- The data snapshot for January 2017 showed that there were 457 agency workers on assignment; we remain within the top quartile of London authorities for our percentage of agency workers compared to our employed workforce. There continues to be close scrutiny on the use of agency workers and consultants.
- Over the coming year, we will be retendering our agency contract with Comensura which expires in March 2018. The contract is currently delivering against its KPIs and achieving savings against previous contract rates.
- A revised third enhanced voluntary redundancy scheme was introduced for a limited period in 2016-17 and has so far facilitated the exit of 284 staff members, realising significant salary savings.
- Data shows that the scheme is fully accessible to all grades of staff and lower-graded employees are well-represented. The average grade of those who have left under scheme 3 is grade 9.
- Proposals for future redundancy arrangements are being prepared for consideration now that scheme 3 has concluded.

Wellbeing and engagement

- We already hold the middle level of the London Healthy Workplace Charter in recognition of our employee health and well-being initiatives and will continue to work with our Health and Safety teams towards excellence.
- We have a new occupational health contract with Optima which commenced in April 2016.
- Sickness absence continues to reduce and stands at 6.08, lower than the average sickness across London boroughs at 7.5 days. We are looking to refine our categorisation of sickness absence reasons to allow us to better target health and wellness initiatives for staff in partnership with Optima.

- Our staff tell us that they enjoy working for Southwark and we have good retention rates. The average length of service is 9 years and we have a high percentage of employees with more than 20 years' service. Long service awards were given to over 60 employees in 2016.

Legislative changes

11. The committee heard last year that the government is introducing two pieces of legislation in relation to staff exits which will impact on them (and the council) financially. Finalisation of these pieces of legislation has been delayed and neither is yet in force. Both are expected in spring/summer 2017 but no date has been published at the time of reporting.
 - a) A cap of £95,000 on all public sector exit payments, including redundancy payments, pension strain costs, pay in lieu of notice and any other payments made in consequence of loss of employment e.g. as part of a settlement agreement.
 - b) A 'claw-back' arrangement to recover public sector exit payments from high earning individuals (earning over £80,000), who will be required to pay back a payment if they return to any part of the public sector within 12 months of their departure.
12. Although intended to capture 'top earners', analysis of our workforce data shows that the cap would affect middle earners upwards, e.g. those earning £30 - 40,000, in particular those who have just reached the pension trigger age of 55. This is because the Local Government Pension Scheme does not permit individuals not to draw their pension when made redundant over that age and the capital cost to the pension scheme is included in the cap.
13. There are also changes due in April 2017 to the tax legislation (IR35) which affect workers who choose to operate through a limited company vehicle. The changes have clear policy intent that those working in the public sector should pay income tax and national insurance where they are undertaking roles that might in other circumstances be filled by an employee. It is not uncommon for those working via a third party, i.e. an agency to operate as a limited company and we are working with our agency provider to ensure workers are engaged under the appropriate arrangements as well as reviewing the status of any directly engaged contractors.

Policy implications

14. This update report is not considered to have direct policy implications.

Community impact statement

15. This update report is not considered to have a direct impact on local people and communities.

Resource implications

16. This update report is not considered to have any direct impact on resources.

Consultation

17. There has not been any consultation in relation the content of this update report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

18. This has not been required.

BACKGROUND PAPERS

Background Papers	Held At	Contact
None.		

APPENDICES

No.	Title
None.	

AUDIT TRAIL

Lead Officer	Julie Foy, Head of Human Resources		
Report Author	Julie Foy, Head of Human Resources		
Version	Final		
Dated	13 February 2017		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments sought	Comments included	
Strategic Director of Finance and Governance	N/A	N/A	
Director of Law and Democracy	N/A	N/A	
Cabinet Member	No	No	
Date final report sent to Constitutional Team		13 February 2017	

Item No. 7.	Classification: Open	Date: 27 February 2017	Meeting Name: Audit, governance and standards committee
Report title:		Progress report on the work of the internal audit and anti-fraud teams for the period 18 October to 31 January 2017	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee note the progress report on the work of the internal audit and anti-fraud teams for the period 18 October 2016 to 31 January 2017.

BACKGROUND INFORMATION

2. The progress reports summarise the work undertaken by the anti-fraud and internal audit teams to date relating to on-going anti-fraud initiatives and investigations and the results of internal audit work where final reports have been issued.

Progress report on the work of internal audit and anti-fraud for the period 18 October 2016 to 31 January 2017

Internal audit progress

3. The following section sets out the internal audit assurance for the reports finalised in the period 18 October 2016 to 31 January 2017. The definitions of the assurance levels that have been awarded depending on the audit findings, associated risk and consequently the number of high, medium and low recommendations, are as follows:

Assurance level	Opinion
Red	Taking account of the issues identified, the council cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed. (This is a negative opinion)
Amber / Red	Taking account of the issues identified, whilst the council can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed. (This is a positive opinion)
Amber / Green	Taking account of the issues identified, the council can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.

Assurance level	Opinion
	(This is a positive opinion)
Green	Taking account of the issues identified, the council can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. (This is a positive opinion)

4. The priorities of the recommendations made are:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	
Suggestion	These are not formal recommendations that affect our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

Summary

5. The following table sets out the areas of work where reports have been finalised and the assurance levels achieved for the period to 31 January 2017.

Audit area	Red	Amber / Red	Amber / Green	Green	Totals
Corporate audits	0	1	1	0	2
Departmental audits	3	5	5	1	14
IT audits	0	2	0	0	2
Key financial systems	0	1	2	0	3
Thematic reviews*	0	0	4	1	5
Totals	3	9	12	2	26

* The thematic audit figures include the overarching report for the council plus four reports issued to individual services.

6. The progress made in the implementation of the recommendations is monitored through the internal audit follow-up process and will be reported to the audit, governance and standards committee.

Individual reports completed from 17 October 2016 to 31 January 2017

Corporate audits

Governance

7. Two areas were reviewed as part of this audit, encompassing all departments of the council: schemes of management and risk management. In respect of the council's schemes of management these were not being maintained by departments, to ensure that they reflect the actual organisational structure of the council and accurate information on post holders with delegated authority. In four out of the five departments the schemes of management were not up to date. This is an area of governance control that has been raised in previous internal audit reports. In respect of risk management, the council does not have assurance that all risks have been identified and are being adequately controlled and monitored. The children's and adult's department had not been liaising with the corporate risk and insurance team and were not using the council's risks recording software, JCAD. Therefore, the corporate risk and insurance team does not have a record of all recorded risks in the council to enable a review to ensure all have been identified, mitigated as required and monitored. The latter issue has already been addressed and management agreed to implement all of the recommendations made by the end of May 2017.

Report issued:	Recommendations:				Assurance level:
30 November 2016	- Schemes of management	High: 2	Medium: 0	Low: 3	Amber/Red
	- Risk management	High: 1	Medium: 1	Low: 3	

Capital funding

8. Overall the controls in place in respect of monitoring and reporting of the capital programme were found to be complied with; however instances where controls could be further improved have been identified. Three medium recommendations were raised in relation to: documented roles and responsibilities of staff involved in monitoring and reporting of the capital programme; the need for an alternative process for evidencing monitoring of capital projects in the chief executive's department in the absence of a formal board and the need for project managers to be clearly stated for all capital projects. Low recommendations were made to further improve the design of controls in place and address minor lapses in compliance with existing controls. Management agreed to implement all of the recommendations by June 2017.

Report issued:	Recommendations:			Assurance level:
20 January 2017	High: 0	Medium: 3	Low: 2	Amber/Green

Departmental audits

Client affairs

9. We identified that the control framework with regards to client affairs (deputyships and appointeeships) needed a fundamental review and key controls that should be in place reinstated. We found that the key control around reconciliation of client accounts had not been completed in full for the latest period, and there was a lack of control with regards to house visits to collect clients' possessions and recording of and review of financial items held on behalf of clients by the council. Two high and three medium

recommendations were made to address these issues. Low recommendations were made to further enhance the controls in place and improve documentation maintained with regards to clients. Management agreed to implement the high recommendations by the end of December 2016 and the remaining medium and low recommendations by the end of January 2017.

Report issued:	Recommendations:			Assurance level:
29 November 2016	High: 2	Medium: 3	Low: 4	Red

Deprivation of liberty

10. The deprivation of liberty team broadly complies with the key processes, assessment and authorisations required in respect of deprivation of liberty cases. However the team has regularly been missing statutory and locally set deadlines with respect to applications. The high recommendation was directed at addressing the issues raised in this regard. However, we note that although the council is experiencing difficulties in meeting statutory deadlines, comparisons with other councils show that Southwark Council is one of the better performing councils in the country and meeting the statutory deadlines is a national problem. We have already confirmed that the low recommendation has been implemented and management agreed to implement the high recommendation by the end of March 2017.

Report issued:	Recommendations:			Assurance level:
24 November 2016	High: 1	Medium: 0	Low: 1	Amber/Red

Pupil registry systems

11. The pupil registry systems have a set of robust processes and controls which allow the team to accurately capture pupil information during the school census and when receiving information from schools on which to update council systems. However, the processes and controls were not fully documented, leading to a reliance on local knowledge and key staff. The documentation needed also to reflect the introduction of new processes and a new e-form for the communication of changes in pupil circumstances from schools to the council in response to updated regulations from the Department for Education in September 2016. Two low recommendations were made to address the need for formal procedural documentation. Management agreed to implement the recommendations by the end of March 2017.

Report issued:	Recommendations:			Assurance level:
28 November 2016	High: 0	Medium:	Low: 2	Green

Public health

12. Overall, although there is a strong framework in place, the audit highlighted that compliance can be improved. Four medium recommendations were raised to reflect the need to increase the number of value for money reviews to be undertaken, to ensure frequency of contract monitoring is increased for relevant contracts and action plans created, to monitor the performance of the tripartite agreement against a set business plan, and to consult with the board prior to the commissioning or renewal of contracts on behalf of Southwark. Low recommendations were raised to reflect minor compliance issues. Management agreed to implement all recommendations by the end of July 2017.

Report issued:	Recommendations:			Assurance level:
29 November 2016	High: 0	Medium: 4	Low: 6	Amber/Green

Funding panels

13. From our review of three funding panels: community services, learning disabilities and transition, and adult mental health services personalisation and placements, we found a generally sound framework for decision making by the panels. However in two cases the criteria against which the panels make decision was not documented, a medium recommendation was raised to address this point. The other three medium recommendations related to the need to strengthen the terms of references for the panels, approval of the revised terms of reference for the community services terms of reference and retention of key documents relating to the decisions made. Low recommendations were made to address minor compliance issues and to improve the recording and retention of supporting documentation. Management agreed to implement all of the recommendations by March 2017.

Report issued:	Recommendations:			Assurance level:
30 January 2017	High: 0	Medium: 4	Low: 7	Amber/Green

Mosaic

14. Two audits have been carried out on the project management and governance arrangements in respect of the implementation of the council's new social care case management system, Mosaic.

Mosaic phase one – children's services

15. In respect of Mosaic phase one - children's services, our review highlighted areas of lessons learned from the first phase, primarily relating to insufficient and routine project management and risk management. Our recommendations were grouped into three areas: priority issues in respect of phase one that should be addressed with respect to phase two – adults' services, lessons learned applicable to phase two and good practice to guide future projects, including system implementation. Priority issues identified from the audit related to inadequate reporting and monitoring of project risks and project status and no evidence of checks on the system back-up testing of client records by the provider. Lessons learned applicable to phase two included one high recommendation in respect of a lack of evidence with regard to the planning of and issues arising from data migration. Medium recommendations were also raised to address weaknesses in respect of a lack of formal succession planning, no formal training strategy and checks to ensure that all users were proficient in the use of mosaic in their role and a lack of support to staff in resolving queries around the system. Low recommendations have been made for predominantly administrative issues or minor lapses in compliance with existing controls. We noted that since the initial issue of the draft for discussion audit report that implementation of some of the actions raised has been undertaken for Phase 2 of the project (see below).

Report issued:	Recommendations:			Assurance level:
19 July 2016	High: 1	Medium: 9	Low: 3	Amber/Red

Mosaic phase two – adults' services

16. In respect of Mosaic phase two – adults' services, we found significant improvement in the governance framework and project management arrangements over the project. In

addition, a more significant role has been undertaken by service managers within adult services in system testing and identifying issues as the system was being implemented and tested and once it went live. However, the second report highlighted some issues that still need to be addressed. Four medium level recommendations were made in relation to ensuring an audit trail of risks, both open and closed, not evidencing authorisation to "go live" following testing, not undertaking a final report following correction of data which failed to migrate and the absence of formal agreement to the approach to training to establish the responsibilities of the various parties. Low recommendations were made for predominantly administrative issues or minor lapses in compliance with existing controls. There are plans for a full post implementation review to be undertaken in 2017 which is to be agreed and plan in conjunction with the children's and adults systems board. Management agreed to implement all recommendations by the end of March 2017.

Report issued:	Recommendations:			Assurance level:
30 November 2016	High: 0	Medium: 4	Low: 5	Amber/Green

Youth and play service

17. Overall there was a severe deficiency of controls in place in respect of the council's youth and play service. As a result of the lack of controls surrounding income collection there is an inability to trace and quantify the total income collected or expected. Six high recommendations were made to address fundamental weaknesses in respect of the following areas: commissioning of service providers; approval of fees and charges for 2016-17, inaccurate application of approved fees and charges for 2015-16, an absence of overarching procedures outlining processes surrounding the collection and recording of income, incomplete booking logs and records of cash transactions; and lack of reconciliations to confirm accuracy of income collected and banked. Seven medium recommendations were made in relation to: inability to evidence rationale behind VAT discounts; lack of sign-in and out book to confirm use of facilities; inadequate cash collection, recording, banking and reconciliation processes relating to income; lack of safe logs; and absence of local list and rotas of staff and volunteers at each centre. Low recommendations were made to address minor weaknesses in the design of existing controls or minor lapses in compliance with existing controls. The youth and play service has been going through a transition, moving from children's and adults to environment and leisure in July 2016, and work has been on-going to put in systems and processes which will be looked at in the follow-up review. Management agreed to implement all recommendations by the end of January 2017 with the exception of one medium recommendation due to be implemented in April 2017.

Report issued:	Recommendations:			Assurance level:
21 November 2016	High: 6	Medium: 7	Low: 2	Red

Pension administration

18. A further audit of pension administration was undertaken in light of findings arising from the audit undertaken in 2015-16. The audit focussed on the controls over additional voluntary contributions, annual benefits statements and admitted bodies. The audit confirmed that the controls in place relating to the communication and application process for AVCs and in respect of the approval of contribution rates for admitted bodies were adequate and operating as intended. However, sample testing and discussions with management highlighted areas of weaknesses which could impact upon the accuracy of the pension data held by the council and consequently payments made based on this information. Two medium recommendations have been made to

strengthen controls in respect of the administration of additional voluntary contributions (AVCs). Sample testing identified instances where AVC request values could not be reconciled to payment values. Evidence of AVC requests, whether by email or application, was identified as not always being retained in order to confirm accurate deductions from employee payslips. The 2015-16 pension administration review also highlighted instances where this evidence had not been retained. One other medium recommendation was made in relation to need for appropriate documentation to be retained relating to the verification of underlying data held on the council's pensions system (Altair). Low recommendations have been to further improve the design of controls in place and address minor lapses in compliance with existing controls. Management agreed to implement all recommendations over the course of the year until August 2017.

Report issued:	Recommendations:			Assurance level:
30 November 2016	High: 0	Medium: 3	Low: 5	Amber/Green

No recourse to public funds

19. There was evidence from the processes examined that over the course of the last twelve months there has been on-going development and tangible improvement with the design and application of controls. The centralisation of the administration team with clear lines of responsibility has been key to progressing these developments. Improvements are particularly evident in the documentation and recording of new walk-in cases and in the controlled payment of fortnightly subsistence payments to clients. We identified however a number of key control weaknesses that impact on our ability to provide the council with assurances that expenditure is fully protected and that information held is likely to be accurate and complete. A number of these weaknesses (and associated risks) are well understood by the NRPF team and reflect the fact that the development of the structures and processes was very much 'work in progress' at the time of the audit. Three high recommendations were made relating to the need for a single point of reference case management systems to support the information and full reporting on the NRPF total caseload, monthly reporting and data analysis to support budgetary forecasts and commitment accounting, and improvements in controls to avoid duplicate payments of invoices being processed. The latter recommendation has been implemented and work is underway with regard to the other two high recommendations and a number of medium recommendations. To allow time for the new systems, processes and controls to become routine practice, a formal follow up of the implementation of all recommendations will be carried out in October 2017. In the interim, internal audit will continue the dialogue with the NRPF to ascertain the status of and support the implementation of the recommendations.

Report issued:	Recommendations:			Assurance level:
23 November 2016	High: 3	Medium: 4	Low: 1	Red

Tenancy Management Organisations (TMOs)

20. Whilst there was a strong control framework in place regarding the monitoring of the Tenancy Management Organisations, compliance issues with these controls were identified throughout the audit. Eight medium recommendations were made to reflect; the need to retain evidence to support that monitoring spot checks and visits to validate monitoring information were being undertaken and that monitoring reports were discussed at committee meetings, or the type and amount of guidance being provided. This also included whether action plans were created to address when targets were missed, insufficient recording of committee meetings not attended and the scrutiny of meeting minutes, inconsistencies in the council held repairs spreadsheet and the

management agreements in regards to repairs. It was also noted that there should be increased financial training for officers to increase the skills base of officers and the allowances should be evidenced as reviewed. Three low recommendations were made to reflect minor compliance and administrative errors. Management have agreed to implement all recommendations by the end of April 2017.

Report issued:	Recommendations:			Assurance level:
7 November 2016	High: 0	Medium: 8	Low: 3	Amber/Red

Housing solutions - homelessness

21. Overall, there is a strong control framework in place. However, inconsistencies and a lack of compliance in the application of these controls were highlighted throughout the audit. Eight medium recommendations were made to address: approval prior to the issuing of decision letters, use of the passport scanner and documentary evidence to support performance statistics reported. Additionally, the recommendations address the need for the completion and retention of housing applications, iWorld notes and supporting application documents and evidence. A further recommendation was raised to reflect the need for increased fraud awareness, particularly in regards to benefit fraud. Low recommendations were raised to reflect minor compliance and procedural issues. Weaknesses in relation to temporary accommodation and notifications were also identified; however, these are to be considered in more depth as part of the temporary accommodation audit in February 2017. Management agreed to implement all recommendations by the end of January 2017.

Report issued:	Recommendations:			Assurance level:
29 November 2016	High: 0	Medium: 8	Low: 6	Amber/Red

Sales and acquisitions – right to buy

22. Overall the controls in place in respect of right to buy sales and acquisitions were found to be suitably designed; however areas of non-compliance were identified from sample testing undertaken. Additionally, we identified that there is risk of human error occurring as a result of most processes being manual and multiple mediums used to maintain records. One high recommendation was made in respect of the incorrect discount being applied when calculating the sales price of a property. As a result of this error and insufficient check on the accuracy of the discount calculated and applied prior to sign off, the council suffered a loss of income totalling £26,600. Four medium recommendations were made in relation to the retention of signature check forms, appropriate sign off of valuations prior to inclusion in s125 notices to tenants, and monitoring of timescales and maintenance of records. One low recommendation was raised to address a minor lapse in compliance with existing controls. Management agreed to implement all recommendations by the end of November 2016.

Report issued:	Recommendations:			Assurance level:
23 November 2016	High: 1	Medium: 4	Low: 1	Amber/Red

Registrars – income

23. There was an inconsistent application of the controls that were in place. Five medium recommendations were made to address the need for; a safe log to be in place, income collected to be verified on a daily basis, a log of all z reports to be in place, the key to the safe to be securely stored, income collected to be banked as early as

possible, retention of banking slips, daily total sheets to be signed by officers and management and reconciliations carried out between the banking slips returned and the daily total sheets. Low recommendations were made to reflect the need for greater procedural guidance and reviews of compliance. Due to the closure of the Bullion Centre on 21 November 2016, there will be changes in the processes involved in the banking of income collected. These new processes will be reviewed as part of the follow up audit that will be undertaken. Management has agreed to implement all recommendations by the end of January 2017.

Report issued:	Recommendations:			Assurance level:
30 November 2016	High: 0	Medium: 5	Low: 3	Amber/Green

IT audits

Cyber security

24. Whilst a range of key controls have been designed to manage the council's network security and cyber security arrangements, a number of improvements are required to the overall IT security framework. We made two high recommendations relating to: the lack of a council-wide information security management system, based on the best practice management controls incorporated in the ISO 27001:2013 standard; and the absence of a robust backup solution covering all key business systems. There is an increased risk that the council will not be able to restore business critical systems and data in the event of systems and data loss resulting either from systems failure or cyber-attack. We have made eight medium recommendations relating to: the lack of correct scoping in the council's software most recent vulnerability review, conducted in March 2016; an absence of clear action planning closure arising from network penetration test and software vulnerability health checks conducted in 2015 and 2016; the lack of a comprehensive set of information security policies which have been made readily available to all council staff; the absence of records confirming that all staff understand and have agreed to adhere to the council's information security policies and procedures, and processes for existing staff to undertake regular information security refresher training during their employment; the lack of a council-wide information asset register (as previously reported); a lack of communication processes to Capita and other key IT service suppliers regarding the council's standards regarding the user account creation, changes and disablement/deletion; the absence of a documented policy regarding the use of cryptography in safeguarding data; and the absence of appropriate audit logging arrangements, combined with monitoring and review processes. Management agreed to implement all of the recommendations by December 2017.

Report issued:	Recommendations:			Assurance level:
17 January 2017	High: 2	Medium: 8	Low: 2	Amber/Red

PCI compliance management

25. Whilst a number of controls regarding Payment Card Industry Data Security Standard (PCI DSS) compliance management to date were found to be adequately designed, a range of improvements are required to ensure progress towards full compliance with the standard is managed efficiently and effectively. We made two high recommendations, due to: the absence of a formal project framework for managing the PCI compliance process, including the allocation of project roles and responsibilities; and a lack of a comprehensive, documented analysis of all systems and departments across the Council that process debit and credit card information, to ensure that they

are all included within the PCI DSS self-assessment process and consequently compliant with the standard. We also made three medium recommendations, due to: the lack of a formal action plan to address areas of non-compliance in the latest completed quarterly report to WorldPay; the lack of sign off of the questionnaire required to achieve full PCI DSS compliance; and the absence of documentation within plans of all agreed dependencies affecting PCI DSS compliance. Management agreed to implement all of the recommendations by April 2017.

Report issued:	Recommendations:			Assurance level:
17 January 2017	High: 2	Medium: 3	Low: 0	Amber/Red

Key financial systems

Council tax

26. Overall the council tax team have well established procedures in place that support compliance with the control framework. Two medium recommendations were raised to address the lack of controls surrounding access levels in Northgate, with particular focus on abilities of staff residing in the borough. Whilst there are compensating controls in place, such as spot checks, to monitor transfers and awards, these only focus on a percentage of overall transactions undertaken within a period. Therefore, there is the risk of fraudulent transactions being undertaken in respect of council tax accounts of those staff residing in the borough. A further four medium recommendations were made in regards to: retention of discount and exemption requests; authorisation of disregards and refunds; retention of evidence to substantiate write-offs; and updating Northgate to reflect processing of write-offs. Low recommendations were made to address minor lapses in compliance with existing controls. Management agreed to implement all recommendations by the end of January 2017.

Report issued:	Recommendations:			Assurance level:
10 November 2016	High: 0	Medium: 6	Low: 5	Amber/Green

Housing rents

27. In the main an adequate control framework is in place for the raising, monitoring and collection of housing rents from council tenants. The majority of issues arising from the audit related to non-compliance with controls. Comprehensive document retention remains an issue as well as a high number of staff having access rights to amend property details. One medium recommendation was made around the need to review access rights and permissions for staff to be able to amend property and rent details. This was reiterated from the 2014-15 and 2015-16 internal audits. Two further medium recommendations were made in regard to the need for a formal reconciliation between the budget rent spread sheet and the IT stock report download and the need for secondary checks on transactions before monies are transferred. Low recommendations were made around minor compliance or control issues. Management agreed to implement all recommendations by the end of February 2017.

Report issued:	Recommendations:			Assurance level:
29 November 2016	High: 0	Medium: 3	Low: 7	Amber/Green

Housing benefits

28. A lack of compliance with the control framework with regards to write-offs and manual adjustments was identified from the audit along with consistency issues in the processing of claims. The audit also identified that the control framework for both housing benefit payments and the universal credit pilot require strengthening. One medium recommendation was made in respect of one write-off payment with a value of just over £5,000 being administered without adequate authorisation (the case related to a deceased applicant). We have recommended that if the process is not to be followed for sensitive cases, this should be approved at the appropriate level in line with the corporate write-off policy. A further four medium recommendations have been raised in relation to: access to annual parameter data; consistency in recovery action of overpayments; consistency in completion of manual adjustment proforma; and consistency in required recovery action prior to writing off a balance. Low recommendations have been made to further improve the design of controls in place and address minor lapses in compliance with existing controls. Whilst good progress had been made in implementing recommendations made in the 2015-16 housing benefits audit, there were two medium category recommendations outstanding in relation to manual adjustments and reconciliation of write-offs. Management agreed to implement all recommendations by the end of January 2017.

Report issued:	Recommendations:			Assurance level:
27 October 2016	High: 0	Medium: 7	Low: 7	Amber/Red

Other Income

29. As part of Southwark Council's objective to remove cash handling by 2017, a review of the results of the seven internal audits undertaken as part of the plans from 2015-16 and 2016-17 was undertaken to identify themes in the issues identified and summarise the recommendations made that related to cash handling processes. The audits have identified a range of findings with regards to the safeguarding of cash collected by services across the council and we have generally found a lack of controls to mitigate the risks of fraud and financial loss. The recommendations made by internal audit have routinely focused upon the need for better record keeping, reconciliation of cash to records held and council systems, and for improved security of cash held on site. Whilst we acknowledge that the materiality of the potential loss of cash is decreasing as the number of areas moving to alternative forms of online and / or electronic payments for council services increases, awareness and training may be required in those services where cash continues to be collected due the nature of services provided or the service users using those services. The main areas where control required improvement were in respect of banking of income, storage of income and the accuracy of fees charged.

Report issued:	Recommendations:			Assurance level:
30 November 2016	High: n/a	Medium: n/a	Low: n/a	N/A – summary report

Thematic reviews

Access to services – changes of circumstances - summary

30. This was a thematic review looking at practices across the council in regards to the verification of information relating to applicants when their circumstances change that may give rise to a discontinuation or change in the council's services granted to individuals. We found that there are control frameworks in place to capture a change in

circumstances but an inconsistent approach in completing, authorising and retaining official forms and support information which evidences the reason for the change. The main issue identified was the service-focussed approach to changes in circumstances, without the identification of other services that data might appropriately and usefully be shared with, consideration of the data protection legislation implications of the sharing of data and the reconciling of information held across the council on individuals / service users and businesses. One medium and four low overarching recommendations were raised to address the issues raised above. The council's corporate governance panel has taken an overview role in respect of the issues identified in the report, and internal audit is working alongside management to support future developments.

Report issued:	Recommendations:			Assurance level:
30 November 2016	High: 0	Medium: 1	Low: 4	Amber/Green

31. In addition to the summary report above, individual reports were also issued to the services involved in the thematic review and management action plans have been agreed to the specific recommendations made, as set out in the paragraphs below.

Access to services – changes of circumstances – council tax

32. The council tax service has a change in circumstances process in place but is failing to be consistent in applying it by not retaining relevant documentation on the system or establishing and using data available within the council to confirm data held. We made one medium level recommendation with regards to student exemption in that once a student's application has been verified for an exemption there are no further checks on the validity of their claim. Two low recommendations were made over the potential risk that inconsistent data is held on the council tax system as the team have not identified not identified other services, apart Housing Benefits, who may hold relevant data on tenants or residents that could be used to check exemptions or data held is correct. Also changes in circumstances documentation form or supporting evidence not being retained. Management agreed to implement all of the recommendations by the end of January 2017.

Report issued:	Recommendations:			Assurance level:
24 November 2016	High: 0	Medium: 1	Low: 2	Amber/Green

Access to services – changes of circumstances – NNDR

33. The NNDR service has a good control framework to update data on the system following receipt of evidence of a change in circumstances. However, it was established that there are no links between council services that capture data on businesses in the borough and therefore the council is not ensuring that it has a consistent record of or actually knows of each business in the borough. One medium and recommendation and one low recommendation have been raised to address this. Management agreed to implement the recommendations by the end of April 2017.

Report issued:	Recommendations:			Assurance level:
24 November 2016	High: 0	Medium: 1	Low: 1	Amber/Green

Access to services – changes of circumstances – housing benefits

34. The housing benefit team has a good control framework in place for dealing with changes in circumstances however there are some issues to address over data sharing. Three low recommendations were made to address version control of the policy in place, updating records from information received on a timely manner and establishing if reports from DWP and HMRC can be shared with other services. Management agreed to implement all of the recommendations by the end of February 2017.

Report issued:	Recommendations:			Assurance level:
28 November 2016	High: 0	Medium: 0	Low: 3	Green

Access to services – changes of circumstances – residential services

35. The housing and modernisation department needs to review its current practices over changes in circumstances and data sharing to ensure it meets data protection legislation and ensures the flow of information is controlled. We made three medium recommendations with regard to data sharing within the council, authorisation of combined tenancy forms and retention of supporting documentation. Management agreed to implement all of the recommendations by the end of March 2017.

Report issued:	Recommendations:			Assurance level:
28 November 2016	High: 0	Medium: 3	Low: 1	Amber/Green

Follow up work

Summary

36. Since our last report to committee we have followed up 68 recommendations. Of these: 47 (69%) have been addressed and 21 (31%) were in progress.
37. Where recommendations have not been implemented at the time of the initial follow-up review revised implementation dates are agreed with management and a further follow up review is scheduled.
38. The following high recommendations had not been implemented within three months of the agreed deadline.

Audit	Recommendation and results of follow up
Multi-agency safeguarding hub	<p>Recommendation - a membership application form should only be processed and access granted to the MAISy system once the form has been completed correctly and the appropriate signatures are present.</p> <p>Original implementation date – August 2016</p> <p>Follow up results - a sample of five new starters was selected and the application forms reviewed. It was found that in two instances, the application had not been approved by the multi agency safeguarding hub manager.</p> <p>Next follow up – February 2017</p>

Audit	Recommendation and results of follow up
Special guardianship orders	<p>Recommendation - a fundamental review of the SGO procedures, control framework and flow of information should be carried out. This needs to include the three teams involved in the SGO process to discuss ways in which cross team processes and communications can be enhanced to ensure that work is not duplicated and that sufficient and relevant information is being gathered and passed on efficiently. This should include a discussion on standardising the type of documents needed and apportioning responsibility for collecting each type, as well as setting out clear guidance for the regular review of the continuing validity of SGO payments being made. The new Kinship document and associated procedures and flowcharts should be regularly (at least annually) reviewed and ratified.</p> <p>Original implementation date – June 2016</p> <p>Follow up results – a comprehensive review will be undertaken to restructure SGOs and to update procedures and the kinship document. An SGO working group has been set up to review the position of SGOs within the council. Final recommendations should be presented to the permanence task force by November 2016.</p> <p>Next follow up – February 2017</p>
Learning disability payments	<p>Recommendation - For all learning disability care packages the learning disabilities team should ensure that all funding panel documents are scanned and retained on CareStore until such a time they are sitting within Mosaic, and where applicable, all funding panel documents are scanned and retained on CareStore (Mosaic once operational).</p> <p>Original implementation date – August 2016</p> <p>Follow up results - Only approximately a quarter of cases had been subject to funding panel review at the time of the follow up audit. Management has requested a follow up of this recommendation in April 2017, when current packages will have been reviewed.</p> <p>Next follow up – May 2017</p>
Income management – libraries	<p>Recommendation – The Kingswood House manager should liaise with the financial control and processes team to devise a practical system of issuing invoices to tenants in a timely manner (and subsequently chasing any aged debts). The Kingswood House manager should also ensure that aged debts are logged and recorded and a procedure should be drawn up to dictate when and how these debts should be chased.</p> <p>Original implementation date – August 2016</p> <p>Follow up results - A sample of five tenants was selected. It was found that invoices had been issued to all, however were not</p>

Audit	Recommendation and results of follow up
	raised prior to the payment date stipulated in the tenancy agreements. It was explained by the Kingswood House manager that this was due to the manager being on annual leave. Next follow up – February 2017

39. We will continue to report all instances where high level recommendations have not been implemented by their due dates. If the implementation date is exceeded by more than three months, this will be reported to the committee.

Key performance indicators

40. The following table identifies the key performance indicators which are used to monitor the contractor and the service's performance:

	Target to 30 November 2016	Actual to 30 November 2016
% of audits from the plan completed to draft report stage	100%	100%

41. As mentioned at the previous committee our contract with RSM ended on 30 November 2016. I am pleased to confirm that RSM completed their assigned programme of work to draft by 30 November 2016, and that all reports have now been finalised and summarised above. The table below sets out projects completed.

Area	Original audit plan	Added	Cancelled
Corporate audits	2	0	0
Departmental audits	18	0	0
Key financial systems	5	0	0
IT audits	2	0	0
Thematic reviews	1	0	0
Schools	16	0	0
Totals	44	0	0

Summary performance against KPIs

	Target performance	Actual performance
% of returned audit satisfaction survey forms achieving an overall score of 'adequate' or above. A minimum of 15% returns is required	75%	80%

	Target performance	Actual performance
% of recommendations in draft report accepted by audit sponsor / owner	90%	98%
% of high rated recommendations implemented by agreed implementation date	85%	50%

42. Implementation of high recommendations is below target at 50%; this represents seven recommendations that were not implemented by the due date. This is an area of continuing focus and we will continue to work with our new provider BDO and stakeholder services to improve.

Anti-fraud

43. This section of the report provides an annual review of the anti-fraud work conducted between 1 April 2016 and 31 January 2017.

44. The anti-fraud team work is split in to two categories:

- Reactive work, which is the response to reports and allegations of fraud.
- Proactive work, which includes initiatives to identify fraud and to prevent fraud.

45. The anti-fraud work is conducted by two anti-fraud teams, who are:

- Anti-fraud services based in Finance and Governance, which investigates all cases involving the council's employees, agents, contractors, anyone else conducting business for or with the council, and members of the public. There are multiple types of fraud this could include, some of which are theft, council tax fraud, significant financial fraud, procurement fraud, grant fraud, national non-domestic rates fraud or evasion, false documents, identities and applications, and immigration offences.
- The special investigation team based in Housing and Modernisation, which investigates housing tenancy fraud in respect of the housing stock owned and managed by the council and other social housing where legislation directs that a local authority has specific responsibility. This includes cases of unlawful subletting, non-occupation, succession, assignment, mutual exchange, and right to buy.

Reactive anti-fraud work

46. The number of referrals received through the council's website, fraud email, fraud hotline and by letter for the two anti-fraud teams between 1 April 2016 and 31 January 2017 was 992.

47. Table 1 shows the number of cases that have resulted in a successful sanction for each of the two anti-fraud teams from 1 April 2016 to 31 January 2017.

Table 1 – Sanctions

Anti-Fraud Team	Number of Sanctions 16-17	Number of Sanctions 15-16
Anti-fraud services	15	15
Special investigations team	52*	46
Total	67	61

*Housing management has recovered an additional 64 properties, and the special investigations team has undertaken an additional 15 preventative actions, which can include a right to buy being stopped or a tenancy succession claim being cancelled, for example.

Proceeds of Crime Act

48. The Proceeds of Crime Act 2002 (POCA) provides for the confiscation or civil recovery of the proceeds from crime and contains the principal money laundering legislation in the UK. This work acts as an important deterrent to show that crime against the council does not pay.
49. Between 1 April 2016 and 31 January 2017, work in this area, which has included Operation Bronze and Operation Strike, has resulted in the courts recognising that those we have prosecuted have benefited from their criminal conduct to the value of £837,523. This is compared to £97,628 awarded for the same period in 2015-16. A total of £73,476 has also been received from the proceeds of crime work during this period from available assets, against an income target of £125k.

Proactive anti-fraud work

National Fraud Initiative (NFI)

50. Data for the 2016-17 biennial NFI cycle has been submitted to the Cabinet Office. The initial matches were released on 26 January 2017 and progress on investigations will be reported to committee in due course.

Anti-money laundering and Right to Buy

51. The council has introduced additional forms to check the veracity of sources of funding in order to purchase properties under the right to buy scheme.
52. Between 1 May 2016, when the forms to check on potential money laundering were sent to applicants at the offer stage, and 31 January 2017, 118 forms have been sent. The following outcomes have been recorded for this period:

Outcome	Number
Funded from legitimate sources	51
Withdrawn by applicant on receipt of the money laundering form	5
Withdrawn following consultation with the council based on the information provided on the form.	1
Possible housing benefit fraud (referred to DWP)	4
Possible tenancy fraud (referred to housing special investigation team)	17
Under review and/or additional information requested	40

Fraud and verification

53. Since August 2016, two fraud and verification officers have joined anti-fraud services from housing options to complement the team. Their primary role is to check the veracity of waiting list and homelessness applications which have raised a cause for concern, and conduct a review to enable housing management to make an informed decision on the applicant's eligibility to remain on the housing register.
54. Since 1 April 2016 to 31 January 2017, 195 applications which have been referred to the team have been reviewed, of these 113 have been recommended for removal removed from the housing register and 95 have been recommended as being bona fides.

iLatch

55. As previously reported to committee, the council with a partner IT development company pioneered an online tenancy verification system to help in the fight against housing fraud, called iLatch.
56. iLatch has been shortlisted in the 'most innovative housing app/online tool' category in the Housing Innovation Awards 2017.
57. The Housing innovation awards, now in its sixth year, is all about celebrating that pioneering spirit and highlighting examples of inventive and original schemes and services.

Policy implications

58. This report is not considered to have direct policy implications.

Community impact statement

59. This report is not considered to have direct impact on local people and communities.

Resource implications

60. This report is not considered to have direct impact on resource implications.

Consultation

61. Consultation has not been undertaken.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

62. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None.		

APPENDICES

No.	Title
None.	

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance		
Report Author	Mike Pinder, Head of Anti-Fraud and Internal Audit		
Version	Final		
Dated	6 February 2017		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments sought	Comments included	
Strategic Director of Finance and Governance	N/A	N/A	
Director of Law and Democracy	N/A	N/A	
Cabinet Member	No	No	
Date final report sent to Constitutional Team		6 February 2017	

Item No. 8.	Classification: Open	Date: 27 February 2017	Meeting Name: Audit, governance and standards committee
Report title:		Internal audit plan for 2017-18 and updated five year strategy from 2017-18 to 2021-22	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit and governance committee approve the draft internal audit plan for 2017-18 and updated five year strategy from 2017-18 to 2021-22.

BACKGROUND INFORMATION

2. The report includes a copy of the draft internal audit plan for 2017-18 and updated five year strategy from 2017-18 to 2021-22 at Appendix 1.

Policy implications

3. This report and appendix are not considered to have direct policy implications.

Community impact statement

4. This report and appendix is not considered to have direct impact on local people and communities.

Resource implications

5. This report and appendix are not considered to have direct impact on resource implications.

Consultation

6. Consultation has not been undertaken.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

7. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None.		

APPENDIX

No.	Title
Appendix 1	Internal audit plan for 2017-18 and updated five year strategy from 2017-18 to 2021-22

AUDIT TRAIL

Lead Officer	Duncan Whitfield, strategic director of finance and governance		
Report Author	Mike Pinder, head of anti-fraud and internal audit		
Version	Final		
Dated	10 February 2017		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments sought	Comments included
Strategic Director of Finance and Governance		N/A	N/A
Cabinet Member		No	No
Date final report sent to Constitutional Team			8 February 2017



LONDON BOROUGH OF SOUTHWARK

INTERNAL AUDIT PLAN

2017-2018 OPERATIONAL PLAN

2017-2022 STRATEGIC PLAN

**DRAFT PRESENTED TO AUDIT, GOVERNANCE AND STANDARDS
COMMITTEE 27 FEBRUARY 2017**



INTERNAL AUDIT AT LONDON BOROUGH OF SOUTHWARK

Introduction

Our role as internal auditors is to provide independent, objective assurance designed to add value and improve the council's performance. Our remit and approach, as set out in the internal audit charter and BDO internal audit manual, is to help you accomplish your objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our approach complies with best professional practice, in particular, the Public Sector Internal Audit Standards.

Internal audit's objectives are to:

- Remain independent and objective in the delivery of internal audit
- Provide assurance to management and the Audit, Governance and Standards Committee
- Formulate an effective five year strategic plan and annual operational plan, based upon regular review and risk assessments
- Respond to new and emerging risks through on going liaison with management and provision of adequate contingency
- Use benchmarking and comparison to identify wider changes to the sector
- Work closely with management and other assurance providers to optimise assurance, develop effective conclusions and recommendations
- Work with the anti-fraud service to optimise investigation coverage, promote good controls and fraud preventions and aid management.

Internal audit at London Borough of Southwark

BDO has been appointed as internal auditors to the London Borough of Southwark to provide the council with assurance on the adequacy of internal control arrangements, including risk management and governance. We report to the head of anti-fraud and internal audit, who is the chief audit executive for the council.

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 at the council will also be aimed at helping management to improve risk management, governance and internal control, so reducing the effects of any significant risks facing the organisation.

In producing the internal strategy for the five year period to 2021-22 and the specific operational audit plan for 2017-18 we have sought to further clarify our initial understanding of the operations of the council with its risk profile in the context of:

- The overall objectives of the council and those of individual departments and services
- The key areas where management wish to monitor performance and the manner in which performance is measured
- The financial and non-financial measurements and indicators of such performance
- The key challenges facing the council, including financial pressure and resource constraints
- The council's fairer future promises.

The internal audit strategy for 2016-17 to 2020-21 was approved by the audit, governance and standards committee in February 2016. The purpose of this document is to update that strategy and to provide a more detailed internal audit plan for 2017-18.

INTERNAL AUDIT STRATEGY

The strategy for delivery of the internal audit service at the council is based upon the following:

1. Developing a framework for the service, which ensures independence and objectivity of the internal audit staff.
2. Providing assurance through a systematic approach, covering key areas including:
 - Assurance work on key financial systems
 - Risk based audits to confirm actions are in place to mitigate risks
 - Fraud prevention - joint projects are undertaken working across the anti-fraud and internal audit specialisms to help services protect resource for those with a genuine need
 - Special projects linking with services to help provide them assurance following a period of change
 - Contract audit to provide assurance on the increasing number of key projects, as well as the number of contracts in operation
 - Schools audit currently includes coverage of all schools over a period of three years and forms part of a separate audit plan
 - Contingency to allow responsiveness to emerging risks.
3. Promoting good practice in:
 - Risk management
 - Control and fraud prevention
 - Governance.
4. Adding value by:
 - Working with management to develop the most effective recommendations
 - Providing challenge where appropriate
 - Benchmarking through the BDO network, London Audit Group and other sources.
5. Optimising assurance by:
 - Working closely with other assurance providers, such as external audit to optimise coverage
 - Utilising the three lines of defence model to draw assurance from available sources.

INTERNAL AUDIT RESOURCE ALLOCATION STRATEGY

The purpose of the strategy for internal audit resource allocation is to:

- Allocate internal audit resource against those areas that are high risk or where management have a particular need or requirement for internal audit coverage
- Determine priorities and establish the most cost-effective means of providing the organisation with assurances
- Ensure that adequate attention is devoted to critical areas where assurance is required.

Over the period of the strategy we review the areas for internal audit coverage and timing, and amend the strategy as appropriate to ensure that assurance provided by internal audit remains relevant as the risks facing the organisation change. Any significant changes made to the strategy are discussed with key contacts and presented to the audit and governance committee.

Each year we provide a formal update to the strategy and prepare a detailed internal audit plan for the coming 12 months.

The head of anti-fraud and Internal audit's professional judgement has been applied in assessing the level of resource required to deliver the strategy. The level of resource applied is a product of:

- The complexity of the areas to be reviewed
- The specific controls that the organisation places reliance on in order to mitigate its risks
- Factors such as number of locations, number and frequency of transactions
- The assurance which can be brought forward from previous audits.

In line with the public sector internal audit standards, in order to meet the skills and delivery requirements of the audit plan:

- The head of anti-fraud and internal audit is CIPFA qualified
- BDO provides flexibility to provide a mix of professionally qualified staff with specialisms including finance, IT and contract.

There are considered to be sufficient resources available to achieve the 2017-18 plan.

PROPOSED RESOURCES AND STAFFING

The core team that will be delivering the programme to you is shown below:

Name	Grade	Telephone	Email
Mike Pinder CPFA	Head of anti-fraud and internal audit	07983 465220 / 0207 525 4346	Michael.Pinder@southwark.gov.uk
Greg Rubins CPFA	Engagement partner	07710 703441	Greg.Rubins@bdo.co.uk
Angela Mason-Bell CPFA, CIA	Engagement manager	07813 000319	Angela.Mason-Bell@bdo.co.uk / Angela.Mason-bell@southwark.gov.uk
Gurpreet Dulay CPFA	Advisory manager	07870 555214	Gurpreet.Dulay@bdo.co.uk

The core team will be supported by specialists from our national Risk and Advisory Services Team and the wider firm as and when required.

AUDIT RISK ASSESSMENT AND PLANNING

Background

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the council's own risk management arrangements.

In estimating the amount of audit resource required to address the most significant risks, we have also sought senior management's own assessment of risk.

Planned approach to Internal audit 2017-18 to 2021-22

The proposed internal audit plan for 2017-18 is shown from page nine, with an indicative strategic plan for the five year period to 2021-22 shown from page 21.

The internal audit strategy sets out how this will be delivered for the council and is based up on an understanding of the council's corporate framework, culture, and departmental systems, structures, operations, and risks.

In compiling these plans we have met with the chief executive, strategic directors and their senior management teams and other individuals responsible for the key support functions of finance, IT and HR.

We have considered the following:

- Areas of concern or requests for coverage from management and the audit, governance and standards committee
- Any recent significant changes within the council and its operations and functions
- Regulatory requirements for internal audit coverage
- Emerging issues, including any additional risks that do not appear on the risk profile but may merit internal audit coverage
- The timing for each internal audit review to maximise the benefit of assurance provided.

We have also considered the results of previous internal audit work. Transitional arrangements have been smooth and significant knowledge

transfer has been made possible from RSM to BDO due to the continuity of some staff working on the contract, particularly in respect of the engagement manager and assistant manager, both of whom transferred to BDO.

The plan is set within the context of a multi-year approach to internal audit planning, such that all areas of key risks would be looked at over a three to five year audit cycle.

Project (internal audit area) risk assessment criteria

The project risk of audit areas included in the plan has been assessed on the following basis:

- Fundamental (F) - A business critical system. These are systems which if they failed could impact on the entire council. These systems include the key financial systems, which are often subject to review by external audit as they may have a direct impact on the final accounts
- High (H) - Usually a corporate-wide system or strategic departmental system. These are systems which if they failed could impact on the entire council. Often business critical, and may form part of an external audit review
- Medium (M) - Usually a specific departmental system. These may be business critical, but are more likely to impact only on the department
- Low (L) - Sub-systems within departments. These may still be critical elements of a department's operations.

Variations to the internal audit plan

We will keep the plan for 2017-18 under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.

We review the five year strategic plan each year to ensure we remain aware of the council's on-going risks and opportunities.

INDIVIDUAL AUDIT APPROACH AND REPORTING

Individual audits

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 in light of the control environment identified within the council.

Where revisions are required we will obtain approval from the head of anti-fraud and internal audit and appropriate strategic director / director prior to commencing fieldwork.

In determining the timing of our individual audits we will seek to agree a date which is convenient to the council and which ensures availability of key management and staff.

Reporting

The reporting process is designed to ensure accuracy of findings and develop effective recommendations. This is done through:

- Regular updates to auditees, managers, directors including exit meetings, draft and final reports.
- Quarterly progress reports summarising findings and highlighting key issue to the audit and governance.
- An annual opinion drawing together key issues and themes.

The process is designed to encourage co-operation and agreement. The service is, however, also afforded unfettered access to enable appropriate escalation of matters where necessary.

INTERNAL AUDIT KEY PERFORMANCE INDICATORS

In year progress reporting

The key performance indicators below will be reported against to each meeting of the Audit, Governance and Standards Committee as part of the internal audit progress report.

KPI	Target
% of audits from the plan reported to the planned meeting of the audit, governance and standards committee	100%
% of high and medium rated recommendations implemented by the agreed implementation date	75%
% of recommendations in draft report accepted by audit sponsor / owner	90%
% of draft reports issued within 10 working days of the audit closure meeting	90%

Annual reporting

The key performance indicators below will be reported in the annual report:

KPI	Target
% of audits from the plan completed to draft report stage by 31 March	100%
% of returned audit satisfaction survey forms achieving a score of 4 or 5 out of 5	75%
Annual chief officer and audit, governance and standards satisfaction survey results	Average of 75% and above

INTERNAL AUDIT OPERATIONAL PLAN 2017-18

The proposed internal audit plan for 2017-18 is set out on the pages below. As in previous years it shows the planned areas of audit for each department, the work to be undertaken on the council's key financial systems, IT audit work plus those areas where a thematic review is proposed and / or a council-wide audit.

Ref.	Area	Project risk	Audit sponsor	Planned days	Proposed timing	Description
CHIEF EXECUTIVE'S DEPARTMENT						
CX02	Major regeneration programmes & projects	F	Director of Regeneration	20	Q4	Annual assurance on the project management arrangements and programme governance with regards to this area of significant expenditure and priority for the council. A sample programme and project will be selected for testing.
CX08	Land charges	M	Director of Planning	15	Q3	As an area transferring to planning, this would provide assurance on compliance with land charges legislation including turnaround of completing checks and issuing information. In light of the transfer of some of the responsibilities back to central government, we will also consider the controls over data transfer and transition of the service and how potential reduction in fee income is being managed.
TOTAL DAYS - CHIEF EXECUTIVE'S DEPARTMENT				35		

INTERNAL AUDIT OPERATIONAL PLAN 2017-18

Ref.	Area	Project risk	Audit sponsor	Planned days	Proposed timing	Description
CHILDREN'S AND ADULTS' SERVICES DEPARTMENT						
CAS05	Leaving care	M	Director Children's Social Care	15	Q4	Assurance on the management and monitoring controls over the new commissioning arrangements for leaving care, and the extent to which they are meeting the stated objectives and delivering against required standards and meeting key performance indicators.
CAS14	Social care staff recruitment	M	Director Adult Social Care / Assistant Director Older People's Services	15	Q3	Assurance over the controls for ensuring that the recruitment policies and procedures are consistently followed across adult services.
CAS22	Children with disabilities services	H	Director Children's Social Care	15	Q2	Assurance over the monitoring and scrutiny controls for payments being made in respect of children's disabilities services, following a management review undertaken in 2016-17.
CAS31	Community and safety partnership service	M	Head of Community Safety, Strategy and Commissioning	15	Q2	Assurance over the adequacy of the governance arrangements in place, including management of financial and reputational risks associated with the partnership and timing of funding and the adequacy and effectiveness of the service's grant bidding process.
CAS48	Special educational needs (SEN)	H	Director of Education	15	Q1	Assurance over the development and implementation of the council's strategy on SEN, funding allocations and management of quality of delivery and financial control.
CAS63	Mosaic	M	Strategic Director Children's and Adults' Services	25	Q4	Operational review of the adequacy of the processes and controls within Mosaic, extent to which the system is being used as intended and data quality.
TOTAL DAYS - CHILDREN'S AND ADULTS' SERVICES DEPARTMENT				100		

INTERNAL AUDIT OPERATIONAL PLAN 2017-18

Ref.	Area	Project risk	Audit sponsor	Planned days	Proposed timing	Description
ENVIRONMENT AND LEISURE DEPARTMENT						
EL01	Highways maintenance	M	Director of Environment	15	Q2	Assurance over the contract management arrangements in place and the monitoring and checking of data provided to facilitate the performance indicators and payments on the contract.
EL14	Leisure services	M	Director of Leisure	15	Q4	Assurance over the adequacy and effectiveness of contract management for the new leisure services contract. The audit will consider the extent to which the contract objectives, deliverables and key performance indicators are being met.
EL20	Regulatory services	M	Director of Environment	15	Q1	A review across regulatory services of arrangements and controls over income generation, the robustness of the calculations of surpluses reported and the use of such surpluses.
EL3	Corporate energy	H	Head of Service Development	15	Q1	A review of how sighted the council is on its energy usage in each building, to consider the extent to which the data is sound, well understood and maximised to support planning and further efficiencies.
EL45	Materials	L	Director of Environment	10	Q4	A review of the new material framework in place and assessment of whether the framework is achieving its objective of controlling costs and making proposed savings and is more effective.
EL51	Commercial waste	M	Director of Environment	10	Q4	To review the control framework with regard to income from commercial waste.
EL53	Grounds maintenance	M	Director of Leisure	15	Q4	Assurance over the adequacy and effectiveness of contract management for the new grounds maintenance contract. The audit will consider the extent to which the contract objectives, deliverables and key performance indicators are being met. The audit will also provide assurance over the accuracy of the recharges.
TOTAL DAYS - ENVIRONMENT AND LEISURE DEPARTMENT				95		

INTERNAL AUDIT OPERATIONAL PLAN 2017-18

Ref.	Area	Project risk	Audit sponsor	Planned days	Proposed timing	Description
FINANCE AND GOVERNANCE DEPARTMENT						
FG01	Electoral services	M	Director of Law and Democracy	20	Q2	Assurance review that will consider a number of aspects of electoral services: Electoral register. Election management: was it run effectively with key risks managed, was an appropriate forecast drawn up for the budget and was this met.
FG02	Case Management System (Visualfiles)	M	Director of Law and Democracy	15	Q4	In light of the implementation of a new casework management system (Visualfile), this would be a review to provide assurance that it is achieving the outcomes set for the implementation. We will also consider the adequacy of management information on performance.
FG13	Accounts preparation	F	Director of Finance / Departmental Finance Manager Corporate and Strategy	15	Q2	Advisory review of the arrangements / preparedness of the finance submission of audited accounts for 2017-18 focusing on the councils approach to the recently introduced new (and more onerous) accounting requirements for highways.
FG21	Data protection	H	Head of Financial and Information Governance	20	Q2	Assurance over the extent to which data protection controls are embedded across the council and staff understanding of the legislation and their responsibilities.
FG32	Home ownership - charges to leaseholders	M	Director Exchequer Services	15	Q1	Assurance over the process and controls associated with major construction (section 20) work, from initial commissioning of works to final accounts. The audit will also review the processes and controls on refunds to leaseholders.
FG34	Enforcement, rent arrears and write offs	M	Director Exchequer Services	15	Q4	Assurance over the adequacy of the controls and the operational and financial impact (income maximisation and cost savings) associated with the appointment in January 2017 of the new internal enforcement (collection) agents.
FG41	Budget recovery board advice and support	H	Strategic Director Finance and Governance	10	As required	Advice and support to the budget recovery board for adults, children's and public health services.
TOTAL DAYS - FINANCE AND GOVERNANCE DEPARTMENT				110		

INTERNAL AUDIT OPERATIONAL PLAN 2017-18

Ref.	Area	Project risk	Audit sponsor	Planned days	Proposed timing	Description
HOUSING AND MODERNISATION DEPARTMENT						
HM01	Apex asset management system	M	Director of Asset Management	15	Q2 Jul 2017	The APEX system is being upgraded. Future use will include the compliance team, for example recording of gas checks. There will be a move away from paper based systems to electronic. This will be an audit of how the new electronic systems are working including data transfer / accuracy of data recorded.
HM06	Housing investment decision making	H	Director of Asset Management / Director of Resident Services	10	Q3	Assurance that the decision making process for housing investment decisions is being followed per the recently introduced business plan.
HM21	Commissioning of community grants	M	Director of Communities	15	Q3	A review of the effectiveness of recent changes to the governance framework and streamlining of the commissioning approach. To include consideration of the ways in which required outcomes are specified and the adequacy and effectiveness of monitoring those outcomes and resolution of issues. The audit will also consider the different commissioning models for the distribution of grants should the council wish to move away from short term grants and contracts.
HM23	No recourse to public funds	M	Director of Communities	10	Early Q2 & Mid- Q3	Substantive follow up of the internal audit report issued in 2016-17, with substantive testing to confirm the new control framework is operating effectively.
HM38	MySouthwark home owners agency	M	Director of Customer Experience	15	Q3	The forum has been established as part of the council's manifesto to provide scrutiny over the delivery on tangibles in the housing strategy. Internal audit would carry out a review of the arrangements in place, whether they are working as intended, and accuracy and completeness of the information provided to the MySouthwark homeowners board.
HM42	Integration of customer based systems	M	Director of Customer Experience	15	Q4	Assurances over the controls in respect of integrated systems, including roles and responsibilities, information flows, access rights and security. Particular focus will be on MySouthwark and the council's customer relationship database.

INTERNAL AUDIT OPERATIONAL PLAN 2017-18

Ref.	Area	Project risk	Audit sponsor	Planned days	Proposed timing	Description
HOUSING AND MODERNISATION DEPARTMENT						
HM52	Housing strategy, performance and partnerships - multi-agency working	H	Director of Resident Services / Directors of Adult and Children's Services	15	Q2	This audit would provide assurance that the flow of information between different parts of the council (social care and housing in particular) is adequate to support the 'single view of the customer' and ensure safeguarding issues are appropriately addressed.
HM53	Housing tenancies	L	Director of Resident Services	10	Q4	Independent assurance to confirm management assurances that the new procedures on goods storage and disposal are being followed.
HM60	Corporate facilities management	M	Director of Modernise	10	Q4	Assurance over the adequacy and effectiveness of contract management for the new corporate facilities contract. The audit will consider the extent to which the contract objectives, deliverables and key performance indicators are being met.
HM61	Corporate health and safety	H	Director of Modernise	20	Q1	To provide assurance that a robust control framework and policies and procedures are in place and followed in practice in relation to managing health and safety risks.
HM71	Staff recruitment and vetting - agency workers	M	Director of Modernise	15	Q4	To provide assurance that a robust control framework and policies and procedures are in place and followed in practice in relation to the recruitment and vetting of agency workers.
HM75	Apprenticeships	M	Director of Modernise	15	Q2	A review of the arrangements in place for the recruitment of apprenticeships across the council. It will also review the management of the new apprenticeships levy.
TOTAL DAYS - HOUSING AND MODERNISATION DEPARTMENT				165		

INTERNAL AUDIT OPERATIONAL PLAN 2017-18

Ref.	Area	Project risk	Audit sponsor	Planned days	Proposed timing	Description
KEY FINANCIAL SYSTEMS						
MA01	Council tax	F	Director Exchequer Services	35	Q3	Health check audits on the continuing adequacy and effectiveness of the controls over these key financial systems of the council.
MA02	National non domestic rates	F	Director Exchequer Services			
MA07a	Accounts payable - SAP	F	Director Exchequer Services			
MA08	Treasury management	F	Director of Finance			
MA03	Housing rents	H	Director Exchequer Services	20	Q3	Assurance review on the adequacy and effectiveness of the controls over housing rent collection, to include consideration of the new risk based debt chasing via Rent Sense, and the move to direct debit payments. The audit will assess the impact of the changes to the income collection and debt recovery approaches introduced.
MA05	Payroll	F	Director Exchequer Services	25	Q3	Assurance over the adequacy of and compliance with controls in respect of payroll. Data analytics will be used to identify trends and potential anomalies / exceptions for further investigation. The IT controls with regards to the payroll systems and applications will also be reviewed as part of this audit. A review of the amount of overtime payments to employees and consistency and appropriateness of “local” arrangements.
MA07b	Accounts payable - Mosaic	F	Director Exchequer Services	20	Q3	Assurance over the adequacy of and compliance with controls in respect of invoices generated or payment by SAP via the Mosaic system. Data analytics will be used to identify trends and potential anomalies / exceptions for further investigation, including duplicate payments. The key IT controls (access, security, back ups) with regards to the Mosaic system and application will also be reviewed as part of this audit.

INTERNAL AUDIT OPERATIONAL PLAN 2017-18

Ref.	Area	Project risk	Audit sponsor	Planned days	Proposed timing	Description
KEY FINANCIAL SYSTEMS						
MA09	Housing benefit and universal credit	F	Director Exchequer Services	20	Q3	Assurance review on the adequacy and effectiveness of the controls over housing benefits assessment and collection, to include how the implications of Universal Credit have been addressed. The key IT controls (access, security, back ups) with regards to the Housing Benefits system and application will also be reviewed as part of this audit.
MA10	Suspense account management	F	Director Exchequer Services and other directors as necessary	15	Q2	Assurance over the arrangements being introduced to ensure that transactions initially routed to suspense accounts are minimised and controls over the timely clearance of balances.
MA00	Contingency	n/a	Director Exchequer Services	15	As required	Time to allow increased scope and / or additional sample testing where further work is required.
TOTAL DAYS - KEY FINANCIAL SYSTEMS				150		

INTERNAL AUDIT OPERATIONAL PLAN 2017-18

Ref.	Area	Project risk	Audit sponsor	Planned days	Proposed timing	Description
IT AUDITS						
IT04	Network security	H	Director of Modernise	25	April 2017	Assurance on the adequacy and effectiveness of the council's IT security arrangements, including cyber crime risk management, response to and penetration testing and firewall security.
IT05	IT disaster recovery and business continuity planning	H	Director of Modernise	20	May 2017	Assurance on the council's disaster recovery plans and preparedness to manage an IT outage or loss of business critical systems.
IT08	Programme governance & project initiation controls	H	Director of Modernise	20	Q4	A review of the new framework for programme and project management of IT systems implementation and improvement.
IT12	Helpdesk	M	Director of Modernise	15	Q4	A review of the management arrangements over the helpdesk, including prioritisation of calls and response times.
TOTAL DAYS - IT AUDITS				80		

INTERNAL AUDIT OPERATIONAL PLAN 2017-18

Ref.	Area	Project risk	Audit sponsor	Planned days	Proposed timing	Description
THEMATIC REVIEWS / COUNCIL WIDE AUDITS						
TR01	Access to services	H	Corporate Governance Panel / Chief Officer's Team	25	Q1	Building upon the previous two reviews (on initial application and changes of circumstance), this audit will review the adequacy of controls where customers no longer require services or are no longer eligible to receive services and / or funding.
TR07	Cashless systems	M	Director Exchequer Services / Directors	20	Q1	Assurance over the adequacy of the transitional arrangements following closure of the bullion centre and the council's move to cashless systems for the collection of income and payments.
TR11	Financial planning and budget monitoring	F	Director of Finance / Chief Officer's Team	25	September 2017	A review focussing upon the adequacy and effectiveness of the monitoring of the continuing validity of the assumptions on which income and savings underpinning the medium and long term financial plans for the council are based such that anticipated income is being generated and cost savings are being met.
TR12	Governance - decision making	H	Corporate Governance Panel	20	Q2	Assurance on the adequacy of evidence presented across the council such that decisions are based upon sufficient information and decisions reach are documented such that future scrutiny can be undertaken. This will include internal audit attendance as an observer at a number of departmental management meetings across the council.
TR13	Register of interests	M	Director of Law and Democracy	15	Q1	Assurance over the controls in place to ensure the timely recording of fiduciary and personal interests and the action taken to manage those interests in decision making. This will also be an area of consideration in TR17 Procurement.

INTERNAL AUDIT OPERATIONAL PLAN 2017-18

Ref.	Area	Project risk	Audit sponsor	Planned days	Proposed timing	Description
THEMATIC REVIEWS / COUNCIL WIDE AUDITS						
TR17	Procurement		Director of Finance	25	Q1	A review of the adequacy of the council's procurement practices against best practice, and the extent to which competition and value for money are achieved. The impact of the implementation of the e-procurement system will be considered as part of this audit. The audit will include assurance over the maintenance of the council's approved supplier lists and the extent to which they are being used.
TOTAL DAYS - THEMATIC REVIEWS / COUNCIL WIDE AUDITS				130		

INTERNAL AUDIT OPERATIONAL PLAN 2017-18 - SUMMARY

The table below summarises the total days to be delivered against each department or area of internal audit activity. As in previous years a contingency allowance of 20 days has been included to allow internal audit to respond to additional requests from management or the audit, governance and standards committee arising from new or emerging risks or other management or internal audit concerns.

Area	2017-18 AUDIT DAYS
INTERNAL AUDIT PLAN SUMMARY	
Chief executive's	35
Children's and adults services	100
Environment and leisure	95
Finance and governance	110
Housing and modernisation	165
Key financial systems	150
IT audits	80
Thematic reviews / council wide audits	130
Schools	130
Contingency	20
TOTAL DAYS	1015

INTERNAL AUDIT STRATEGIC PLAN 2017-18 TO 2021-22

Ref.	Area	2016-17 (for ref.)	2017-18	2018-19	2019-20	2020-21	2021-22
CHIEF EXECUTIVE'S DEPARTMENT							
CX01	Commercial property portfolio	✓				✓	
CX02	Major regeneration programmes & projects	✓	✓	✓	✓	✓	✓
CX03	Planning, planning applications and business control fees	✓			✓		
CX04	S106 agreements	✓		✓			✓
CX05	Transport policy and planning				✓		
CX06	Communications and campaigns			✓			
CX07	Media relations			✓			
CX08	Land charges		✓				
CX09	Emergency planning and resilience	✓					

Note: those audit areas that do not feature in the five-year strategy are reviewed each year and may return to the audit plan in future years. Areas such as governance and risks relating to partnership working may be addressed through other specific audits rather than encompassing an overarching review of the council's arrangements.

INTERNAL AUDIT STRATEGIC PLAN 2017-18 TO 2021-22

Ref.	Area	2016-17 (for ref.)	2017-18	2018-19	2019-20	2020-21	2021-22
CHILDREN'S AND ADULTS' SERVICES DEPARTMENT							
<u>Adult social care</u>							
CAS01	Adult provision, including older people's day centres			✓			✓
CAS02	Client affairs	✓				✓	
CAS03	Appointeeships			✓			
CAS04	Learning disabilities services				✓		✓
CAS06	Mental health services	✓		✓		✓	
CAS07	Mood, anxiety and personality services				✓		
CAS08	Older people's services			✓			
CAS09	Personalised budgets & direct payments	✓			✓		
CAS10	Safeguarding - adults			✓			✓
CAS11	Specialist equipment provision				✓		
CAS12	Support centres					✓	
CAS13	Transition team			✓			
CAS14	Social care staff recruitment		✓				

INTERNAL AUDIT STRATEGIC PLAN 2017-18 TO 2021-22

Ref.	Area	2016-17 (for ref.)	2017-18	2018-19	2019-20	2020-21	2021-22
CHILDREN'S AND ADULTS' SERVICES DEPARTMENT							
<u>Children's social care</u>							
CAS05	Leaving care		✓				
CAS21	Cash payments to children and families	✓			✓		
CAS22	Children with disabilities services		✓			✓	
CAS23	Children's quality assurance unit			✓			
CAS24	Foster carers / adoption service				✓		
CAS25	Placements - children in care service			✓			
CAS26	Out-of-borough / hospital tuition fees recoupment	✓					
CAS27	Safeguarding - children				✓		✓
CAS28	Legal fees			✓			
CAS29	Youth offending service			✓			
CAS42	Early help service			✓			

INTERNAL AUDIT STRATEGIC PLAN 2017-18 TO 2021-22

Ref.	Area	2016-17 (for ref.)	2017-18	2018-19	2019-20	2020-21	2021-22
CHILDREN'S AND ADULTS' SERVICES DEPARTMENT							
<u>Education</u>							
CAS41	Adult learning services				✓		
CAS43	Home to school transport				✓		✓
CAS44	Music service			✓			
CAS45	Pupil registry systems	✓		✓			
CAS46	School admissions			✓			
CAS47	Secondary, further education, employment and inclusion service			✓			
CAS48	Special educational needs (SEN)		✓				
CAS80	Schools - cyclical programme*	✓	✓	✓	✓	✓	✓

* School audits are undertaken on an average 3-year rolling programme. For 2017/18, 24 schools are scheduled for an audit visit.

Areas included in the schools audit are: governance, bank account and budgeting; payroll; procurement; and data security and safeguarding. We also review the control framework with regards to cash handling and non-local authority school funds.

Where the previous years' audit raises significant concerns a follow up audit will be carried out.

INTERNAL AUDIT STRATEGIC PLAN 2017-18 TO 2021-22

Ref.	Area	2016-17 (for ref.)	2017-18	2018-19	2019-20	2020-21	2021-22
CHILDREN'S AND ADULTS' SERVICES DEPARTMENT							
<u>Community and strategy and commissioning</u>							
CAS31	Community and safety partnership service		✓				
CAS60	Commissioning of services	✓			✓		
<u>Public health</u>							
CAS50	Public health	✓				✓	
<u>Department wide audits</u>							
CAS60	Quality and performance improvement			✓			✓
CAS61	Funding panels	✓					
CAS62	Mosaic project management	✓					
CAS63	Mosaic operational audit		✓				

INTERNAL AUDIT STRATEGIC PLAN 2017-18 TO 2021-22

Ref.	Area	2016-17 (for ref.)	2017-18	2018-19	2019-20	2020-21	2021-22
ENVIRONMENT AND LEISURE DEPARTMENT							
<u>Highways</u>							
EL01	Highways maintenance		✓			✓	
EL02	Safety/ community project management				✓		
EL03	Transport project management			✓			
<u>Leisure and culture</u>							
EL11	Cemeteries and crematoria	✓				✓	
EL12	Library service				✓		
EL13	Markets			✓		✓	
EL14	Leisure services		✓				
EL15	South Dock marina	✓					
EL16	Youth and play service	✓				✓	
EG20	<u>Regulatory services</u>		✓				
EL21	Anti-social behaviour			✓			
EL22	CCTV				✓		
EL24	Joint enforcement & licencing and environmental protection	✓		✓			✓
EL26	Parking and network management			✓			
EL27	Trading standards, food safety and health & safety	✓			✓		

INTERNAL AUDIT STRATEGIC PLAN 2017-18 TO 2021-22

Ref.	Area	2016-17 (for ref.)	2017-18	2018-19	2019-20	2020-21	2021-22
ENVIRONMENT AND LEISURE DEPARTMENT							
<u>Service development</u>							
EL31	Corporate energy		✓				
<u>Traded services</u>							
EL41	Monitoring of materials usage				✓		
EL42	Pest control						✓
EL43	Southwark building services	✓				✓	
EL44	Street lighting and signs						
EL45	Materials		✓				✓
<u>Waste and cleansing</u>							
EL51	Commercial waste		✓			✓	
EL52	Fleet contract and strategy management			✓			
EL53	Grounds maintenance		✓				
EL55	Parks / trees				✓		
EL56	Waste contract / PFI			✓			✓
<u>Department wide audits</u>							
EL61	Compliance - income management	✓					
EL62	Compliance - procurement						

INTERNAL AUDIT STRATEGIC PLAN 2017-18 TO 2021-22

Ref.	Area	2016-17 (for ref.)	2017-18	2018-19	2019-20	2020-21	2021-22
FINANCE AND GOVERNANCE DEPARTMENT							
<u>Legal services</u>							
FG01	Electoral register and elections		✓				✓
FG02	Case Management System (Visualfiles)		✓				✓
FG03	Barristers' framework			✓			
FG04	Member / officer protocol				✓		
FG05	Whistleblowing			✓			
FG06	Constitutional team				✓		
FG07	Members allowances			✓			
<u>Professional finance services</u>							
FG11	Schools finance team						✓
FG12	Pensions	✓		✓		✓	
FG13	Accounts preparation		✓				
FG14	Housing revenue account			✓			
<u>Financial and information governance</u>							
FG21	Data protection		✓				
FG22	Pensions administration	✓		✓		✓	

INTERNAL AUDIT STRATEGIC PLAN 2017-18 TO 2021-22

Ref.	Area	2016-17 (for ref.)	2017-18	2018-19	2019-20	2020-21	2021-22
FINANCE AND GOVERNANCE DEPARTMENT							
<u>Exchequer services (non key financial systems)</u>							
FG32	Home ownership - charges to leaseholders		✓		✓		✓
FG33	Home ownership - garages (income)			✓			✓
FG34	Enforcement agents, rent arrears and write offs		✓			✓	
FG35	Strategy and compliance			✓			
FG36	Client services				✓		
<u>Advisory and support work</u>							
FG41	Budget Recovery Board		✓				

INTERNAL AUDIT STRATEGIC PLAN 2017-18 TO 2021-22

Ref.	Area	2016-17 (for ref.)	2017-18	2018-19	2019-20	2020-21	2021-22
HOUSING AND MODERNISATION DEPARTMENT							
<u>Asset management</u>							
HM01	Apex asset management system		✓				
HM02	Engineering services		✓ (as part of HM01)				
HM03	Gas servicing		✓ (as part of HM01)				
HM04	Housing adaptations	✓					
HM05	Housing renewal areas	✓			✓		
HM06	Housing investment and decision making		✓				
HM07	Major works			✓			✓
HM08	Private sector housing				✓		
HM09	Repairs and maintenance			✓		✓	
HM10	Voids				✓		✓
HM11	Disrepairs			✓			
HM12	Garages (asset management)			✓			
<u>Communities</u>							
HM21	Commissioning		✓	✓			
HM22	Community support and engagement			✓		✓	

INTERNAL AUDIT STRATEGIC PLAN 2017-18 TO 2021-22

Ref.	Area	2016-17 (for ref.)	2017-18	2018-19	2019-20	2020-21	2021-22
HOUSING AND MODERNISATION DEPARTMENT							
HM23	No recourse to public funds	✓	✓				
HM24	Resident involvement, including tenancy management organisations (TMOs)	✓		✓		✓	
<u>Customer experience</u>							
HM31	Blue badges and freedom passes				✓		
HM32	Contact centre		✓ (as part of HM42)				
HM33	Coroners			✓			
HM34	Customer experience and resolution / complaints	✓				✓	
HM35	Housing solutions - applications and allocations						✓
HM36	Housing solutions - homelessness / trailblazer	✓		✓			
HM37	Housing solutions - other services	✓					
HM38	MySouthwark home owners agency		✓				
HM39	Procurement						
HM40	Registrars	✓					
HM41	Sales and acquisitions, including right to buy	✓		✓		✓	
HM42	Integration of customer based systems, including telephony and call centre		✓				
HM56	Temporary accommodation	✓				✓	

INTERNAL AUDIT STRATEGIC PLAN 2017-18 TO 2021-22

Ref.	Area	2016-17 (for ref.)	2017-18	2018-19	2019-20	2020-21	2021-22
HOUSING AND MODERNISATION DEPARTMENT							
<u>Resident services</u>							
HM51	Estates parking permits	✓			✓		
HM52	Housing strategy, performance and partnerships		✓				
HM53	Housing tenancies		✓				✓
HM54	Sheltered housing			✓			
HM55	Supported accommodation hostels				✓		
HM57	Tenancy applications and lettings	✓					
HM58	Unauthorised occupancy	✓					
HM59	Garages (lettings / operational management)			✓			
<u>Modernise</u>							
HM60	Corporate facilities management		✓				
HM61	Corporate health and safety		✓				
HM62	Corporate programme and project management			✓			
HM63	Modernise programme						

INTERNAL AUDIT STRATEGIC PLAN 2017-18 TO 2021-22

Ref.	Area	2016-17 (for ref.)	2017-18	2018-19	2019-20	2020-21	2021-22
HOUSING AND MODERNISATION DEPARTMENT							
<u>HR</u>							
HM70	Policies and procedures			✓			
HM71	Staff recruitment and vetting		✓				
HM72	Corporate learning and development plan and commissioning			✓			
HM73	Sickness absence management, monitoring and reporting			✓			
HM74	Staff performance management			✓			
HM75	Apprenticeships levy		✓				
HM75	SAP HR system - security and access				✓		
IT	IT audits - see separate outline plan	✓	✓	✓	✓	✓	✓

INTERNAL AUDIT STRATEGIC PLAN 2017-18 TO 2021-22

Ref.	Area	2016-17 (for ref.)	2017-18	2018-19	2019-20	2020-21	2021-22
KEY FINANCIAL SYSTEMS							
MA01	Council tax	✓	✓	✓	✓	✓	✓
MA02	National non-domestic rates	✓	✓	✓	✓	✓	✓
MA03	Housing rents	✓	✓	✓	✓	✓	✓
MA04	Accounts receivable/ other income	✓			✓		
MA05	Payroll	✓	✓	✓	✓	✓	✓
MA06	General ledger		✓	✓			✓
MA07	A. Accounts payable - creditor payments - SAP	✓	✓	✓	✓	✓	✓
MA07	B. Accounts payable - creditor payments - mosaic generated	✓	✓	✓	✓	✓	✓
MA08	Treasury management, including borrowing policy		✓		✓		✓
MA09	Housing benefits and universal credits	✓	✓	✓	✓	✓	✓
MA10	Suspense account management		✓			✓	
MA11	SAP main accounting system				✓		

INTERNAL AUDIT STRATEGIC PLAN 2017-18 TO 2021-22

Ref.	Area	2016-17 (for ref.)	2017-18	2018-19	2019-20	2020-21	2021-22
IT AUDITS							
IT01	IT strategy and improvement programme			✓			
IT02	Digital strategy	✓				✓	
IT03	Network infrastructure				✓		
IT04	Network security		✓			✓	
IT05	IT disaster recovery and business continuity planning		✓				
IT06	Vulnerability (loss of data) / data security			✓			
IT07	Software inventory					✓	
IT08	Programme governance & project initiation controls		✓		✓		
IT09	IT shared services arrangements						
IT10	E-mail				✓		
IT11	Change control			✓			
IT12	Help desk		✓				
IT13	WAN replacement			✓			
IT14	Dynamix CRM - security				✓		
IT15	Asset management					✓	

INTERNAL AUDIT STRATEGIC PLAN 2017-18 TO 2021-22

Ref.	Area	2016-17 (for ref.)	2017-18	2018-19	2019-20	2020-21	2021-22
IT AUDITS							
IT16	Mobile communications contract			✓			
IT17	Payment card project / PCI compliance	✓					
IT18	Portable computer devices - security			✓			

- For 2017-18, the IT audit strategy has been fundamentally reviewed and streamlined to reflect changes to the council's systems , delivery models and organisational structures.
- The audit areas listed below have been moved from the IT audit plan to the department / audit area within which the system resides, and will be subject to review as a separate audit or within an audit area already on the plan.
 - SAP main accounting system
 - SAP HR
 - Call centre automatic call distributor (ACD)
 - Northgate managed services systems

INTERNAL AUDIT STRATEGIC PLAN 2017-18 TO 2021-22

Ref.	Area	2016-17 (for ref.)	2017-18	2018-19	2019-20	2020-21	2021-22
THEMATIC REVIEWS / COUNCIL WIDE AUDITS							
TR01	Access to services	✓	✓			✓	
TR02	Allocations to housing revenue account						
TR03	Approved supplier lists		✓				✓
TR04	Business continuity planning			✓			
TR05	Business plan performance management		✓				
TR06	Capital funding	✓			✓		
TR07	Cashless systems		✓				
TR08	Contracts management			✓		✓	
TR09	External grants / funding			✓			
TR10	Fees and charges				✓		
TR11	Financial planning and budget monitoring		✓		✓		
TR12	Governance and risk management	✓	✓			✓	
TR13	Hospitality and gifts register, register of interests and bribery and corruption		✓				✓
TR14	Overtime		✓				
TR15	Partnership arrangements			✓			
TR16	Payments to individuals outside of PAYE			✓			✓

INTERNAL AUDIT STRATEGIC PLAN 2017-18 TO 2021-22

Ref.	Area	2016-17 (for ref.)	2017-18	2018-19	2019-20	2020-21	2021-22
THEMATIC REVIEWS / COUNCIL WIDE AUDITS							
TR17	Procurement		✓			✓	
TR18	Purchase cards		✓				
TR19	Use of temporary staff				✓		
TR20	Use of consultants			✓			

Item No. 9.	Classification: Open	Date 27 February 2017	Meeting Name: Audit, governance and standards committee
Report title:		Annual report to the audit, governance and standards committee on the council's risk register	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee note the annual report on the council's risk register.

BACKGROUND INFORMATION

2. This report provides an annual report on the council's key risk register. The key corporate risks were last reported to the committee in February 2016 with the 2015 risks, and this report provides an annual update.
3. Specifically, the report provides an overview of the council's risk profile, risk categories and the key corporate risks for 2016 from across the council.
4. Each department has reviewed their risk registers in advance of this report to ensure the report is as up to date as possible.

KEY ISSUES FOR CONSIDERATION

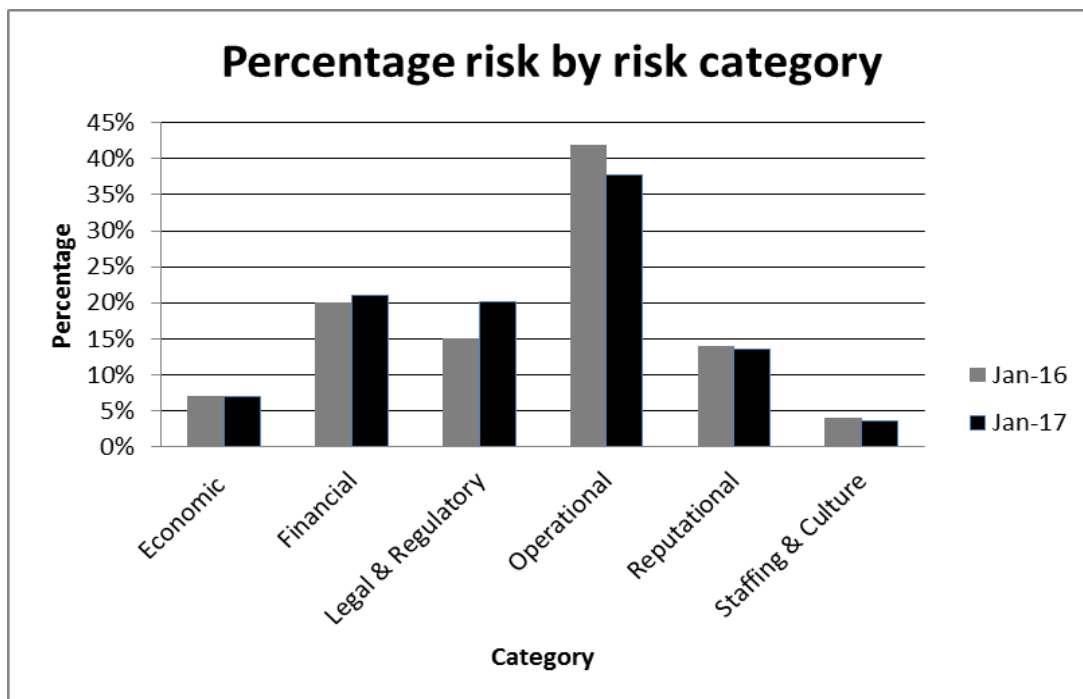
Overview

5. The council's risk profile is made up of key departmental risks and cross-departmental risks that the council faces in achieving its corporate aims and objectives, and is derived from an identification, assessment and mitigation of risk at departmental level based on the council's tolerance to these risks.
6. The departmental risk champions supported by the corporate risk and insurance manager then collectively validated the individual departmental risk registers and completed a review and aggregation exercise to identify the key risks facing the council as a whole. This base exercise was repeated in January 2017 and the corporate risk register updated as appropriate.

Risk categories

7. The council uses the following risk categories to capture risk:
 - Economic (e.g. credit crunch impacting on service delivery)
 - Financial (e.g. budgetary constraints)
 - Reputational (e.g. failures of service delivery which hit the press)
 - Staffing and culture (e.g. recruitment and retention)
 - Operational (e.g. services not being delivered)
 - Legal and regulatory (e.g. not complying with a statutory duty)

8. The 2016 split of number of risks by risk category is displayed in the diagram below with the split for 2015 included for comparison. There has been an increase in the number of financial and legal and regulatory risks since 2015. Having reviewed these risk categories there is generally an increase surrounding the spending pressures across the council. In addition, there have been some new risks related to changing legal and regulatory environment and also governance.



Corporate risk register

9. Each department has a departmental risk register. These are updated via the network of departmental risk champions who work with the departmental senior management teams to regularly update each risk register. Each risk register records the risk, assessment score, ownership and key controls and action plans to manage each risk.
10. Each risk contains a mitigation strategy that outlines both the current controls in place to manage the risk but also identifies where required any further controls needed to reduce the risk.
11. It is these individual risk registers stored on the council's risk management software system that are used to build the corporate risk register.
12. The table below provides a breakdown of the number of risks (by their risk score range) across all council departments.

Risk Assessment	Score Range	Number of Risks	
		Jan 2016	Jan 2017
Red	76 - 100	6	13
Amber	37 - 75	72	70
Yellow	22 - 36	18	22
Green	1 - 21	14	9

13. The total number of risks in the database is currently 114 which is a small increase in the number of risks reported in 2015. There has been a significant increase in the number of red risks. This can in part be attributed to new and increasing financial risks related to achievement of budget.

Key corporate risks

14. Following a review and validation of the combined departmental risk registers and an aggregation exercise, the top risks across the council have been identified. These top risks are attached in Appendix 1.
15. The top risks are generally those that have been assessed as amber or red and which appear in more than one departmental risk register, and are therefore relevant to more than one department. These top risks are those risks which require most proactive management to ensure that all appropriate mitigation actions have been considered and are being implemented as far as possible.
16. In advance of reporting to the audit, governance and standards committee, these have been reported to the corporate governance panel.

Policy implications

17. This report is not considered to have direct policy implications.

Community impact statement

18. This report is not considered to have direct impact on local people and communities; however, the management of risk is key to the successful achievement of the council's objectives.

Resource implications

19. This report is not considered to have direct impact on resource implications.

Consultation

20. Consultation has not been undertaken.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

21. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None.		

APPENDICES

No.	Title
Appendix 1	The key corporate risks as at January 2017

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Maureen McBain	
Version	Final	
Dated	15 February 2017	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Director of Law and Democracy	No	No
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	No	No
Date final report sent to Constitutional Team		15 February 2017

APPENDIX 1**The key corporate risks as at January 2017**

Funding/Resource/Capacity
CR1. The cessation of or significant reduction in a council support service including key infrastructure now and in the future causes disruption to a range of front line and back office service delivery across the council arising especially as a consequence of budget reductions.
CR2. The increasing need for demand led services such as social care, housing and No Recourse to Public Funds resulting in significant overspends against budget.
CR3. The introduction of Universal Credit results in delays in paying claimants and direct payments to these claimants results in housing rent and other personal debt, and increased demand for other council services and resulting unfunded pressures.
Service Delivery
CR4. Core business systems are unavailable for prolonged and unpredictable periods of time across the whole council, impairing service delivery performance and impacting on resident satisfaction, the reputation of the council and staff health, well-being and motivation.
CR5. Unforeseen events and/or adverse public reaction to council programmes results in the failure of (or the serious delay to) key regeneration or direct delivery projects causing damage to the council's ability to meet the borough's long term housing and investment needs and resulting in short term financing or funding implications for the council.
CR6. The housing market in London adversely impacts on the council's financial arrangements and its ability to manage temporary accommodation, homelessness and housing investment.
CR7. An emergency resulting in the need to initiate the council's emergency and business continuity arrangements to ensure as far as possible continuity of critical services.
CR8. Legislative changes affecting the council's ability to meet the demand for services and/or take advantage of opportunities due to lack of capacity or unexpected increases in demand leading to reduced performance and increasing costs (for instance, Housing and Planning Act 2016, 2014 Care Act and Local Government Finance Bill).
Staffing and Culture
CR11. The data held and managed by council departments is not appropriately integrated nor being used in an optimal way, hindering possible improvements and efficiencies in service delivery and resulting in potential risks to service users or employees.
CR12. Process failure leads to a fraudulent activity resulting in financial consequences for the council.

CR13. Failure to ensure management action is taken so that appropriate capacity and skills to deliver change are maintained during through periods of reorganising and downsizing.

Data Protection

CR14. Failure to properly adhere to data processing legislation/regulation, results in breaches when data is shared inappropriately leading to risk to individuals, ICO intervention and consequential financial penalties and reputational damage.

Asset Loss

CR15. Failure to invest appropriately in the maintenance or management of the council's assets or a sudden and unforeseen event which may give rise to unacceptable future liabilities.

Item No. 10.	Classification: Open	Date: 27 February 2017	Meeting Name: Audit, governance and standards committee
Report title:		Digital governance and engagement	
Ward(s) or groups affected:		All	
Cabinet Member:		Director of Law and Democracy	

RECOMMENDATIONS

That the audit, governance and standards committee:

1. Note the work and governance structure of the Digital Governance and Engagement Project Group.
2. Note the link between the Digital Governance and Engagement Project Group and the council's Digital Transformation Programme.
3. Note the identified work streams contained within the Digital Governance and Engagement Project.
4. Agree a review of the member training budget to ensure the council receives best value and efficiencies in the delivery of member training.
5. Note that Organisation Transformation will work with the group whips, Constitutional Team, Member Services and colleagues across the council to deliver an ongoing member development programme and induction following the 2018 elections which maximises digital technology to best meet the needs of members.

BACKGROUND INFORMATION

6. On 14 September 2016 the audit, governance and standards committee received a report entitled 'Member Training Summary 2015-16'. The report reviewed the training undertaken by members for 2015-16, identified that work was currently underway to plan for member induction in 2018, and introduced the senior officer group who would be responsible for developing a training and development strategy for members that links to the 'Fit for the Future' agenda and the council's Digital Strategy.

Digital governance: progress to date

7. The council is embarking on an ambitious programme of modernisation. Our council plan priority is to be a council that is fit for the future with responsive, digitally enabled services that adapt well to change. In particular, we will be a leading digital borough, transforming how we serve and enhancing the lives of people in our community so that no one is left behind. This will all be backed by good governance and sound resource planning for today and in years to come. Having a strong digital offer in our democratic process is a key part of this priority work.

8. In anticipation of how we will modernise, officers instigated work on making our democratic and engagement processes more digitally focused, embracing the opportunities that come from social media and seeking to improve the efficiency and management of our decision making processes.
9. In June 2015 the Constitutional Team moved from the Chief Executive's department to Finance and Governance. In addition a number of senior management changes were implemented across the council. In autumn 2015 an officer review was instigated around our support to democratic processes with the aim of reducing bureaucracy by redesigning our processes to deliver more effective and efficient decision making. Entitled the 'Efficient Democracy Work' stream this delivered a number of changes to the constitution and also presented opportunities to refresh how the democratic processes within the council are supported.
10. Building on the initial work undertaken within the Chief Executive's department around stabilising management and processes, the move of the Constitutional Team to Finance and Governance provided the Director of Law and Democracy with an opportunity to review decision making processes and make recommendations to:
 - a) Improve the efficiency of our decision making processes
 - b) Rationalise the number of formal meetings
 - c) Review areas where there is duplication in functions across teams
 - d) Consider how the council can use the Digital Strategy to more effectively engage with the communities
 - e) Reduce the cost of the service and deliver on savings targets.
11. Work in this area has progressed and some key outcomes to date include:
 - a) Reduction in the number of council assembly meetings from 6 to 5
 - b) Combining the Leader or Cabinet Member Question Time events as an innovative way to engage with the wider public and give them the opportunity to hold the council's decision makers to account
 - c) Reducing the number of cabinet meetings to 8 per year
 - d) Merging standards committee and audit and governance committee.

Digital governance and engagement

12. Taking the principals of the Efficient Democracy Work, the Digital Governance and Engagement Project (DGEP) represents the next phase in reviewing our democratic processes. The aim being to see how we can use the implementation of the council's Digital Strategy to change the way in which the council and members engage with the community, partner agencies and key stakeholders. This includes through the use of social media as well as offering an open, transparent and proactive dialogue with communities in an attempt to engage more hard to reach groups through transforming the way the council conducts its business.

Digital governance and engagement project

13. The Digital Governance and Engagement Project is led by the Director of Law and Democracy. The scope of the group is to:
 - Review how the digital council can provide for member's diverse work life balance and support their mobile working needs
 - To draw together and develop the council's plans for digital governance and engagement
 - To develop the IT offer to members
 - To consider the requirement for officer capacity around digital working to support members
 - To prepare for integrating social media support into support for council meetings
 - To prepare for paperless council meetings.

KEY ISSUES FOR CONSIDERATION

Emerging work streams

Blackberry replacement to support mobile working

14. In December 2016 and following agreement of the new modernise and IT strategy in November, officers set out plans to replace all existing mobile telephones and replace and upgrade them with equipment that is more fit for the medium term future needs of the council; this includes phasing out of all current blackberry phones and replacing them with new phones.
15. For members carrying out their roles, embracing digital tools and processes can help them to support their residents, allowing them to pass on queries and tasks in real time, enhancing democratic engagement and accessing papers and agendas electronically.
16. All members will receive a new phone as part of this programme; this will include providing smart phones to councillors. In order to ensure that the planned rollout is delivered as smoothly and efficiently as possible, a number of officers and members will pilot the use of new phones and tablets. The purpose of the pilot, which progressed for councillors through January 2017, is to test the usage and usability of the new phones, iron out and resolve any technological issues, as well as give those councillors the opportunity to help inform how the wider rollout is best implemented. Evaluation and feedback from the pilot will take place through February and March 2017, with full rollout of new phones to all councillors taking place by the end of March 2017.
17. Southwark as a council has a clear strategy to use technology to improve our customers' experience to get services right first time. The aim is that by streamlining services and incorporating digital tools, customers will move away from traditional methods of contact to digital interactions by preference - known as 'digital by default'. Progress has been made around the access to services through our website, which help us to inspire confidence in our digital services for all of our

customers.

My Southwark for Members

18. As the established single account for accessing council services online, MySouthwark has proved popular with local residents. At the end of December 2016, there were over 105,000 account holders (currently rising by an average of 600 per week). This platform creates opportunities for Members to have an enhanced way of accessing information and supporting constituents with their cases. Members will be consulted on how MySouthwark could be of most use, such as submitting and tracking enquiries or accessing frequently needed council data or other online tasks.

Member training and development

19. Organisation Transformation has worked closely with Member Services and the Group Whips to support member induction and development. Working with the group offices, a training needs analysis was undertaken and deliver a tailored programme for the member groups which meets the individual's needs. Following the elections in 2014, it emerged that there were a number of members who are extremely digitally aware and who would actively seek to use digital channels to support them in carrying out their duties as a member. A number of these members have been part of the blackberry replacement programme pilot and work will follow with the roll out to make sure that members are supported in using the ModernGov app, Yammer and the annotation functionality which will allow members to make notes onscreen on meeting papers, and support the move to paperless meetings which will be piloted in Scrutiny. At the request of the Liberal Democrat Group, Communications and Organisation Transformation will be delivering a specialist workshop to assist members in using social media to engage with the community.

Member induction 2018

20. Southwark is aware that the move towards 'digital by default' is not only about IT technologies and hardware but also about developing a culture internally and externally that embraces digital as the norm. The technologies we roll out and our ability to access them as an organisation are addressed by the Modernise programme, which was agreed at cabinet on 1 November 2016 and is underpinned by a suite of action plans. The work described above will be one of the work streams in the workforce and IT action plans.
21. Officers across the council will work closely with Members to ensure that the move towards a digital approach. Organisation Transformation specifically will co-design the support programme for member induction, building on best practice and the established programme. The corporate learning and development offer for staff is currently being redesigned and re-commissioned, with a move towards e-enabled learning and promoting digital access. The learning from this will inform the design of the bespoke Members' induction in 2018. The intention is that Organisation Transformation will support members as required in moving toward the 'digital by default' approach which will create a template to be embedded into the Members' induction which will take place following the elections in 2018. Members will be able to access the core induction for topics such as council decision making, code of conduct, and an introduction to finance and resources through e-learning and video learning at a time that suits them, with supplementary workshops delivered by in-house experts as needed. Officers will review the operation of the member training budget to ensure that it is used to maximum effectiveness. Officers will continue to

review the operation of the member training budget with the group whips, Member Services and colleagues across the council to ensure that it is used to maximum effectiveness.

Live streaming for committees and other meetings

22. An important work stream of the DGEP is how social media can be used at our council meetings to engage with a wider audience and reach more hard to reach groups. The use of social media to bring democracy to our residents to hold the council to account is important for good governance and transparency. Social media has become central not only to the way we communicate or share ideas, as a broadcast channel, but more importantly to the way in which we interact, collaborate and network.
23. Currently there is no consistency across our range of council meetings in our approach to the use of social media; this is due to a lack of clarity, direction and resources. A schedule/explanation of the current position regarding social media at committee meetings is attached as Appendix 1. Through the DGEP we have an opportunity to provide greater clarity and direction which will assist in determining the resources required.
24. Currently the council does not live stream cabinet, council assembly or any of the council's meetings, however we audio record all council assembly meetings. Elements are then loaded onto the council website for residents to listen when required. Audio recordings of members' question time, public questions and questions on reports are uploaded on the council's website
25. SE1, in a private capacity, live audio streams and tweets cabinet and council assembly meetings.
26. Live video streaming of committee meetings could help the way the council interacts with residents as this provides residents immediate access to the meetings without having to leave the comfort of their homes. It encourages a greater number of people to get involved. Officers are exploring working with the voluntary sector to facilitate social media support to our meetings
27. Some local authorities introduced live streaming of council meetings following the Openness of Local Government Bodies Regulations 2014 (initiated by former Communities Secretary Eric Pickles) to allow members of the public to film, photograph or make sound recordings of proceedings at public council meetings.
28. Overview and scrutiny committee meetings are currently filmed and are available to view online on the council website. The Leader and Cabinet Members' Public Question Time events in March and October 2016 were webcast live on the internet. As part of the future development of community councils and community engagement, there have been discussions on the live streaming of meetings whilst noting that meetings should be done in a cost effective way particularly at a time of diminishing resources.
29. There are cost implications in live streaming meetings and this needs to be balanced against the take up. In developing a strategy for social media at committee meetings, consultation will take place with members on the various options available and the resource implications for the council.

ModernGov

30. The modern.gov committee meetings management system has been at the forefront of providing an advanced and popular e-democracy system to local government for over 10years. Southwark council has had the system since 2009.
31. Modern.gov offers many features for meeting management, including comprehensive database of forward plans, agendas, minutes, decisions and call-in. It creates and publishes to the web electronic agenda document packs and creates automatically generated web-based calendar of meetings.
32. In addition to the above, Modern.gov holds a comprehensive database of members' details that is displayed as a members' page on the intranet and internet. Data that can be held and displayed include photographs, surgery details, contact information, executive responsibilities, committee memberships, attendance at meetings records, register of interests and declaration at meetings.
33. Modern.gov also offers an app that can be used to ensure members have the latest meeting papers for the committees they are interested in. The app, which is already available to members and the public, is primarily aimed at members but is also available to anyone with an interest in having committee papers on their device. The app allows members to specify the committees of interest and will then automatically keep itself updated with all the latest meeting papers including the full agenda pack. The app allows users to highlight sections of the pack and make annotations just as you would with a paper copy. Information on how to access the app can be accessed via the council's website at <http://moderngov.southwark.gov.uk/uuCoverPage.aspx?bcr=1>

Reducing paper at council meetings

34. Council assembly at its meeting on 25 February 2015 agreed that the constitution be updated to allow the implementation of the Local Government (Electronic Communications) (England) Order 2015. This had come into effect on 30 January 2015, enabling the use of electronic communications in the sending of summonses to members. Members may only receive summonses electronically, where they consent to them being transmitted by this method, and may at any time withdraw their consent.
35. Following this decision, the Constitutional Team emailed all councillors explaining the order and setting out its implications. This email also invited individual members to consent to receiving the summons (and open papers) by email. The summons consists of an email giving notification of a forthcoming meeting, which sets out the agenda titles with a web link to the reports. All open meeting agendas and reports can be accessed via the council's website.
36. There has been some take-up of electronic summons. At present:
 - 8 councillors receive all their summonses electronically (13%)
 - 2 councillors receive a mixture of electronic and paper summonses (3%)
 - 53 councillors receive paper copies only (84%).
37. The limitations of the council's current IT systems have made take up poor. Issues include Wi-Fi accessibility, technical issues, provision of tablets/'Bring Your Own

Device' scheme for members, initial equipment outlay, cost and additional staffing costs (if more staff needed for each meeting).

38. The constitutional team budget for printing costs is approximately £38,000 per year. If all members received electronic agenda papers, thereby reducing the need for paper agendas, the budget could be reduced by three quarters, which equate to a cost saving of about £28,500. It should be noted that under the provisions of the Local Government Act 1972, local authorities have to make available for the use of members of the public present at the meeting a reasonable number of copies of the agenda and reports for the meeting.
39. The Local Government (Electronic Communications) (England) Order 2015 stipulates that councillors have to give (and have the option of withdrawing) their consent to receiving electronic summonses only, this somewhat limits the measures officers can take to increase uptake. Following consideration of this report at audit, governance and standards committee, officers will be writing to members again to obtain their consent to receive summons electronically, ideally a 70% take up rate from members would assist in reducing costs. With the new mobile technology roll out, it is expected that take up should increase.
40. Participation could be increased by:
 - Provision of enabling IT offer that would encourage the use of electronic papers at meetings
 - Members who have used electronic summonses so far to give positive feedback and to become "paperless champions".

Policy implications

41. The council's Digital Strategy was approved by cabinet in February 2016. A Digital Transformation Programme has since been implemented by the Modernise division to deliver the objectives within the strategy and to compliment the other Modernise strategies for IT, Organisation Transformation, HR and Facilities. All key projects across the council that supports digital change are either managed or tracked within the Digital Transformation Programme. The recommendations and considerations within this report adhere closely to the Digital Strategy and match the type of digital changes being made to how officers carry out their work. Projects related to digital governance and engagement will be supported by officers who manage the Digital Transformation Programme.

Community impact statement

42. The proposals in this report aim being to see how we can use the implementation of the council's Digital Strategy to change the way in which the council and members engage with the community, partner agencies and key stakeholders. This includes through the use of social media as well as offering an open, transparent and proactive dialogue with communities in an attempt to engage more hard to reach groups through transforming the way the council conducts its business. Modernising our processes for engaging and consulting with the communities of Southwark will provide the council and members with alternative channels to reach hard to reach groups and those who are more digitally enabled.

Resource implications

43. The implementation of these proposals will be met from existing resources.

Legal implications

44. The specific legal implications relating to this report have been included in the report.

Financial implications

45. The financial implications of the proposals contained in this report will be met within existing budgets.

Consultation

46. The DGEP Group will, where required, ensure that consultation is undertaken with members and the Group Whips in implementing the proposals detailed in this report.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None.		

APPENDICES

No.	Title
Appendix 1	Social media use in council meetings February 2017

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown Director of Law and Democracy		
Report Author	Doreen Forrester-Brown Director of Law and Democracy		
Version	Final		
Dated	15 February 2017		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments sought	Comments Included
Strategic Director of Finance and Governance		No	No
Cabinet Member		Yes	Yes
Date final report sent to Constitutional Team			15 February 2017

APPENDIX 1

Social media use in council meetings February 2017

	Meeting	Social media use	Future considerations
1.	Council Assembly	SE1 website Tweets from @councilassembly (not Southwark Council created/maintained). Meeting is recorded, audio available from the council's website after the meeting.	Facebook notification of meetings (include creation of events that people can choose to be 'interested' in or confirm their attendance?) - would require curation. Official Tweets notifying the theme of the meeting, decisions made (if appropriate) - would require writing, curation. Webcasting meeting - would require equipment, hosting.
2.	Cabinet	SE1 website records and uploads sections of audio if relevant to them (not Southwark Council created/maintained).	Webcasting meeting - would require equipment, hosting.
3.	Better Placed Joint Committee	None.	
4.	Cabinet (Livesey Trust) Committee	None.	
5.	Overview and Scrutiny Committee	Live webcasting of meeting, recording available online afterwards. Tweet with link to live stream posted. dlvr.it (an automated program that creates a tweet under specific circumstances) used to send out notifications of scheduled meeting and when agenda published.	
6.	Healthy Communities Scrutiny Sub-Committee	Live webcasting of meeting, recording available online afterwards. Tweet with link to livestream posted. dlvr.it (an automated program that creates a tweet under specific circumstances) used to send out notifications of scheduled meeting and when agenda published.	

	Meeting	Social media use	Future considerations
7.	Housing and Community Safety Scrutiny Sub-Committee	Live webcasting of meeting, recording available online afterwards. Tweet with link to live stream posted. dlvr.it (an automated program that creates a tweet under specific circumstances) used to send out notifications of scheduled meeting and when agenda published.	
8.	Place of Safety Joint Overview and Scrutiny Sub-Committee	Live webcasting of meeting, recording available online afterwards. Tweet with link to live stream posted. dlvr.it (an automated program that creates a tweet under specific circumstances) used to send out notifications of scheduled meeting and when agenda published.	
9.	Appointments Committee	None.	
10.	Audit, Governance and Standards Committee	None.	Public very rarely attend, no real use of social media
11.	Audit, Governance and Standards (Civic Awards) Sub-Committee	None.	Public very rarely attend, no real use of social media.
12.	Corporate Parenting Committee	None.	Public rarely attend
13.	Health and Wellbeing Board	None.	
14.	Licensing Committee	Public rarely attend. SE1 have attended on occasion and have tweeted – in relation to the licensing policy.	

	Meeting	Social media use	Future considerations
15.	Licensing Sub-Committees	Have had members of the public take photos and put on Facebook. Also SE1 have tweeted the outcomes of more high profile sub-committee decisions.	A large/contentious licensing application or review could generate a lot of media interest. Webcasting meeting could therefore be beneficial - would require equipment, hosting.
16.	Planning Committee	Public attendance can be high – SE1 reporter attends sometimes, tweets and sometimes audio records. Occasionally get people taking photographs. People in the public gallery might tweet/post on social media during the proceedings, we wouldn't really be aware if they were though.	A large/contentious planning application could generate a lot of media interest. Webcasting meeting could therefore be beneficial - would require equipment, hosting.
17.	Planning Sub-Committee A	None.	Planning officers may want to tweet upcoming planning applications being heard.
18.	Planning Sub-Committee B	None.	Planning officers may want to tweet upcoming planning applications being heard.
19.	Bermondsey and Rotherhithe Community Council	Done by Community Engagement Team for the Forum meetings (mention is made of the formal meetings): Facebook posts, tweets and email list. Live webcasting of meeting, recording available online afterwards.	
20.	Borough, Bankside and Walworth Community Council	As above.	
20.	Camberwell Community Council	As above.	
21.	Dulwich Community Council	As above.	
22.	Peckham and Nunhead Community Council	As above.	

Item No. 11.	Classification: Open	Date: 27 February 2017	Meeting Name: Audit, governance and standards committee
Report title:		Annual report on the work and performance of the audit, governance and standards committee in 2016-17	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATIONS

1. That the audit, governance and standards committee review the draft self-assessment of good practice attached at Appendix 1 and consider whether it would wish to make any amendments to it.
2. That the audit, governance and standards committee forward this report on its work and performance in 2016-17 to all councillors, subject to any amendments it wishes to make.

BACKGROUND INFORMATION

3. The purpose of this report is to review this committee's work and performance in 2016-17.
4. The audit, governance and standards committee's terms of reference include a requirement to report annually to all councillors on its work and performance during the year.
5. The aims of the report are to make councillors aware of the audit, governance and standards committee's work in relation to its audit, financial reporting, treasury management, governance and standards responsibilities, and to provide assurance on areas covered or to identify any concerns.
6. This report also considers the effectiveness of the audit, governance and standards committee which forms a part of the review of internal audit, and which will in turn be reported as part of the review of the system of internal control, as required under the Accounts and Audit Regulations 2015.

KEY ISSUES FOR CONSIDERATION

Role of the committee

7. The purpose of the audit, governance and standards committee is to provide:
 - Independent assurance of the adequacy of the council's governance arrangements, including its standards regime, the risk management framework and the associated control environment.

- Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
 - Oversight of the financial reporting process.
 - Scrutiny of the treasury management strategy and policies.
 - Operation of a framework to promote and maintain high standards of conduct by councillors, co-opted members and church and parent governor representatives.
8. In line with the above, the committee's terms of reference are structured by reference to its key functions in terms of governance and standards, audit activity (internal and external), the accounts and treasury management. Since the new standards regime for councillors was introduced in 2012, the frequency and business for the standards committee had reduced, and there was no statutory requirement to have a standards committee. In May 2016 the standards committee was not re-established as a stand-alone committee, and its roles and functions were amalgamated with the audit and governance committee.
9. The audit, governance and standards committee agrees a work programme each year. A summary of the committee's business during 2016-17 in relation to its areas of responsibility is set out below.

Audit activity

Internal audit

10. The committee received and considered regular reports on the performance of internal audit and the outcome from its work during the year, as well as the head of anti-fraud and internal audit's annual report on the work of internal audit and anti-fraud 2015-16. Members had questions for both officers and the engagement manager for the auditors, RSM (previously known as Baker Tilly). Members are asked to note that the council's internal auditors changed in December 2016; this function is now conducted by BDO.
11. This meeting's agenda includes a report on the internal audit plan for 2017-18, an updated strategy for internal audit for 2017-18 to 2021-22 and a progress report on the work of internal audit and anti-fraud.

External audit

12. The committee received regular progress reports from the external auditor (Grant Thornton) throughout the year; there is an update report on this meeting's agenda. It also considered Grant Thornton's audit plans for 2015-16 for both the council and the Southwark pension fund, and the audit findings reports and annual audit letter for 2015-16. Their summary of findings from the certification of claims and returns for 2015-16 is on this meeting's agenda.
13. The committee considered the external auditor's annual fee letters for 2016-17 for both the council and the Southwark pension fund in July 2016. Grant Thornton also reported to the committee on their review of the council's arrangements for securing financial resilience and on assurance work undertaken by them as to management processes and the committee's oversight of the risk of fraud,

compliance with laws and regulation, and matters in relation to going concern, to inform their audit risk assessment. Their 2016-17 review is on this meeting's agenda, as are the audit plans for the council and the pension fund; these are being considered a little earlier than usual (February instead of May). The audit fee letters for 2017-18 have been deferred and will be considered at the committee's meeting in May 2017.

14. Progress on the implementation of recommendations made by external audit was included in a report to the committee in November 2016.
15. In November 2016 the committee recommended to council assembly to opt into the authorised national scheme for the appointment of external auditors through the sector-led body Public Sector Audit Appointments, which was considered a less resource-intensive way of procuring a new external auditor. Council assembly subsequently approved a decision to opt into this national scheme.

Accounts

16. The committee considered a draft of the 2015-16 statement of accounts at its July 2016 meeting and formally approved them at its meeting in September 2016.

Governance and standards activity

17. As with the statement of accounts, the committee reviewed the annual governance statement for 2015-16 at its July 2016 meeting and approved it at the meeting in September 2016.
18. The committee changed its approach to the consideration of governance matters for 2016-17. Having invited strategic directors and other key players to attend meetings in recent years to report on governance arrangements in their own areas of responsibility, as well as having tried the approach of reviewing governance issues on a thematic basis, the committee decided to again change its approach. Rather than selecting a single governance theme for the whole year, it would identify a number of areas for consideration at future meetings.
19. The theme selected for February 2016 was human resources, following on from the visit of the then director of HR and the strategic director for housing and modernisation in September 2015, to talk about changes across HR services. The topics selected for September 2016 were the school building programme and the promotion of financial matters by the council. Presentations were received from the director of education and the head of regeneration, and a member of the communications team respectively. At the meeting in November 2016, the committee examined the governance arrangements of the Southwark Local Pension Scheme and received an update on the implementation of public health risk assessments into the decision making process from the acting director of public health. On the agenda for this meeting, the strategic director for housing and modernisation is returning to speak to the committee about the modernisation agenda (including IT provision) and to give an update on HR services and succession planning. Succession planning had been identified by the committee through consideration of a number of retrospective contract decisions in 2016-17.
20. In July 2016 the committee received an annual report on the work of the corporate risk and insurance team for 2015-16. A report on the council's top risks is on the agenda for this meeting.

21. The committee's annual report on whistle blowing outcomes was considered by the committee at its November 2016 meeting. Members asked that the format of the report be further amended to reflect the approach taken by the London Borough of Camden in their reports on whistleblowing. The committee also requested that during future whistleblowing investigations the whistle-blower be asked if they wish for the detail of the case to be reported to the committee anonymously.
22. As detailed at paragraph 19 above, a referral from overview and scrutiny received in 2015-16 was followed up in November 2016 when the acting director of public health attended the meeting to talk about the progress on implementation of public health risk assessments into the decision making process.
23. The committee considered a number of retrospective contract related decisions in 2016-17, and identified the common issue of a lack of appropriate succession planning and work handover following voluntary redundancy, long-term sickness and staff turnover. The committee emphasised the importance of ensuring that responsibilities were handed over in a timely manner from staff members who were leaving the council, in order to prevent deadlines being missed and contract decisions having to be made retrospectively. Officers from departments presenting retrospective contract decisions were asked to share information in order to learn from other cases. As mentioned at paragraph 19, the strategic director for housing and modernisation is on the agenda for this meeting to talk further about developments in HR and succession planning.
24. The committee's work programme for 2017-18 is on this agenda for members' consideration.
25. A report on the council's use of RIPA (Regulatory Investigatory Powers Act) and the OSC (Office of Surveillance Commissioners) inspection of Southwark are on the agenda for this meeting. In October 2010 the former standards committee agreed to consider reports on the use of RIPA by the council; the inspection and audit by the OSC took place in October 2016.
26. A report detailing the review of complaints made under the code of conduct is also on this agenda.
27. The establishment of the two standards sub-committees (civic awards and misconduct) were approved by the committee in July 2016. The committee agreed that the number of co-opted community members on the civic awards sub-committee be increased from three to four, and that the sub-committee be gender balanced; at least two of the Southwark members and two of the community representatives serving on the sub-committee should be women.
28. There is a report on this meeting's agenda asking the audit, governance and standards committee to assume responsibility for appointing members of the civic awards sub-committee, in order to avoid the convening of a very short meeting of the sub-committee simply to make this decision.
29. In November 2016 the committee received a report relating to the review of arrangements for dealing with standards allegations under the Localism Act 2011. The report recommended amendments to the arrangements due to the inclusion of standards functions into the audit and governance committee. The committee asked that two minor amendments also be made, relating to failure to comply with the code of conduct and hearings. These changes will be presented to council

assembly for approval in March 2017.

30. The member and officer and communications protocols in the constitution were reviewed in November 2016. Out of the review came the inclusion of an exemption for members accessing committee papers online during meetings. This will also be presented to council assembly for approval in March 2017.

Treasury management

31. Members received a report on the revised treasury management policy statement, and considered the council's 2017-18 treasury management strategy statement ahead of consideration by council assembly at its budget and council tax setting meeting in February 2017.

Effectiveness of the audit and governance committee

32. The Accounts and Audit Regulations require a review of internal audit to be carried out, including consideration of the effectiveness of this committee. An annual opinion is given by the head of anti-fraud and internal audit, and this will be carried out later in the year and the results brought to a future meeting of the committee, most likely in July 2017.
33. To complement this, it is proposed that (as in previous years) this committee assesses itself using a checklist produced by CIPFA. A draft completed checklist has therefore been prepared using this which is attached at Appendix 1. The checklist has had an additional section added to it which is not part of the information provided by CIPFA, but has been included by officers to reflect the standards role of the committee since May 2016.
34. As part of this exercise, input has been sought from the director of finance, the head of anti-fraud and internal audit, the external auditor and the head of the corporate legal team in order to gain a wider perspective.
35. The draft checklist confirms that there are no significant areas of concern in relation to the committee's effectiveness. However, it highlights that training is an area that members may wish to continue to keep under review.
36. Members are asked to consider and agree the assessment at Appendix 1, subject to any amendments they would wish to make. Members will be aware that the findings of the review, the opinion of the head of anti-fraud and internal audit and any recommendations from this report will be considered alongside the annual governance statement.

Training

37. At the council's annual meeting in May 2016, the membership of the newly constituted audit, governance and standards committee was increased from six members to seven. Introductory sessions on the work and responsibilities of the committee were provided in summer 2016.
38. During the year, information on relevant issues and developments have been provided through CIPFA Better Governance Forum's 'Audit Committee Update', which is published three times a year. These focus on key topics and include a round-up of legislation, reports and developments and are circulated to all members of the committee for their information.

39. Briefing sessions for committee members were offered before the committee's meetings in September 2016 and November 2016, on contract monitoring and borrowing respectively.
40. The self-assessment checklist at Appendix 1 identifies that training will be provided as required and officers will continue to arrange training as opportunities arise.
41. In September 2016 the committee received an update on member training and continuous development. Members noted the report, which contained details of training identified, developed and delivered in 2015-16. A group of senior officers were already planning for post-election induction training in 2018, and working to develop a detailed training and development strategy that linked to the Council Plan's 'Fit for the Future' agenda and the digital strategy. There is a further report on digital governance and engagement on this meeting's agenda.

Development opportunities

42. The audit, governance and standards committee has been in place for almost a year. The management of its agenda in order to ensure that it can focus its resources effectively remains one of the key challenges for the future.
43. The year saw the following principal achievements:
 - a) Coverage of all elements of the committee's work programme, including the successful inclusion of standards work into the responsibilities of the committee
 - b) Continued assurance of corporate governance arrangements, for example, through the committee's thematic reviews of a number of governance matters, such as the schools building programme, public health impact assessments and pensions
 - c) Further assurance as to the operation of the council's whistle blowing policy
 - d) Ongoing constructive challenge from members in respect of reports received by them.
 - e) The identification of a pattern of common issues across some teams through consideration of retrospective contract related decisions.
44. For the coming year, the following are areas where the committee has the opportunity to effect further development or to which it may wish to give consideration:
 - a) Working with a new internal audit contractor, shortening timescales for the closing of accounts, and developments in how finance support is provided across the council
 - b) The continuing impact of welfare reform and further cuts in government funding from a governance perspective and, in particular, the identification of risks and ongoing risk management
 - c) Future and ongoing training needs.

Conclusion

45. The committee's work programme aims to ensure that the committee is able to carry out its functions effectively. To this end, the programme is structured to cover

the key areas of audit activity (both internal and external), governance and standards activity, financial reporting and scrutiny of the treasury management strategy and policies.

46. The committee continued to ask questions on matters before it in a challenging yet constructive way. In some cases, this has resulted in further information being provided to the committee to provide the assurance sought; in others, it has resulted in increased focus on the implementation of action plans.
47. The committee has kept its work programme under review in 2016-17 and made changes when appropriate.
48. Through its work, the committee is able to confirm that:
 - The council's system of risk management is adequate to identify risk and to allow the authority to understand the appropriate management of those risks;
 - There are no areas of significant duplication or omission in the systems of governance in the authority that have come to the committee's attention and not been adequately resolved.
49. The work programme for the committee for 2017-18 is included elsewhere on this agenda for consideration and agreement, and this will be reviewed and amended on an ongoing basis as necessary to help to ensure that the committee can continue to provide assurance of the adequacy of the council's governance arrangements.

Policy implications

50. There are no policy implications in the proposals in this report.

Community impact statement

51. This report is not considered to contain any proposals that would have a significant impact on any particular community or group.

Resource implications

52. There are no direct resource implications in this report.

Conclusion

53. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (F&G16/010)

54. The strategic director of finance and governance remains committed to the important role of the audit, governance and standards committee and notes that it continues to function in line with its terms of reference. The performance of the committee continues to be strengthened by the attendance of officers with key governance roles and it is expected that the committee will continue to obtain assurance of governance arrangements from this.
55. It is noted that the committee has a themed approach and has invited not only

strategic directors but operational directors. This enables a more detailed overview of the issues being addressed.

56. The committee has operated in accordance with its responsibilities in key finance and audit matters, including the statement of accounts, treasury policies, and internal audit work, which are key issues for the s.151 officer (Local Government Act 1972). Looking forward, there will be changes of interest to the committee, not least a new internal audit contractor, shortening timescales for the closing of accounts, and developments in how finance support is provided across the council.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
CIPFA Audit committees – Practical Guidance for Local Authorities and Police 2013 edition	Finance and Governance, Second Floor, Tooley Street	Jo Anson 020 7525 4308

APPENDICES

No.	Title
Appendix 1	Self-assessment of good practice

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance		
Report Author	Victoria Foreman, Constitutional Officer		
Version	Final		
Dated	17 February 2017		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments sought	Comments included	
Director of Law and Democracy	No	No	
Strategic Director of Finance and Governance	Yes	Yes	
Cabinet Member	No	No	
Date final report sent to Constitutional Team		17 February 2016	

APPENDIX 1

Self-assessment of Good Practice

Question		Yes	No	Partly	Comments/action
Audit committee purpose and governance					
1	Does the authority have a dedicated audit committee?	✓			
2	Does the audit committee report directly to full council?	✓			
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	✓			
4	Is the role and purpose of the audit committee understood and accepted across the authority?	✓			
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	✓			
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	✓			
Functions of the committee					
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?				
	- good governance	✓			
	- assurance framework	✓			
	- internal audit	✓			
	- external audit	✓			
	- financial reporting	✓			
	- risk management	✓			
	- value for money or best value	✓			
	- counter-fraud and corruption.	✓			

Question		Yes	No	Partly	Comments/action
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	✓			
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?				
	- considering matters at the request of other committees or statutory officers	✓			Included within committee's terms of reference.
	- ethical values	✓			Receives annual report on whistleblowing.
	- treasury management	✓			Included within committee's terms of reference.
10	Where coverage of core areas has been found to be limited, are plans in place to address this?				N.A.
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its purpose?	✓			
Membership and support					
12	Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> - separation from the executive - an appropriate mix of knowledge and skills among the membership 	✓			<p>No more than one member of the cabinet or deputy may be a member of the committee, and no cabinet member may chair the committee.</p> <p>The leader of the council may not be a member of the committee.</p>

Question		Yes	No	Partly	Comments/action
	<ul style="list-style-type: none"> - a size of committee that is not unwieldy - where independent members are used, that they have been appointed using an appropriate process. 				Members have brought a range of skills and knowledge to bear on the committee's consideration of matters before it. Size of committee strikes balance between being unwieldy and ensuring appropriate mix of knowledge and skills.
13	Does the chair have appropriate knowledge and skills?	✓			
14	Are arrangements in place to support the committee with briefings and training	✓			As noted in the body of the report, introductory training was made available to new members following the changes to membership in May 2016 and ongoing training and briefings are provided as opportunities/needs arise.
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			✓	Members are asked to provide information on joining the committee and induction and other training/briefings have been provided as opportunities/needs have arisen.
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	✓			
17	Is adequate secretariat and administrative support to the committee provided?	✓			

Question		Yes	No	Partly	Comments/action
Effectiveness of the committee					
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	✓			See paragraphs 33 and 54-56 of the main report.
19	Has the committee evaluated whether and how it is adding value to the organisation?	✓			
20	Does the committee have an action plan to improve any areas of weakness?	✓			The committee identifies areas for development each year as part of its annual review of its performance.

Standards

This section is not part of the checklist provided by CIPFA, but has been included by officers in order to assess the standards role of the committee which was constituted into the audit and governance committee in May 2016.

Governance and standards					
21	Has the committee advised council on the monitoring, adoption or revision of the member code of conduct, member and officer protocol and communications protocol as required?	✓			
22	Has the committee monitored and advised on training for all members, including co-opted and parent governor representatives?	✓			As noted at paragraph 37 of the report, introductory training was made available to new members following the changes to membership in May 2016 and ongoing training and briefings are provided as opportunities/needs arise.
23	Has the committee dealt with any standards complaints referred to it (as required)?		✓		No complaints required referral to the committee for consideration in 2016-17.

24	Has the committee received reports on unlawful expenditure (as required)?		✓		No reports on unlawful expenditure required consideration by the committee in 2016-17.
25	Has the committee established sub-committees for misconduct and the consideration of civic awards?	✓			See paragraphs 27 and 28 of the report for further information.
26	Has the committee considered withholding allowances from individual members (elected and co-opted for non-attendance at meetings, elected members only for failure to attend training)? (as required)		✓		The committee has not been required to do so in 2016-17.

Item No. 12.	Classification: Open	Date: 27 February 2017	Meeting Name: Audit, governance and standards committee
Report title:		Draft work programme for 2017-18	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATIONS

1. That the audit, governance and standards committee consider the proposed draft work programme for 2017-18 and whether they would wish to make amendments to arrangements as set out in paragraph 8 of this report, or in respect of any other matters.
2. That the audit, governance and standards committee, subject to any requested changes, agree the work programme set out in Appendix 2 for 2017-18.

BACKGROUND INFORMATION

3. Since its establishment in March 2007, the committee has agreed a work programme for the forthcoming year. Amendments to the programme to take account of changing circumstances can be made throughout the year.
4. The purpose of this report is to set out possible areas of work for consideration to enable members to agree a programme for 2017-18.

KEY ISSUES FOR CONSIDERATION

5. In considering items for inclusion, it may be helpful to do this within the framework of the committee's purpose, as set out in the constitution. This was amended in 2016-17 when the committee was renamed and is stated to be:
 - Independent assurance of the adequacy of the council's governance arrangements, including the risk management framework and the associated control environment
 - Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment
 - Oversight of the financial reporting process
 - Scrutiny of the treasury management strategy and policies
 - A framework to promote and maintain high standards of conduct by councillors, co-opted members and church and parent governor representatives.
6. The committee's revised terms of reference, as approved by council assembly, cover

functions relating to audit activity, the regulatory framework, accounts, treasury management and the council's standards framework. They are attached at Appendix 1 as they may further help the committee to determine items to be included in its work programme.

7. Using the 2016-17 revised work programme as a starting point, a draft programme for 2017-18 has been included at Appendix 2 for the committee's consideration. Items shown in brackets are standing items which will be brought forward as they arise. The draft programme is based on meetings of the committee being held in May 2017, July 2017, September 2017, November 2017, February 2018 and June 2018.
8. During 2016-17, the committee decided that it would review a range of governance issues through the year and received reports on the following: the schools building programme; communications and the promotion of financial matters; the governance arrangements of Southwark's Local Government Pension Scheme; an update on the implementation of public health impact assessments into the decision making process. The agenda for this meeting includes an update in respect of progress on IT services at the council (as part of the modernisation agenda), and also on employment and succession planning. Members are asked to consider whether they would wish to continue this approach and, if so, to identify further governance topics for consideration in the coming year. If they do not wish to continue this approach, they are asked to identify an alternative approach to the review of governance.
9. There remains a need to ensure flexibility in terms of emerging issues which come to light through items already on the committee's agenda. For example, a review of audit recommendations and progress on their implementation may highlight a need to request the attendance of individuals at a future meeting to help explain action taken. The draft programme therefore includes a standing item relating to review of the committee's work plan. There may also be a need to review the work programme to take account of any changes which may be agreed to the council's constitution during the year.
10. Items have been grouped in line with its functions, in order to ensure that there is appropriate coverage of the committee's key roles as defined in its terms of reference.
11. Training will continue to be provided for members on the role of the committee, and development needs will continue to be monitored to enable appropriate training to be provided as opportunities arise.
12. The committee is asked to consider whether the attached draft work programme reflects its priorities for the next year or whether there are other amendments which it would wish to see included.

Policy implications

13. This report is not considered to have direct policy implications.

Community impact statement

14. The decision to agree a work programme for next year is considered not to have a significant impact on any particular community or group.

Resource implications

15. There are no direct resource implications in this report.

Consultation

16. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

17. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None.		

APPENDICES

No.	Title
Appendix 1	Extract from the constitution – Part 3K Audit and governance
Appendix 2	Draft work programme for 2017-18

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance		
Report Author	Victoria Foreman, Constitutional Officer		
Version	Final		
Dated	6 February 2017		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments sought	Comments included
Director of Law and Democracy		No	No
Strategic Director of Finance and Governance		No	No
Cabinet Member		No	No
Date final report sent to Constitutional Team			6 February 2017

APPENDIX 1

Extract from the constitution – Part 3K Audit and governance committee

ROLE AND FUNCTIONS

Introduction

The purpose of the audit, governance and standards committee is to provide:

1. Independent assurance of the adequacy of the council's governance arrangements, including its standards regime, the risk management framework and the associated control environment.
2. Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
3. Oversight of the financial reporting process.
4. Scrutiny of the treasury management strategy and policies.
5. A framework to promote and maintain high standards of conduct by councillors, co-opted members and church and parent governor representatives.

Audit activity

6. To approve the internal audit charter
7. To approve the risk based internal audit plan, including resource requirements.
8. To approve any significant proposed advisory services, additional to those included in the audit plan.
9. To receive information on the appointment, departure, resignation or change in chief audit executive.
10. To receive in-year summaries of internal audit and anti-fraud activity and the internal audit annual report and opinion and to consider the level of assurance it can give over the council's corporate governance arrangements.
11. To receive reports dealing with the management and performance of the provider of internal audit services, including the performance of the chief audit executive.
12. To receive reports from internal audit on agreed recommendations not implemented within a reasonable timescale.
13. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
14. To consider specific reports as agreed with the external auditor.
15. To comment on the scope and depth of external audit work and to ensure it gives value for money.

- 16. To have oversight over the appointment of the external auditor.
- 17. To commission work from internal and external audit.

Accounts

- 18. To review and approve the annual statement of accounts and specifically to consider compliance with appropriate accounting policies and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 19. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Treasury management

- 20. To review and scrutinise the treasury management strategy and policies.

Governance activity

- 21. To review any issue referred to it by the chief executive or a strategic director, or any council body.
- 22. To monitor the effective development and operation of risk management in the council.
- 23. To monitor the effective development and operation of corporate governance in the council and to agree actions necessary to ensure compliance with best practice.
- 24. To monitor council policies on 'whistle-blowing', the 'corporate anti-fraud strategy' and the council's complaints processes.
- 25. To receive reports from the statutory officers under the council's whistle blowing policy.
- 26. To provide strategic oversight on the use of the powers regulated by the Regulation of Investigatory Powers Act 2000 and to receive in-year reports on operational use.
- 27. To oversee the production of and agree the council's annual governance statement.
- 28. To review the council's compliance with its own and other published standards and controls.
- 29. To receive reports on retrospective contract related decisions as set out in contract standing orders.
- 30. To receive reports from the monitoring officer on any serious breach of the contract standing orders or procurement guidelines.

Standards activity

31. To advise the council on the adoption or revision of the members' code of conduct, the member and officer protocol and the communication protocol.
32. To monitor the operation of the members' code of conduct, the member and officer protocol and the communication protocol.
33. To monitor and advise on training provided for councillors, co-opted members and church and parent governor representatives.
34. To deal with any standards related complaints referred to it and any report from the monitoring officer on any matter which is referred to him or her.
35. To receive reports from the monitoring officer on unlawful expenditure and probity issues.
36. To consider the withholding of allowances from individual members (including elected members and co-opted members) in whole or in part for non-attendance at meetings, or, for elected members only, for failure to attend required training.
37. To establish the following sub-committees:
 - to consider complaints of misconduct against elected councillors and co-opted members
 - to consider civic awards.

Annual report

38. To report annually to all councillors on its work and performance during the year.

MATTERS RESERVED FOR DECISION

Matters reserved for decision by the main committee

39. The matters reserved for decision to the committee are as set out in the role and functions, other than those functions delegated to the relevant sub-committee.

Matters reserved for decision by the conduct sub-committee

40. To consider complaints of misconduct against elected councillors and co-opted members.

Matters reserved for decision by the civic awards sub-committee

41. To grant civic awards.
42. To consider the process by which the decisions with respect to civic awards applications are to be taken and to make recommendations to the standards committee.
43. To appoint non-voting co-opted members.

APPENDIX 2

Draft Work Programme for 2017-18

Items shown in brackets (✓) are standing items which will be brought forward as they arise

Item			Meeting date					Commentary
		May 2017	July 2017	September 2017	November 2017	February 2018	June 2018	
	General							
Annual work programme for following year						✓		Draft work programme for the committee – Constitutional Officer
In-year review of work programme		(✓)	(✓)	(✓)	(✓)	(✓)	(✓)	Standing item – to pick up emerging issues
Annual report of audit, governance and standards committee						✓		Report on committee’s work and performance to be submitted to all councillors each year – Constitutional Officer
	Internal Audit activity							
Internal audit charter			✓					To review and approve changes, if needed, to the internal audit charter – Head of Anti-Fraud and Internal Audit
Internal audit plan and strategy for internal audit						✓		Proposed internal audit programme for future years – Head of Anti-Fraud and Internal Audit
Annual report and opinion on internal audit and fraud			✓					Including review of effectiveness of system of internal audit and Head of Anti-Fraud and Internal Audit’s opinion on system of internal control and report on internal audit contractor and Head of Anti-fraud and Internal Audit (chief audit executive) performance – Head of Anti-Fraud and Internal Audit
Progress report on the work of internal audit and anti-fraud		✓	✓		✓	✓	✓	Issues raised and progress on implementation of recommendations, including approval of any significant additional advisory services – Head of Anti-Fraud and Internal Audit

Item	Meeting date						Commentary
	May 2017	July 2017	September 2017	November 2017	February 2018	June 2018	
Chief audit executive information	(✓)	(✓)	(✓)	(✓)	(✓)	(✓)	Report on appointment, departure, resignation or change in chief audit executive – Director of Finance
External Audit activity							
Audit fee letters (including pension fund)	17-18 letters deferred from Feb 2017 to May 2017	✓			✓		Annual fee letters setting out indicative fees and planned work/outputs for 2017-18 in July 2017 and for 2018-19 in February 2018 for the council and pension fund – Grant Thornton
Audit plans (including pension fund)	✓ Considered early at Feb 2017 meeting					✓	Audit plans setting out audit work to be undertaken for audit of financial statements 2017-18 for the council and pension fund, including approval of any significant additional advisory services – Grant Thornton
Annual Audit letter (Grant Thornton)				✓			Annual audit letter (AAL) providing a summary of Grant Thornton's assessment of the council for 2016-17, drawing from audit of financial statements and work undertaken to assess VfM – Grant Thornton
Audit findings reports (ISA 260) – including pension fund)			✓				Annual governance report (AGR) summarising findings from 2016-17 audit of financial statements and work to assess VfM arrangements – Grant Thornton
Informing the audit risk assessment for the council (including pension fund)	✓					✓	Item on oversight of management's processes in relation to risks of fraud/error, compliance with relevant laws and regulations and gong concern – Grant Thornton
Certification of claims and returns annual report					✓		Annual report summarising findings from the certification of 2016-17 grant claims – Grant Thornton
Audit update report	(✓)	(✓)	(✓)	(✓)	(✓)	(✓)	Standing item – Grant Thornton update on work being planned or undertaken – Grant Thornton

Item			Meeting date					Commentary
		May 2017	July 2017	September 2017	November 2017	February 2018	June 2018	
	Governance and standards activity							
Annual governance statement			✓	✓				Annual governance statement (AGS) is a mandatory statement setting out the council's governance arrangements – Head of Financial and Information Governance
Retrospective approvals to contract decisions		(✓)	(✓)	(✓)	(✓)	(✓)	(✓)	Standing item – contract standing orders require retrospective contract decisions over £100k to be reported for the purpose of obtaining guidance to inform future decision making – Director of Finance
Risk management and insurance			✓		✓			Annual report on risk management and insurance in July; report on key risks in November – Corporate Risk and Insurance Manager
Progress report on implementation of external audit recommendations		(✓)	(✓)	(✓)	(✓)	(✓)	(✓)	Standing item – progress made in implementing external audit recommendations (Including audit findings) – Director of Finance
Outcomes of the whistleblowing policy					✓			Annual report to consider outcomes of the whistleblowing policy – Director of Law and Democracy
Review of complaints made under Code of Conduct						✓		Annual report on complaints made under Code of Conduct – Head of Corporate Team
Report on operational use of Regulation of Investigatory Powers Act 2000						✓		Annual report on use of powers under RIPA – Head of Corporate Team
Review of member and officer protocol and communications protocol					✓			Annual review of protocols, with recommendations for changes as needed – Head of Corporate Team
Establishment of Sub-committees for 2017-18			✓					Report to establish sub-committees in line with committee's role and functions – Principal Constitutional Officer
Member induction and training				✓				Report on member induction and training

Item	Meeting date						Commentary
	May 2017	July 2017	September 2017	November 2017	February 2018	June 2018	
Areas of governance for review during year		(✓)	(✓)	(✓)	(✓)		To be determined by the committee
Corporate governance framework	(✓)	(✓)	(✓)	(✓)	(✓)	(✓)	Standing item – to include e.g. council policies within remit of audit, governance and standards committee; other areas as identified: pensions governance; code of governance
Accounts							
Statement of accounts		✓	✓				2016-17 statement of accounts for consideration and approval – Director of Finance
Treasury Management							
Review of the policy and strategy				✓			Review of treasury management policy and strategy – Director of Finance

Item No. 13.	Classification: Open	Date: 27 February 2017	Meeting Name: Audit, governance and standards committee
Report title:		Grant Thornton audit plans for Southwark Council and Southwark pension fund audits 2016-17	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee note Grant Thornton's audit plans for Southwark Council and for the Southwark pension fund for 2016-17 (as attached at Appendices A and B).

BACKGROUND INFORMATION

2. The purpose of the report is to inform the committee of the audit plans for the audit of financial statements and the value for money conclusion 2016-17 for the council and the pension fund.

Policy implications

3. This report is not considered to have direct policy implications.

Community impact statement

4. This report is not considered to have direct impact on local people and communities.

Resource implications

5. The fees will be met from existing budget provision.

Consultation

6. Consultation has not been undertaken.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

7. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None.		

APPENDICES

No.	Title
Appendix A	Grant Thornton Audit Plan for Southwark Council year ended 31 March 2017
Appendix B	Grant Thornton Audit Plan for Southwark Pension Fund year ended 31 March 2017

AUDIT TRAIL

Lead Officer	Jennifer Seeley, Director of Finance		
Report Author	Jo Anson, Head of Financial and Information Governance		
Version	Final		
Dated	14 February 2017		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments sought	Comments included	
Strategic Director of Finance and Governance	No	No	
Director of Law and Democracy	No	No	
Cabinet Member	No	No	
Date final report sent to Constitutional Team		15 February 2017	

The Audit Plan for Southwark Council

Year ended 31 March 2017

February 2017

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Southwark Council
Audit and Governance Committee
160 Tooley Street
London
SE1 2QH

February 2017

Dear Members of the Audit and Governance Committee

Audit Plan for Southwark Council for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance (in the case of Southwark Council], the Audit and Governance Committee, an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements which give a true and fair view.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We look forward to working with you during the course of the audit.

Yours sincerely

Paul Dossett
Engagement Lead

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Chartered Accountants

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Understanding your business and key developments

<div>Developments</div> <div><div>Highways network asset (HNA)<p>On the 14 November, 2016 CIPFA/LASAAC announced a deferral of measuring the Highways Network Asset at Depreciated Replacement Cost in local authority financial statements for 2016/17. This deferral is due to delays in obtaining updated central rates for valuations.</p><p>CIPFA/LASAAC will review this position at its meeting in March 2017 with a view to implementation in 2017/18. It currently anticipates that the 2017/18 Code will be on the same basis as planned for 2016/17, i.e. not requiring restatement of preceding year information.</p></div><div>Integration with health sector<p>Wider transfers of responsibility for public health to local government, and more specifically Better Care Fund (BCF) plans and the associated pooled budgets have been operational since 2015/16</p></div></div>	<div>Key challenges</div> <div><div>Autumn Statement<p>The Chancellor detailed plans in the Autumn Statement to increase funding for Housing and Infrastructure, and further extend devolved power to Local Authorities. No plans were announced to increase funding for adult social care.</p></div><div>Budget Monitoring Report<p>The first budget monitoring report for 2016/17 indicates that the general fund for the year is on target but with two significant adverse variances. The first is further pressures on the No Recourse to Public Funds budget and the second relate to a range of social care budgets that are facing the need to achieve large budget savings over the next three years.</p></div></div> <div>Key performance indicators</div> <table><tr><th>Measure</th><th>Value</th><th>Trend</th></tr><tr><td>Forecast General Fund outturn</td><td>£295.5m</td><td>Adverse variance £8.6m after planned reserves of £6.2m</td></tr></table>	Measure	Value	Trend	Forecast General Fund outturn	£295.5m	Adverse variance £8.6m after planned reserves of £6.2m	<div>Financial reporting changes</div> <div><div>CIPFA Code of Practice 2016/17 (the Code)<p>Changes to the Code in 2016/17 reflect aims of the 'Telling the Story' project, to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements.</p><p>The changes affect the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements, segmental reporting disclosures and a new Expenditure and Funding Analysis note has been introduced. The Code also requires these amendments to be reflected in the 2015/16 comparatives by way of a prior period adjustment.</p></div><div>Earlier closedown<p>The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/18 financial year.</p></div></div>
Measure	Value	Trend						
Forecast General Fund outturn	£295.5m	Adverse variance £8.6m after planned reserves of £6.2m						
<div>Our response</div> <div><ul style="list-style-type: none">• We will discuss with you your progress in implementing the HNA requirements, highlighting any areas of good practice or concern which we have identified.• We aim to complete all our substantive audit work of your financial statements by mid August 2017• As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the financial reporting changes in the 2016/17 Code• We will review the Council's progress in managing its responsibilities for public health and how it is working with partners, as part of our work in reaching our VFM conclusion• We will keep you informed of changes to the financial reporting requirements for 2016/17 through on-going discussions and invitations to our technical update workshops</div>								

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Council. In line with previous years, we have calculated financial statements materiality based on a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £25,203k (being 2% of gross revenue expenditure). In the previous year, we determined materiality to be £24,075k (being 2% of gross revenue expenditure). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £1,260k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified the following items where separate materiality levels are appropriate:

Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	Although the balance of cash and cash equivalents is immaterial, all transactions made by the Council affect the balance and it is therefore considered to be material by nature.	£500k
Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1k or rounding differences (to underlying information)
Disclosure of auditor's remuneration	This is a statutory requirement and a requirement of ethical and auditing standards	£1k or rounding differences

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Description	Audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Southwark Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• The culture and ethical frameworks of local authorities, including Southwark Council, mean that all forms of fraud are seen as unacceptable <p>Therefore do not consider this to be a significant risk for Southwark Council</p>
Management over-ride of controls	<p>Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none">• Understanding of the control environment for journals• Selected a sample of journal entries for months 1-9 of 2016/17 financial year <p>Further work planned:</p> <ul style="list-style-type: none">• Review of accounting estimates, judgments and decisions made by management• Testing of journal entries• Review of unusual significant transactions

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"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
Operating expenses	Creditors related to core activities are understated or not recorded in the correct period.	<p>Work completed to date:</p> <ul style="list-style-type: none">• We have performed a walkthrough testing to gain assurance that the in-year controls are operating in accordance with our understanding• We have held discussions with finance and IT officers about the processes and controls supporting the accounts payable system• We have selected a sample of revenue expenditure items for months 1-9 of 2016/17 financial year to test to supporting documentation. <p>Further work planned:</p> <ul style="list-style-type: none">• We will complete our substantive sampling of revenue expenditures, including testing of the remaining months (10-12) and year end reconciliations.• We will complete unrecorded liabilities testing to confirm the completeness and cut off of transactions
Employee remuneration	Employee remuneration and benefit obligations and expenses are understated	<p>Work completed to date:</p> <ul style="list-style-type: none">• We have performed a walkthrough to gain assurance that the in-year controls are operating in accordance with our understanding• We have held discussions with finance and IT officers about the processes and controls supporting the payroll system• We have selected a sample of employee remuneration for months 1-9 of 2016/17 financial year to test to supporting documentation <p>Further work planned:</p> <ul style="list-style-type: none">• We will complete our substantive sampling of employee remuneration, including testing of the remaining months (10-12)• We will review reconciliations between the subsidiary system interfaces and the general ledger control accounts• We will complete monthly trend analysis of payments recognised

Other risks identified (continued)

Reasonably possible risks	Description	Audit procedures
Property, Plant and Equipment	Property, plant and equipment activity not valid	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have performed a walkthrough to gain assurance that the in-year controls are operating in accordance with our understanding <p>Further work planned:</p> <ul style="list-style-type: none"> We will complete substantive testing of entries in the PPE notes We will review the capital programme against the additions recorded in the asset register in the financial year, including testing on a sample basis
Property, Plant and Equipment	Revaluation measurements not correct	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have performed a walkthrough to gain assurance that the in-year controls are operating in accordance with our understanding <p>Further work planned:</p> <ul style="list-style-type: none"> We will reconcile the valuation report to the asset register and accounts We will review the competence, expertise and objectivity of any management experts used We will review the work carried out by the valuer, including ensuring that any valuations have been undertaken in accordance with the requirements of the appropriate accounting and professional standards We will review and challenge the information used by the valuer to ensure that it is complete, robust and consistent with our understanding

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK and Ireland) 570). We will review the management's assessment of the going concern assumption and the disclosures in the financial statements.

Changes to the presentation of local authority financial statements

CIPFA has been working on the ‘Telling the Story’ project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice. The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.

Work planned:

- We will document and evaluate the process for the recording the required financial reporting changes to the 2016/17 financial statements.
- We will review the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority’s internal reporting structure.
- We will review the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS).
- We will test the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES.
- We will test the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger.
- We will test the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements.
- We will review the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.

Other risks identified (continued)

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous sections but will include:

- Intangible assets
- Assets held for sale
- Investments (long term and short term)
- Cash and cash equivalents
- Trade and other receivables
- Borrowings and other liabilities (long and short term)
- Provisions
- Useable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Schools balances and transactions
- New note disclosures
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Housing Revenue Account and associated notes
- Collection Fund and associated notes
- Funds held on trust note

Value for Money

Background

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out opposite:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none">• Acting in the public interest, through demonstrating and applying the principles and values of sound governance• Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management• Reliable and timely financial reporting that supports the delivery of strategic priorities• Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	<ul style="list-style-type: none">• Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions• Managing and utilising assets effectively to support the delivery of strategic priorities• Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none">• Working with third parties effectively to deliver strategic priorities• Commissioning services effectively to support the delivery of strategic priorities• Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements
- the findings of other inspectorates and review agencies
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information
- any other evidence which we consider necessary to conclude on your arrangements

The focus of our work will be around the following areas which are considered to be the significant risks faced by the Council:

- Financial performance – the Council is facing significant financial pressures, particularly in relation to social care budgets. We will consider the arrangements that are being put in place to secure a sustainable financial future for the Council.

We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report.

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion in our auditor's report on your financial statements which we will give by 30 September 2017.

Other audit responsibilities

In addition to our responsibilities under the Code of Practice in relation to your financial statements and arrangements for economy, efficiency and effectiveness we have a number of other audit responsibilities, as follows:

- We will undertake work to satisfy ourselves that the disclosures made in your Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We consider our other duties under the Act and the Code, as and when required, including:
 - We will give electors the opportunity to raise questions about your financial statements and consider and decide upon any objections received in relation to the financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State
- We certify completion of our audit.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

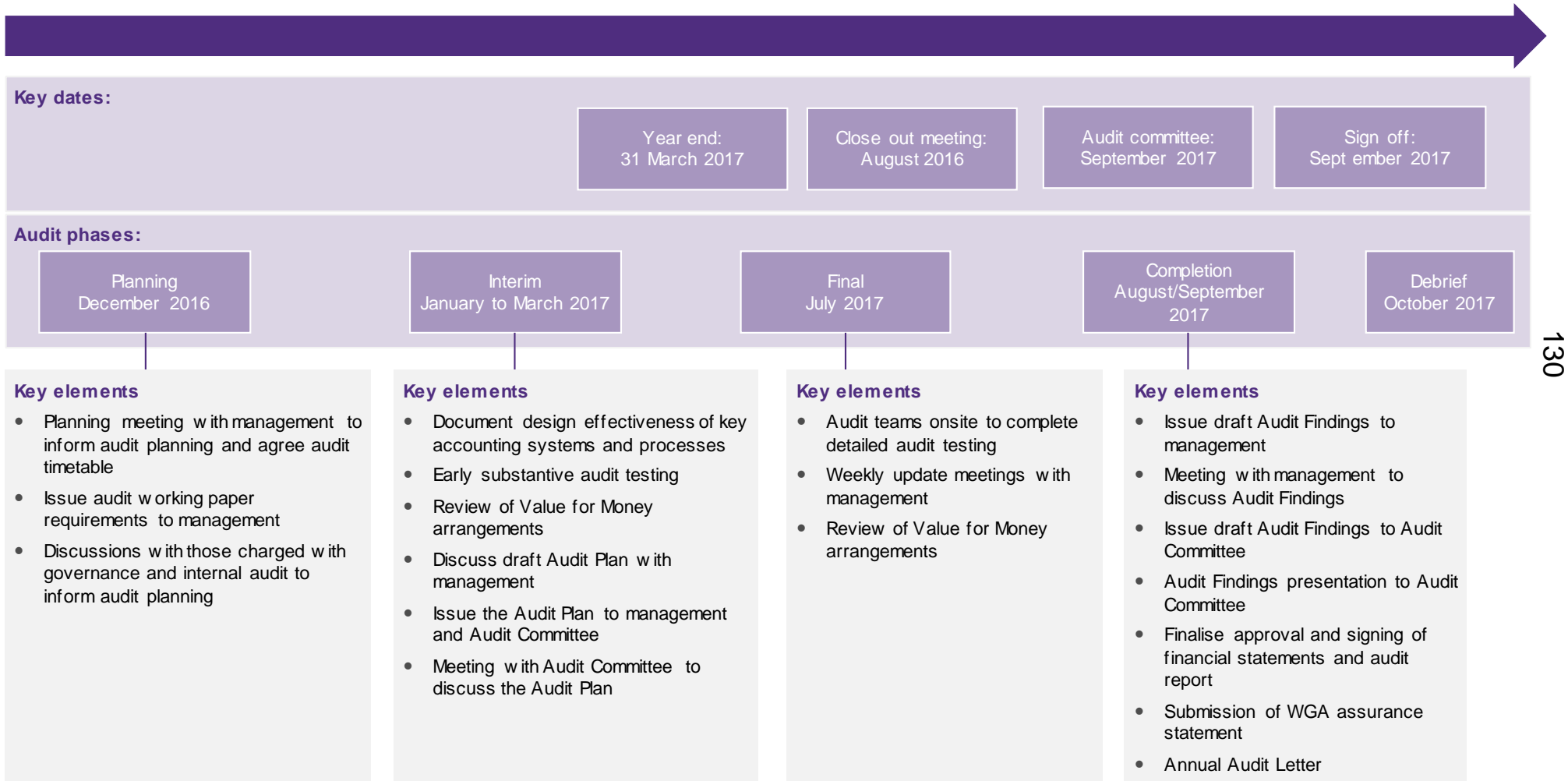
	Work performed	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>
Review of information technology controls	<p>Our information systems specialist is to perform a high level review of the general IT control environment as part of the overall review of the internal controls system.</p>	<p>We will report to you in the Audit Findings Report if the IT controls we observe have not been implemented in accordance with our documented understanding.</p>
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p>	<p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>

Results of interim audit work (continued)

	Work performed	Conclusion
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	<p>We have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements from the journal procedures.</p> <p>Journal testing will be completed during the accounts audit and we will supplement the testing with a review of the year end journal transactions.</p>
Early substantive testing	<p>We have undertaken early testing in the following areas, we have:</p> <ul style="list-style-type: none"> • selected a sample of journals from months 1-9 • selected a sample of revenue expenditures from months 1-9 • selected a sample of revenue income from months 1-9 • selected a sample of payroll transactions for months 1-9 • selected a sample of housing rents income for testing rent decrease of 1% in line with expectation; and • selected a sample of Potters Fields expenditures for testing to ensure it relates to capital expenditure. <p>To date our work has not identified any significant issues which we wish to bring to your attention.</p>	<p>Our work to date has not identified any issues that require reporting to those charged with governance.</p> <p>We will carry out further testing as part of our subsequent interim audit visits and throughout the final accounts audit.</p>

The audit cycle

The audit timeline



Audit Fees

Fees

Fees for other services

	£
Council audit	237,296
Grant Certification	23,018
Total audit fees (excluding VAT)	260,314

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services detailed on the following page, reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Regular sector updates
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency
- Annual technical updates for members of your finance team
- Regular Audit Committee Progress Reports

Independence and non-audit services

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to Southwark Council. The following audit related and non-audit services were identified for the Council for 2016/17:

Fees for other services

Service	Fees £
Audit related	
Teachers' Pensions certification (1516)	4,500
Pooling of Housing Capital Receipts certification (1516)	4,500
Non-audit related	
Financial Resilience – Capacity Building Programme	3,500
Cost Assurance	43,959

The amounts detailed are fees agreed to-date for audit related and non-audit services (to be) undertaken by Grant Thornton UK LLP (and Grant Thornton International Limited network member Firms) in the current financial year. Full details of all fees charged for audit and non-audit services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

The above services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Communication of audit matters with those charged with governance

International Standard on Auditing (UK and Ireland) (ISA) 260, as well as other ISAs (UK and Ireland) prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Public Sector Audit Appointments Limited, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

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The Audit Plan for Southwark Pension Fund

Year ended 31 March 2017

27 February 2017

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Southwark Pension Fund
Southwark Council
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27 February 2017

Dear Members of the Audit, Governance and Standards Committee

Audit Plan for Southwark Pension Fund for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance (in the case of Southwark Pension Fund, the Audit, Governance and Standards Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Fund and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to give an opinion on the Fund's financial statements.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements which give a true and fair view.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We look forward to working with you during the course of the audit.

Yours sincerely

Elizabeth Jackson

Engagement Lead

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Chartered Accountants

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Understanding your business and key developments

Developments

Investment Regulations

The new investment regulations came into force on 1 November 2016 and require administering authorities to publish new Investment Strategy Statements by 1st April 2017. The statement must be in accordance with guidance issued by the Secretary of State and include a variety of information. This will include the authority's assessment of the suitability of particular investments and types of investments, the authority's approach to risk, including the ways in which risks are to be measured and managed and the authority's approach to pooling investments, including the use of collective investment vehicles and shared services. These regulations also provide the Secretary of State with the power to intervene in the investment function of a fund if he/she is satisfied that the authority is failing to act in accordance with the regulations.

Triennial actuarial valuation of the fund

The results of the triennial review have now been reported. Members will need to consider the outcome of this review and the impact this will have on the fund in future investment decisions.

Key challenges

Pooling Governance

Arrangements for pooling of investments continue to develop, with DCLG expecting administering authorities to be transferring liquid assets from April 2018. The structure and governance of these arrangements will need to be implemented before this date. These arrangements are likely to have a significant impact on how the investments are managed, who makes decisions and how investment activities are actioned and monitored. Although much of this operational responsibility will move to the investment pool operator, it is key that administering authorities (through Pension Committees and Pension Boards) continue to operate strong governance arrangements, particularly during the transition phase where funds are likely to have a mix of investment management arrangements.

Pooling of investments

We will continue to discuss with officers their plans for asset pooling in the London CIV and the implications that this will have on both the investment policy and governance arrangements of the fund.

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)

The main change to the Code for Pension Funds is the extension of the fair value disclosures required under the Code from 2016/17.

The greatest impact is expected to be for those Funds holding directly owned property and/or shares and Level 3 investments. These are reflected in CIPFA's pension fund example accounts alongside further changes including an analysis of Investment Management expenses in line with CIPFA's Local Government Pension Scheme Management Costs guidance, a realignment of investment classifications, and an additional disclosure note covering remuneration of key management personnel which has been included in related party transactions.

Earlier closedown

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year. This will impact not only upon the production of the Fund accounts but also on earlier requests for information from employers within the Fund.

Finance team changes

There have been a staffing changes in the finance department. We understand that Council is planning to prepare its accounts by 31 May in preparation for 2017/18. We will work with you to identify areas of your accounts production where you can learn from good practice in other authorities.

Our response

- We will discuss with you your progress in implementing the requirements of the new investment regulations, highlighting any areas of good practice or concern which we have identified.
- We will discuss your progress in implementing revised governance structures, and share our experiences gained nationally.
- We aim to complete all our substantive audit work of your financial statements by 31 July 2017 and will report to the Audit, Governance and Standards Committee in September. We will sign the audit opinion by 30 September.
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the changes in the 2016/17 Code.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Fund. In line with previous years, we have calculated financial statements materiality based on a proportion of net assets for the Fund. For purposes of planning the audit we have determined overall materiality to be £12,564k (being 1% of net assets at 31 March 2016). In the previous year, we determined materiality to be £12,477k (being 1% of net assets). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £628k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have not identified any items where separate materiality levels are appropriate.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Description	Audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• The culture and ethical frameworks of local authorities, including Southwark Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for the Pension Fund.</p>
Management over-ride of controls	<p>Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>Further work planned:</p> <ul style="list-style-type: none">• Review of accounting estimates, judgments and decisions made by management• Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation• Review of unusual significant transactions

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
Investment Income	Investment activity not valid. Investment income not accurate. (Accuracy)	Work completed to date: <ul style="list-style-type: none">• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding Further work planned: <ul style="list-style-type: none">• Where we are able to apply full triangulation: We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances• If we are not able to apply full triangulation: Test a sample of investment income to ensure it is appropriate• Complete a predictive analytical review for different types of investments• For direct property investments rationalise income against a list of properties for expected rental income.
Investment purchases and sales	Investment activity not valid. Investment valuation not correct.	Work completed to date: <ul style="list-style-type: none">• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding Further work planned: <ul style="list-style-type: none">• Where we are able to apply full triangulation We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances• If we are not able to apply full triangulation: Test a sample of purchases and sales to ensure it is appropriate

Other risks identified (continued)

Reasonably possible risks	Description of risk	Audit procedures
Investment values – Level 2 investments	Valuation is incorrect. (Valuation net)	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding <p>Further work planned:</p> <ul style="list-style-type: none"> Where we are able to apply full triangulation we will review the reconciliation of information provided by the fund managers, the custodian and the pension fund's own records and seek explanations for variances If we are not able to apply full triangulation: Test a sample of level 2 investments to independent information from custodian/manager on units and on unit prices For direct property investments agree values in total to valuer's report and undertake steps to gain reliance on the valuer as an expert. For properties where a degree of judgement is required in reaching an appropriate valuation at year end, we will review Council's estimation against latest (un) audited accounts
Contributions	Recorded contributions not correct (Occurrence)	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding <p>Further work planned:</p> <ul style="list-style-type: none"> Test a sample of contributions to source data to gain assurance over their accuracy and occurrence Rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding <p>Further work planned:</p> <ul style="list-style-type: none"> Controls testing over, completeness, accuracy and occurrence of benefit payments Test a sample of individual pensions in payment by reference to member files We will rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained

Other risks identified (continued)

Reasonably possible risks	Description of risk	Audit procedures
Member Data	Member data not correct. (Rights and Obligations)	<p>Work completed to date:</p> <ul style="list-style-type: none">• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. <p>Further work planned:</p> <ul style="list-style-type: none">• We will test a sample of changes to member data made during the year to source documentation

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK and Ireland) 570). We will review the management's assessment of the going concern assumption and the disclosures in the financial statements.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous sections but will include:

- Current assets
- Actuarial Valuation and Actuarial Present Value of Promised Retirement Benefits
- Financial Instruments

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

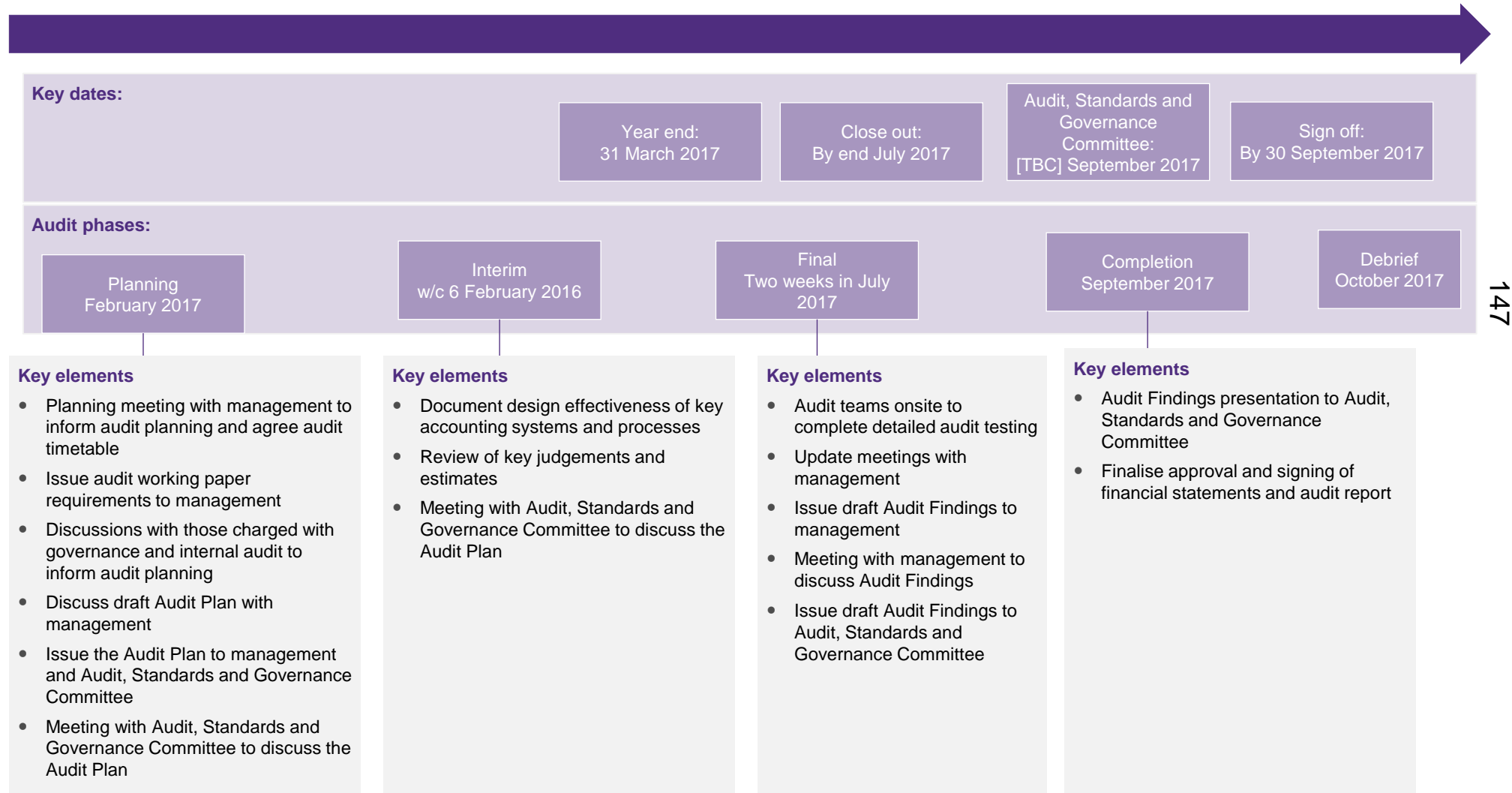
	Work performed	Conclusion
Internal audit	We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention	Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Fund and that internal audit work contributes to an effective internal control environment at the Administering Authority.
Entity level controls	We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including: <ul style="list-style-type: none">• Communication and enforcement of integrity and ethical values• Commitment to competence• Participation by those charged with governance• Management's philosophy and operating style• Organisational structure• Assignment of authority and responsibility• Human resource policies and practices	Our work has identified no material weaknesses which are likely to adversely impact on the Fund's financial statements.
Review of information technology controls	Our information systems specialist will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system. We will also perform a follow up of the issues that were raised last year.	Our work is planned for March 2017. We will report any findings from the audit in the Audit Findings Report.

Results of interim audit work (continued)

	Work performed	Conclusion
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Internal controls operating at the Council have been implemented in accordance with our documented understanding.</p>	<p>Our work to date of the Council's own controls has not identified any weaknesses which impact on our audit approach.</p> <p>Information received from Scheduled and Admitted bodies for its starters is sometimes incomplete and a default date of birth is entered on Altair. The Pensions Admin team are presently rolling out an IConnect portal to schedule and admitted bodies to improve this process. This will in time ensure that information requested by the Actuary is complete and accurate for the IAS26 reporting.</p> <p>Due to a senior accountant in the Pension's finance team leaving in October, some monthly reconciliations to the ledger have been deferred until the new officer joins the Council in February. The Council should ensure that all of the reconciliations and system processes are brought up to date as soon as possible and not left to year end which could have an impact on their 31 May deadline to produce the draft accounts.</p> <p>No other issues have been identified from our walk through testing that we would like to bring to your attention at this time.</p>
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements. The Pension Fund journals are within the Council's general ledger.</p>	<p>Due to changes in the finance team, we have deferred early testing of journals and will carry out testing in July 2017 for the whole year. Our findings will be reported to you in the Audit Findings Report.</p>

The audit cycle

The audit timeline



Audit Fees

Fees

Fees for other services

	£
Pension fund audit	21,000
Total audit fees (excluding VAT)	21,000

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Fund and its activities, have not changed significantly
- The Fund will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Fees for other services are detailed on the following page, reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Regular sector updates
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency
- Annual technical updates for members of your finance team

Independence and non-audit services

Ethical Standards and ISA (UK and Ireland) 260 require us to give you timely disclosure of matters relating to our independence

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the pension fund. The following audit related and non-audit services were identified for the Fund for 2016/17:

Fees for other services

Service	Fees £	Planned outputs
Audit related	Nil	
Non-audit related	Nil	

The amounts detailed are fees agreed to-date for audit related and non-audit services (to be) undertaken by Grant Thornton UK LLP (and Grant Thornton International Limited network member Firms) in the current financial year. Full details of all fees charged for audit and non-audit services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

Communication of audit matters with those charged with governance

International Standard on Auditing (UK and Ireland) (ISA) 260, as well as other ISAs (UK and Ireland) prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Fund.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Fund's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓



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Item No. 14.	Classification: Open	Date: 27 February 2017	Meeting Name: Audit, governance and standards committee
Report title:		Grant Thornton - Informing the audit risk assessment for Southwark Council and Southwark pension fund	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee note Grant Thornton's report on informing the audit risk assessment for Southwark Council and the Pension Fund, including the management comments, and considers whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

BACKGROUND INFORMATION

2. The purpose of this report is to contribute towards the effective two-way communication between auditors and the council's audit, governance and standards committee, as 'those charged with governance'.
3. The Grant Thornton report includes a series of questions and the response they have received from the council's management, attached as Appendix A.

Policy implications

4. This report is not considered to have direct policy implications.

Community impact statement

5. This report is not considered to have direct impact on local people and communities.

Resource implications

6. This report is not considered to have direct impact on resource implications.

Consultation

7. Consultation has not been undertaken.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

8. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None.		

APPENDICES

No.	Title
Appendix A	Grant Thornton Informing the Audit Risk Assessment

AUDIT TRAIL

Lead Officer	Jennifer Seeley, Director of Finance		
Report Author	Jennifer Seeley, Director of Finance		
Version	Final		
Dated	10 February 2017		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments sought	Comments included	
Strategic Director of Finance and Governance	No	N/A	
Director of Law and Democracy	No	N/A	
Cabinet Member	No	No	
Date final report sent to Constitutional Team		10 February 2017	



Informing the audit risk assessment for Southwark Council and Southwark Pension Fund

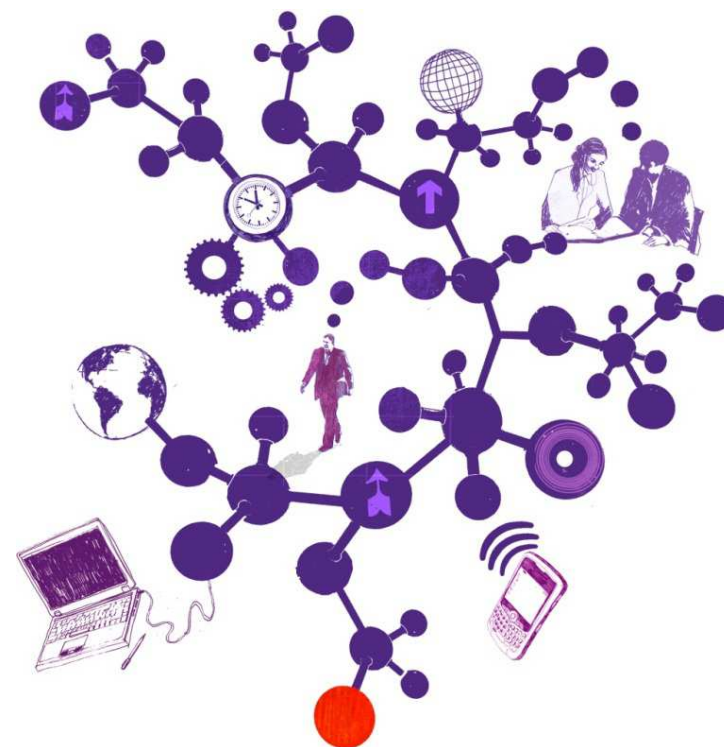
Year ended 31 March 2017

January 2017

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Fraud Risk Assessment	6 - 9
Laws and Regulations	10
Impact of Laws and Regulations	11 - 12
Going Concern	13
Going Concern Considerations	14 - 16

Purpose

The purpose of this report is to contribute towards the effective two-way communication between auditors and the Council's Audit, Governance and Standards Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit, Governance and Standards Committee under auditing standards.

Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit, Governance and Standards Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Audit, Governance and Standards Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit, Governance and Standards Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit, Governance and Standards Committee and supports the Audit, Governance and Standards Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Audit, Governance and Standards Committee's oversight of the following areas:

- fraud;
- laws and regulations; and
- going concern.

This report includes a series of questions on each of these areas and the response we have received from the Council's management. The Audit, Governance and Standards Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

Fraud

Issue
<p>Matters in relation to fraud</p> <p>ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.</p> <p>The primary responsibility to prevent and detect fraud rests with both the Audit, Governance and Standards Committee and management. Management, with the oversight of the Audit, Governance and Standards Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit, Governance and Standards Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.</p> <p>As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.</p> <p>As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:</p> <ul style="list-style-type: none">•assessment that the financial statements could be materially misstated due to fraud;•process for identifying and responding to risks of fraud, including any identified specific risks;•communication with the Audit, Governance and Standards Committee regarding its processes for identifying and responding to risks of fraud; and•communication to employees regarding business practices and ethical behaviour. <p>We need to understand how the Audit, Governance and Standards Committee oversees the above processes. We are also required to make inquiries of both management and the Audit, Governance and Standards Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Council's management.</p>

Fraud risk assessment

Question	Management response
<p>Has the Council assessed the risk of material misstatement in the financial statements due to fraud? What are the results of this process?</p>	<p>The council is required to manage its affairs to secure the economic, efficient and effective use of resources and to safeguard its assets. It has appointed the strategic director of finance and governance as the officer responsible for proper administration of its financial affairs (the S.151 officer). As part of his responsibilities, he is required to prepare the statement of accounts and in order to do this, he has taken reasonable steps to prevent and detect fraud. This risk is therefore considered as part of the overall internal audit and anti-fraud proactive planning processes (see below).</p>
<p>What processes does the Council have in place to identify and respond to risks of fraud?</p>	<p>Fraud risk assessments are undertaken by the anti-fraud service. These risks are considered as part of the internal audit and anti-fraud proactive planning processes and discussed with management.</p> <p>Management are ultimately responsible for managing the risks, but internal audit consider the control environment and provide challenge where appropriate. Significant control weaknesses, or those which remain unaddressed would be reported to the Audit, Governance and Standards (AGS) committee via the Internal Audit and Anti fraud progress reports.</p>
<p>Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?</p>	<p>As above, fraud risks are considered as part of annual internal audit and anti-fraud proactive planning . Proactive activities in both plans look at detection and prevention measures and make recommendations on controls. The plans and reports on proactive activities, and internal audit coverage, are all reported to the AGS committee. Any specific issues are also reported as part of the progress report.</p> <p>Ongoing issues include various forms of tenancy related fraud, and information gained through the national fraud initiative. The council also monitors sector reports for emerging issues, to incorporate into the proactive fraud plan and is part of the London Counter Fraud Hub pilot project to help with fraud prevention and detection.</p>

Fraud risk assessment (continued)

Question	Management response
<p>Are internal controls, including segregation of duties, in place and operating effectively?</p> <p>If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>Internal controls are operated and updated by management and reviewed by internal audit. Any concerns or breaches would be advised to management and the AGS committee through the internal audit and anti-fraud progress reports.</p> <p>These areas are considered through the key financial audits and health checks with actions being agreed to address any issues arising. In addition, these are confirmed through follow up work.</p>
<p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>The key financial systems are subject to either a full audit or health check annually and no significant issues have been identified from this process.</p> <p>The findings of these reviews are reported to the AGS committee via the internal audit progress reports. Regular council-wide revenue and capital monitoring reports to cabinet give visibility to the in-year position and forecasts and enable issues and concerns to be raised promptly and publically.</p>
<p>Are there any areas where there is a potential for misreporting override of controls or inappropriate influence over the financial reporting process?</p>	<p>The key financial systems are subject to either a full audit or health check annually and no significant issues have been identified from this process. The findings of these reviews are reported to the AGS committee via the internal audit progress reports.</p>
<p>How does the Audit, Governance and Standards Committee exercise oversight over management's processes for identifying and responding to risks of fraud?</p> <p>What arrangements are in place to report fraud issues and risks to the Audit, Governance and Standards Committee?</p> <p>How has the Council ensured that the Audit, Governance and Standards Committee are made aware of whistleblower tips or complaints?</p>	<p>The annual internal audit plan and anti-fraud proactive plan are reported to the AGS committee, highlighting potential areas of risk. The internal audit progress reports also identify any control weaknesses. The progress report also includes outcomes from fraud investigations</p> <p>The AGS committee also receive an annual report on whistle blowing outcomes, and the format of these reports has been reviewed recently to provide more information to the committee.</p>

Fraud risk assessment (continued)

Question	Management response
How does the Council communicate and encourage ethical behaviour of its staff and contractors?	<p>The council has an induction programme for new recruits, and a fraud and bribery response plan. Information and relevant documents are communicated via the intranet site and the council also offers training and awareness on anti-fraud which includes ethical behaviour. The staff code of conduct requires reporting of gifts and hospitality. Staff and any external advisors involved in procurements are also required to complete declarations of interest.</p> <p>The council's rules on gifts and hospitality are set out in the code of conduct, and relevant staff (including those involved in contracting) complete a declaration of interests.</p> <p>The Fairer Future Procurement Strategy and other council policies have encouraged ethical behaviour by contractors in areas such as the London Living Wage, anti-blacklisting and tax compliance.</p>
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	<p>A fraud and bribery response plan is in place, along with whistle blowing procedures. There is also an anonymous fraud hotline and email. No significant issues have been reported. Any significant cases would be reported to the AGS committee as and when appropriate.</p>
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	<p>No. Related party transactions are reviewed as part of the statement of accounts and no matters of concern have been raised.</p> <p>If required, the financial statements would include necessary disclosures.</p> <p>Should this give rise to concerns the fraud and bribery response plan would be invoked.</p>

Fraud risk assessment (continued)

Question	Management response
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2016?	<p>Yes. The council continues to maintain a high profile anti-fraud stance and to vigorously pursue those who attempt to defraud the council of the public funds which it administers. Once investigations have been completed, they are reported to the AGS committee. Any significant issues will also be subject to an internal audit and the findings reported to the AGS committee.</p> <p>Where appropriate the council will publicise anti-fraud prosecutions.</p>

Laws and regulations

Issue
<p>Matters in relation to laws and regulations</p> <p>ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.</p> <p>Management, with the oversight of the Audit, Governance and Standards Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.</p> <p>As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit, Governance and Standards Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.</p> <p>Risk assessment questions have been set out below together with responses from management.</p>

Impact of laws and regulations

Question	Management response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	<p>The council's governance framework, including the constitution, member and employee codes of conduct and scheme of management, aims to minimise the risk of non-compliance with laws and regulations. The programme of internal and external audit reviews identifies control weaknesses and action plans are agreed to deal with issues raised. Advice on laws and regulations is provided by the Law and Democracy division, with specialist external legal advice sought as required.</p> <p>The monitoring officer has regular meetings with all strategic directors to identify areas of risk. The council's whistle blowing policy enables staff to report suspected unlawful conduct. Cabinet reports and other reports to decision making meetings include a concurrent statement from the director of law and democracy.</p>
How does management gain assurance that all relevant laws and regulations have been complied with?	<p>Management gains assurance through reports from internal and external audit and also relevant inspection agencies. Departmental performance monitoring and reporting also provides assurance.</p> <p>Significant reports to cabinet and, in respect of procurement-related decisions, to other decision takers, include a concurrent from the director of law and democracy.</p>
How is the Audit, Governance and Standards Committee provided with assurance that all relevant laws and regulations have been complied with?	<p>As noted above, discussions have been held with strategic directors on their service provision.</p> <p>The AGS committee receives internal and external audit progress reports throughout the year. The AGS committee also receives and approves the annual governance statement, which identifies any significant governance exceptions.</p>

Impact of laws and regulations

Question	Management response
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2016, or earlier with an on-going impact on the 2016/17 financial statements?	<p>There are instances of successful legal action against the council. The most significant of these has been the Thames Water reselling case.</p> <p>Where required, appropriate management action is taken and processes improved based on lessons learned.</p>
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	<p>The council maintains a legal services exceptional risk register in accordance with Law Society Practice Management Standards and in line with Lexcel Accreditation requirements. All legal cases are reviewed every 6 weeks and, if one of more of the following applies, will be considered to be exceptional risk.</p> <ul style="list-style-type: none"> • A significant risk of substantial financial loss to the council • Substantially novel or uncertain area of law • Significant resource or skills issue for Legal Services • The case is likely to attract significant judicial criticism • The case is in the Court of Appeal • Damage to the council's reputation.
Is there any actual or potential litigation or claims that would affect the financial statements?	<p>The council is involved in a number of legal cases, either as a defendant to actions brought against the council or as a claimant when proceedings are issued to protect the council's legal interest or to recover money owing to the council. We would describe these activities as routine legal work, which in our opinion do not expose the council to any significant legal or material financial risk.</p>
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	<p>There have been no reports from other regulatory bodies which indicate non-compliance.</p>

Going concern

Issue

Matters in relation to going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

The code of practice on local authority accounting requires an authority's financial statements to be prepared on a going concern basis. Although the Council is not subject to the same future trading uncertainties as private sector entities, consideration of the key features of the going concern provides an indication of the Council's financial resilience.

As auditor, we are responsible for considering the appropriateness of use of the going concern assumption in preparing the financial statements and to consider whether there are material uncertainties about the Council's ability to continue as a going concern that need to be disclosed in the financial statements. We discuss the going concern assumption with management and review the Council's financial and operating performance.

Going concern considerations have been set out below and management has provided its response.

Going concern considerations

Question	Management response
Does the Council have procedures in place to assess the Council's ability to continue as a going concern?	Yes – the council is required to set a balanced general fund and housing revenue account budget and to approve a treasury management strategy each year. Revenue and capital monitoring reports are taken to cabinet throughout the year and regular reports on treasury management are also taken to cabinet and council assembly. Overview and scrutiny committee is able to call in decisions of cabinet and the AGS committee considers treasury management during the year. Robust risk management processes include the maintenance of a corporate risk register and responsibility for risk management at cabinet member level. Reports on risk management are taken to the AGS committee.
Is management aware of the existence of other events or conditions that may cast doubt on the Council's ability to continue as a going concern?	<p>No – management do not believe that there is doubt over the council's ability to continue to exist as a going concern. The council submitted an Efficiency Statement to government in October 2016 covering the four year settlement term to 2019-20.</p> <p>However, government funding reductions continue to put significant strain on the council's own resources and, in particular, the maintenance of reserves and balances at current levels, to reflect known commitments and financial risks.</p> <p>For the pension fund, the triennial review will require the council to revisit existing investment strategies, which must now be placed in the context of the government's move towards the pooling of funds.</p>
Has management reported on going concern to the Audit, Governance and Standards Committee? (if not, what arrangements are in place to report the going concern assessment to the Audit, Governance and Standards Committee?)	No, not specifically, but the AGS committee considers the treasury management strategy each year and receives a report on top risks each year. The AGS committee also receives and approves the statement of accounts and annual governance statement each year. The committee is able to request additions to its work programme at any time to reflect matters arising during the course of a year.

Going concern considerations (continued)

Question	Management response
Are the financial assumptions (e.g. future levels of income and expenditure) used in reporting going concern to the Audit, Governance and Standards Committee consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	Yes – as noted above, the council is required to set a balanced budget and this will have taken into account relevant financial assumptions and financial information provided throughout the year. This is also reflected in the council's Efficiency Statement
Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	Yes – reports to cabinet throughout the year set out implications of statutory or policy changes and these are also addressed in reports to cabinet on the policy and resources strategy for future years. Where necessary, reports to cabinet contain a section on resource implications and a concurrent from the strategic director of finance and governance.
Have there been any significant issues raised with the Audit, Governance and Standards Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	There have been three internal audit reviews (out of 47) in the period 1 February 2016 to 17 January 2017 which concluded that the council could not take assurance as to the controls in place. Management has agreed action plans to address issues raised and follow up work carried out by internal audit has provided assurance that there are no ongoing issues which could cast doubts on the assumptions made.
Does a review of available financial information identify any adverse financial indicators including negative cash flow? If so, what action is being taken to improve financial performance?	No, not in relation to the council's accounts. In relation to the pension fund, the cash position is kept under review, with funds being replenished as required from fund managers.

Going concern considerations (continued)

Question	Management response
Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?	Yes – and further restructuring continues to be undertaken within departments to ensure that the council remains able to deliver the council's objectives effectively and deal with new challenges. All staff have a work programme which sets objectives and targets, in line with the council's council plan, and as part of this, learning and development needs are identified to ensure that staff remain appropriately trained.



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Item No. 15.	Classification: Open	Date: 27 February 2017	Meeting Name: Audit, governance and standards committee
Report title:		Grant Thornton certification letter – year ended 31 March 2016	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee note Grant Thornton's certification letter attached at Appendix A.

BACKGROUND INFORMATION

2. Grant Thornton are required to certify certain claims and returns submitted by Southwark Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the council's entitlement to funding.
3. Grant Thornton have certified one claim for the financial year 2015-16 relating to expenditure of £221 million.
4. Grant Thornton confirm there were no significant issues arising from their certification work which they wish to highlight. They are satisfied that the council has appropriate arrangements to compile complete, accurate and timely claims/returns for audit certification.

Policy implications

5. This report is not considered to have direct policy implications.

Community impact statement

6. This report is not considered to have direct impact on local people and communities.

Resource implications

7. This report is not considered to have direct impact on resource implications.

Consultation

8. Consultation has not been undertaken.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

9. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None.		

APPENDICES

No.	Title
Appendix A	Grant Thornton Certification Letter – year ended 31 March 2016

AUDIT TRAIL

Lead Officer	Jennifer Seeley, Director of Finance	
Report Author	Jennifer Seeley, Director of Finance	
Version	Final	
Dated	10 February 2017	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Strategic Director of Finance and Governance	No	No
Director of Law and Democracy	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team		

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15 December 2016

Dear Duncan

Certification work for Southwark Council for year ended 31 March 2016

We are required to certify certain claims and returns submitted by Southwark Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2016.

We have certified one claim for the financial year 2015/16 relating to expenditure of £221 million. Further details of the claims certified are set out in Appendix A.

There were no significant issues arising from our certification work which we wish to highlight for your attention. We are satisfied that the Council has appropriate arrangements to compile complete, accurate and timely claims/returns for audit certification.

The scale fee set by PSAA for the Council for 2015/16 is £17,717.

Yours sincerely

Paul Dossett

Paul Dossett
For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2015/16

Claim or return	Value	Amended ?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	£221,477,323	No	N/A	Yes	See below

Housing benefits subsidy claim (BEN01)

Audit testing was undertaken in line with the guidance. This requires us to carry out sample testing of 20 cases across the three types of benefit paid by the Council. The detailed testing covers all transactions for each case in the sample to confirm that benefit has been awarded in accordance with regulations and correctly recorded for subsidy purposes.

As part of our planning process, we identified a risk that 5 errors found in 2014/15 could also occur in the 2015/16 claim. Officers undertook additional testing of 40 cases for each error type. Further errors were identified in 15 of the 200 cases and this was reported in a qualification letter to the grant paying body, Department for Work and Pensions (DWP).

Our initial testing of 60 cases identified 1 error. The error was as a result of individual error in the interpretation of information supplied by the claimant and of the regulations for the benefit award. No errors identified were as a result of system failure.

The DWP requires additional testing for every error identified within the initial population testing. The extended sample should only cover the specific error identified and not all transactions. Testing of the initial sample of 60 cases identified one error in headline cell 011 non-HRA, where the Authority had incorrectly included the child tax credit in the benefit entitlement calculation. As a result the benefit had been underpaid by £179. There were 9 cases that were in receipt of child tax credit within the non-HRA sample of 20 cases.

As a result, an additional random sample of 40 cases was selected for testing from the sub-population of cases where the claimants were in receipt of child tax credit within the non-HRA total expenditure. Testing of the additional 40 cases did not identify any issues where the Authority had incorrectly included the child tax credit in the benefit entitlement calculation. As there is no eligibility to subsidy for benefit that has not been paid, the underpayment identified in the initial testing does not affect subsidy and has not been classified as an error for subsidy purposes.

Item No. 16.	Classification: Open	Date: 27 February 2017	Meeting Name: Audit, governance and standards committee
Report title:		Grant Thornton progress report and update year ended 31 March 2017	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee note Grant Thornton's audit update report attached at Appendix A.

BACKGROUND INFORMATION

2. The purpose of this report is to provide an update on the progress of the audit of the council's accounts and pension fund.

Policy implications

3. This report is not considered to have direct policy implications.

Community impact statement

4. This report is not considered to have direct impact on local people and communities.

Resource implications

5. This report is not considered to have direct impact on resource implications.

Consultation

6. Consultation has not been undertaken.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

7. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix A	Grant Thornton Audit Update Report

AUDIT TRAIL

Lead Officer	Jennifer Seeley, Director of Finance		
Report Author	Jennifer Seeley, Director of Finance		
Version	Final		
Dated	10 February 2017		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments sought	Comments included
Strategic Director of Finance and Governance		No	No
Director of Law and Democracy		No	No
Cabinet Member		No	No
Date final report sent to Constitutional Team			10 February 2017

Audit Governance and Standards Committee Southwark Council Progress Report and Update Year ended 31 March 2017

February 2017

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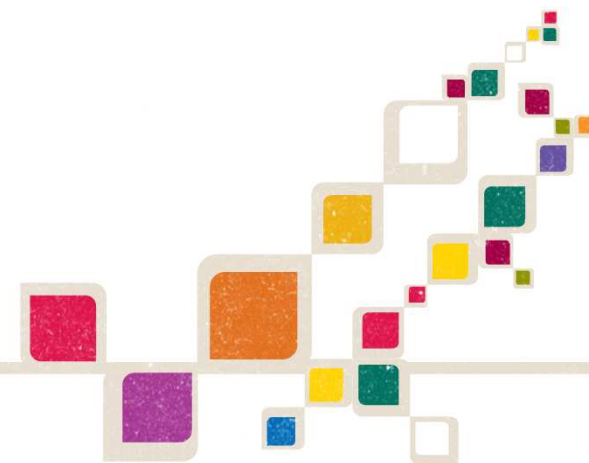
Audit In- Charge

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



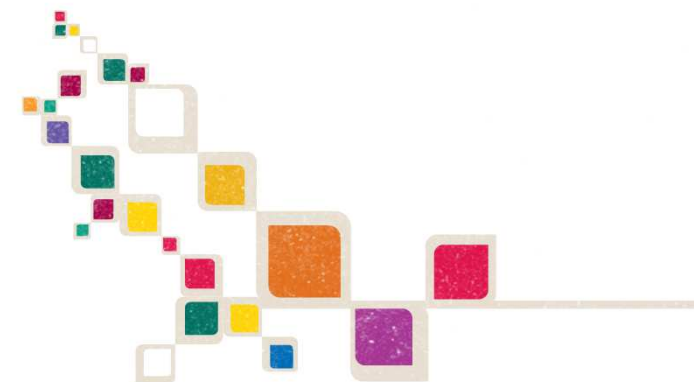
Introduction

This paper provides the Audit, Governance & Standards Committee with a report on progress in delivering our responsibilities as your external auditors.

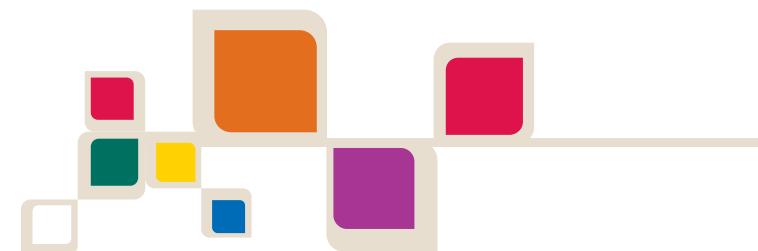
Members of the Audit, Governance & Standards Committee can find further useful material on our website www.grantthornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- CFO Insights – reviewing council's 2015/16 spend (December 2016); <http://www.grantthornton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/>
- Fraud risk, 'adequate procedures', and local authorities (December 2016); <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- New laws to prevent fraud may affect the public sector (November 2016); <http://www.grantthornton.co.uk/en/insights/new-laws-to-prevent-fraud-may-affect-the-public-sector/>
- Brexit: local government – transitioning successfully (December 2016) <http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

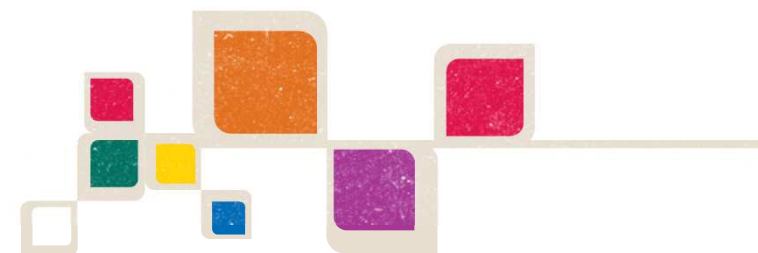


Progress at January 2017



2016/17 work	Planned Date	Complete?	Comments
Fee Letter We were required to issue a 'Planned fee letter for 2016/17' by the end of April 2016.	April 2017	No	PSAA Ltd have confirmed that that the Council's scale fee of £237,296 is the same fee as 2015/16. We will be issuing the audit fee letter in March 2016 confirming this.
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2016-17 financial statements.	April 2017	Yes	Attached alongside this update paper is our audit plan. This will explain the scope of our audit, the risks we have identified and our planned response to those risks.
Interim accounts audit Our interim fieldwork visit plan includes: <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Value for Money conclusion risk assessment. 	Dec to March 2017	In progress	We have undertaken initial interim accounts work in December and early January, with additional early testing work being undertaken currently and in March. We have agreed the dates of our visits with Officers.
Final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2016/17 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion • review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 	July / August 2017	No	<p>We are continuing to work with the council to ensure that we improve upon the accounts audit completion for 2016/17 to ensure that the audit can be delivered by 31 July in 2018. We are working with officers to support these improvements, in particular ensuring that the standard and delivery of working papers is further improved.</p> <p>We undertake our audit work from July to August, and have agreed the dates of our visit with Officers.</p>

Progress at January 2017



2016/17 work	Planned Date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work is unchanged to 2015/16 and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "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".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	January to March	No	<p>We issued an unqualified VfM Conclusion in 2015/16.</p> <p>Our 2016/17 initial VfM work has been undertaken and is outlined in more detail within our audit plan.</p> <p>We will complete a majority of our work VfM Conclusion work by 31 March.</p>
<p>Other areas of work</p> <p>Meetings with Members, Officers and others.</p>	Ongoing	N/A	<p>We continue to have regular meetings with the Chief Executive and Director of Finance and Performance.</p>

Technical Matters



Delivering Good Governance

In April, CIPFA and SOLACE published 'Delivering Good Governance in Local Government: Framework (2016)' and this applies to annual governance statements prepared for the 2016/17 financial year. The key focus of the framework is on sustainability – economic, social and environmental – and the need to focus on the longer term and the impact actions may have on future generations.

Local authorities should be:

- reviewing existing governance arrangements against the principles set out in the Framework
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring on-going effectiveness
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The framework applies to all parts of local government and its partnerships and should be applied using the spirit and ethos of the Framework rather than just rules and procedures

Telling the story – Changes in 2016/17 CIPFA Code

CIPFA has been working on the 'Telling the Story' project, which aims to streamline the financial statements and improve accessibility to the user. This has resulted in changes to CIPFA's 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

The main changes affect the presentation of the Comprehensive Income and Expenditure Statement ('CIES'), the Movement in Reserves Statement ('MIRS') and segmental reporting disclosures. A new Expenditure and Funding Analysis has been introduced.

The key changes are:

- the cost of services in the CIES is to be reported on basis of the local authority's organisational structure rather than the Service Reporting Code of Practice (SERCOP) headings
- an 'Expenditure & Funding Analysis' note to the financial statements provides a reconciliation between the way local authorities are funded and the accounting measures of financial performance in the CIES
- the changes will remove some of the complexities of the current segmental note
- other changes to streamline the current MIRS providing options to report Total Comprehensive Income and Expenditure (previously shown as Surplus and Deficit on the Provision of Services and Other Comprehensive Income and Expenditure lines) and removal of earmarked reserves columns.

Other amendments have been made to the Code:

- changes to reporting by pension funds in relation to the format and fair value disclosure requirements to reflect changes to the Pensions SORP
- other amendments and clarifications to reflect changes in the accounting standards.

Sector issues and developments



National Audit Office reports

Below is a selection of reports issued during 2016 which may be of interest to Audit, Governance & Standards Committee members. Please see the website for all reports issued by the NAO.



Overview: Local government

This Overview looks at the local government landscape during the last financial year and summarises both matters of likely interest to Parliament as well as our work with local authorities. The NAO prepares statutory guidance on how local auditors should meet their responsibilities.

Sector(s): [Local services](#)

Performance Improvement area(s): [Departmental Overviews](#), [Local service delivery](#)

Published:
9 Nov 2016

<https://www.nao.org.uk/report/overview-local-government/>



The Troubled Families programme: update

This report is a factual update to support the Committee of Public Accounts' evidence session on the government's Troubled Families programme on 19 October 2016. It is based primarily on published sources, information supplied by the Department for Communities and Local Government and previous reports published by the National Audit Office.

Sector(s): [Community and society](#), [Local services](#)

Published:
18 Oct 2016

<https://www.nao.org.uk/report/the-troubled-families-programme-update/>

Local Government Association

Below is a selection of reports issued recently which may be of interest to Audit, Governance & Standards committee members. These are available on the website:

<http://www.local.gov.uk/publications>



Provisional LG Finance Settlement for 2017/18

12 January 2017

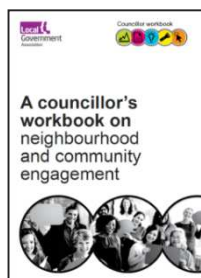
The LGA has published its responses to the DCLG consultation on proposals for the local government finance settlement for 2017 to 2018 and for the approach to future local government finance settlements.

<http://www.local.gov.uk/documents/10180/8150261/Local+Government+Finance+Settlement+1718+LGA+response.pdf/dd8d32e1-ec9f-4314-8121-7aee2195f89f>

A councillor's workbook on neighbourhood and community engagement

11 January 2017

Neighbourhood and community engagement has a rightful place as one of the key processes involved in planning and decision making. As such, it should not be viewed as an additional task, but as a core part of the business.

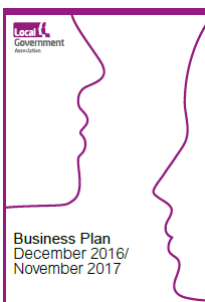


Building our homes, communities and future: The LGA housing commission final report

22 December 2016

The Local Government Association (LGA) Housing Commission was established to help councils deliver their ambition for places. It has been supported by a panel of advisers and has engaged with over 100 partners; hearing from councils, developers, charities, health partners, and many others. All partners agree that there is no silver bullet, and all emphasise the pivotal role of councils in helping provide strong leadership, collaborative working, and longer-term certainty for places and the people that live there.





Business Plan December 2016/November 2017

30 December 2016

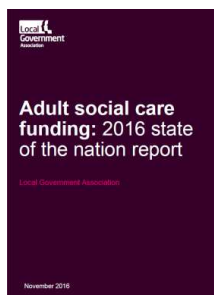
Britain's exit from the EU means that we are reshaping the way our country is run. Our vision is one of a rejuvenated local democracy, where power from Westminster and from the EU is significantly devolved to local level and citizens feel they have a meaningful vote and real reason to participate in civic life and their communities.



Stronger together: shared management in local government

29 November 2016

Around 45 councils across England share a chief executive and senior management team in about 20 different partnerships. Most also share at least some services. These councils have already delivered savings of at least £60 million through greater efficiencies and the other benefits of collaboration, with more savings planned.



Adult social care funding: 2016 state of the nation report

2 November 2016

Adult social care is an absolutely vital public service that supports some of our most vulnerable people and promotes the wellbeing and independence of many more.

Grant Thornton



Apprentice Levy-Are you prepared?

Grant Thornton update

What is the levy?

The UK has been struggling on productivity, now estimated to be 20% behind the G7 average. Developing apprenticeships is set to play a key part in tackling this and bridging the skills gap.

Announced by government in July 2015, the levy is to encourage employers to offer apprenticeships in meeting their skill, workforce and training needs, developing talent internally. The levy is designed to give more control to employers, through direct access to training funds and creation of apprenticeships through the Trailblazer process.

What is the levy?

From April 2017, the way the government funds apprenticeships in England is changing. Some employers will be required to pay a new apprenticeship levy, and there will be changes to the funding for apprenticeship training for all employers.

All employers will receive an allowance of £15,000 to offset against payment of the levy. This effectively means that the levy will only be payable on paybill in excess of £3 million per year.

The levy will be payable through Pay As You Earn (PAYE) and will be payable alongside income tax and National Insurance.

Each employer will receive one allowance to offset against their levy payment. There will be a connected persons rule, similar the Employment Allowance connected persons rule, so employers who operate multiple payrolls will only be able to claim one allowance.

Employers in England are also able to get 'more out than they put in', through an additional government top-up of 10% to their levy contribution.

When employers want to spend above their total levy amount, government will fund 90% of the cost for training and assessment within the funding bands.

The existing funding model will continue until the levy comes into effect May 2017. The levy will apply to employers across all sectors. Paybill will be calculated based on total employee earnings subject to Class1 National Insurance Contributions. It will not include other payments such as benefits in kind. It will apply to total employee earnings in respect of all employees.

What will the levy mean in practice

Employer of 250 employees, each with a gross salary of £20,000:

Paybill: $250 \times £20,000 = £5,000,000$

Levy sum: $0.5\% \times = £25,000$

Allowance: $£25,000 - £15,000 = £10,000$ annual levy

How can I spend my levy funds?

The funding can only be used to fund training and assessment under approved apprenticeship schemes. It cannot be used on other costs associated with apprentices, including wages and remuneration, or training spend for the wider-team.

Through the Digital Apprenticeship Service (DAS), set up by government, employers will have access to their funding in the form of digital vouchers to spend on training.

Training can be designed to suit the needs of your organisation and the requirements of the individual in that role, in addition to specified training for that apprenticeship. Training providers must all be registered with the Skills Funding Agency (SFA).

What do I need to start thinking about now?

- How much is the levy going to cost and have we budgeted for it?
- How do we ensure compliance with the new system?
- Which parts of my current spend on training are applicable to apprenticeships?
- Are there opportunities to mitigate additional cost presented by the levy?
- How is training in my organisation structured?
- How do we develop and align to our workforce development strategy

Off-payroll working and salary sacrifice in the public sector

Off-payroll working

The Chancellor's Autumn Statement 2016 speech delivered a number of changes that will impact the UK business environment and raise considerations for you as an employer.

In particular, the Chancellor announced that the measures that were proposed in Budget 2016 that could affect services supplied through personal service companies (PSCs) to the public sector will be implemented.

At present, the so-called IR35 rules require the worker to decide whether PAYE and NIC are due on the payments made by a PSC following an engagement with a public sector body. The onus will be moved to the payer from April 2017. This might be the public sector body itself, but is more likely to be an intermediary, or, if there is a supply chain, to the party closest to the PSC.

The public sector body (or the party closest to the PSC) will need to account for the tax and NIC and include details in their RTI submission.

The existing IR35 rules will continue outside of public sector engagements.

HMRC Digital Tool – will aid with determining whether or not the intermediary rules apply to ensure of “consistency, certainty and simplicity”.

When the proposals were originally made, the public sector was defined as “those bodies that are subject to the Freedom of Information rules”. It is not known at present whether this will be the final definition. Establishing what bodies are caught is likely to be difficult however the public sector is defined.

A further change will be that the 5% tax free allowance that is given to PSCs will be removed for those providing services to the public sector.

This will increase costs, move responsibility to the engager and increase risks for the engager

Salary sacrifice

The Chancellor's Autumn Statement 2016 speech also introduced changes to salary sacrifice arrangements. In particular, the proposals from earlier this year to limit the tax and NIC advantages from salary sacrifice arrangements in conjunction with benefits will be implemented from April 2017.

Although we await the details, it appears that there is a partial concession to calls made by Grant Thornton UK and others to exempt the provision of cars from the new rules (to protect the car industry). Therefore, the changes will apply to all benefits other than pensions (including advice), childcare, Cycle to Work schemes and ultra-low emission cars.

Arrangements in place before April 2017 for cars, accommodation and school fees will be protected until April 2021, with others being protected until April 2018.

These changes will be implemented from April 2017.

As you can see, there is a limited opportunity to continue with salary sacrifice arrangements and a need also to consider the choice between keeping such arrangements in place – which may still be beneficial – or withdrawing from them.

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Issues to consider

- Interim and temporary staff engaged through an intermediary or PSC
- Where using agencies ensure they're UK based and operating PAYE
- Update on-boarding / procurement systems, processes and controls
- Additional take on checks and staff training / communications
- Review of existing PSC contractor population before April 2017
- Consider moving long term engagements onto payroll
- Review the benefits you offer - particularly if you have a flex renewal coming up
- Consider your overall Reward and Benefit strategy
- Consider your Employee communications

Brexit

Planning can help organisations reduce the impact of Brexit

The High Court ruling that Parliament should have a say before the UK invokes Article 50 of the Lisbon Treaty – which triggers up to two years of formal EU withdrawal talks – will not, in our view, impact on the final outcome. There appears to be a general political consensus that Brexit does mean Brexit, but we feel there could be slippage beyond the original timetable which expected to see the UK leave the EU by March 2019.

2017 elections in The Netherlands (March), France (April/May), and Germany (October/November) will complicate the Brexit negotiation process and timeline at a time when Brexit is more important for the UK than it is for the remaining 27 Member States.

The question still remains, what does Brexit look like?

While there may be acceptance among politicians that the UK is leaving the EU, there is far from any agreement on what our future relationship with the continent should be.

So, what do we expect based on what has happened so far?

Existing EU legislation will remain in force

We expect that the Government will introduce a “Repeal Act” (repealing the European Communities Act of 1972 that brought us into the EU) in early 2017.

As well as undoing our EU membership, this will transpose existing EU regulations and legislation into UK law. We welcome this recognition of the fact that so much of UK law is based on EU rules and that trying to unpick these would not only take many years but also create additional uncertainty.

Taking back control is a priority

It appears that the top priority for government is 'taking back control', specifically of the UK's borders. Ministers have set out proposals ranging from reducing our dependence on foreign doctors or cutting overseas student numbers. The theme is clear: net migration must fall.

Leaving the Single Market appears likely

The tone and substance of Government speeches on Brexit, coupled with the wish for tighter controls on immigration and regulation, suggest a future where the UK enjoys a much more detached relationship with the EU.

The UK wants a 'bespoke deal'. Given the rhetoric coming from Europe, our view is that this would signal an end to the UK's membership of the Single Market. With seemingly no appetite to amend the four key freedoms required for membership, the UK appears headed for a so-called 'Hard Brexit'. It is possible that the UK will seek a transitional arrangement, to give time to negotiate the details of our future trading relationship.

This is of course, all subject to change, and, politics, especially at the moment, moves quickly.

Where does this leave the public sector?

The Chancellor has acknowledged the effect this may have on investment and signalled his intention to support the economy, delaying plans to get the public finances into surplus by 2019/20.

We expect that there will be some additional government investment in 2017, with housing and infrastructure being the most likely candidates.

Clarity is a long way off. However, public sector organisations should be planning now for making a success of a hard Brexit, with a focus on:

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For regular updates on Brexit, please see our website:

<http://www.grantthornton.co.uk/en/insights/brexit-planning-the-future-shaping-the-debate>

Staffing – organisations should begin preparing for possible restrictions on their ability to recruit migrant workers and also recognise that the UK may be a less attractive place for them to live and work. Non-UK employees might benefit from a degree of reassurance as our expectation is that those already here will be allowed to stay. Employees on short term or rolling contracts might find it more difficult to stay over time.

Financial viability – public sector bodies should plan how they will overcome any potential shortfalls in funding (e.g. grants, research funding or reduced student numbers).

Market volatility – for example pension fund and charitable funds investments and future treasury management considerations.

International collaboration – perhaps a joint venture or PPP scheme with an overseas organisation or linked research projects.



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Item No. 17.	Classification: Open	Date: 27 February 2017	Meeting Name: Audit, governance and standards committee
Report title:		Review of contract standing orders	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee note the proposed revised contract standing orders (attached at Appendix 1) and consider whether it would wish to make any observations to the constitutional steering panel.

BACKGROUND INFORMATION

2. The council's contract standing orders (CSOs) are reviewed each year to reflect any statutory or procedural changes but with the approval of the council's Fairer Future procurement strategy in June 2016, the impact of the Public Contract Regulations 2015, and the introduction of an e-Procurement system, a more substantive review is now timely.
3. Article 1 of the constitution provides that all changes, other than minor ones, must be agreed by council assembly, after consideration by the constitutional steering panel. The draft revised CSOs have been considered by the cabinet member for finance, management and performance but as the remit of this committee includes the monitoring and development of corporate governance in the council and, given its interest in contract-related decisions, it is appropriate to present them to the committee also, prior to consideration by the constitutional steering panel.
4. The purpose of this report is to set out proposed changes to the CSOs so that this committee can consider whether there are any aspects on which it would wish to comment.

KEY ISSUES FOR CONSIDERATION

5. The following paragraphs set out the key changes which are being proposed. In addition to these changes, it should be noted that the structure of the CSOs has been revised in order to try and make them flow more logically from a user's perspective so that they more closely mirror the steps in a procurement process. Appendix 1 sets out the proposed revised CSOs, Appendix 2 the current CSOs and Appendix 3 shows the changes made.

E-Procurement system

6. In approving the council's Fairer Future procurement strategy in June 2016, cabinet noted that there would be consequential amendments to the constitution including the CSOs and these were made in late 2016. The strategy refers to the

benefits of the use of an e-procurement system and the proposed revised CSOs make it clear that the use of this system is the preferred route when tendering. It should be noted that from mid October 2018, all procurements will have to be carried out in this way and, in due course, CSOs will be amended to reflect this.

Thresholds

7. Thresholds in respect of approval decisions relating to pre-procurement strategic assessments (GW0 reports), procurement strategies (GW1 reports) and contract awards (GW2 reports) have not been amended.
8. However, changes have been proposed in respect of thresholds relating to approval decisions in respect of contract variation decisions (GW3 reports). Decisions for these have been amended to align thresholds with those for GW1 and GW2 approval decisions.
9. A change is also proposed in respect of the threshold at which the preparation of a gateway report is mandatory such that this applies to all decisions of £100,000 or more (currently £75,000), with use of it being recommended for contracts below this value.
10. Requirements in respect of obtaining quotes or tenders for contracts with an estimated value below the relevant EU threshold have been reviewed and it is proposed that thresholds be raised as follows: five tenders should be sought for contracts over £100,000 (currently £75,000), three quotes should be sought for contracts valued at £25,000 to £100,000 (currently £5,000 to £75,000) and best value, usually three quotes, should be sought for contracts below £25,000 (currently £5,000).
11. Changes are also proposed to the thresholds at which contracts must be executed under seal so that this would apply to all contracts of £200,000 or more. Current requirements are considered to be unnecessarily complex, with all works contracts over the EU threshold for supplies and services and strategic procurement contracts being subject to this.
12. The threshold at which supplemental advice is required to be obtained by report authors is proposed to be reduced in respect of work contracts to £2 million (currently the EU threshold for works).

Contract variations

13. Contract variations are currently defined in CSOs as decisions to 'extend the length or cost or amend the scope of a contract where the original agreed contract makes explicit provision for this'. In a situation where there are no or no further extension options available but the most appropriate option is to continue to use a current provider, it is currently necessary to seek the approval of a procurement strategy and then of a contract award, even though the decision to extend or vary will be effected by means of a variation to the existing contract. It is proposed to amend the definition of a variation to 'a modification to an existing contract such as additional services, exercising options, changes in price or a change in contractor'. This will help to ensure that there are appropriate but not overly cumbersome governance arrangements in place.

Corporate contracts and contracts used by more than one department

14. Decisions on contracts which are used by more than one department, including corporate contracts, are currently taken by the strategic director of finance and governance but changes in recent years in responsibilities for services and council functions mean that a number of these contracts are now more clearly the responsibility of another chief officer – e.g. those relating to IT and facilities management.
15. It is proposed that the separate category of ‘corporate’ contracts be removed and that decisions on such contracts and other multi-departmental contracts should be taken by the chief officer responsible for the contract, after consideration by all relevant departmental contract review boards.

Spot contracts

16. Although referred to in the current CSOs, ‘spot’ contracts is not a recognised term and as such contracts now fall under the EU’s Light Touch regime, it is proposed to amend CSOs to reflect this. In cases of emergency, the CSOs set out what action is required to deal with these appropriately.

Frameworks and purchasing consortia

17. The sections covering the use of frameworks and purchasing consortia have been restructured with a view to making them easier to follow and comply with.

Tender return and opening procedures

18. In addition to the proposed changes referred to in paragraph 6 above, a change is also proposed in dealing with exceptional cases where a request is made to do something different from what is required in respect of tender return and opening procedures. Current CSOs provide that such exceptions must only be authorised by the relevant chief officer following consultation with the strategic director of finance and governance, and the corporate and departmental contract review boards as appropriate. Recognising the potential legal implications of such exceptions, it is now proposed that chief officers should consult with the monitoring officer and seek legal advice as necessary.

Mergers and acquisitions

19. Although CSOs make provision for contract termination, they do not currently cover a situation where a current contractor may be the subject of a merger or acquisition by another company or organisation. This situation has arisen on a number of occasions and a new section has therefore been drafted for inclusion which would require the lead contract officer to inform the monitoring officer and the strategic director of finance and governance in order to enable appropriate advice to be given.

Contract management and monitoring

20. Requirements relating to contract management and monitoring have been tightened recently and a further amendment is now proposed which makes explicit the need to monitor KPIs and budgets as part of performance and financial monitoring.

Consequential changes

21. As a result of some of the changes proposed in this report, further consequential changes will be required to update other parts of the constitution, e.g. Article 11, to ensure that it remains consistent.

Policy implications

22. This report is not considered to have direct policy implications. The proposed changes are intended to ensure that governance arrangements in respect of contract-related decisions and contract management and monitoring will be more proportionate to risk.

Community impact statement

23. The proposed changes to CSOs are not considered to have a significant impact on any particular community or group.

Resource implications

24. There are no direct resource implications in this report.

Consultation

25. There has been no formal consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

26. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None.		

APPENDICES

No.	Title
Appendices 1 & 1a - e	Proposed revised draft Contract Standing Orders and flow charts
Appendix 2	Current Contract Standing Orders – extract from the constitution: Part 4
Appendix 3	Proposed revised draft Contract Standing Orders with tracked changes

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance		
Report Author	Jo Anson, Head of Financial and Information Governance		
Version	Final		
Dated	13 February 2017		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments sought	Comments included
Director of Law and Democracy		Yes	Yes
Strategic Director of Finance and Governance		N/A	N/A
Cabinet Member		Yes	N/A
Date final report sent to Constitutional Team			13 February 2017

CONTRACT STANDING ORDERS

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8. Advertisement and publication of procurement notices

9. Contract management and monitoring**10. Contract termination / Mergers and acquisitions**

10.1 Contractor termination

10.2 Mergers and acquisitions

11. Contractor insolvency**Glossary****Flowcharts**

Introduction

The council seeks to achieve value for money and best value when obtaining supplies of goods, services and works.

The Contract Standing Orders (CSOs) set out minimum requirements to be followed. CSOs are governed by section 135 of the Local Government Act 1972 and are the council's rules for contracts. They must always be followed unless the law (European or UK) requires something different.

Further information can be found in the Procurement Guidelines. Officers must always seek advice from the procurement advice team and legal services for all contracts where European law applies or which are Strategic Procurements and for other contracts if they have any queries.

CSOs do not override other parts of the council's constitution. For example, if a decision about a contract is also a "key decision", then the requirements set out in the constitution in relation to CSOs and to key decisions will have to be met.

There is a Glossary at the end of these CSOs which provides explanations of important words or phrases (e.g. Estimated Contract Value).

1. When do Contract Standing Orders apply?

1.1 CSOs apply:

- to any procurement or tendering process or contract entered into by the council for the provision of goods, services and works and to the operation of any concession
- where the council is involved in joint working funded partly or entirely by external funding to the extent that the money passes through the council's accounts
- to all schools maintained by the London Borough of Southwark but subject to the current Southwark Scheme for Financing Schools and the Schools' Contract Standing Orders.

unless an exemption to CSOs is approved (see 6.8 below).

1.2 CSOs do not apply:

- to contracts of employment
- to land transactions
- to grants given by the council.

2. General principles

2.1 Compliance with relevant statutory and corporate requirements

2.1.1 There must be compliance with the requirements of:

- a) propriety, including obtaining all necessary approvals
- b) value for money and best value, through the consideration of all procurement options

- c) all parts of the council's constitution such as these CSOs, the Financial Standing Orders and the protocol on Key Decisions
- d) EU and domestic legislation
- e) the council's procurement strategy, Procurement Guidance and other council policies and procedures
- f) the employee code of conduct (for officers)
- g) the council plan
- h) the council's policy commitment to the London Living Wage

2.2 Consequences of non-compliance

2.2.1 It is a disciplinary offence to:

- fail to comply with CSOs
- fail to comply with council policies and procedures when letting contracts.

2.2.2 Employees have a duty to report breaches of CSOs to an appropriate senior manager, who will advise the monitoring officer and the strategic director of finance and governance.

2.2.3 The monitoring officer will report to the audit, governance and standards committee any serious breach of CSOs.

2.3 General principle of contract decision making

2.3.1 The aim of the procurement process is to ensure that each contract is awarded to the most economically advantageous tenderer, who may or may not have submitted the lowest sum offered, and that any decision on a Variation is made on a similar basis so as to ensure that value for money, quality considerations and the need to implement the council's plan and strategies are taken into account. Contracts may only be awarded or a Variation decision made if the expenditure has been included in approved revenue or capital estimates or has been otherwise approved by, or on behalf of, the council.

2.3.2 When estimating the value of a contract, reference should be made to the Estimated Contract Value paragraph set out in the Glossary. For contracts with an Estimated Contract Value of £100,000 or more, the LCO must consult with the relevant cabinet member before a procurement strategy is implemented.

2.4 Contracts in writing

2.4.1 Every contract awarded must be in writing and, wherever practicable, on terms agreed by the council and consistent with any council terms of trading and contain full details of the contract documents and contract terms. All Strategic Procurement contracts and those works contracts whose contract value is £200,000 or more must be executed on behalf of the council under seal as a deed.

2.4.2 All other contracts over £25,000 must be signed by at least two authorised officers of the lead contract officer's department.

- 2.4.3 All contracts must wherever practicable be signed or sealed before contract commencement and in accordance with the procedures set out in the Procurement Guidance.

2.4 Record keeping

- 2.5.1 Chief officers must ensure that the following records are kept:

- a detailed contract file for each contract, including the Estimated Contract Value and, for all contracts with an Estimated Contract Value of £100,000 or more, all tender opening records where e-procurement is not used
- all decisions made, reasons for them and actions taken in relation to procurement processes and contracts
- all documents and reports relating to procurement processes and contracts.

- 2.5.2 Chief officers must ensure that all contracts with an Estimated Contract Value of £5,000 or more are recorded on the council's contract register via the e-procurement system.

2.5 Lead contract officer

- 2.6.1 A lead contract officer (LCO) must be identified for each contract. Where no LCO is named, the LCO will be deemed to be the budget holder of the section from which the contract is funded.

2.6 Authority to act in line with scheme of management

- 2.7.1 Each officer will act only within the limits of their delegated authority, as set out in their department's scheme of management. The hierarchy of decision makers for procurement decisions is as follows:

- cabinet/cabinet committee (highest)
- individual decision maker (IDM)
- strategic director of finance and governance
- chief officer, or as delegated through departmental schemes of management.

2.7 Declarations of interest

- 2.8.1 The following will declare any interests which may affect the procurement process:

- a) all staff, whether directly employed by the council or otherwise, who play a role in any aspect of the tendering process
- b) all staff listed on a scheme of management or delegation in relation to a contract or procurement issue
- c) external consultants, community representatives and representatives of bodies other than the council who play a role or whose work gives them influence over or information about any aspect of the contract process
- d) joint negotiating committee (JNC) officers
- e) any other officers who regularly give advice to members including report authors.

- 2.8.2 Chief officers will ensure that staff, consultants, community representatives and representatives of bodies other than the council appointed or agreed by them make declarations on appointment, or on any change in circumstances (and annually in the case of staff); and will either certify them as acceptable or take any necessary action in respect of potential conflicts of interest.
- 2.8.3 Chief officers will keep completed staff declarations and also maintain a departmental register of declarations indicating the names and grades of all those declaring, and the nature of their declaration. LCOs will keep any consultants' or other bodies' representatives' declarations on the contract file.

2.8 Changes to CSOs

- 2.9.1 As set out in article 1, the monitoring officer may make minor changes to the CSOs, after consultation with the chief finance officer.
- 2.9.2 Minor changes are defined as:
- typographical/presentational/explanatory changes
 - changes in statutory framework, i.e. references to new or updated legislation
 - changes in titles, names or terminology
 - changes consequential to other constitutional changes already made.

3. Overview of procurement process

- 3.1 Having identified a need to purchase goods, services or works which are not covered by an existing contract and having confirmed that they are subject to CSOs (see section 1 above), the main stages of all non-emergency procurements are – in summary:
- a) to identify who is the lead contract officer (LCO) – see 2.6 above
 - b) to follow appropriate quote/tender route. This will depend on the Estimated Contract Value and other factors – see 4 below
 - c) to obtain approval of a pre-procurement strategic assessment for services contracts with an Estimated Contract Value of £10 million or more – see 6.3 below
 - d) to obtain approval of procurement strategy (Gateway 1 report). This will depend on the Estimated Contract Value and other factors and may require consideration of the report by the Departmental and Corporate Contract Review Boards (DCRB and CCRB) – see 6.4 below
 - e) to obtain approval to award contract (Gateway 2 report). This will depend on Estimated Contract Value and other factors and may require consideration of the report by the DCRBs and CCRB – see 6.5 below
 - f) to ensure that a written contract has been signed (and sealed if necessary) on behalf of the chief officer of the LCO's department in line with constitutional requirements.

For an emergency procurement, see 6.9 below.

- 3.2 Where there is a need to vary an existing contract, the process to be followed is set out in 6.6 below.

- 3.3 Where it is proposed to bring a service which was previously externalised back in-house, it is necessary to follow 3.1.1 a) and d) above.

4. Requirements to obtain quotes or tenders

4.1 Contracts less than £25,000

- 4.1.1 For all contracts where the Estimated Contract Value is less than £25,000, there is a requirement to ensure value for money and best value and to keep a record of what action has been taken and when. This may often be best achieved by obtaining competitive quotes. In addition, if the contract is for works or for works-related services, the provider must be obtained from the council's Works Approved List, unless permission is obtained to do otherwise through a Gateway 1 report; such a report must include supplementary procurement advice from the strategic director of finance and governance or his delegated officers, without which the approval cannot be granted.

4.2 Contracts from £25,000 or more to below £100,000

- 4.2.1 For all contracts where the Estimated Contract Value is from £25,000 or more to below £100,000, there is a requirement to take all reasonable steps to obtain at least three written quotes, including one from a local supplier where this is possible, unless the LCO decides that this will not secure value for money. In such cases, a Gateway 1 report must be completed to explain what alternative action is being taken and why. In addition, if the contract is for works or works-related services, those invited to submit quotes must be selected from the council's Works Approved List unless permission is obtained to do otherwise through a Gateway 1 report; such a report must include supplementary procurement advice from the strategic director of finance and governance or his delegated officers, without which the approval cannot be granted.

4.3 Contracts of £100,000 or more to below EU threshold

- 4.3.1 For all contracts where the Estimated Contract Value is £100,000 or more to below the relevant EU threshold, there is a requirement to take all reasonable steps to obtain at least five tenders. In addition, if the contract is for works or work-related services, those invited to submit tenders must be selected from the council's Works Approved List unless permission is obtained to do otherwise through a Gateway 1 report; such a report must include supplementary procurement advice from the strategic director of finance and governance or his delegated officers, without which the approval cannot be granted.

4.4 All contracts above EU threshold values

- 4.4.1 For all contracts above the EU threshold applicable to them, there is a requirement to comply with the Public Contract Regulations 2015 following a publicly advertised competitive tendering process, as set out in these CSOs and in line with the Procurement Guidance.
- 4.4.2 Health, social care or educational services fall within the EU's Light Touch Regime (see definition in Glossary). The relevant chief officer must have regard to the threshold for these services under the Public Contract Regulations 2015.

5. Use of Framework agreements and Purchasing consortia

5.1 Using Framework agreements

- 5.1.1 Where there is a contract in place for the council by way of a Framework agreement for a service, supply or work, it must be used to make the relevant purchase. If the LCO believes that the Framework agreement does not meet their requirements, they must obtain an exemption (see CSO 6.8) through a Gateway report if the value is £25,000 or more.
- 5.1.2 Establishing a council-led Framework agreement or use of a third party's Framework Agreement is subject to the full requirements of these CSOs, including a Gateway 1 and Gateway 2 report.
- 5.1.3 For all Framework agreements, if recommending use of a direct award on a multi-supplier framework, the LCO must treat this as a single supplier negotiation in the Gateway 1 report.
- 5.1.4 Any planned use of a Framework agreement once in place will need a Gateway 2 report, which will be approved in line with CSO 6.5, and which should set out how orders are to be placed. In the absence of this, the LCO will need to prepare Gateway 1 and 2 reports.

5.2 Third party Framework agreements

- 5.2.1 Some Framework agreements require buying authorities to formally join the framework in order to use it. Some may require an access charge to be paid. Wherever necessary, these should be made clear in the Gateway 1 and 2 reports.

5.3 Contracts secured through Purchasing consortia

- 5.3.1 Approval to create or join a Purchasing consortium must be obtained in a Gateway 1 report which must identify the procedure for award of individual contracts or orders placed via the consortium. Once approval has been obtained, contracts or orders placed through the Consortium Agreement will not be subject to the quotation or tendering requirements in these CSOs, but a Gateway 2 report must be obtained in accordance with CSO 6.5 before any individual contract or order is placed.

6. Approvals processes

6.1 Gateway and other reports

- 6.1.1 The procurement process requires written reports at the following stages:
 - a) approval of pre-procurement strategic assessment – Gateway 0 report
 - b) approval of procurement strategy – Gateway 1 report
 - c) approval of award of the contract – Gateway 2 report

- d) approval of Variation or Extension to contract – Gateway 3 report
- e) monitoring reports throughout the life of the contract.

More information can be found in CSOs 6.3 to 6.8, 9 and the Glossary.

6.2 Supplemental advice from other officers in Gateway and other reports

- 6.2.1 Where the Estimated Contract Value or, in relation to a Variation, the Contract Value is over the relevant EU threshold for supplies and services or over £2 million for works contracts or where required elsewhere in the CSOs, any Gateway report or other report containing a contract matter (such as a Variation report) must include legal advice from the monitoring officer, financial and procurement advice and, for housing-related reports, statutory leaseholder consultation advice from the strategic director of finance and governance or delegated officer(s).
- 6.2.2 There is a requirement to include all relevant information and this may require advice from other officers e.g. the director of modernise for all IT projects or director of education for all school-related projects.

6.3 Decision on pre-procurement strategic assessment – Gateway 0

- 6.3.1 A pre-procurement assessment decision is required for:
 - All services contracts with an Estimated Contract Value of £10 million or more in value (excluding capital investment works)
 - Other strategically important contracts for services, goods or works where requested by the relevant cabinet member
- 6.3.2 The decision on a pre-procurement assessment is to be taken by the relevant cabinet member, after consideration by the CCRB of a Gateway 0 report.

6.4 Decision on procurement strategy – Gateway 1

- 6.4.1 For contracts with an Estimated Contract Value of £100,000 or more, the LCO must consult with the relevant cabinet member before a procurement strategy is implemented.
- 6.4.2 A decision on the procurement strategy to be used on any contract with an Estimated Contract Value of £100,000 or more must only be made after consideration of a Gateway 1 report. It is recommended that such a report is also used for contracts with an estimated value below £100,000. As a minimum, the LCO must keep a written record of decisions, the date that the decision is taken and action taken.
- 6.4.3 The decision on the approval of the procurement strategy is to be taken as set out below:
 - a) if the contract is a Strategic Procurement, the decision must be taken by the cabinet or cabinet committee, after consideration by the CCRB of the report
 - b) if the Estimated Contract Value is £2 million or more but below £4 million for services and supplies or £10 million or more but below £15 million for works but the contract does not fall into a) above, the decision must be

taken by the relevant individual decision maker, after consideration by the CCRB of the report

- c) if the contract will affect the budget of more than one directorate but does not fall into a) or b) above, the decision must be taken by the chief officer responsible for the contract after consideration by all relevant DCRBs of the report
- d) if the Estimated Contract Value is above the relevant EU threshold but the contract does not fall into a), b) or c) above and the LCO is requesting approval to proceed with a single tenderer or to negotiate with a single provider (and this is permitted by EU legislation), the decision must be taken by the strategic director of finance and governance, after consideration by the CCRB of the report
- e) if the Estimated Contract Value is above the relevant EU threshold but the contract does not fall into a), b), c) or d) above, the decision must be taken by the chief officer or under his/her delegated authority, after consideration by his/her DCRB of the report
- f) a different requirement must be met as specified elsewhere in the constitution or these CSOs:
 - i) for the decision to be made by someone else (e.g. pensions, treasury management and insurance where decisions are to be made by the strategic director of finance and governance), or
 - ii) about the decision (e.g. in emergencies where no prior written report is needed – see CSO 6.9).
- g) if the decision does not fall into any of the categories above, it must be taken by the relevant chief officer or under their delegated authority in line with the department's scheme of management.

6.4.4 Gateway 1 reports should consider social value and set out how this will be included in any tender process. They must also include any details of procurement proposals that are different from the normal routes, including requests for exemptions to all or some of these CSOs and requests to delegate powers to award the contract.

6.5 Decision on contract award – Gateway 2

6.5.1 A decision to award any contract with an Estimated Contract Value of £100,000 or more must only be made after consideration of a Gateway 2 report. It is recommended that such a report is also used for contracts with an estimated value below £100,000. As a minimum, the LCO must keep a written record of decisions, the date that the decision is taken and action taken.

6.5.2 The decision on the award of a contract is to be taken as set out below:

- a) if the contract is a Strategic Procurement, the decision must be taken by the cabinet or cabinet committee, after consideration by the CCRB of the report
- b) if the Estimated Contract Value is £2 million or more but below £4 million for supplies and services or £10 million or more but below £15 million for works but the contract does not fall into a) above, the decision must be taken by the relevant individual decision maker, after consideration by the CCRB of the report
- c) if the contract will affect the budget of more than one directorate but does not fall into a) or b) above, the decision must be taken by the chief officer responsible for the contract after consideration by all relevant DCRBs of the report

- d) If:
 - i) the Estimated Contract Value is £500,000 or above (for services and supplies contracts) or above the relevant EU threshold (for works contracts), and
 - ii) the contract is to be awarded to a contractor whose bid was more than 15% above the Lowest Bid,
 but does not fall into a), b) or c) above, the decision must be taken by the relevant chief officer after consultation with the strategic director of finance and governance
- e) if the proposed contract includes pension arrangements terms which are different from those set out in the council's Admitted Bodies policy but the contract does not fall into a), b) c) or d) above, the decision must be taken by the strategic director of finance and governance, after consideration of the report by the CCRB and taking advice from the Pensions Advisory Panel
- f) if the Estimated Contract Value is above the relevant EU threshold but the contract does not fall into a), b), c), d) or e) above, the decision must be taken by the relevant chief officer or under his/her delegated authority, after consideration by the relevant DCRB of the report
- g) a different requirement must be met as specified elsewhere in the constitution or these CSOs:
 - i) for the decision to be made by someone else (e.g. pensions, treasury management and insurance where decisions are to be made by the strategic director of finance and governance)
 - ii) about the decision (e.g. in emergencies where no prior written report is needed – see CSO 6.9)
- h) approval has been obtained in line with CSO 6.4.4 above to a different decision process.
- i) if the decision does not fall into any of the categories above, it must be taken by the relevant chief officer or under their delegated authority in line with the department's scheme of management.

6.5.3 Requests to delegate the decision on the award of a contract should be included within the Gateway 1 report.

6.5.4 Report authors should include, as part of the proposed recommendations contained within the Gateway 2 report, details of any possible options to extend the contract.

6.6 Decision to allow Variations during contract term – Gateway 3

6.6.1 For contract Variations with an Estimated Contract Value of £100,000 or more, the LCO must consult with the relevant cabinet member before this is implemented.

6.6.2 A decision to allow a contract Variation of £100,000 or more must only be made after consideration of a Gateway 3 report. It is recommended that such a report is also used for contract Variations with an estimated value of £100,000 or below. As a minimum, the LCO must keep a written record of decisions and action taken.

6.6.3 Any decision to allow a Variation of a contract or Framework agreement is to be taken as set out below:

- a) if the value of the proposed Variation is a Strategic Procurement, the decision must be taken by the cabinet or cabinet committee, after consideration by the CCRB of the report
- b) if the value of the proposed Variation is £2 million or more but below ££4 million for supplies and services or £10 million or more but below £15 million for works but the contract does not fall into a) above, the decision must be taken by the relevant individual decision maker, after consideration by the CCRB of the report
- c) if the value of the proposed variation is £1 million or more, the decision must be taken by the strategic director of finance and governance, after consideration by the CCRB of the report
- d) a different requirement must be met as specified elsewhere in the constitution or these CSOs:
 - i. for the decision to be made by someone else (e.g. pensions, treasury management and insurance where decisions are to be made by the strategic director of finance and governance)
 - ii. about the decision (e.g. in emergencies where no prior written report is needed – see CSO 6.9)
- e) if the decision does not fall into any of the categories above, the decision must be taken by the relevant chief officer or under their delegated authority in line with the department's scheme of management.

6.6.4 Where an additional amount is to be paid in respect of an outstanding sum for works, services or supplies already provided or where an Urgent Payment is required, written confirmation from the monitoring officer that the sums are legally payable must be obtained and the decision to make the payment must be reported in writing to the strategic director of finance and governance within five clear working days.

6.6.5 Where a decision on a Variation is made in relation to a contract for works, there will also be a deemed variation of the contract of any consultant engaged in relation to that works contract. This only applies where the consultant is engaged on a fixed percentage of the works contract value. The deemed variation of the consultant's contract will be by the same percentage as that applied to the works contract.

6.7 Retrospective approvals

6.7.1 In the event of a contract having been entered into other than in compliance with these CSOs, it may be necessary to seek approvals retrospectively. In such cases, the procedures relating to Gateway 1, Gateway 2 and Gateway 3 reports should be followed as soon as possible. In addition, a report should be submitted to the relevant departmental contract review board for information and, where a decision relates to a procurement strategy, a contract award or a contract Variation with an estimated value of over £100,000, also to the audit, governance and standards committee, setting out the circumstances and manner in which the decision was taken, for the purpose of obtaining guidance to inform future decision making.

6.8 Exemptions

6.8.1 In the event that there appear to be exceptional circumstances which mean that the usual procedures set out in the CSOs cannot be followed, written approval must be obtained in advance through a Gateway report. The report should set out the exceptional circumstances and explain why usual

procedures cannot be followed. Proposed alternative courses of action must still comply with remaining relevant statutory and corporate requirements as set out in 2.1 above.

6.8.2 Examples of circumstances which might amount to an exceptional reason for not following the usual procedures include but are not limited to:

- a) the nature of the market has been investigated and is such that a departure from the CSO requirements is justified
- b) the circumstances of the proposed contract are covered by legislative exemptions (whether under EU or domestic law).

6.9 Emergencies

6.9.1 An emergency is a situation where action is needed to prevent a risk of injury or loss of life, or to the security or structural/operating viability of a property or other tangible or intangible asset. In the case of an emergency, action necessary can be approved by a chief officer without a prior written Gateway report. Such action shall be limited to dealing with the emergency and it shall be subsequently recorded in a written report to the CCRB, within six months of the action taken.

7. Tender return and opening procedure

7.1 Officers must use any e-procurement processes as required by the procurement advice team in order to ensure compliance with relevant legislative requirements. All tender processes must comply with the following requirements.

7.2 Tenderers must be told that their tenders may only be considered if they are received in time within the protocols of the council's e-procurement system or, where permitted by the invitation to tender instructions, if they follow the following requirements:

- a) the tender must be returned in a plain envelope or parcel which is marked clearly "Tender" followed by the subject of the contract, and
- b) the envelope or parcel must not show the identity of the tenderer in any way, and
- c) the envelope or parcel must be delivered to the place and by the time stated in the tender invitation with Tenders where the Estimated Contract Value is £500,000 or more being returned to the monitoring officer.

7.3 All tenders will be electronically released or opened at the same time and place, after the closing date and time for receipt stated in the tender documents.

7.4 A tender received by the council via the e-procurement system or otherwise (subject to CSO 7.6) after the time and date specified in the invitation shall not be accepted or considered.

7.5 Tenders where the Estimated Contract Value is £500,000 or more shall be electronically released or opened by the monitoring officer's authorised representative. Where the Estimated Contract Value is less than £500,000, tenders not required to be returned using the e-procurement system may be returned to the chief officer or their authorised representative who will arrange

for tender opening in the presence of at least two officers, one of whom will be the witness and will not have been directly involved in that particular contract. Tenders required to be returned using the e-procurement system will be released from the sealed tender box by the relevant chief officer or their authorised representative.

- 7.6 Exceptions to the requirements set out in 7.1 to 7.5 above will only be made in exceptional circumstances and must be authorised by the relevant chief officer in writing following consultation with the monitoring officer and legal advice as necessary.

8. Advertisement and publication of procurement notices

- 8.1 Chief officers are responsible for ensuring that the council's obligations in relation to the publication of notices relating to procurement and contracts are met. Contract opportunities for quotations or tenders with an Estimated Contract Value of £25,000 or above that are advertised in any way must be advertised on the Contracts Finder website. All awards of contracts that have an Estimated Contract Value of £25,000 or above, including call-off contracts from Framework agreements must also be published on the Contracts Finder website.
- 8.2 Notices to be published in the Official Journal of the European Union (OJEU) must only be placed by the monitoring officer or delegated representative. These include contract notices, contract award notices, voluntary ex-ante transparency (VEAT) notices and modification of contract during term notices.

9. Contract management and monitoring

- 9.1 The LCO must ensure that systems are in place to manage and monitor contracts in respect of at least:
- a) compliance with specification and contract
 - b) contractor performance and KPIs
 - c) budget and cost
 - d) user satisfaction
 - e) risk management
 - f) delivery of social value commitments, including London Living Wage.
- 9.2 Where the Estimated Contract Value exceeds the relevant EU threshold, the LCO should prepare a six-monthly monitoring report to the relevant DCRB.
- 9.3 Where the contract relates to a Strategic Procurement or was awarded by an individual decision maker, the LCO should prepare an annual monitoring report to the CCRB, within six months of the contract anniversary.

10. Contract termination / Mergers and acquisitions

10.1 Contract termination

- 10.1.1 A contract may only be terminated early or suspended by a chief officer by the council only after obtaining approval from the monitoring officer and strategic director of finance and governance; all such decisions will be advised in

writing by the chief officer to the relevant member of the cabinet and cabinet member for finance, modernisation and performance.

10.2 Mergers and acquisitions

- 10.2.1 Where it appears that a current contractor may be the subject of a merger or acquisition by another company or organisation, the LCO must inform the monitoring officer and strategic director of finance and governance as early as possible, in order to enable appropriate advice to be given.

11. Contractor insolvency

- 11.1 Where it appears that a contractor is at risk of becoming insolvent, or the council is notified that insolvency proceedings have been brought, the chief officer must inform the monitoring officer and strategic director of finance and governance as early as possible, in order to enable appropriate advice to be given.

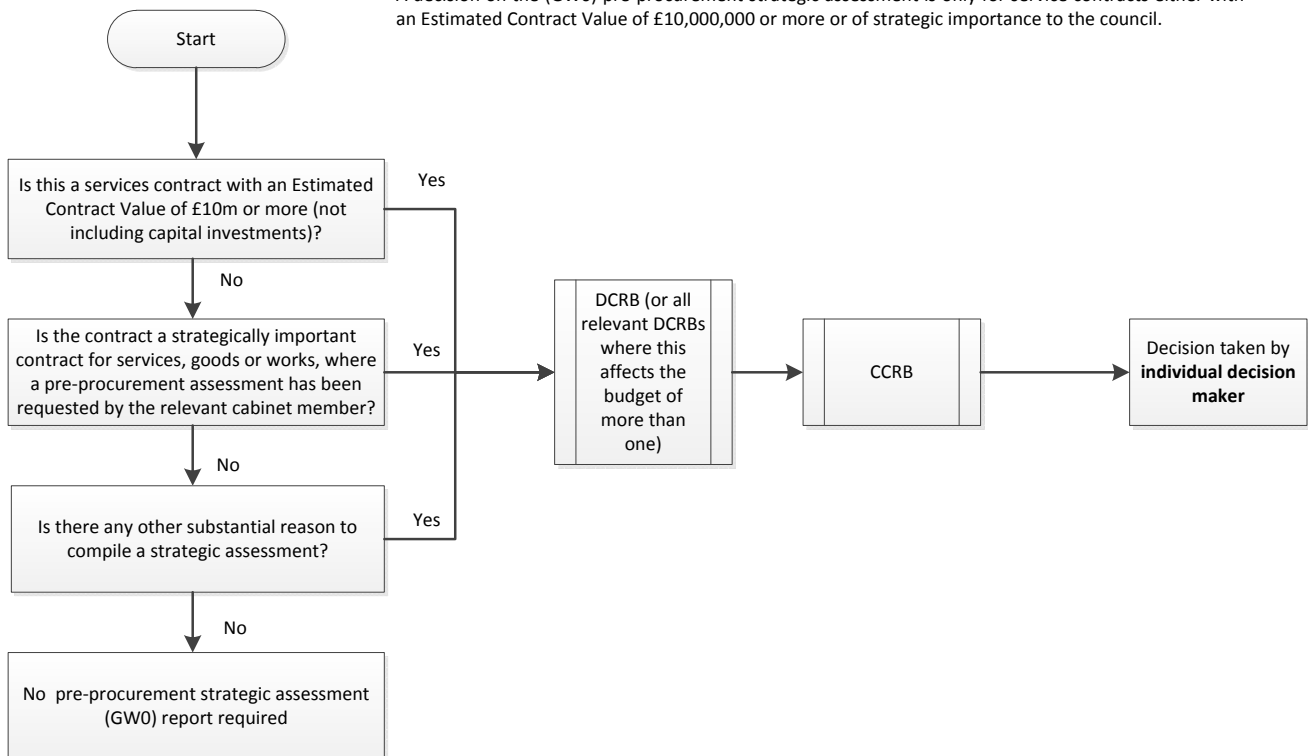
Glossary

CCRB	Corporate Contract Review Board – panel of officers operating under terms of reference of CCRB. Its role includes considering reports from LCOs for the cabinet, individual decision makers and the strategic director of finance and governance on contract decisions and contract monitoring reports.
Consortium agreement	A consortium agreement is a single formal legal document, agreed and signed by all the parties to a project, and which imposes a set of standard conditions on those signatories. These conditions include, amongst other things, agreements as to ownership and exploitation of intellectual property rights, and a set of warranties and disclaimers allocating risk between the parties. A consortium agreement is needed when joining a purchasing consortium.
Contract Value	The total value of a contract as awarded (which may be different from the Estimated Contract Value), net of VAT, or if there is no fixed figure, the LCO's best estimate of the likely amount to be spent over the period of the contract, taking into account the prices accepted.
Council's contract register	A register of contracts, compiled through the council's e-procurement system.
DCRB	Departmental Contract Review Board – panel of officers operating under terms of reference of DCRB. Its role includes reviewing reports for consideration by the CCRB and the chief officer on contract decisions and contract monitoring reports.
Estimated Contract Value	The total value of a proposed contract including options to extend it (as estimated by the LCO on the basis of all relevant factors) net of VAT calculated for the proposed contract period, or, if for an undetermined period, in accordance with the valuation rules contained in European Regulations, whether or not the Regulations apply to the particular contract. This may be different from the lifetime cost of the contract, which may need to be considered for other purposes (see Procurement Guidelines). Note that a contract may not be artificially packaged into two or more separate contracts, nor a valuation method selected, with the intention of avoiding the application of these CSOs. Chief officers are responsible for considering aggregation within their department to ensure delivery of best value within CSO requirements. The Estimated Contract Value should be based on the best available estimates, or on actual costs if known.
EU Regulations	The Public Contracts Regulations 2006 and 2015 or any amendment to or successor to those Regulations.
EU threshold	The current contract value at which the requirements of the EU Regulations apply for the services, supplies or works being procured.

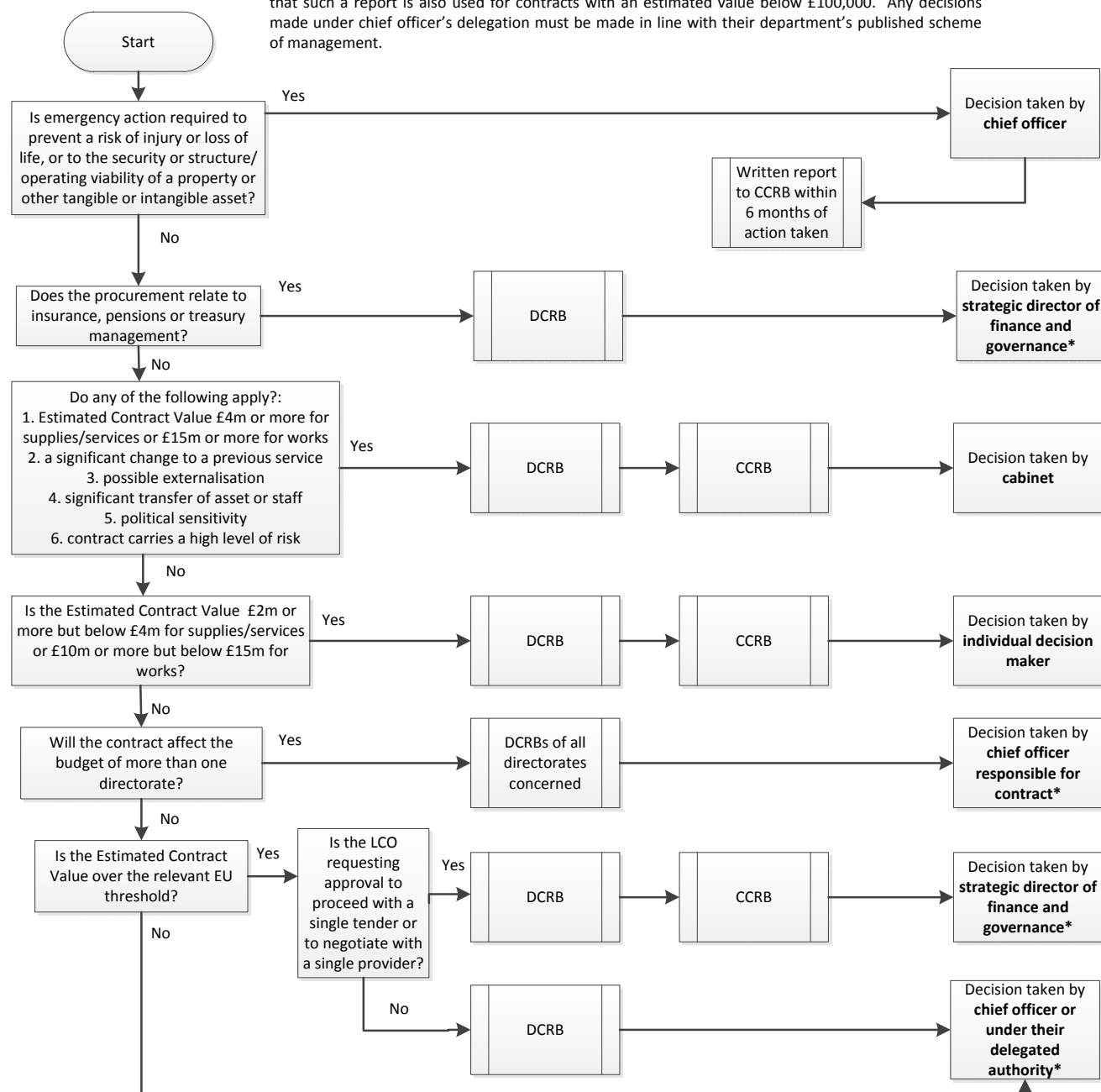
Framework agreements	<p>Framework agreements are often used when a number of providers are secured to provide supplies, services or works. Setting up framework arrangements is subject to EU regulations and they generally can exist for no more than four years.</p> <p>Providers on a Framework agreement will have been through a procurement process to appear on the framework list. During this process the providers must demonstrate that they can deliver the scope of requirements covered by the framework. There should be clear rules supporting the use of the framework as these will need to be followed to ensure the framework remains EU compliant. Some frameworks require a further competition process to be undertaken involving all providers appearing in the list. The council may set up its own framework agreements for a particular service or decide to use a framework set up by a third party, e.g. Crown Commercial Service (CCS).</p>
Gateway report	<p>A written report in substantially the same terms as those contained in the relevant template which can be found on the Source at http://thesource/SectionLandingPage.asp?id=22344&cat=1234.</p>
Key Decision	<p>Definitions of Key Decisions are contained in the Protocol on Key Decisions in appendix 1 of the Access to information procedure rules section of the constitution. Examples of Key Decisions for procurement purposes are:</p> <ul style="list-style-type: none"> • those which are subject to a general financial threshold (£500,000 or more – note that in relation to awarding contracts, this is a per annum value not a contract term value) • those which have a significant impact on communities • Strategic Assessment (Gateway 0) approvals • Gateway 1 approvals in respect of a Strategic Procurement.
Lead contract officer (LCO)	<p>The LCO for each contract is the officer who has a duty to ensure that the obligations set out in these CSOs are complied with.</p>
Light Touch Regime	<p>Services that fall within the EU definition of Light Touch Regime Services for Social and other Specific Services noted in schedule 3 of the Public Contract Regulations 2015. These generally include Health, Social Care or Education Services. Any queries on this should be directed to the procurement advice or legal contract teams.</p>
Lowest Bid	<p>The lowest price offered by tender or quotation which meets the specification and other requirements of the contract and has not been rejected as abnormally low.</p>
Procurement Guidance	<p>Guidance, advice or templates published on the intranet pages in relation to the procurement process.</p>

Purchasing consortium	A purchasing consortium is a group of organisations that have come together with the primary objective to buy collectively, thereby increasing their buying power and minimising procurement activity. To join a purchasing consortium it is necessary to sign a consortium agreement. An example of a purchasing consortium is the London Contracts Supply Group (LCSG).
Strategic Procurement	Procurement where one or more of the following apply: <ol style="list-style-type: none"> 1) Estimated Contract Value of £4 million or more for non-works and of £15 million or more for works 2) a significant change to previous service 3) possible externalisation or change in manner of delivery 4) significant transfer of assets or staff 5) political sensitivity 6) contract carrying a high level of risk.
Tender value	The value of a contract at the time of the award of the contract or, if there is no fixed value, the LCO's best estimate of the likely spend on the contract during the contract period.
Urgent Payment	A payment where delay would lead to significant demonstrable financial loss to the council (and where no breach of EU or domestic requirements would be occasioned).
Variation	A modification to an existing contract such as additional services, exercising options, changes in price or a change in contractor.
Works Approved List	A list of providers of works and works-related consultancy services which have all been appraised to meet minimum criteria in respect of their financial standing, level of insurance held, health and safety policies and procedures, and equal opportunities policies and procedures, maintained by the procurement advice team. For further information about the use of Approved Lists, seek advice from the procurement advice team.

A decision on the (GW0) pre-procurement strategic assessment is only for service contracts either with an Estimated Contract Value of £10,000,000 or more or of strategic importance to the council.

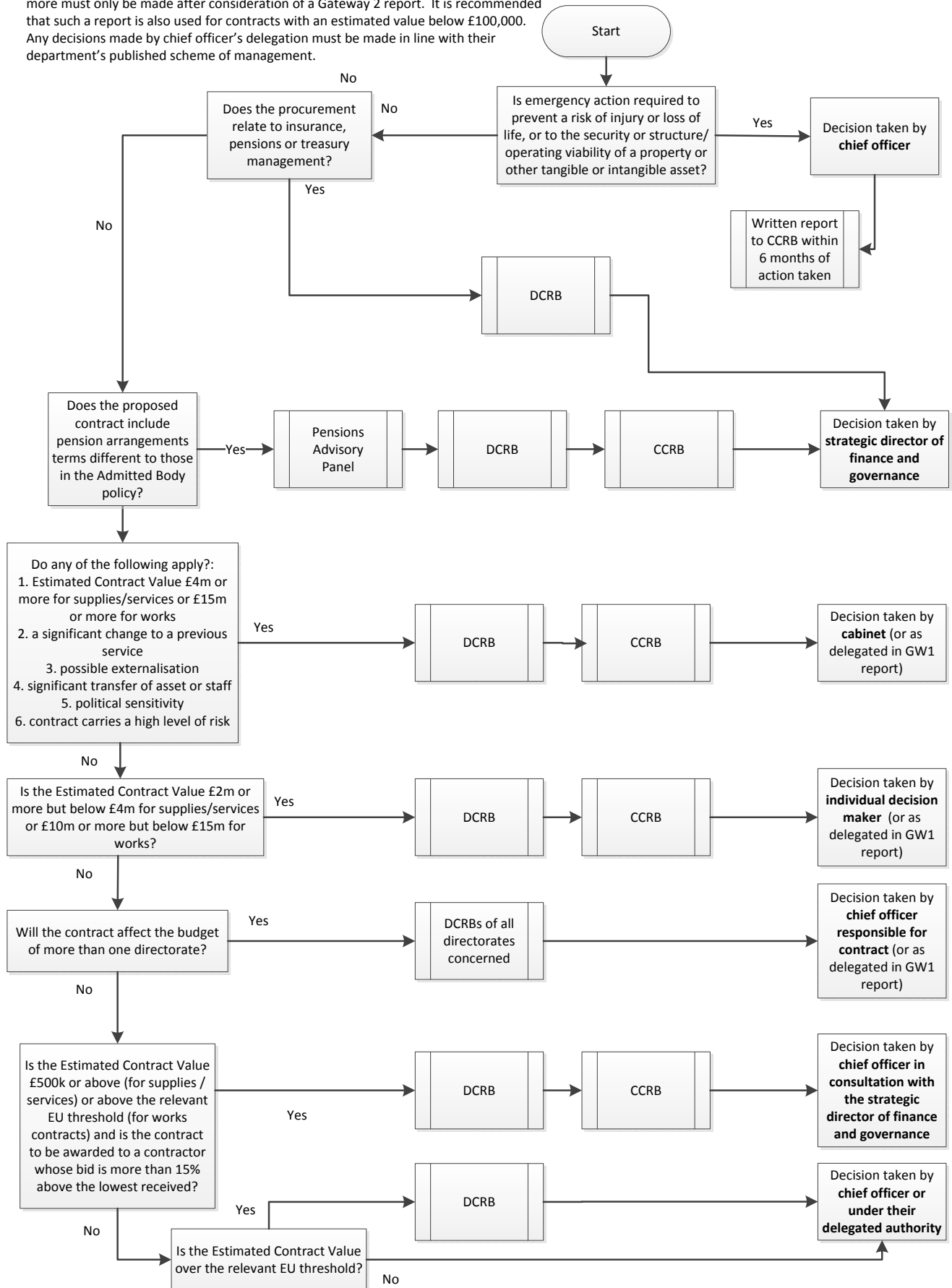


A decision on the procurement strategy to be used on any contract with an Estimated Contract Value of £100,000 or more must only be made after consideration of a Gateway 1 report. It is recommended that such a report is also used for contracts with an estimated value below £100,000. Any decisions made under chief officer's delegation must be made in line with their department's published scheme of management.

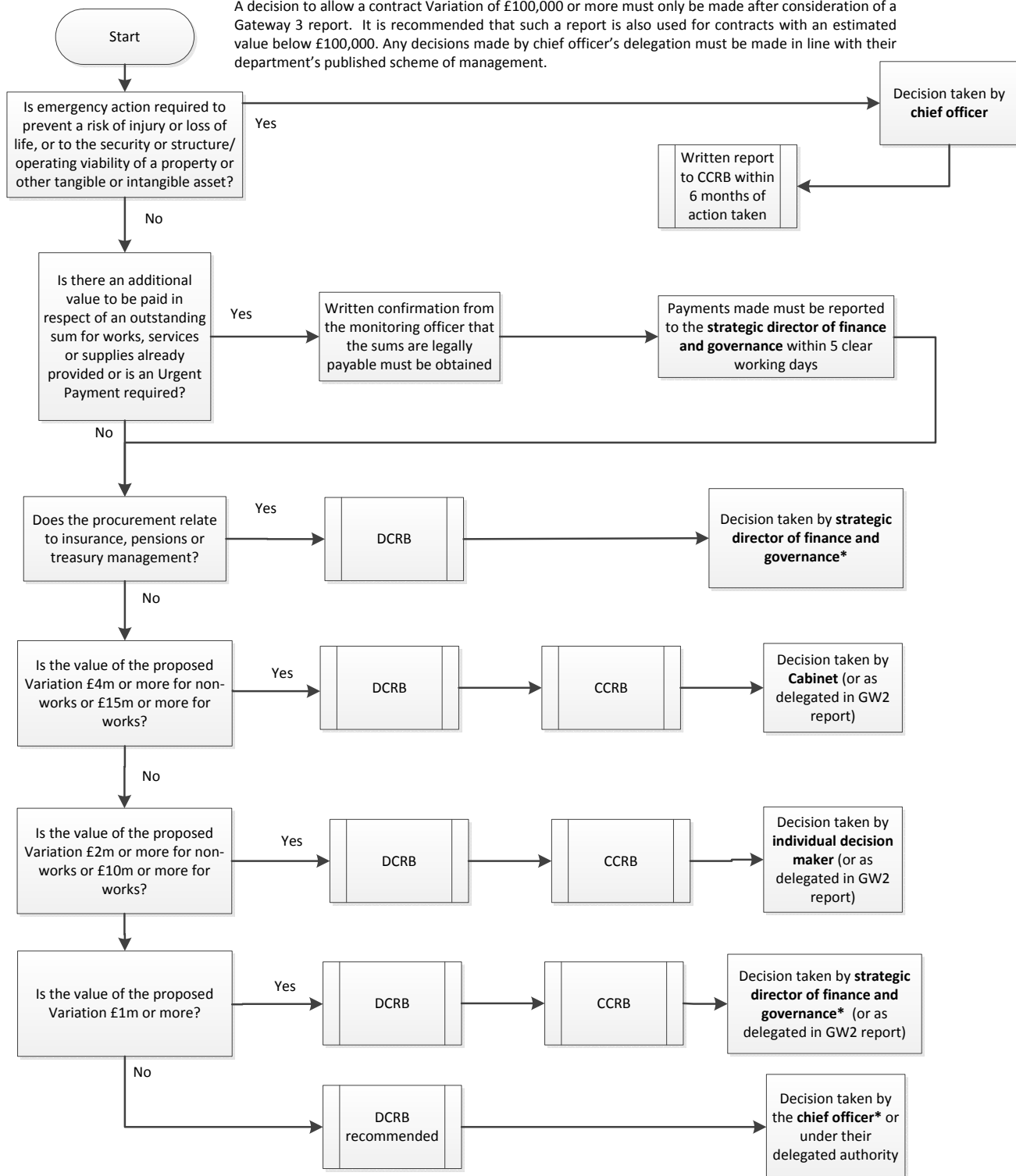


* All procurement strategies with a value of £100k or more should involve a briefing to the individual decision makers before they are implemented

A decision to award any contract with an Estimated Contract Value of £100,000 or more must only be made after consideration of a Gateway 2 report. It is recommended that such a report is also used for contracts with an estimated value below £100,000. Any decisions made by chief officer's delegation must be made in line with their department's published scheme of management.



A decision to allow a contract Variation of £100,000 or more must only be made after consideration of a Gateway 3 report. It is recommended that such a report is also used for contracts with an estimated value below £100,000. Any decisions made by chief officer's delegation must be made in line with their department's published scheme of management.

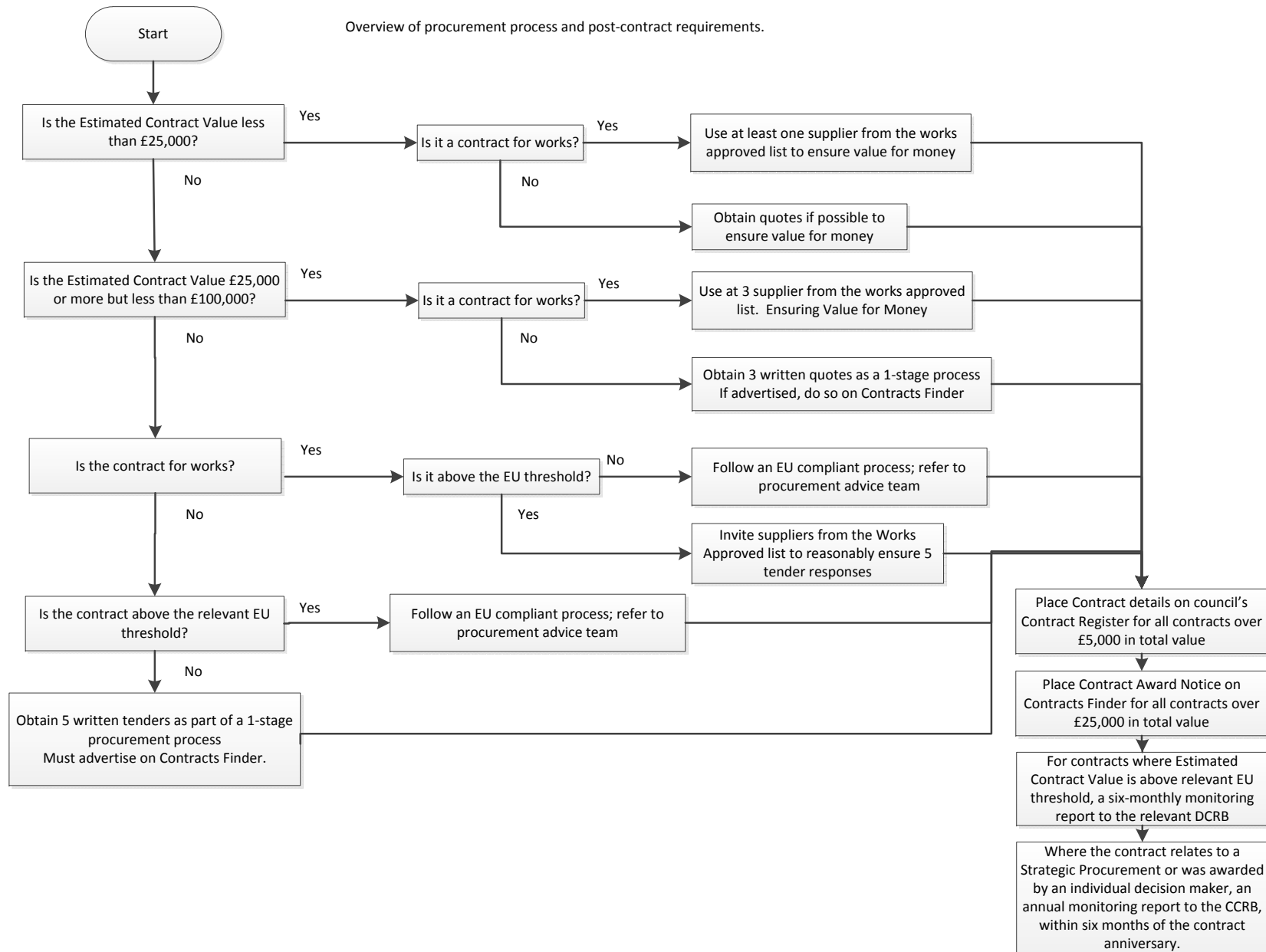


* All contract Variation decisions with a value of £100k or more should involve a briefing to the individual decision makers before they are implemented

Procurement Process Overview

APPENDIX 1e

Overview of procurement process and post-contract requirements.



CONTRACT STANDING ORDERS 2016/17

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Introduction

The council seeks to achieve value for money and best value when obtaining supplies of goods, services and works.

The Contract Standing Orders (CSOs) set out minimum requirements to be followed. CSOs are governed by section 135 of the Local Government Act 1972 and are the council's rules for contracts. They must always be followed unless the law (European or UK) requires something different.

Further information can be found in the Procurement Guidelines. Officers must always seek advice from the procurement advice team and/or legal services for all contracts where European law applies or which are Strategic Procurements and for other contracts if they have any queries.

CSOs do not override other parts of the council's constitution. For example, if a decision about a contract is also a "key decision", then the requirements set out in the constitution in relation to CSOs and to key decisions will have to be met.

There is a definitions section at the end of these orders which provides explanations of important words or phrases (e.g. Estimated Contract Value).

1. When do Contract Standing Orders apply?

1.1 CSOs apply:

- to any procurement or tendering process or contract entered into by the council for the provision of goods, services and works and to the operation of any concession
- where the council is involved in joint working funded partly or entirely by external funding to the extent that the money passes through the council's accounts
- to all schools maintained by the London Borough of Southwark but subject to the current Southwark Scheme for Financing Schools and the Schools' Contract Standing Orders.

unless an exemption to CSOs is approved (see 4.9 below).

1.2 CSOs do not apply:

- to contracts of employment
- to land transactions
- to grants given by the council.

2. General principles

2.1 Compliance with relevant statutory and corporate requirements

There must be compliance with the requirements of:

- a) propriety, including obtaining all necessary approvals
- b) value for money and best value, through the consideration of all procurement options

- c) all parts of the council's constitution such as these CSOs, the Financial Standing Orders and the protocol on Key Decisions
- d) EU and domestic legislation, including the "Standstill" Period
- e) the council's procurement strategy, the Procurement Guidelines and other council policies and procedures
- f) the employee code of conduct (for officers)
- g) the council plan
- h) the council's policy commitment to the London Living Wage as confirmed by council assembly on 29 February 2012.

2.2 Consequences of non-compliance

It is a disciplinary offence to:

- fail to comply with CSOs
- fail to have regard to the Procurement Guidelines when letting contracts.

Employees have a duty to report breaches of CSOs to an appropriate senior manager, who will advise the monitoring officer and the strategic director of finance and governance.

The monitoring officer will report to the audit, governance and standards committee any serious breach of contract standing orders or of the Procurement Guidelines.

2.3 General principle of contract decision making

The aim of the procurement process is to ensure that each contract is awarded to the most economically advantageous tenderer, who may or may not have submitted the lowest sum offered, and that any decision on a Variation is made on a similar basis so as to ensure that value for money, quality considerations and the need to implement the council's plan and strategies are taken into account. Contracts may only be awarded or a Variation decision made if the expenditure has been included in approved revenue or capital estimates or has been otherwise approved by, or on behalf of, the council.

2.4 Contracts in writing

- 2.4.1 Every contract awarded must be in writing and, wherever practicable, on terms agreed by the council and consistent with any council terms of trading and contain full details of the contract documents and contract terms. All Strategic Procurement contracts and those works contracts whose contract value is in excess of the EU threshold for services/supplies must be executed on behalf of the council under seal as a deed.
- 2.4.2 All other contracts must be signed by at least two authorised officers of the lead contract officer's department.
- 2.4.3 All contracts must wherever practicable be signed or sealed before contract commencement and in accordance with the procedures set out in the Procurement Guidelines.

2.5 Record keeping

2.5.1 Chief officers must ensure that the following records are kept:

- a detailed contract file for each contract, including the Estimated Contract Value and, for all contracts with an Estimated Contract Value of over £75,000, all tender opening records where e-procurement is not used
- all decisions made, reasons for them and actions taken in relation to procurement processes and contracts
- all documents and reports relating to procurement processes and contracts.

2.5.2 Chief officers must ensure that all contracts over the value of £5,000 are recorded on the council's contract register.

2.6 Lead contract officer

A lead contract officer (LCO) must be identified for each contract. Where no LCO is identified, the LCO will be deemed to be the budget holder of the section from which the contract is funded.

2.7 Authority to act in line with scheme of management

Each officer will act only within the limits of their delegated authority, as set out in their department's scheme of management. The hierarchy of decision makers for procurement decisions is as follows:

- cabinet/cabinet committee (highest)
- individual decision maker (IDM)
- strategic director of finance and governance
- chief officer, or as delegated through departmental schemes of management.

2.8 Declarations of interest

2.8.1 The following will declare any interests which may affect the procurement process:

- a) all staff, whether directly employed by the council or otherwise, who play a role in any aspect of the tendering process
- b) all staff listed on a scheme of management or delegation in relation to a contract or procurement issue
- c) external consultants and representatives of bodies other than the council (including community representatives) who play a role or whose work gives them influence over or information about any aspect of the contract process
- d) joint negotiating committee (JNC) officers
- e) any other officers who regularly give advice to members including report authors.

2.8.2 Chief officers will ensure that staff, consultants and representatives of bodies other than the council (including community representatives) appointed or agreed by them make declarations on appointment, or on any change in circumstances (and annually in the case of staff); and will either certify them as acceptable or take any necessary action in respect of potential conflicts of interest.

- 2.8.3 Chief officers will keep completed staff declarations; and also maintain a departmental register of declarations indicating the names and grades of all those declaring, and the nature of their declaration; LCOs will keep any consultants' or other bodies' representatives' declarations on the contract file.

2.9 Changes to CSOs

As set out in article 1, the monitoring officer may make minor changes to the Contract Standing Orders, after consultation with the chief finance officer.

Minor changes are defined as:

- typographical/presentational/explanatory changes
- changes in statutory framework, i.e. references to new or updated legislation
- changes in titles, names or terminology
- changes consequential to other constitutional changes already made.

3. Particular types of contract

3.1 Corporate contracts and corporate framework agreements

Where there is a Corporate contract for a service, supply or for works, it must be used to make the relevant purchase. If a lead contract officer believes that the Corporate contract does not meet their requirements they must obtain an exemption (see 4.9) through a Gateway report regardless of the value of the purchase. This requirement also applies where a corporate framework agreement is in place. The process for establishing a corporate framework agreement is as set out in 3.4.1.

3.2 Contracts secured through purchasing consortia

Approval to create or join a purchasing consortium must be obtained in a Gateway 1 report which must identify the procedure for award of individual contracts or orders placed by the consortium. Once approval has been obtained, contracts or orders placed through the purchasing consortium will not be subject to the tendering or quotation requirements in these Contract Standing Orders, but a Gateway 2 approval must be obtained in accordance with 4.6 before the individual contract or order can be placed.

3.3 Demand-led contracts (framework contracts)

- 3.3.1 Establishing demand-led contracts will be subject to the full requirements of these Contract Standing Orders using the total Estimated Contract Value across the duration of the contract. Using the contract once it is in place will not be subject to the tendering or quotation requirements of these Contract Standing Orders, but a Gateway 2 approval must be obtained in accordance with 4.6 before individual orders can be placed under the framework in order to demonstrate value for money and proper process. No individual order may be placed under a demand led contract which will exceed the EU threshold for services/supplies unless this has been approved by the relevant decision maker appropriate to that contract. Such approval can be given at the time of the approval of the procurement strategy (Gateway 1 report) or in the

approval of the award of the contract (Gateway 2 report) or before the individual order is placed.

3.4 Framework agreements

- 3.4.1 Establishing a Framework agreement is subject to the full requirements of these Contract Standing Orders. Any procurement utilising an existing council Framework agreement will not be subject to the tendering or quotation requirements of these Contract Standing Orders, but a Gateway 2 approval must be obtained in accordance with 4.6 before individual orders can be placed under the framework to demonstrate value for money and proper process. If recommending use of a direct award on a multi-supplier framework, the LCO must treat this as a single supplier negotiation in the Gateway 1 report.
- 3.4.2 Any procurement involving the use of a third party's Framework arrangement will not be subject to the tendering or quotation requirements of these Contract Standing Orders. Gateway approval must however be obtained in accordance with 4.4 to 4.6 to demonstrate value for money and proper process. Some framework arrangements require buying authorities to formally join the framework in order to use it. Some may require an access charge to be paid, e.g. Improvement and Efficiency South East (IESE). Where it is necessary to join a framework or to pay an access charge, this should be made clear in the Gateway 1 report. If recommending use of a direct award on a multi-supplier framework, the LCO must treat this as a single supplier negotiation in the Gateway 1 report.

3.5 Health and social care and education Spot contracts

Personal, social or educational services are sometimes provided by the purchasing of these services under Spot contracts. The relevant chief officers will seek to minimise the use of Spot contracts, but where they are to be used for such services:

- a) the requirements in these Contract Standing Orders for obtaining tenders or quotes shall not apply
- b) the relevant chief officer may award all such Spot contracts
- c) the relevant chief officer must provide an annual report to the Corporate Contract Review Board (CCRB) within six months of the end of the financial year detailing the nature, extent and value of Spot contracts entered into in the previous financial year and the steps being taken to minimise the use of Spot contracts
- d) the relevant chief officer must have regard to the threshold for light touch regime services under the Public Contract Regulations 2015.

3.6 Leasing contracts

Where approval is being sought to enter into a contract for the lease of an asset, written permission is also required from the strategic director of finance and governance in most cases, as set out in the Financial Standing Orders. Confirmation that this has been obtained should be included in Gateway reports.

4. Approvals processes

4.1 Overview of procurement process

4.1.1 Having identified a need to purchase goods, services or works which are not covered by an existing contract and having confirmed that they are subject to CSOs (see section 1 above), the main stages of all non-emergency procurements are – in summary:

- a) to identify who is the lead contract officer (LCO) – see 2.6 above
- b) to obtain approval of procurement strategy (Gateway 1 report). This will depend on the Estimated Contract Value and other factors and may require consideration of the report by the Departmental and Corporate Contract Review Boards (DCRB and CCRB) – see 4.5 below
- c) to follow appropriate quote/tender route. This will depend on the Estimated Contract Value and other factors – see 5 below
- d) to obtain approval to award contract (Gateway 2 report). This will depend on Estimated Contract Value and other factors and may require consideration of the report by the DCRBs and CCRB – see 4.6 below
- e) to ensure that a written contract has been signed (and sealed if necessary) on behalf of the chief officer of the LCO's department in line with constitutional requirements.

For an emergency procurement, see 4.10 below.

4.1.2 Where there is a need to vary an existing contract, the process to be followed is set out in 4.7 below.

4.1.3 Where it is proposed to bring a service which was previously externalised back in-house, it is necessary to follow 4.1.1 a) and b) above.

4.2 Gateway and other reports

The procurement process requires written reports at the following stages:

- a) approval of pre-procurement strategic assessment – Gateway 0 report
- b) approval of procurement strategy – Gateway 1 report
- c) approval of award of the contract – Gateway 2 report
- d) approval of Variation or Extension to contract – Gateway 3 report
- e) monitoring reports throughout the life of the contract.

More information can be found in 4.4 to 4.8, 8 and the definitions below.

4.3 Supplemental advice from other officers in Gateway and other reports

Where the Estimated Contract Value or, in relation to a Variation, the Contract Value is over the relevant EU threshold or where required elsewhere in the CSOs, any Gateway report or other report containing a contract matter (such as a Variation report) must include legal advice from the monitoring officer, financial and procurement advice and, for housing-related reports, statutory leaseholder consultation advice from the strategic director of finance and governance or delegated officer(s).

4.4 Decision on pre-procurement strategic assessment – Gateway 0

4.4.1 A pre-procurement assessment decision is required for:

- All services contracts above £10 million in value (excluding capital investment works)
- Other strategically important contracts for services, goods or works where requested by the relevant cabinet member

4.4.2 The decision on a pre-procurement assessment is to be taken by the relevant cabinet member, after consideration by the CCRB of a Gateway 0 report.

4.5 Decision on procurement strategy – Gateway 1

4.5.1 A decision on the procurement strategy to be used on any contract with an Estimated Contract Value of over £75,000 must only be made after consideration of a Gateway 1 report. It is recommended that such a report is also used for contracts with an estimated value of £75,000 or below. For contracts with an Estimated Contract Value over £100,000, the LCO must consult with the relevant cabinet member before a procurement strategy is implemented.

4.5.2 The decision on the approval of the procurement strategy is to be taken by the relevant chief officer or under his/her delegated authority in line with the department's scheme of management, except where:

- a) the contract is a Strategic Procurement, the decision must be taken by the cabinet or cabinet committee, after consideration by the CCRB of the report
- b) the Estimated Contract Value is above £2 million but below £4 million for services and supplies or above £10 million but below £15 million for works but the contract does not fall into a) above, the decision must be taken by the relevant individual decision maker, after consideration by the CCRB of the report
- c) the contract is a Corporate contract, but does not fall into a) or b) above, the decision must be taken by the strategic director of finance and governance, after consideration by the CCRB of the report
- d) the contract will affect the budget of more than one directorate and the Estimated Contract Value is £500,000 or more, but does not fall into a), b) or c) above, the decision must be taken by the strategic director of finance and governance, after consideration by the CCRB of the report
- e) the Estimated Contract Value is above the relevant EU threshold but the contract does not fall into a), b), c) or d) above and the LCO is requesting approval to proceed with a single tenderer or to negotiate with a single provider (and this is permitted by EU legislation), the decision must be taken by the strategic director of finance and governance, after consideration by the CCRB of the report
- f) the contract will affect the budget of more than one directorate and the Estimated Contract Value is less than £500,000, the chief officers of all the directorates concerned must agree the decision, after consideration by the relevant DCRBs of the report
- g) the Estimated Contract Value is above the relevant EU threshold but the contract does not fall into a), b), c), d), e) or f) above, the decision must be taken by the chief officer or under his/her delegated authority, after consideration by his/her DCRB of the report
- h) a different requirement must be met as specified elsewhere in the constitution or these CSOs:

- i) for the decision to be made by someone else (e.g. pensions, treasury management and insurance where decisions are to be made by the strategic director of finance and governance), or
- ii) about the decision (e.g. in emergencies where no prior written report is needed – see 4.10 below).

4.5.3 Gateway 1 reports should consider social value and set out how this will be included in any tender process. They must also include any details of procurement proposals that are different from the normal routes, including requests for exemptions to all or some of these CSOs and requests to delegate powers to award the contract.

4.6 Decision on contract award – Gateway 2

4.6.1 A decision to award any contract with an Estimated Contract Value of over £75,000 must only be made after consideration of a Gateway 2 report. It is recommended that such a report is also used for contracts with an estimated value of £75,000 or below. As a minimum, the LCO must keep a written record of decisions and action taken.

4.6.2 The decision on the award of a contract is to be taken on the basis of a written report by the relevant chief officer or under his/her delegated authority in line with the department's scheme of management, except where:

- a) the contract is a Strategic Procurement, the decision must be taken by the cabinet or cabinet committee, after consideration by the CCRB of the report
- b) the Estimated Contract Value is above £2 million but below £4 million for supplies and services or above £10 million but below £15 million for works but the contract does not fall into a) above, the decision must be taken by the relevant individual decision maker, after consideration by the CCRB of the report
- c) the contract is a Corporate contract, but does not fall into a) or b) above, the decision must be taken the strategic director of finance and governance, after consideration by the CCRB of the report
- d) the contract will affect the budget of more than one directorate, and the Estimated Contract Value is £500,000 or more but does not fall into a), b) or c) above, the decision must be taken by the strategic director of finance and governance, after consideration by the CCRB of the report
- e) the contract will affect the budget of more than one directorate and the Estimated Contract Value is less than £500,000, the chief officers of all the directorates concerned must agree the decision, after consideration by the relevant DCRBs of the report
- f) if;
 - i) the Estimated Contract Value is £500,000 or above (for services and supplies contracts) or above the relevant EU threshold (for works contracts), and
 - ii) the contract is to be awarded to a contractor whose bid was more than 15% above the Lowest Bid,
 but does not fall into a), b), c) or d) above, the decision must be taken by the strategic director of finance and governance, after consideration by the CCRB of the report
- g) the proposed contract includes pension arrangements terms which are different from those set out in the council's Admitted Bodies policy, the decision must be taken by the strategic director of finance and

governance, after consideration of the report by the CCRB and taking advice from the Pensions Advisory Panel

- h) the Estimated Contract Value is above the relevant EU threshold but the contract does not fall into a), b), c), d), e), f) or g) above, the decision must be taken by the relevant chief officer or under his/her delegated authority, after consideration by the relevant DCRB of the report
- i) a different requirement must be met as specified elsewhere in the constitution or these CSOs:
 - i) for the decision to be made by someone else (e.g. pensions, treasury management and insurance where decisions are to be made by the strategic director of finance and governance)
 - ii) about the decision (e.g. in emergencies where no prior written report is needed – see 4.10 below)
- j) approval has been obtained in line with 4.5.3 above to a different decision process.

4.6.3 Requests to delegate the decision on the award of a contract should be included within the Gateway 1 report.

4.6.4 Report authors should include, as part of the proposed recommendations contained within the Gateway 2 report, details of any possible options to extend the contract. Where such a recommendation is not included, even where the contract was awarded prior to the commencement of these CSOs, any decision to exercise an option to extend the contract will be subject to the requirements of 4.7 below.

4.7 Decision to allow Variations during contract term – Gateway 3

4.7.1 A decision to allow a contract Variation of more than £75,000 must only be made after consideration of a Gateway 3 report. It is recommended that such a report is also used for contract Variations with an estimated value of £75,000 or below. As a minimum, the LCO must keep a written record of decisions and action taken.

4.7.2 Any decision to allow a Variation of a contract is to be taken on the basis of a written report by the relevant chief officer or under his/her delegated authority in line with the department's scheme of management, except where:

- a) the Contract Value plus the amount of the proposed Variation and any previous Variations is £250,000 or above (for services and supplies contracts) or £1 million or above (for works contracts) and the amount of the proposed Variation is more than 10% of the Contract value, the decision must be taken by the strategic director of finance and governance, after consideration by the CCRB of the report; all such decisions will be advised in writing by the strategic director of finance and governance to members of the cabinet
- b) the contract is a Corporate contract, but does not fall into a) above, the decision must be taken by the strategic director of finance and governance, after consideration by the CCRB of the report; all such decisions will be advised in writing by the strategic director of finance and governance to members of the cabinet
- c) the contract affects the budget of more than one directorate, but does not fall into a) or b) above, the decision must be taken by the relevant chief officer, after obtaining agreement in writing from the other relevant chief officer(s), and after consideration by the relevant DCRBs of the report.

- d) an additional amount is to be paid in respect of an outstanding sum for works, services or supplies already provided or where an Urgent Payment is required, written confirmation from the monitoring officer that the sums are legally payable must be obtained and the decision to make the payment must be reported in writing to the strategic director of finance and governance within five clear working days
- e) a different requirement must be met as specified elsewhere in the constitution or these CSOs:
 - i) for the decision to be made by someone else (e.g. pensions, treasury management and insurance where decisions are to be made by the strategic director of finance and governance), or
 - ii) about the decision (e.g. in emergencies where no prior written report is needed – see 4.10 below)
- f) approval has been obtained in line with 4.5.3 above to a different decision process.

4.7.3 Where a decision on a Variation is made in relation to a contract for works, there will also be a deemed variation of the contract of any consultant engaged in relation to that works contract. This only applies where the consultant is engaged on a fixed percentage of the works contract value. The deemed variation of the consultant's contract will be by the same percentage as that applied to the works contract.

4.8 Retrospective approvals

In the event of a contract having been entered into other than in compliance with these CSOs, it may be necessary to seek approvals retrospectively. In such cases, the procedures relating to Gateway 1, Gateway 2 and Gateway 3 reports should be followed. Where the decision makers for the Gateway 1 and 2 reports are different, both decisions can be taken by the higher decision maker (see 2.7 above), after consulting with the other decision maker. In addition, a report should be submitted to the relevant departmental contract review board for information and, where a decision relates to a procurement strategy, a contract award or a contract Variation with an estimated value of over £100,000, also to the audit governance and standards committee, setting out the circumstances and manner in which the decision was taken, for the purpose of obtaining guidance to inform future decision making.

4.9 Exemptions

In the event that there appear to be exceptional circumstances which mean that the usual procedures set out in the CSOs cannot be followed, written approval must be obtained in advance through a Gateway report. The report should set out the exceptional circumstances and explain why usual procedures cannot be followed. Proposed alternative courses of action must still comply with remaining relevant statutory and corporate requirements as set out in 2.1 above.

Examples of circumstances which might amount to an exceptional reason for not following the usual procedures include but are not limited to:

- a) the nature of the market has been investigated and is such that a departure from the CSO requirements is justified
- b) the contract is one required because of circumstances of extreme urgency which could not reasonably have been foreseen

- c) the circumstances of the proposed contract are covered by legislative exemptions (whether under EU or domestic law).

4.10 Emergencies

An emergency is a situation where action is needed to prevent a risk of injury or loss of life, or to the security or structural/operating viability of a property or other tangible or intangible asset. In the case of an emergency, action necessary can be approved by a chief officer without a prior written Gateway report. Such action shall be limited to dealing with the emergency and it shall be subsequently recorded in a written report to the CCRB, within six months of the action taken.

5. Requirements to obtain tenders or quotes depending on type of contract and levels of contract value

When estimating the value of a contract, reference should be made to the Estimated Contract Value paragraph set out in the Definitions section.

5.1 Contracts less than £5,000

For all contracts where the Estimated Contract Value is less than £5,000, there is no requirement to obtain competitive quotes; the requirement is to ensure value for money and best value and to keep a record of what action has been taken and why. In addition, if the contract is for works or for works-related services, the provider must be obtained from the council's Works Approved List, unless permission is obtained to do otherwise through a Gateway 1 report; such a report must include supplementary procurement advice from the strategic director of finance and governance or his delegated officers, without which the approval cannot be granted.

5.2 Contracts from £5,000 to £75,000

For all contracts where the Estimated Contract Value is from £5,000 to £75,000, there is a requirement to take all reasonable steps to obtain at least three written quotes, including one from a local supplier where this is possible, unless the LCO decides that this will not secure value for money. In such cases, a Gateway 1 report must be completed to explain what alternative action is being taken and why. In addition, if the contract is for works or works-related services, those invited to submit quotes must be selected from the council's Works Approved List unless permission is obtained to do otherwise through a Gateway 1 report; such a report must include supplementary procurement advice from the strategic director of finance and governance or his delegated officers, without which the approval cannot be granted.

5.3 Works contracts and works-related services above £75,000 but below EU threshold

For all such contracts where the Estimated Contract Value is above £75,000 but below the relevant EU threshold, there is a requirement to take all reasonable steps to obtain at least five tenders. Those invited to submit tenders must be selected from the council's Works Approved List unless permission is obtained to do otherwise through a Gateway 1 report; such a report must include supplementary procurement advice from the strategic

director of finance and governance or his delegated officers, without which the approval cannot be granted.

5.4 Supplies and services contracts above £75,000 but below EU threshold

For all such contracts where the Estimated Contract Value is above £75,000 but below the relevant EU threshold, there is a requirement to take all reasonable steps to obtain at least five tenders.

5.5 All other contracts above EU threshold values

For all contracts above the EU threshold applicable to them, there is a requirement to comply with the Public Contract Regulations 2015 following a publicly advertised competitive tendering process, as set out in these CSOs and in line with the Procurement Guidelines.

6. Tender procedure

6.1 Officers must use any e-procurement processes as required by the procurement advice team in order to ensure compliance with relevant legislative requirements. All tender processes must comply with the following requirements.

6.2 Tenderers must be told that their tenders may only be considered if they follow the requirements below:

Either:

- a) the tender must be returned in a plain envelope or parcel which is marked clearly "Tender" followed by the subject of the contract, and
- b) the envelope or parcel must not show the identity of the tenderer in any way, and
- c) the envelope or parcel must be delivered to the place and by the time stated in the tender invitation, with Tenders where the Estimated Contract Value is £500,000 or more being returned to the monitoring officer

Or:

- d) tenders must be received in time within the protocols of the council's e-procurement system.

6.3 All tenders will be opened at the same time and place, after the closing date and time for receipt stated in the tender documents.

6.4 A tender received by the council after the time and date specified in the invitation shall not be accepted or considered.

6.5 Tenders where the Estimated Contract Value is £500,000 or more shall be opened/released by the monitoring officer's authorised representative. Where the Estimated Contract Value is less than £500,000, tenders not required to be returned using the e-procurement system may be returned to the chief officer or their authorised representative who will arrange for tender opening in the presence of at least two officers, one of whom will be the witness and will not have been directly involved in that particular contract; tenders required to be returned using the e-procurement system will be released from the

sealed tender box by the relevant chief officer or their authorised representative.

- 6.6 Exceptions to the requirements set out in 6.1 to 6.5 above will only be made in exceptional circumstances and must be authorised by the relevant chief officer in writing following consultation with the strategic director of finance and governance, CCRB or DCRB as appropriate to the contract.

7. Advertisement and publication of procurement notices

- 7.1 Chief officers are responsible for ensuring that the council's obligations in relation to the publication of notices relating to procurement and contracts are met. Contract opportunities for quotations or tenders with an Estimated Contract Value of £25,000 or above that are advertised in any way must be advertised on the Contracts Finder website. All awards of contracts that have an Estimated Contract Value of £25,000 or above, including call-off contracts from Framework agreements must also be published on the Contracts Finder website.
- 7.2 Notices to be published in the Official Journal of the European Union (OJEU) must only be placed by the monitoring officer or delegated representative. These include contract notices, contract award notices, voluntary ex-ante transparency (VEAT) notices and modification of contract during term notices.

8. Contract management and monitoring

- 8.1 The lead contract officer must ensure that systems are in place to manage and monitor contracts in respect of:
- a) compliance with specification and contract
 - b) performance
 - c) cost
 - d) user satisfaction
 - e) risk management
 - f) delivery of social value commitments, including London Living Wage.
- 8.2 Where the estimated contract value exceeds the relevant EU threshold, the lead contract officer should prepare a six-monthly monitoring report to the relevant DCRB.
- 8.3 Where the contract relates to a strategic procurement or is corporate in nature or has an estimated contract value of £500,000 or more and affects the budgets of more than one department, the lead contract officer should prepare an annual monitoring report to the CCRB, within six months of the contract anniversary.
- ## **9. Contract termination**
- 9.1 A contract may only be terminated early or suspended by a chief officer, and only after obtaining approval from the monitoring officer and strategic director of finance and governance; all such decisions will be advised in writing by the chief officer to the relevant member of the cabinet and cabinet member for finance, modernisation and performance.

10. Contractor insolvency

- 10.1 Where it appears that a contractor is at risk of becoming insolvent, or the council is notified that insolvency proceedings have been brought, the chief officer must inform the monitoring officer and strategic director of finance and governance as early as possible, in order to enable appropriate advice to be given.

Glossary

CCRB	Corporate Contract Review Board – panel of officers operating under terms of reference of CCRB. Its role includes considering reports from LCOs for the cabinet, individual decision makers and the strategic director of finance and governance on contract decisions.
Consortium agreement	A consortium agreement is a single formal legal document, agreed and signed by all the parties to a project, and which imposes a set of standard conditions on those signatories. These conditions include, amongst other things, agreements as to ownership and exploitation of intellectual property rights, and a set of warranties and disclaimers allocating risk between the parties. A consortium agreement is needed when joining a purchasing consortium.
Contract Value	The total value of a contract as awarded (which may be different from the Estimated Contract Value), net of VAT, or if there is no fixed figure, the LCO's best estimate of the likely amount to be spent over the period of the contract, taking into account the prices accepted.
Corporate contract	A contract arranged by a department that should be used by the whole council for all goods, works or services specified in it.
Council's contract register	A register of contracts, compiled through the council's e-procurement system.
DCRB	Departmental Contract Review Board – panel of officers operating under terms of reference of DCRB. Its role includes reviewing reports for consideration by the CCRB and the chief officer on contract decisions.
Demand-led contract	A demand-led contract is an agreement between two parties which commits one to buying from another over a period of time. The rates to be charged through the contract are set whilst the volumes of work to be delivered through the contract are not defined or guaranteed. Individual orders are issued prices against the agreed rates. This is sometimes referred to as a demand-led contract and is often based on a schedule of rates.
Estimated Contract Value	The total value of a proposed contract including options to extend it (as estimated by the LCO on the basis of all relevant factors) net of VAT calculated for the proposed contract period, or, if for an undetermined period, in accordance with the valuation rules contained in European Regulations, whether or not the Regulations apply to the particular contract. This may be different from the lifetime cost of the contract, which may need to be considered for other purposes (see Procurement Guidelines). Note that a contract may not be artificially packaged into two or more separate contracts, nor a valuation method selected, with the intention of avoiding the application

of these CSOs. Chief officers are responsible for considering aggregation within their department to ensure delivery of best value within CSO requirements. The Estimated Contract Value should be based on the best available estimates, or on actual costs if known.

EU Regulations The Public Contracts Regulations 2006 and 2015 or any amendment to or successor to those Regulations.

EU threshold The current contract value at which the requirements of the EU Regulations apply.

Framework agreements A framework agreement is similar to a framework contract but without rates. The agreement is to provide an unspecified volume of work at an unspecified rate. These agreements are often used when a number of providers are secured to provide the specific supplies, services or works. Setting up framework arrangements is subject to EU regulations and they generally can exist for no more than four years.

Providers on a Framework agreement will have been through a procurement process to appear on the framework list. During this process the providers must demonstrate that they can deliver the scope of requirements covered by the framework. There should be clear rules supporting the use of the framework as these will need to be followed to ensure the framework remains EU compliant. Some frameworks require a further competition process to be undertaken involving all providers appearing in the list. The council may set up its own framework agreements for a particular service or decide to use a framework set up by a third party, e.g. Crown Commercial Service (CCS).

Gateway report A written report in substantially the same terms as those contained in the relevant template which can be found on the Source at <http://thesource/SectionLandingPage.asp?id=22344&cat=1234>.

Key Decision Definitions of Key Decisions are contained in the Protocol on Key Decisions in appendix 1 of the Access to information procedure rules section of the constitution. Examples of Key Decisions for procurement purposes are:

- those which are subject to a general financial threshold (£500,000 or more – note that in relation to awarding contracts, this is a per annum value not a contract term value)
- those which have a significant impact on communities
- Gateway 0 approvals
- Gateway 1 approvals in respect of a Strategic Procurement.

Lead contract officer (LCO)	The LCO for each contract is the officer who has a duty to ensure that the obligations set out in these CSOs are complied with.
Lowest Bid	The lowest price offered by tender or quotation which meets the specification and other requirements of the contract and has not been rejected as abnormally low.
Procurement Guidelines	Guidance issued and maintained by the procurement advice team and legal services containing best practice information on procurement matters.
Purchasing consortium	A purchasing consortium is a group of organisations that have come together with the primary objective to buy collectively, thereby increasing their buying power and minimising procurement activity. To join a purchasing consortium it is necessary to sign a consortium agreement. An example of a purchasing consortium is the London Contracts Supply Group (LCSG).
Spot contract	A one-off contract under which services are provided to meet an individual service user's needs for personal, social or educational provision.
"Standstill" Period	The period required by EU regulations between notification of an award decision and when the contract comes into existence, in order to allow unsuccessful parties time to challenge the award decision. Most contracts are covered by this requirement. Seek advice if you are unclear about the application of the Standstill Period.
Strategic Procurement	Procurement where one or more of the following apply: <ol style="list-style-type: none"> 1) Estimated Contract Value of £4 million or more for non-works and of £15 million or more for works 2) a significant change to previous service 3) possible externalisation or change in manner of delivery 4) significant transfer of assets or staff 5) political sensitivity 6) contract carrying a high level of risk.
Tender value	The value of a contract at the time of the award of the contract or, if there is no fixed value, the LCO's best estimate of the likely spend on the contract during the contract period.
Urgent Payment	A payment where delay would lead to significant demonstrable financial loss to the council (and where no breach of EU or domestic requirements would be occasioned).
Variation	A decision to extend the length or cost or amend the scope of a contract where the original agreed contract makes explicit provision for this. This might be an increase in the duration of the contract (contract length/new end date), an increase in the volume usage of the contract (amount supplied), and/or the exercise of an option (e.g. to now use an element of the service

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which was not used before).

Works List	Approved	A list of providers of works and works-related consultancy services which have all been appraised to meet minimum criteria in respect of their financial standing, level of insurance held, health and safety policies and procedures, and equal opportunities policies and procedures, maintained by the procurement advice team. For further information about the use of Approved Lists, see the Procurement Guidelines or seek advice from the procurement advice team.
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CONTRACT STANDING ORDERS ~~2016/17~~

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- ~~6.4.5~~ Decision on procurement strategy – Gateway 1
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- 8.
- ~~8. Contracts less than £5,000~~
- ~~8. Contracts from £5,000 to £75,000~~
- ~~8. Works contracts and works-related services above £75,000 but below EU threshold~~
- ~~8. Supplies and services contracts above £75,000 but below EU threshold~~
- ~~8. All other contracts above EU thresholds~~
- 8.
- 8. Tender **return and opening** procedure

9. Advertisement and publication of procurement notices

10. ~~8.~~ Contract management and monitoring

11. ~~9.~~ Contract termination / Mergers and acquisitions

10.1 Contractor termination

10.2 Mergers and acquisitions

12. Contractor insolvency

Glossary

Flowcharts

Introduction

The council seeks to achieve value for money and best value when obtaining supplies of goods, services and works.

The Contract Standing Orders (CSOs) set out minimum requirements to be followed. CSOs are governed by section 135 of the Local Government Act 1972 and are the council's rules for contracts. They must always be followed unless the law (European or UK) requires something different.

Further information can be found in the Procurement Guidelines. Officers must always seek advice from the procurement advice team and/or legal services for all contracts where European law applies or which are Strategic Procurements and for other contracts if they have any queries.

CSOs do not override other parts of the council's constitution. For example, if a decision about a contract is also a "key decision", then the requirements set out in the constitution in relation to CSOs and to key decisions will have to be met.

There is a ~~definitions section~~ Glossary at the end of these ~~orders~~ CSOs which provides explanations of important words or phrases (e.g. Estimated Contract Value).

1. When do Contract Standing Orders apply?

1.1 CSOs apply:

- to any procurement or tendering process or contract entered into by the council for the provision of goods, services and works and to the operation of any concession
- where the council is involved in joint working funded partly or entirely by external funding to the extent that the money passes through the council's accounts
- to all schools maintained by the London Borough of Southwark but subject to the current Southwark Scheme for Financing Schools and the Schools' Contract Standing Orders.

unless an exemption to CSOs is approved (see 4.96.8 below).

1.2 CSOs do not apply:

- to contracts of employment
- to land transactions
- to grants given by the council.

2. General principles

2.1 Compliance with relevant statutory and corporate requirements

2.1.1 There must be compliance with the requirements of:

- a) propriety, including obtaining all necessary approvals
- b) value for money and best value, through the consideration of all procurement options

- c) all parts of the council's constitution such as these CSOs, the Financial Standing Orders and the protocol on Key Decisions
- d) EU and domestic legislation, ~~including the "Standstill" Period~~
- e) the council's procurement strategy, ~~the~~ Procurement Guidelines and other council policies and procedures
- f) the employee code of conduct (for officers)
- g) the council plan
- h) the council's policy commitment to the London Living Wage ~~as confirmed by council assembly on 29 February 2012.~~

2.2 Consequences of non-compliance

2.2.1 It is a disciplinary offence to:

- fail to comply with CSOs
- fail to ~~have regard to the Procurement Guidelines~~ comply with council policies and procedures when letting contracts.

2.2.2 Employees have a duty to report breaches of CSOs to an appropriate senior manager, who will advise the monitoring officer and the strategic director of finance and governance.

2.2.3 The monitoring officer will report to the audit, governance and standards committee any serious breach of ~~contract standing orders or of the Procurement Guidelines~~ CSOs.

2.3 General principle of contract decision making

2.3.1 The aim of the procurement process is to ensure that each contract is awarded to the most economically advantageous tenderer, who may or may not have submitted the lowest sum offered, and that any decision on a Variation is made on a similar basis so as to ensure that value for money, quality considerations and the need to implement the council's plan and strategies are taken into account. Contracts may only be awarded or a Variation decision made if the expenditure has been included in approved revenue or capital estimates or has been otherwise approved by, or on behalf of, the council.

2.3.2 When estimating the value of a contract, reference should be made to the Estimated Contract Value paragraph set out in the Glossary. For contracts with an Estimated Contract Value of £100,000 or more, the LCO must consult with the relevant cabinet member before a procurement strategy is implemented.

2.4 Contracts in writing

2.4.1 Every contract awarded must be in writing and, wherever practicable, on terms agreed by the council and consistent with any council terms of trading and contain full details of the contract documents and contract terms. All Strategic Procurement contracts and those works contracts whose contract value is ~~in excess of the EU threshold for services/supplies~~ £200,000 or more must be executed on behalf of the council under seal as a deed.

2.4.2 All other contracts over £25,000 must be signed by at least two authorised officers of the lead contract officer's department.

2.4.3 All contracts must wherever practicable be signed or sealed before contract commencement and in accordance with the procedures set out in the Procurement ~~Guidelines~~Guidance.

2.4 Record keeping

2.5.1 Chief officers must ensure that the following records are kept:

- a detailed contract file for each contract, including the Estimated Contract Value and, for all contracts with an Estimated Contract Value of ~~over £75~~ £100,000 or more, all tender opening records where e-procurement is not used
- all decisions made, reasons for them and actions taken in relation to procurement processes and contracts
- all documents and reports relating to procurement processes and contracts.

2.5.2 Chief officers must ensure that all contracts ~~over the value~~with an Estimated Contract Value of £5,000 or more are recorded on the council's contract register via the e-procurement system.

2.5 Lead contract officer

2.6.1 A lead contract officer (LCO) must be identified for each contract. Where no LCO is ~~identified~~named, the LCO will be deemed to be the budget holder of the section from which the contract is funded.

2.6 Authority to act in line with scheme of management

2.7.1 Each officer will act only within the limits of their delegated authority, as set out in their department's scheme of management. The hierarchy of decision makers for procurement decisions is as follows:

- cabinet/cabinet committee (highest)
- individual decision maker (IDM)
- strategic director of finance and governance
- chief officer, or as delegated through departmental schemes of management.

2.7 Declarations of interest

2.8.1 The following will declare any interests which may affect the procurement process:

- a) all staff, whether directly employed by the council or otherwise, who play a role in any aspect of the tendering process
- b) all staff listed on a scheme of management or delegation in relation to a contract or procurement issue
- c) external consultants, community representatives and representatives of bodies other than the council ~~(including community representatives)~~ who play a role or whose work gives them influence over or information about any aspect of the contract process
- d) joint negotiating committee (JNC) officers

- e) any other officers who regularly give advice to members including report authors.

2.8.2 Chief officers will ensure that staff, consultants, community representatives and representatives of bodies other than the council (~~including community representatives~~) appointed or agreed by them make declarations on appointment, or on any change in circumstances (and annually in the case of staff); and will either certify them as acceptable or take any necessary action in respect of potential conflicts of interest.

2.8.3 Chief officers will keep completed staff declarations; and also maintain a departmental register of declarations indicating the names and grades of all those declaring, and the nature of their declaration; LCOs will keep any consultants' or other bodies' representatives' declarations on the contract file.

2.8 Changes to CSOs

2.9.1 As set out in article 1, the monitoring officer may make minor changes to the ~~Contract Standing Orders~~ CSOs, after consultation with the chief finance officer.

2.9.2 Minor changes are defined as:

- typographical/presentational/explanatory changes
- changes in statutory framework, i.e. references to new or updated legislation
- changes in titles, names or terminology
- changes consequential to other constitutional changes already made.

3. Particular types of contract

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3.1 — Corporate contracts and corporate framework agreements

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~~3. Where there is a Corporate contract for a service, supply or for works, it must be used to make the relevant purchase. If a lead contract officer believes that the Corporate contract does not meet their requirements they must obtain an exemption (see 4.9) through a Gateway report regardless of the value of the purchase. This requirement also applies where a corporate framework agreement is in place. The process for establishing a corporate framework agreement is as set out in 3.4.1.~~

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3.2 — Contracts secured through purchasing consortia

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~~3. Approval to create or join a purchasing consortium must be obtained in a Gateway 1 report which must identify the procedure for award of individual contracts or orders placed by the consortium. Once approval has been obtained, contracts or orders placed through the purchasing consortium will not be subject to the tendering or quotation requirements in these Contract Standing Orders, but a Gateway 2 approval must be obtained in accordance with 4.6 before the individual contract or order can be placed.~~

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3. Demand-led contracts (framework contracts)

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~~3.3.1 Establishing demand-led contracts will be subject to the full requirements of these Contract Standing Orders using the total Estimated~~

Contract Value across the duration of the contract. Using the contract once it is in place will not be subject to the tendering or quotation requirements of these Contract Standing Orders, but a Gateway 2 approval must be obtained in accordance with 4.6 before individual orders can be placed under the framework in order to demonstrate value for money and proper process. No individual order may be placed under a demand led contract which will exceed the EU threshold for services/supplies unless this has been approved by the relevant decision maker appropriate to that contract. Such approval can be given at the time of the approval of the procurement strategy (Gateway 1 report) or in the approval of the award of the contract (Gateway 2 report) or before the individual order is placed.

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3.4 Framework agreements

3.4.1 Establishing a Framework agreement is subject to the full requirements of these Contract Standing Orders. Any procurement utilising an existing council Framework agreement will not be subject to the tendering or quotation requirements of these Contract Standing Orders, but a Gateway 2 approval must be obtained in accordance with 4.6 before individual orders can be placed under the framework to demonstrate value for money and proper process. If recommending use of a direct award on a multi-supplier framework, the LCO must treat this as a single supplier negotiation in the Gateway 1 report.

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3.4.2 Any procurement involving the use of a third party's Framework arrangement will not be subject to the tendering or quotation requirements of these Contract Standing Orders. Gateway approval must however be obtained in accordance with 4.4 to 4.6 to demonstrate value for money and proper process. Some framework arrangements require buying authorities to formally join the framework in order to use it. Some may require an access charge to be paid, e.g. Improvement and Efficiency South East (IESE). Where it is necessary to join a framework or to pay an access charge, this should be made clear in the Gateway 1 report. If recommending use of a direct award on a multi-supplier framework, the LCO must treat this as a single supplier negotiation in the Gateway 1 report.

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3.5 Health and social care and education Spot contracts

Personal, social or educational services are sometimes provided by the purchasing of these services under Spot contracts. The relevant chief officers will seek to minimise the use of Spot contracts, but where they are to be used for such services:

- 3.
- 3. the requirements in these Contract Standing Orders for obtaining tenders or quotes shall not apply
- 3. the relevant chief officer may award all such Spot contracts
- 3. the relevant chief officer must provide an annual report to the Corporate Contract Review Board (CCRB) within six months of the end of the financial year detailing the nature, extent and value of Spot contracts entered into in the previous financial year and the steps being taken to minimise the use of Spot contracts
- 3. the relevant chief officer must have regard to the threshold for light touch regime services under the Public Contract Regulations 2015.

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3. ~~3.6~~ ~~Leasing contracts~~

3.

~~3. Where approval is being sought to enter into a contract for the lease of an asset, written permission is also required from the strategic director of finance and governance in most cases, as set out in the Financial Standing Orders. Confirmation that this has been obtained should be included in Gateway reports.~~

3.

3. ~~4.~~ ~~Approvals processes~~

3.

3. Overview of procurement process

~~4.13.1~~ Having identified a need to purchase goods, services or works which are not covered by an existing contract and having confirmed that they are subject to CSOs (see section 1 above), the main stages of all non-emergency procurements are – in summary:

- a) to identify who is the lead contract officer (LCO) – see 2.6 above
- b) ~~to follow appropriate quote/tender route. This will depend on the Estimated Contract Value and other factors – see 4 below~~
- c) ~~to obtain approval of a pre-procurement strategic assessment for services contracts with an Estimated Contract Value of £10 million or more – see 6.3 below~~
- d) to obtain approval of procurement strategy (Gateway 1 report). This will depend on the Estimated Contract Value and other factors and may require consideration of the report by the Departmental and Corporate Contract Review Boards (DCRB and CCRB) – see ~~6.4.5~~ below
- e) ~~to follow appropriate quote/tender route. This will depend on the Estimated Contract Value and other factors – see 5 below~~
- e) to obtain approval to award contract (Gateway 2 report). This will depend on Estimated Contract Value and other factors and may require consideration of the report by the DCRBs and CCRB – see ~~4.6.5~~ below
- f) to ensure that a written contract has been signed (and sealed if necessary) on behalf of the chief officer of the LCO's department in line with constitutional requirements.

For an emergency procurement, see ~~4.106.9~~ below.

~~3.2~~ Where there is a need to vary an existing contract, the process to be followed is set out in ~~4.76.6~~ below.

~~4.13.3~~ Where it is proposed to bring a service which was previously externalised back in-house, it is necessary to follow ~~43.1.1~~ a) and ~~bd~~) above.

4. Requirements to obtain quotes or tenders

4.1 Contracts less than £25,000

~~4.1.1~~ For all contracts where the Estimated Contract Value is less than £25,000, there is a requirement to ensure value for money and best value and to keep a record of what action has been taken and when. This may often be best achieved by obtaining competitive quotes. In addition, if the contract is for works or for works-related services, the provider must be obtained from the council's Works Approved List, unless permission is obtained to do otherwise through a Gateway 1 report; such a report must include supplementary

procurement advice from the strategic director of finance and governance or his delegated officers, without which the approval cannot be granted.

4.2 Contracts from £25,000 or more to below £100,000

4.2.1 For all contracts where the Estimated Contract Value is from £25,000 or more to below £100,000, there is a requirement to take all reasonable steps to obtain at least three written quotes, including one from a local supplier where this is possible, unless the LCO decides that this will not secure value for money. In such cases, a Gateway 1 report must be completed to explain what alternative action is being taken and why. In addition, if the contract is for works or works-related services, those invited to submit quotes must be selected from the council's Works Approved List unless permission is obtained to do otherwise through a Gateway 1 report; such a report must include supplementary procurement advice from the strategic director of finance and governance or his delegated officers, without which the approval cannot be granted.

4.3 Contracts of £100,000 or more to below EU threshold

4.3.1 For all contracts where the Estimated Contract Value is £100,000 or more to below the relevant EU threshold, there is a requirement to take all reasonable steps to obtain at least five tenders. In addition, if the contract is for works or work-related services, those invited to submit tenders must be selected from the council's Works Approved List unless permission is obtained to do otherwise through a Gateway 1 report; such a report must include supplementary procurement advice from the strategic director of finance and governance or his delegated officers, without which the approval cannot be granted.

4.4 All contracts above EU threshold values

4.4.1 For all contracts above the EU threshold applicable to them, there is a requirement to comply with the Public Contract Regulations 2015 following a publicly advertised competitive tendering process, as set out in these CSOs and in line with the Procurement Guidance.

4.4.2 Health, social care or educational services fall within the EU's Light Touch Regime (see definition in Glossary). The relevant chief officer must have regard to the threshold for these services under the Public Contract Regulations 2015.

5. Use of Framework agreements and Purchasing consortia

5.1 Using Framework agreements

5.1.1 Where there is a contract in place for the council by way of a Framework agreement for a service, supply or work, it must be used to make the relevant purchase. If the LCO believes that the Framework agreement does not meet

their requirements, they must obtain an exemption (see CSO 6.8) through a Gateway report if the value is £25,000 or more.

5.1.2 Establishing a council-led Framework agreement or use of a third party's Framework Agreement is subject to the full requirements of these CSOs, including a Gateway 1 and Gateway 2 report.

5.1.3 For all Framework agreements, if recommending use of a direct award on a multi-supplier framework, the LCO must treat this as a single supplier negotiation in the Gateway 1 report.

5.1.4 Any planned use of a Framework agreement once in place will need a Gateway 2 report, which will be approved in line with CSO 6.5, and which should set out how orders are to be placed. In the absence of this, the LCO will need to prepare Gateway 1 and 2 reports.

5.2 Third party Framework agreements

5.2.1 Some Framework agreements require buying authorities to formally join the framework in order to use it. Some may require an access charge to be paid. Wherever necessary, these should be made clear in the Gateway 1 and 2 reports.

5.3 Contracts secured through Purchasing consortia

5.3.1 Approval to create or join a Purchasing consortium must be obtained in a Gateway 1 report which must identify the procedure for award of individual contracts or orders placed via the consortium. Once approval has been obtained, contracts or orders placed through the Consortium Agreement will not be subject to the quotation or tendering requirements in these CSOs, but a Gateway 2 report must be obtained in accordance with CSO 6.5 before any individual contract or order is placed.

6. Approvals processes

6.1 Gateway and other reports

6.1.1 The procurement process requires written reports at the following stages:

- a) approval of pre-procurement strategic assessment – Gateway 0 report
- b) approval of procurement strategy – Gateway 1 report
- c) approval of award of the contract – Gateway 2 report
- d) approval of Variation or Extension to contract – Gateway 3 report
- e) monitoring reports throughout the life of the contract.

More information can be found in 4.4CSOs 6.3 to 46.8, 89 and the definitions belowGlossary.

4.36.2 Supplemental advice from other officers in Gateway and other reports

6.2.1 Where the Estimated Contract Value or, in relation to a Variation, the Contract Value is over the relevant EU threshold **for supplies and services or over £2 million for works contracts** or where required elsewhere in the CSOs, any Gateway report or other report containing a contract matter (such as a Variation report) must include legal advice from the monitoring officer,

financial and procurement advice and, for housing-related reports, statutory leaseholder consultation advice from the strategic director of finance and governance or delegated officer(s).

4.46.2.2 There is a requirement to include all relevant information and this may require advice from other officers e.g. the director of modernise for all IT projects or director of education for all school-related projects.

6.3 Decision on pre-procurement strategic assessment – Gateway 0

6.3.1 A pre-procurement assessment decision is required for:

- All services contracts ~~above~~with an Estimated Contract Value of £10 million or more in value (excluding capital investment works)
- Other strategically important contracts for services, goods or works where requested by the relevant cabinet member

4.46.3.2 The decision on a pre-procurement assessment is to be taken by the relevant cabinet member, after consideration by the CCRB of a Gateway 0 report.

6.4 Decision on procurement strategy – Gateway 1

4.5.16.4.1 For contracts with an Estimated Contract Value of £100,000 or more, the LCO must consult with the relevant cabinet member before a procurement strategy is implemented.

6.4.2 A decision on the procurement strategy to be used on any contract with an Estimated Contract Value of ~~over £75~~£100,000 or more must only be made after consideration of a Gateway 1 report. It is recommended that such a report is also used for contracts with an estimated value ~~of £75,000 or below.~~ For contracts with an Estimated Contract Value over £100,000. As a minimum, the LCO must consult with~~keep a written record of decisions, the relevant cabinet member before a procurement strategy~~date that the decision is implemented.~~taken and action taken.~~

6.4.5.23 The decision on the approval of the procurement strategy is to be taken ~~by the relevant chief officer or under his/her delegated authority in line with the department's scheme of management, except where~~as set out below:

- if the contract is a Strategic Procurement, the decision must be taken by the cabinet or cabinet committee, after consideration by the CCRB of the report
- if the Estimated Contract Value is ~~above~~ £2 million or more but below £4 million for services and supplies or ~~above~~ £10 million or more but below £15 million for works but the contract does not fall into a) above, the decision must be taken by the relevant individual decision maker, after consideration by the CCRB of the report
- if the contract ~~is a Corporate contract, will affect the budget of more than one directorate~~ but does not fall into a) or b) above, the decision must be taken by the ~~strategic director of finance and governance, chief officer responsible for the contract~~ after consideration by ~~the CCRB~~all relevant DCRBs of the report

- d) ~~the contract will affect the budget of more than one directorate and if the Estimated Contract Value is £500,000 or more, but does not fall into a), b) or c) above, the decision must be taken by the strategic director of finance and governance, after consideration by the CCRB of the report~~
- d) ~~the Estimated Contract Value is~~ above the relevant EU threshold but the contract does not fall into a), b), ~~) or c) or d)~~ above and the LCO is requesting approval to proceed with a single tenderer or to negotiate with a single provider (and this is permitted by EU legislation), the decision must be taken by the strategic director of finance and governance, after consideration by the CCRB of the report
- e) ~~the contract will affect the budget of more than one directorate and if the Estimated Contract Value is less than £500,000, the chief officers of all the directorates concerned must agree the decision, after consideration by the relevant DCRBs of the report~~
- e) ~~the Estimated Contract Value is~~ above the relevant EU threshold but the contract does not fall into a), b), c), ~~d), e)~~ or ~~fd)~~ above, the decision must be taken by the chief officer or under his/her delegated authority, after consideration by his/her DCRB of the report
- f) a different requirement must be met as specified elsewhere in the constitution or these CSOs:
 - i) for the decision to be made by someone else (e.g. pensions, treasury management and insurance where decisions are to be made by the strategic director of finance and governance), or
 - ii) about the decision (e.g. in emergencies where no prior written report is needed – see 4.10 below CSO 6.9).
- g) if the decision does not fall into any of the categories above, it must be taken by the relevant chief officer or under their delegated authority in line with the department's scheme of management.

6.4.4 Gateway 1 reports should consider social value and set out how this will be included in any tender process. They must also include any details of procurement proposals that are different from the normal routes, including requests for exemptions to all or some of these CSOs and requests to delegate powers to award the contract.

~~4.5.3 Gateway 1 reports should consider social value and set out how this will be included in any tender process. They must also include any details of procurement proposals that are different from the normal routes, including requests for exemptions to all or some of these CSOs and requests to delegate powers to award the contract.~~

4.6.5 Decision on contract award – Gateway 2

4.6.5.1 A decision to award any contract with an Estimated Contract Value of ~~over £75~~£100,000 or more must only be made after consideration of a Gateway 2 report. It is recommended that such a report is also used for contracts with an estimated value ~~of £75 below £100,000 or below~~. As a minimum, the LCO must keep a written record of decisions ~~, the date that the decision is taken~~ and action taken.

4.6.5.2 The decision on the award of a contract is to be taken ~~on the basis of a written report by the relevant chief officer or under his/her delegated authority in line with the department's scheme of management, except where as set out below:~~

- a) if the contract is a Strategic Procurement, the decision must be taken by the cabinet or cabinet committee, after consideration by the CCRB of the report
- b) if the Estimated Contract Value is ~~above~~ £2 million or more but below £4 million for supplies and services or ~~above~~ £10 million or more but below £15 million for works but the contract does not fall into a) above, the decision must be taken by the relevant individual decision maker, after consideration by the CCRB of the report
- c) if the contract ~~is a Corporate contract, will affect the budget of more than one directorate~~ but does not fall into a) or b) above, the decision must be taken ~~the strategic director of finance and governance, by the chief officer responsible for the contract~~ after consideration by ~~the CCRB of the report~~
- c) ~~the contract will affect the budget of more than one directorate, and the Estimated Contract Value is £500,000 or more but does not fall into a), b) or c) above, the decision must be taken by the strategic director of finance and governance, after consideration by the CCRB of the report~~
- c) ~~the contract will affect the budget of more than one directorate and the Estimated Contract Value is less than £500,000, the chief officers of all the directorates concerned must agree the decision, after consideration by the relevant DCRBs of the report~~
- d) ~~if;~~
- d) If:
 - i) the Estimated Contract Value is £500,000 or above (for services and supplies contracts) or above the relevant EU threshold (for works contracts), and
 - ii) the contract is to be awarded to a contractor whose bid was more than 15% above the Lowest Bid,
- but does not fall into a), b), ~~c)~~ or ~~dc)~~ above, the decision must be taken by the relevant chief officer after consultation with the strategic director of finance and governance, ~~after consideration by the CCRB of the report~~
- e) if the proposed contract includes pension arrangements terms which are different from those set out in the council's Admitted Bodies policy but the contract does not fall into a), b) c) or d) above, the decision must be taken by the strategic director of finance and governance, after consideration of the report by the CCRB and taking advice from the Pensions Advisory Panel
- f) if the Estimated Contract Value is above the relevant EU threshold but the contract does not fall into a), b), c), ~~d), e), f)~~ or ge) above, the decision must be taken by the relevant chief officer or under his/her delegated authority, after consideration by the relevant DCRB of the report
- g) a different requirement must be met as specified elsewhere in the constitution or these CSOs:
 - i) for the decision to be made by someone else (e.g. pensions, treasury management and insurance where decisions are to be made by the strategic director of finance and governance)
 - ii) about the decision (e.g. in emergencies where no prior written report is needed – see 4.10 below CSO 6.9)
- h) approval has been obtained in line with CSO 6.4.5.34 above to a different decision process.
- i)
 - i) 4-if the decision does not fall into any of the categories above, it must be taken by the relevant chief officer or under their delegated authority in line with the department's scheme of management.

6.5.3 Requests to delegate the decision on the award of a contract should be included within the Gateway 1 report.

4.6.5.4 Report authors should include, as part of the proposed recommendations contained within the Gateway 2 report, details of any possible options to extend the contract. ~~Where such a recommendation is not included, even where the contract was awarded prior to the commencement of these CSOs, any decision to exercise an option to extend the contract will be subject to the requirements of 4.7 below.~~

4.7.6.6 Decision to allow Variations during contract term – Gateway 3

4.7.16.6.1 ~~For contract Variations with an Estimated Contract Value of £100,000 or more, the LCO must consult with the relevant cabinet member before this is implemented.~~

6.6.2 A decision to allow a contract Variation of ~~£100,000 or more than £75,000~~ must only be made after consideration of a Gateway 3 report. It is recommended that such a report is also used for contract Variations with an estimated value of ~~£75,000~~ £100,000 or below. As a minimum, the LCO must keep a written record of decisions and action taken.

4.7.26.6.3 Any decision to allow a Variation of a contract or Framework agreement is to be taken ~~on the basis of a written report by the relevant chief officer or under his/her delegated authority in line with the department's scheme of management, except where as set out below:~~

a)

- a) ~~the Contract Value plus the amount if the value of the proposed Variation and any previous Variations is £250,000 or above (for services and supplies contracts) or £1 million or above (for works contracts) and the amount is a Strategic Procurement, the decision must be taken by the cabinet or cabinet committee, after consideration by the CCRB of the report~~
- b) ~~if the value of the proposed Variation is more than 10% of the Contract value £2 million or more but below £4 million for supplies and services or £10 million or more but below £15 million for works but the contract does not fall into a) above, the decision must be taken by the relevant individual decision maker, after consideration by the CCRB of the report~~
- c) ~~if the value of the proposed variation is £1 million or more, the decision must be taken by the strategic director of finance and governance, after consideration by the CCRB of the report; all such decisions will be advised in writing by the strategic director of finance and governance to members of the cabinet~~
- d) ~~a different requirement must be met as specified elsewhere in the contract is a Corporate contract, but does not fall into a) above, constitution or these CSOs:~~
 - i. ~~for the decision must to be taken made by the strategic director of finance someone else (e.g. pensions, treasury management and governance, after consideration by the CCRB of the report; all such insurance where decisions will are to be advised in writing made by the strategic director of finance and governance to members of the cabinet)~~
 - ii. ~~about the contract affects decision (e.g. in emergencies where no prior written report is needed – see CSO 6.9)~~

- e) ~~if the budget of more than one directorate, but decision~~ does not fall into a) or b) ~~any of the categories~~ above, the decision must be taken by the relevant chief officer, ~~after obtaining agreement in writing from the other relevant chief officer(s), and after consideration by the relevant DCRBs of the report or under their delegated authority in line with the department's scheme of management.~~

6.6.4 Where an additional amount is to be paid in respect of an outstanding sum for works, services or supplies already provided or where an Urgent Payment is required, written confirmation from the monitoring officer that the sums are legally payable must be obtained and the decision to make the payment must be reported in writing to the strategic director of finance and governance within five clear working days.

~~a different requirement must be met as specified elsewhere in the constitution or these CSOs:~~

~~for the decision to be made by someone else (e.g. pensions, treasury management and insurance where decisions are to be made by the strategic director of finance and governance), or~~

~~about the decision (e.g. in emergencies where no prior written report is needed – see 4.10 below)~~

~~approval has been obtained in line with 4.5.3 above to a different decision process.~~

4.7.3

6.6.5 Where a decision on a Variation is made in relation to a contract for works, there will also be a deemed variation of the contract of any consultant engaged in relation to that works contract. This only applies where the consultant is engaged on a fixed percentage of the works contract value. The deemed variation of the consultant's contract will be by the same percentage as that applied to the works contract.

4.86.7 Retrospective approvals

6.7.1 In the event of a contract having been entered into other than in compliance with these CSOs, it may be necessary to seek approvals retrospectively. In such cases, the procedures relating to Gateway 1, Gateway 2 and Gateway 3 reports should be followed. ~~Where the decision makers for the Gateway 1 and 2 reports are different, both decisions can be taken by the higher decision maker (see 2.7 above), after consulting with the other decision maker, as soon as possible.~~ In addition, a report should be submitted to the relevant departmental contract review board for information and, where a decision relates to a procurement strategy, a contract award or a contract Variation with an estimated value of over £100,000, also to the audit, governance and standards committee, setting out the circumstances and manner in which the decision was taken, for the purpose of obtaining guidance to inform future decision making.

4.96.8 Exemptions

6.8.1 In the event that there appear to be exceptional circumstances which mean that the usual procedures set out in the CSOs cannot be followed, written approval must be obtained in advance through a Gateway report. The report should set out the exceptional circumstances and explain why usual procedures cannot be followed. Proposed alternative courses of action must

still comply with remaining relevant statutory and corporate requirements as set out in 2.1 above.

6.8.2 Examples of circumstances which might amount to an exceptional reason for not following the usual procedures include but are not limited to:

- a) the nature of the market has been investigated and is such that a departure from the CSO requirements is justified
- b) ~~the contract is one required because of circumstances of extreme urgency which could not reasonably have been foreseen~~
- b) the circumstances of the proposed contract are covered by legislative exemptions (whether under EU or domestic law).

4.406.9 Emergencies

6.9.1 An emergency is a situation where action is needed to prevent a risk of injury or loss of life, or to the security or structural/operating viability of a property or other tangible or intangible asset. In the case of an emergency, action necessary can be approved by a chief officer without a prior written Gateway report. Such action shall be limited to dealing with the emergency and it shall be subsequently recorded in a written report to the CCRB, within six months of the action taken.

~~5. Requirements to obtain tenders or quotes depending on type of contract and levels of contract value~~

~~When estimating the value of a contract, reference should be made to the Estimated Contract Value paragraph set out in the Definitions section.~~

~~5.1 Contracts less than £5,000~~

~~For all contracts where the Estimated Contract Value is less than £5,000, there is no requirement to obtain competitive quotes; the requirement is to ensure value for money and best value and to keep a record of what action has been taken and why. In addition, if the contract is for works or for works-related services, the provider must be obtained from the council's Works Approved List, unless permission is obtained to do otherwise through a Gateway 1 report; such a report must include supplementary procurement advice from the strategic director of finance and governance or his delegated officers, without which the approval cannot be granted.~~

~~5.2 Contracts from £5,000 to £75,000~~

~~For all contracts where the Estimated Contract Value is from £5,000 to £75,000, there is a requirement to take all reasonable steps to obtain at least three written quotes, including one from a local supplier where this is possible, unless the LCO decides that this will not secure value for money. In such cases, a Gateway 1 report must be completed to explain what alternative action is being taken and why. In addition, if the contract is for works or works-related services, those invited to submit quotes must be selected from the council's Works Approved List unless permission is obtained to do otherwise through a Gateway 1 report; such a report must include supplementary procurement advice from the strategic director of finance and governance or his delegated officers, without which the approval cannot be granted.~~

~~5.3 Works contracts and works-related services above £75,000 but below EU threshold~~

~~For all such contracts where the Estimated Contract Value is above £75,000 but below the relevant EU threshold, there is a requirement to take all reasonable steps to obtain at least five tenders. Those invited to submit tenders must be selected from the council's Works Approved List unless permission is obtained to do otherwise through a Gateway 1 report; such a report must include supplementary procurement advice from the strategic director of finance and governance or his delegated officers, without which the approval cannot be granted.~~

~~Supplies and services contracts above £75,000 but below EU threshold~~

~~For all such contracts where the Estimated Contract Value is above £75,000 but below the relevant EU threshold, there is a requirement to take all reasonable steps to obtain at least five tenders.~~

~~5.5 All other contracts above EU threshold values~~

~~For all contracts above the EU threshold applicable to them, there is a requirement to comply with the Public Contract Regulations 2015 following a publicly advertised competitive tendering process, as set out in these CSOs and in line with the Procurement Guidelines.~~

67. Tender return and opening procedure

67.1 Officers must use any e-procurement processes as required by the procurement advice team in order to ensure compliance with relevant legislative requirements. All tender processes must comply with the following requirements.

67.2 Tenderers must be told that their tenders may only be considered if they are received in time within the protocols of the council's e-procurement system or, where permitted by the invitation to tender instructions, if they follow the following requirements below:

~~Either:~~

- a) the tender must be returned in a plain envelope or parcel which is marked clearly "Tender" followed by the subject of the contract, and
- b) the envelope or parcel must not show the identity of the tenderer in any way, and
- c) the envelope or parcel must be delivered to the place and by the time stated in the tender invitation, with Tenders where the Estimated Contract Value is £500,000 or more being returned to the monitoring officer.

~~Or:~~

~~tenders must be received in time within the protocols of the council's e-procurement system.~~

67.3 All tenders will be electronically released or opened at the same time and place, after the closing date and time for receipt stated in the tender documents.

67.4 A tender received by the council ~~via the e-procurement system or otherwise (subject to CSO 7.6)~~ after the time and date specified in the invitation shall not be accepted or considered.

67.5 Tenders where the Estimated Contract Value is £500,000 or more shall be ~~opened/electronically released~~ or opened by the monitoring officer's authorised representative. Where the Estimated Contract Value is less than £500,000, tenders not required to be returned using the e-procurement system may be returned to the chief officer or their authorised representative who will arrange for tender opening in the presence of at least two officers, one of whom will be the witness and will not have been directly involved in that particular contract; ~~tenders. Tenders~~ required to be returned using the e-procurement system will be released from the sealed tender box by the relevant chief officer or their authorised representative.

67.6 Exceptions to the requirements set out in **67.1** to **67.5** above will only be made in exceptional circumstances and must be authorised by the relevant chief officer in writing following consultation with the ~~strategic director of finance and governance, CCRB or DCRB as appropriate to the contract~~ monitoring officer and legal advice as necessary.

78. Advertisement and publication of procurement notices

78.1 Chief officers are responsible for ensuring that the council's obligations in relation to the publication of notices relating to procurement and contracts are met. Contract opportunities for quotations or tenders with an Estimated Contract Value of £25,000 or above that are advertised in any way must be advertised on the Contracts Finder website. All awards of contracts that have an Estimated Contract Value of £25,000 or above, including call-off contracts from Framework agreements must also be published on the Contracts Finder website.

78.2 Notices to be published in the Official Journal of the European Union (OJEU) must only be placed by the monitoring officer or delegated representative. These include contract notices, contract award notices, voluntary ex-ante transparency (VEAT) notices and modification of contract during term notices.

89. Contract management and monitoring

9.1 The ~~lead contract officer~~ LCO must ensure that systems are in place to manage and monitor contracts in respect of at least:

- a) compliance with specification and contract
- b) ~~contractor~~ performance and KPIs
- c) budget and cost
- d) user satisfaction
- e) risk management
- f) delivery of social value commitments, including London Living Wage.

9.2 Where the ~~estimated contract value~~ Estimated Contract Value exceeds the relevant EU threshold, the ~~lead contract officer~~ LCO should prepare a six-monthly monitoring report to the relevant DCRB.

- 9.3 Where the contract relates to a ~~strategic procurement or is corporate in nature or has an estimated contract value of £500,000 or more and affects the budgets of more than one department, the lead contract officer~~Strategic Procurement or was awarded by an individual decision maker, the LCO should prepare an annual monitoring report to the CCRB, within six months of the contract anniversary.

910. Contract termination / Mergers and acquisitions

10.1 Contract termination

- 10.1.1 A contract may only be terminated early or suspended by a chief officer, ~~and by the council~~ only after obtaining approval from the monitoring officer and strategic director of finance and governance; all such decisions will be advised in writing by the chief officer to the relevant member of the cabinet and cabinet member for finance, modernisation and performance.

10.2 ~~10. Contractor insolvency~~

10.2

10.2 Mergers and acquisitions

- 10.2.1 Where it appears that a current contractor may be the subject of a merger or acquisition by another company or organisation, the LCO must inform the monitoring officer and strategic director of finance and governance as early as possible, in order to enable appropriate advice to be given.

11. Contractor insolvency

- 11.1 Where it appears that a contractor is at risk of becoming insolvent, or the council is notified that insolvency proceedings have been brought, the chief officer must inform the monitoring officer and strategic director of finance and governance as early as possible, in order to enable appropriate advice to be given.

Glossary

CCRB	Corporate Contract Review Board – panel of officers operating under terms of reference of CCRB. Its role includes considering reports from LCOs for the cabinet, individual decision makers and the strategic director of finance and governance on contract decisions <u>and contract monitoring reports</u> .
Consortium agreement	A consortium agreement is a single formal legal document, agreed and signed by all the parties to a project, and which imposes a set of standard conditions on those signatories. These conditions include, amongst other things, agreements as to ownership and exploitation of intellectual property rights, and a set of warranties and disclaimers allocating risk between the parties. A consortium agreement is needed when joining a purchasing consortium.
Contract Value	The total value of a contract as awarded (which may be different from the Estimated Contract Value), net of VAT, or if there is no fixed figure, the LCO's best estimate of the likely amount to be spent over the period of the contract, taking into account the prices accepted.
Corporate contract	A contract arranged by a department that should be used by the whole council for all goods, works or services specified in it.
Council's contract register	A register of contracts, compiled through the council's e-procurement system.
DCRB	Departmental Contract Review Board – panel of officers operating under terms of reference of DCRB. Its role includes reviewing reports for consideration by the CCRB and the chief officer on contract decisions <u>and contract monitoring reports</u> .
Demand-led contract	A demand-led contract is an agreement between two parties which commits one to buying from another over a period of time. The rates to be charged through the contract are set whilst the volumes of work to be delivered through the contract are not defined or guaranteed. Individual orders are issued prices against the agreed rates. This is sometimes referred to as a demand-led contract and is often based on a schedule of rates.
Estimated Contract Value	The total value of a proposed contract including options to extend it (as estimated by the LCO on the basis of all relevant factors) net of VAT calculated for the proposed contract period, or, if for an undetermined period, in accordance with the valuation rules contained in European Regulations, whether or not the Regulations apply to the particular contract. This may be different from the lifetime cost of the contract, which may need to be considered for other purposes (see Procurement Guidelines). Note that a contract may not be artificially packaged into two or more separate contracts, nor a valuation method selected, with the intention of avoiding the application

of these CSOs. Chief officers are responsible for considering aggregation within their department to ensure delivery of best value within CSO requirements. The Estimated Contract Value should be based on the best available estimates, or on actual costs if known.

EU Regulations The Public Contracts Regulations 2006 and 2015 or any amendment to or successor to those Regulations.

EU threshold The current contract value at which the requirements of the EU Regulations apply for the services, supplies or works being procured.

Framework agreements ~~A framework agreement is similar to a framework contract but without rates. The agreement is to provide an unspecified volume of work at an unspecified rate. These Framework~~ agreements are often used when a number of providers are secured to provide ~~the specific~~ supplies, services or works. Setting up framework arrangements is subject to EU regulations and they generally can exist for no more than four years.

Providers on a Framework agreement will have been through a procurement process to appear on the framework list. During this process the providers must demonstrate that they can deliver the scope of requirements covered by the framework. There should be clear rules supporting the use of the framework as these will need to be followed to ensure the framework remains EU compliant. Some frameworks require a further competition process to be undertaken involving all providers appearing in the list. The council may set up its own framework agreements for a particular service or decide to use a framework set up by a third party, e.g. Crown Commercial Service (CCS).

Gateway report A written report in substantially the same terms as those contained in the relevant template which can be found on the Source at <http://thesource/SectionLandingPage.asp?id=22344&cat=1234>.

Key Decision Definitions of Key Decisions are contained in the Protocol on Key Decisions in appendix 1 of the Access to information procedure rules section of the constitution. Examples of Key Decisions for procurement purposes are:

- those which are subject to a general financial threshold (£500,000 or more – note that in relation to awarding contracts, this is a per annum value not a contract term value)
- those which have a significant impact on communities
- Strategic Assessment (Gateway 0) approvals
- Gateway 1 approvals in respect of a Strategic Procurement.

Lead contract officer (LCO)	The LCO for each contract is the officer who has a duty to ensure that the obligations set out in these CSOs are complied with.
<u>Light Touch Regime</u>	<u>Services that fall within the EU definition of Light Touch Regime Services for Social and other Specific Services noted in schedule 3 of the Public Contract Regulations 2015. These generally include Health, Social Care or Education Services. Any queries on this should be directed to the procurement advice or legal contract teams.</u>
Lowest Bid	The lowest price offered by tender or quotation which meets the specification and other requirements of the contract and has not been rejected as abnormally low.
Procurement Guidelines	Guidance issued and maintained by, advice or templates published on the intranet pages in relation to the procurement advice team and legal services containing best practice information on procurement matters process.
Purchasing consortium	A purchasing consortium is a group of organisations that have come together with the primary objective to buy collectively, thereby increasing their buying power and minimising procurement activity. To join a purchasing consortium it is necessary to sign a consortium agreement. An example of a purchasing consortium is the London Contracts Supply Group (LCSG).
Spot contract	A one-off contract under which services are provided to meet an individual service user's needs for personal, social or educational provision.
"Standstill" Period	The period required by EU regulations between notification of an award decision and when the contract comes into existence, in order to allow unsuccessful parties time to challenge the award decision. Most contracts are covered by this requirement. Seek advice if you are unclear about the application of the Standstill Period.
Strategic Procurement	Procurement where one or more of the following apply: <ol style="list-style-type: none"> 1) Estimated Contract Value of £4 million or more for non-works and of £15 million or more for works 2) a significant change to previous service 3) possible externalisation or change in manner of delivery 4) significant transfer of assets or staff 5) political sensitivity 6) contract carrying a high level of risk.
Tender value	The value of a contract at the time of the award of the contract or, if there is no fixed value, the LCO's best estimate of the likely spend on the contract during the contract period.
Urgent Payment	A payment where delay would lead to significant demonstrable

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financial loss to the council (and where no breach of EU or domestic requirements would be occasioned).

Variation

~~A decision to extend the length or cost or amend the scope of a contract where the original agreed contract makes explicit provision for this. This might be an increase in the duration of the contract (contract length/new end date), an increase in the volume usage of the contract (amount supplied), and/or the exercise of an option (e.g. to now use an element of the service which was not used before).~~

A modification to an existing contract such as additional services, exercising options, changes in price or a change in contractor.

Works Approved List

A list of providers of works and works-related consultancy services which have all been appraised to meet minimum criteria in respect of their financial standing, level of insurance held, health and safety policies and procedures, and equal opportunities policies and procedures, maintained by the procurement advice team. For further information about the use of Approved Lists, ~~see the Procurement Guidelines or~~ seek advice from the procurement advice team.

Item No. 18.	Classification: Open	Date: 27 February 2017	Meeting Name: Audit, governance and standards committee
Report title:		Report on the operational use of the Regulation of Investigatory Powers Act 2000	
Ward(s) or groups affected:		All	
From:		Director of Law and Democracy	

RECOMMENDATION

1. That the audit, governance and standards committee note the information relating to the use of RIPA for the period shown.

BACKGROUND INFORMATION

2. The Regulation of Investigatory Powers Act 2000 (RIPA) puts a regulatory framework around a range of investigatory powers used by local authorities. This is done to ensure the powers are used lawfully and in a way that is compatible with the European Convention on Human Rights. It also requires, in particular, those authorising the use of covert techniques to give proper consideration to whether their use is necessary and proportionate.
3. RIPA legislates for the use by local authorities of covert methods of surveillance and information gathering to assist in the detection and prevention of crime in relation to an authorities core functions.
4. At their meeting on 13 October 2010 the former committee agreed to consider reports on the use of RIPA.

KEY ISSUES FOR CONSIDERATION

5. The council's use of these powers is subject to regular inspection and audit by the Office of the Surveillance Commissioner (OSC) in respect of covert surveillance authorisations under RIPA. During these inspections, authorisations and procedures are closely scrutinised and Authorising Officers are interviewed by the inspectors.
6. The council was inspected by HH Brian Barker, Assistant Surveillance Commissioner, on 3 October 2016. A further report on this agenda concerns his report.
7. From 1 November 2012 local authorities have been required to obtain judicial approval prior to using covert techniques. Local authority authorisations and notices under RIPA (Regulation of Investigatory Powers Act 2000) will only be given effect once an order has been granted by a Justice of the Peace. Authorisations are for 3 months and can only be extended with further judicial approval. Within the 3 month period they are subject to monthly reviews to ensure they are still required.
8. Additionally, from that date local authority use of directed surveillance under RIPA has been limited to the investigation of crimes which attract a six month or more custodial

sentence, with the exception of offences relating to the underage sale of alcohol and tobacco.

9. Appendix A shows the usage for the period 1 January 2016 to 31 December 2016. Appendix B shows the usage for the period 1 April 2010 to 31 December 2015 for comparison purposes.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
The Council's Constitution	http://www.southwark.gov.uk Constitutional Team, 2nd floor, PO Box 64529 London, SE1P 5LX	Victoria Foreman 020 7525 5485

APPENDICES

No.	Title
Appendix A	1 January 2016 to 31 December 2016
Appendix B	1 April 2010 to 31 December 2015

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown, Director of Law and Democracy		
Report Author	Norman Coombe, Head of Corporate Team		
Version	Final		
Dated	23 February 2017		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments sought	Comments included	
Director of Law and Democracy	Yes	Yes	
Director of Finance	No	No	
Cabinet Member	N/A	N/A	
Date final report sent to Constitutional Team		23 January 2017	

APPENDIX A

Reference	Date authorised applied for	Purpose	Length of investigation	Were investigators given extra authorisation to acquire/access confidential information?
EN75	13.01.2016	Surveillance concerning sale of unsafe food	Terminated 12.02.2016	NO
EN76	13.01.2016	Surveillance concerning sale of unsafe food	Terminated 12.02.2016	NO
EN77	13.01.2016	Surveillance concerning sale of unsafe food	Terminated 12.02.2016	NO
EN78	13.01.2016	Surveillance concerning sale of unsafe food	Terminated 12.02.2016	NO
EN79	29.11.2016	Sale of counterfeit tobacco	Terminated 23.01.2017	NO
EN80	29.11.2016	Sale of counterfeit tobacco	On going	Not applicable as still first period

APPENDIX B

Reference	Date authorised applied for	Purpose	Length of investigation	Were investigators given extra authorisation to acquire/access confidential information?
EN55	01.04.2010	Covert surveillance to detect fraud	Authorisation cancelled 12.05.2010	No
N/A	29.04.2010	Proposed use of covert CCTV to gather evidence of begging and ASB	Refused	N/A
N/A	24.06.2010	Proposed covert surveillance of bar/club by Officers to establish whether unauthorised activities taking place	Refused	N/A
EN57	13.07.2010	Under age goods sales test purchasing -	3 months	Yes
EN58	01.04.2011	Under age goods sales test purchasing -	3 months	No
EN59	11.05.2011	Under age goods sales test purchasing -	3 months	Yes
EN60	20.10.2011	Under age goods sales test purchasing	3 months	Yes
EN61	28.10.2011	Directed surveillance for the identification of persons supplying illegal products	3 months	Yes
EN62	09.02.2012	Under age goods sales test purchasing	3 months	Yes

EN63	30.06.2012	Under age goods sales test purchasing	3 months	No
EN64	25.10.2012	Under age test purchase for the sale of tobacco, alcohol and knives	3 months	No
EN65	25.11.2013	Sale of counterfeit tobacco	Terminated 10.01.2014	No
EN66	20.01.2014	Sale of counterfeit tobacco	Terminated 04.04.2014	No
EN67	15.11.2014	Sale of counterfeit tobacco	Refused	N/A
EN68	15.12.2014	Sale of counterfeit tobacco	Terminated 07.01.2015	No
EN69	18.09.2015	Sale of counterfeit tobacco	Terminated 01.12.2015	NO
EN70		Sale of counterfeit tobacco	Refused	N/A
EN71	23.12.2015	Sale of counterfeit tobacco	Terminated 10.02.2016	NO
EN72	23.12.2015	Sale of counterfeit tobacco	Terminated 01.02.2016	NO
EN73	23.12.2015	Sale of counterfeit tobacco	Terminated 10.02.2016	NO
EN74	23.12.2015	Sale of counterfeit tobacco	Terminated 01.02.2016	NO

Item No. 19.	Classification: Open	Date: 27 February 2017	Meeting Name: Audit, governance and standards committee
Report title:		Report on the Office of Surveillance Commissioners Inspection report	
Ward(s) or groups affected:		All	
From:		Director of Law and Democracy	

RECOMMENDATION

1. That the audit, governance and standards committee note the contents of the report and its conclusions.

BACKGROUND INFORMATION

2. The Regulation of Investigatory Powers Act 2000 (RIPA) puts a regulatory framework around a range of investigatory powers used by local authorities. This is done to ensure the powers are used lawfully and in a way that is compatible with the European Convention on Human Rights. It also requires, in particular, those authorising the use of covert techniques to give proper consideration to whether their use is necessary and proportionate.
3. RIPA legislates for the use by local authorities of covert methods of surveillance and information gathering to assist in the detection and prevention of crime in relation to an authorities core functions.

KEY ISSUES FOR CONSIDERATION

4. The council's use of these powers is subject to regular inspection and audit by the Office of the Surveillance Commissioner (OSC) in respect of covert surveillance authorisations under RIPA. During these inspections, authorisations and procedures are closely scrutinised and Authorising Officers are interviewed by the inspectors.
5. The council was inspected by HH Brian Barker, Assistant Surveillance Commissioner, on 3 October 2016.
6. The report was sent to the Chief Executive on 18 October 2016 (Appendix 1). The report was positive and no recommendations were made. However officers will update the policy with the amendments suggested in the report and also update the committee references.
7. The report was considered by the Corporate Governance Panel at their meeting on 25 February 2017 and will be considered by the next RIPA overview meeting.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
The Council's Constitution	http://www.southwark.gov.uk Constitutional Team 2nd floor, PO Box 64529, London SE1P 5LX	Victoria Foreman 020 7525 5485

APPENDICES

No.	Title
Appendix A	Copy of the inspection report

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown, Director of Law and Democracy		
Report Author	Norman Coombe, Head of Corporate Team		
Version	Final		
Dated	27 February 2017		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments sought	Comments included	
Director of Law and Democracy	Yes	Yes	
Director of Finance	No	No	
Cabinet Member	N/A	N/A	
Date final report sent to Constitutional Team		27 January 2017	



Office of Surveillance
Commissioners

FILE COPY



Chief
Surveillance
Commissioner

Official -Sensitive

18 October 2016

OSC Inspection

Dear *Chief Executive,*

I enclose a copy of the report dated 6 October 2016 prepared by His Honour Brian Barker CBE., QC. following his inspection of the arrangements made by the Council to ensure compliance with statutory provisions which govern the use of covert surveillance.

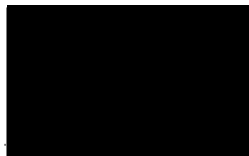
I have studied the report and endorse it.

The report is positive and speaks for itself. The statutory powers are deployed on very rare occasions. When they have been deployed during the last three years the necessary steps have been properly taken. For this purpose I think it is sensible to overlook the single aberration noted in paragraph 16. Moreover the Policy document, recently approved, is of high quality. The arrangements for training of relevant members of staff are effective and will continue with a rolling programme for training and a refresher session in 2017. In the context of the widespread use of modern social media the officers responsible have already appreciated the need to bear in mind that circumstances may arise in which the statutory protections will be engaged.

In reality the report is self-explanatory. I cannot usefully add anything to it, except perhaps to ask you to note the commendable way in which officials with the relevant responsibilities are discharging them.

Your sincerely,

Eleanor Kelly
Chief Officer
London Borough of Southwark
160 Tooley Street
London SE1P 5LX



OFFICIAL - SENSITIVE



OFFICE OF SURVEILLANCE COMMISSIONERS
INSPECTION REPORT

London Borough of Southwark

3rd October 2016

**Assistant Surveillance Commissioner:
His Honour Brian Barker CBE, QC.**

OFFICIAL - SENSITIVE

OFFICAL- SENSITIVE**DISCLAIMER**

This report contains the observations and recommendations identified by an individual surveillance inspector, or team of surveillance inspectors, during an inspection of the specified public authority conducted on behalf of the Chief Surveillance Commissioner.

The inspection was limited by time and could only sample a small proportion of covert activity in order to make a subjective assessment of compliance. Failure to raise issues in this report should not automatically be construed as endorsement of the unreported practices.

The advice and guidance provided by the inspector(s) during the inspection could only reflect the inspectors' subjective opinion and does not constitute an endorsed judicial interpretation of the legislation. Fundamental changes to practices or procedures should not be implemented unless and until the recommendations in this report are endorsed by the Chief Surveillance Commissioner.

The report is sent only to the recipient of the Chief Surveillance Commissioner's letter (normally the Chief Officer of the authority inspected). Copies of the report, or extracts of it, may be distributed at the recipient's discretion but the version received under the covering letter should remain intact as the master version.

The Office of Surveillance Commissioners is not a public body listed under the Freedom of Information Act 2000, however, requests for the disclosure of the report, or any part of it, or any distribution of the report beyond the recipients own authority is permissible at the discretion of the Chief Officer of the relevant public authority without the permission of the Chief Surveillance Commissioner. Any references to the report, or extracts from it, must be placed in the correct context.

OFFICAL – SENSITIVE



Office of Surveillance
Commissioners

The Rt. Hon The Lord Judge
Chief Surveillance Commissioner,
Office of Surveillance Commissioners,
PO Box 29105
London SW1V 1ZU

October 6th 2016.

LONDON BOROUGH OF SOUTHWARK

Inspection: October 3rd, 2016.

Inspector: His Honour Brian Barker CBE, Q.C.
Assistant Commissioner.

INSPECTION REPORT

Introduction:

1. The area was first settled in Roman times and now has a population of around 300,000, and has the 9th highest population density in England and Wales. The Borough is markedly youthful and ethnically diverse, and over 120 languages are spoken. It has many businesses, restaurants and bars; and tourist attractions include Borough Market, The Shard, The Globe Theatre and the Imperial War Museum.
2. The council is organized on a cabinet basis with a leader and 63 councillors representing 21 wards. It elects a Lord Mayor annually. New boundaries are in the offing, which will equalize and reduce the wards to 23. In addition there are five community councils who are able to prioritize local projects.
3. The authority has to absorb additional cuts of £30 million over the next three years with the challenge of maintaining as many front line services as possible. Some areas of service that were out sourced have been brought back in-house successfully.
4. It has the greatest proportion of social housing in England with about 55,000 units of housing stock, and there is a concerted effort in new projects to deliver an intermingled mixture of range and tenure.
5. The Safer Southwark Partnership has continued to make gains in the fight against youth knife and gun crime. There has been a noticeable increase in support from the community more recently in this regard, and

seemingly a shift in serious youth crime away to some neighbouring boroughs.

3. The Chief Officer, Eleanor Kelly, heads a team of four strategic directors. The members are: David Quirke-Thornton, Children's and Adults' Services; Gerri Scott, Housing Services and Community Services; Deborah Collins, Environment and Leisure; and Duncan Whitfield, Strategic Director, Finance and Corporate Services
6. The Council Offices are situated at 160 Tooley Street, London SE1P 5LX in a modernized building completed in 2009. It is predominantly open plan with limited desk space, and the authority run a 'digital by default' strategy.
7. The last inspection was by Andrew Mackian Surveillance Inspector, on September 23rd 2013, and was complimentary in many areas.

Past Recommendations:

8.
 - i: Formal oversight procedures to be brought into force with compliance standards reporting to the SRO
 - ii: Refresher training to be provided with particular emphasis on the compliance issues set out
 - iii: Obsolete RIPA forms to be withdrawn.

Inspection:

9. I was accompanied by Aftab Choudhury from the Secretariat on observation, and was warmly welcomed by Norman Coombe, the Head of Corporate Team, Legal Services Finance and Government, and a veteran of two previous inspections. All *RIPA* advice and work is channeled through him.
10. We were joined by Doreen Forrester-Brown Director of Legal Services, Monitoring Officer and Senior Responsible Officer; and we shared a wide-ranging discussion covering the general challenges faced by the authority and the more recent increased use of overt investigation and cooperation with other investigative agencies. Ms Forrester-Brown set out the steps taken to follow the recommendations above including an oversight procedure arising from *recommendation i* consisting of regular six-monthly meeting with the Authorising Officers to review the processes and training requirements, the next being in January. Other topics covered included their insistence on good record keeping even when applications were refused and the importance of recognizing the 'insurance policy aspect' of following *RIPA* procedure in investigations that came near the line.

- 11 The team have well in mind the now wide spread use of smart phone and the pitfalls of social media interrogation. In discussing the more recent focus by the authority on child exploitation cases, the importance of having *RIPA* in mind was picked up and would be given more prominence in the future, in addition to advice to officers on human rights.

Examination of Central Record, Forms and Authorisations:

12. Record keeping is in the hands of Norman Coombe and is in standard electronic, password-protected format with secure written back up. I was also shown the *RIPA* content and guidance and the links to the legislation and codes on the intranet (*'The Source'*), and the ease with which any officer could access the material.
13. I was able to examine the fourteen files of directed surveillance compiled since the last inspection, all coming from Trading Standards; and had a helpful discussion with Justin Miller, Team Leader of Trading Standards as to their general approach. This included coping with dwindling resources, proactive approach to training and details of the authority's policy through the Health and Wellbeing Board of bearing down on the sale of counterfeit cigarettes.
14. The four successful applications in 2013, 2014 and September 2015 all concerned the requests to observe the sale of packs of counterfeit cigarettes from market stalls, and had successful outcomes. One application was refused on the basis of other available methods.
15. In late 2015 and early 2016, there were sets of investigations into sales of illicit tobacco on Facebook sites, and a separate operation in conjunction with health officials in Wales into the sale through a variety of outlets in the Borough of illegally slaughtered and mis-labeled meat. In the event there were equipment problems with the fixed cameras, and these investigations continued by other means.
16. In all cases the underlying paperwork was sound, and cancellations were within the prescribed periods; although in once case of the investigation of offering illicit tobacco on a Facebook site early this year the renewal and cancellations dates were erroneously omitted from the authorisation log. [Mr Coombe was on holiday and the lack of input was overlooked on his return]

***RIPA* Policy and Management Structure:**

17. The twenty two-page *Policy and Procedures* document is of a very high quality, and has received compliments in earlier inspections. It is balanced, readable and to the point; and this latest version was approved in January 2016. The importance of reading it in conjunction with the

2014 *Home Office Codes of Practice* and the *OSC Procedures and Guidance*, and where to find them, was prominent in the introduction; as was the advice to refer any queries to Norman Coombe and the governance team.

18. It has a consistent style with commendable short, emboldened, one or two sentence summaries at the conclusion of each topic. It also has a number of relevant examples of differing types of surveillance and which fall with in the legislation. , and deals fully with the effects of the 2012 legislation.
19. The section on Online Covert Activity and Social Media is sufficiently detailed and better than most, although to continue the high standard it deserves its own postscript/reminder to the effect that consideration should always be given to *RIPA* implications when accessing social media and personal sites.
20. As is common, there has been no *CHIS* application for many years, and no prospect in the future. Section E, nevertheless, on 'Conduct and Use of *CHIS*' gives a good explanation of the tool and the necessary controls, and includes proper advice on test purchases. The team are fully aware of the necessity of officers being able to recognise a '*CHIS* situation' when they meet one.
21. The overview diagram at section G: 'Applications for Authorisation and Approval' would also benefit from it being made clear that an Authorisation Officer must make an independent judgment with reasons rather than just countersign. I appreciate that this is discussed later in the text.
22. Section I: 'Approval by a Magistrate' sets out the Council policy that a qualified 'designated' officer' should accompany the application officer to the Magistrates' Court to present the application. We discussed the *OSC* recommendation that it is preferable for the Authorisation Officer to attend to assist if necessary. The practice has been for the A.O. to be available on the end of a phone, which given the seniority of the A.O's and their heavy workload would seem to be a reasonable compromise.
23. The Authorising Officers are listed with their contact numbers in the second appendix and consist of the Chief Executive to deal when necessary with juveniles/vulnerable persons and where confidential information features; Doreen Forrester-Brown, Director of Legal Services; and David Littleton, Head of Regulatory Services.
24. The other Authorising Officer is Michael Pinder, Head of Anti-Fraud and Internal Audit who I was able to meet, and then discuss with him some of the details of recent authorisations that he had been approved.

Training:

25. There has been an ongoing relationship with *Act Now*, who provided a three-hour course in February 2015 to fourteen of the senior officers including two of the Authorising Officers.
26. Although there is no prescribed budget for training, the team have managed to identify funds and smaller sessions were provided in May 2016 for the remaining A.O.'s and some legal officers, and in August 2016 a further session for other officers. It is intended to have a rolling programme and a further refresher session in 2017.
27. Justin Miller told me how Trading Standards has managed to be able to use some of the monies raised from *POCA* claw backs to provide recent three and five day course for himself and a number of his officers on best practice in foot, mobile and public transport surveillance. Trading Standard also has regular in-house practice sessions on surveillance techniques.
28. Norman Coombe also reviews the increasing number of relevant lectures given by various Chambers and firms of solicitors, and officers attend when useful. Additionally, he inserts in the '*Clause for Concern*' section in *The Source*, any changes or significant decisions and discussions that he had monitored, for wider distribution and reading.

Councillors

25. The system for Review is set out in *The Policy and Procedures* document [section K / 2 and 3]. The Standards Committee review *RIPA* use and The Policy annually, and for this purpose Doreen Forrester-Brown as SRO provides a report. I was shown a copy of the minutes of the March 8th 2016 meeting, which included her report. It also notes a discussion on guidance and training for members in social media and digital services, which recommended greater awareness among members of trends and clearer guidance and training beyond the members' code of conduct.
26. The relevant Cabinet Member reviews and approves The Policy every two years.
27. With the committee and cabinet review procedure, the guidance set out under the *RIPA* section in *The Source* and the availability of the legal team, the lines of communication with the elected members appear good.

CCTV

28. The CCTV facility operates next to the police station in the Borough area, and I was shown round by Sarah Pope the manager who has held the post for eight years. I also met Anthony Ede who deals with much of the administration and the many freedom of information requests.

29. The facility has the benefit of modern digital equipment which was installed in time for the 2012 Olympics. It operates under the Surveillance Camera Code of Practice. All information is downloaded and is available for play back on a split monitor. There are nine operatives who work to fixed shifts, which provide two on duty on a 24/7 basis. Since a reorganisation in August 2015, all operators are now 'in house' and employed by the authority.
30. Although not much use is made of authorisations by the area Force (in the region of a dozen a year) there is a separate work suite available to review evidence and burn discs. I examined the *RIPA* Records File which was readily available and in good order. The records are also kept on a computer database.
31. There are effective audio links with major shops and entertainment establishments, and as a result of the exchange of information regular proactive arrests have been made. The facility is a contributing member of the Partnership Tasking Group which meets monthly.
32. The facility was clearly operating to a good and efficient standard under the lead of Ms Pope, and their certificate of compliance was on display, as was the 2016 Met Award for 'Best Control Room'.

Conclusions

33. The move towards the preference of overt methods and the use of *RIPA* as a last resort was as evident at Southwark as it is in many other authorities. Nevertheless, the *RIPA* team have considerable experience in this area, and a clear commitment to maintaining proper standards of supervision, awareness and training so as to be ready when the occasion demands.
34. Such amendments as seemed appropriate to the Policy and Procedures document were minor and agreeable; and the overall standard and oversight revealed by the inspection are such standard that no recommendations are necessary.
35. Finally, I would like to thank firstly Norman Coombe for the efficient organisation of my inspection; and secondly to everyone for their hospitality, time and willing cooperation in compiling this report.

***Brian Barker,
Assistant Surveillance Commissioner.***

Item No. 20.	Classification: Open	Date: 27 February 2017	Meeting Name: Audit, governance and standards committee
Report title:		Review of the complaints made under the Code of Conduct	
Ward(s) or groups affected:		All	
From:		Director of Law and Democracy	

RECOMMENDATION

1. That the audit, governance and standards committee note the report.

BACKGROUND INFORMATION

2. The Localism Act 2011 ("the Act") provides for the abolition of the former standards regime including Standards for England, statutory standards committees, the jurisdiction of the First Tier Tribunal over standards of conduct, and a nationally set code of conduct for councillors.
3. Southwark formed a standards committee and appointed independent persons. Southwark have 2 independent persons.
4. The responsibility for standards activity including the monitoring of the operation of the member's code of conduct ("the code") passed to this committee in April 2016.

KEY ISSUES FOR CONSIDERATION

5. The Act requires local authorities to have arrangements to investigate allegations of breach of the code of conduct against members and make decisions on them. The current arrangements, with revisions, have been in place since 1 July 2012. The new arrangements have allowed the monitoring officer to provide local solutions to resolve complaints without formal investigations.
6. In August 2013, the Committee for Standards in Public Life ("the Committee") produced an annual report which expressed concern at the operation of the standards regime since it was revised through the Localism Act 2011. The committee expressed concern in particular about:
 - the operation of the standards regime in local authorities where leadership was inadequate
 - the lack of meaningful sanctions
 - the weakness of the 'independent person' arrangements; and
 - the lack of time that was available for transition to the new system.
7. Since 2012 the monitoring officer agreed to analyse the complaints data and report this information to the appropriate committee annually. The data for January 2010 to December 2016 is shown in Appendix A.

Conclusions

8. Since the initial complaints in 2012 post Localism Act the number of complaints had returned to pre Localism Act levels. However, 2016 saw a sharp rise in the number of complaints. The monitoring officer has grouped complaints against members from multiple members of the public, so the actual number of complaints is higher.
9. It should also be noted the monitoring officer received a number of other grievances which were not considered to be complaints against the code.
10. There may be a number of reasons for this rise; a number of complaints were the result of the use of social media. Others were as a result of email correspondence not being responded to. To prevent further complaints the monitoring officer issued further guidance on social media. In addition, improved training for members about dealing with difficult casework and advising departments to respond promptly to member enquiries and service specific complaints was rolled out at the end of 2016.
11. The independent persons have considerable experience and they have been useful in assisting the monitoring officer in assessing complaints and revising procedures. The intervention of the whips to resolve complaints involving members was also another factor in producing local solutions or avoiding formal complaints.
12. The cost of these complaints is difficult to quantify because officer and member time in assisting with the complaint is not all recorded.

Complaints which required Investigation

13. No complaints required external investigation in this period.

Report back on local resolution

14. In appropriate cases the monitoring officer may seek to resolve the complaint informally, without the need for formal investigation. Such informal resolution may involve the member accepting their conduct was unacceptable and offering an apology, or other remedial action by the authority. The monitoring officer will in this case send out a decision notice to the person making the allegation, the member who is the subject of the allegation and any other persons the monitoring officer considers appropriate.
15. There were two such resolutions in 2016. In first case the deputy monitoring officer considered local resolution was possible. He consulted with the independent person and the subject member. As a result the subject member offered a formal apology for their conduct.
16. In the second case, the monitoring consulted with the independent person and the subject member. As a result the subject member offered a written apology for their conduct.

Community impact statement

17. The ability for members of the public to make complaints about councillors' failure to comply with a code of conduct may be of concern to local people and communities which could result in a perception of poor governance. This could affect the reputation

of the council.

18. However the council maintains an open and transparent process for making complaints against members, information is assessable on the council's website.

Resource implications

19. Any implications can be maintained within current budgets.

Legal implications

20. The specific legal implications relating to this report have been included in the report.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
The Council's Constitution	http://www.southwark.gov.uk/YourCouncil/HowTheCouncilWorks/councilconstitution.html Constitutional Team, 2nd floor, PO Box 64529, London SE1P 5LX	Chidilim Agada 020 7525 3310

APPENDICES

No.	Title
Appendix A	Complaints breakdown

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown Director of Law and Democracy		
Report Author	Norman Coombe, Head of Corporate Team		
Version	Final		
Dated	7 February 2017		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments sought	Comments included	
Director of Law and Democracy	Yes	Yes	
Strategic Director of Finance and Governance	No	No	
Cabinet Member	N/A	N/A	
Date final report sent to Constitutional Team		7 February 2016	

Complaints Breakdown

Between May 2010 and July 2012 matter were dealt with by the Standards sub-committee

Year	2010	2011	2012	2013	2014	2015	2016
Total number of complaints	7	7	12 ¹	4	3	4	13 ²
Member complains against member	Total 4 1 [sent for investigation breach upheld] 1 [sent for investigation no breach] 2 [no further action]	None	Total 4 1 [sent for investigation complaint withdrawn] 2 [sent for investigation no breach] 1 [local solution by monitoring officer]	Total 2 1 [sent for investigation no breach] 1 [local solution by monitoring officer]	None	None	None

¹ 5 received before July 2012

² including 3 still under investigation

Complaints Breakdown

Year	2010	2011	2012	2013	2014	2015	2016
Member of public complains against members	Total 1 1 [sent for investigation no breach]	Total 6 1 [sent for investigation no breach] 5 [no further action]	Total 8 1 [sent for investigation no breach] 7 [no further action]	Total 2 1 [sent for investigation no breach] 1 [no further action]	Total 3 1 [sent for investigation local solution by monitoring officer] 1 [sent for investigation no breach] 1 [no further action]	4 1 [local solution by monitoring officer] 3 [sent for investigation no breach]	13 1 [withdrawn] 2 [local solution by monitoring officer] 7 no breach of the code identified
Officer complains against members	Total 2 1 [sent for investigation no breach] 1 [no further action]	Total 1 1 [sent for investigation breach upheld]	None	None	None	None	None

Item No. 21.	Classification: Open	Date: 27 February 2017	Meeting Name: Audit, governance and standards committee
Report title:		Update on Chief Audit Executive	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee note the change in the council's Chief Audit Executive, effective 20 March 2017.

BACKGROUND INFORMATION

2. The audit, governance and standards committee terms of reference include to receive information on the appointment, departure, resignation or change in chief audit executive.
3. The Chief Audit Executive can be described as:

‘...a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the Definition of Internal Auditing, the Code of Ethics and the Standards. The Chief Audit Executive or others reporting to the Chief Audit Executive will have appropriate professional certifications and qualifications’.
4. Mike Pinder, the council's Head of Anti-Fraud and Internal Audit, has resigned from the council with an effective date of 20 March 2017. He has confirmed in an e-mail to the Chief Executive, Monitoring Officer and Section 151 Officer that his resignation is to take up the post of Head of Audit and Investigations for the London Borough of Ealing, and also working as a shared service with the London Borough of Hounslow, and that he has no concerns about the support offered to him or the anti-fraud and internal audit service, or about the access/response the service has had across the council.
5. The Strategic Director of Finance and Governance has appointed Jennifer Seeley, Director of Finance to the role of Chief Audit Executive effective 20 March 2017.

Policy implications

6. This report is not considered to have direct policy implications.

Community impact statement

7. This report is not considered to have direct impact on local people and communities.

Resource implications

8. This report is not considered to have direct impact on resource implications.

Consultation

9. Consultation has not been undertaken.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

10. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None.		

APPENDICES

No.	Title
None.	

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Duncan Whitfield, Strategic Director of Finance and Governance	
Version	Final	
Dated	6 February 2017	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes
Director of Law and Democracy	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team		10 February 2017

Item No. 22.	Classification: Open	Date: 27 February 2017	Meeting Name: Audit, governance and standards committee
Report title:		Constitutional changes - Civic awards sub-committee	
Ward(s) or groups affected:		All	
From:		Proper Constitutional Officer	

RECOMMENDATION

1. That the audit, governance and standards committee note the recommended changes to the constitution proposed to council assembly by the constitutional steering panel as outlined in paragraphs 3 - 4 of the report.

BACKGROUND INFORMATION

2. This report outlines a constitutional change to the constitution recommended by the audit, governance and standards (civic awards) sub-committee. The constitutional steering panel is requested to consider the suggested change to the constitution and recommend them to council assembly.

KEY ISSUES FOR CONSIDERATION

3. Who takes decisions Part 3K – Audit, Governance and Standards Committee currently reads:

Matters reserved for decision by the civic awards sub-committee

[...]

43. To appoint non-voting co-opted members.

4. It is proposed that this be updated to transfer the appointment authority to the main audit, governance and standards committee as below:

Matters reserved to decision by the main committee

[...]

40. To appoint non-voting co-opted members of the civic awards sub-committee.

5. This will allow for a more efficient use of resources, including officer and councillor time. If the committee feel it appropriate, they can choose to devolve this authority down to the civic awards sub-committee in any given year.
6. The context for this report is the on-going review of efficient democracy and the current financial climate requiring savings to be identified.

Community impact statement

7. The proposals in this report provide additional benefits to the public and the local community and enhance the council's commitment to diversity and fairness.

Resource implications

8. The financial implications within this report seek to have a positive impact on improving the outcomes and delivery of value for money.
9. The constitution is published on the council's website and is available for viewing online. Limited numbers of the constitution are produced in binder form with loose leaf pages and dividers. This means that any additional costs arising from the reproduction of small sections of the constitution are reduced compared to the reprinting of the whole constitution. It is anticipated that the cost can be contained within existing budgets.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Southwark Constitution	160 Tooley Street London SE1 5LX	Constitutional Team 020 7525 7228

APPENDICES

No.	Title
None.	

AUDIT TRAIL

Lead Officer	Chidilim Agada, Constitutional Manager		
Report Author	Virginia Wynn-Jones, Principal Constitutional Officer		
Version	Final		
Dated	30 January 2017		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments sought	Comments included	
Director of Law and Democracy	Yes	Yes	
Strategic Director of Finance and Governance	No	No	
Date final report sent to Constitutional Team		14 February 2017	

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COMMITTEE: AUDIT, GOVERNANCE AND STANDARDS COMMITTEE (OPEN AGENDA)

NOTE: Original held in Constitutional Team; all amendments/queries to Victoria Foreman, Constitutional Team on 0207 525 5485 or victoria.foreman@southwark.gov.uk

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Councillor Andy Simmons	1

RESERVES

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Councillor Dora Dixon-Fyle MBE	By email
Councillor Karl Eastham	By email
Councillor David Hubber	By email
Councillor Sarah King	By email
Councillor Rosie Shimell	By email
Councillor Cleo Soanes	By email

OTHER COUNCILLORS

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CONSTITUTIONAL TEAM

Vicky Foreman	8
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Mr Charles Wynn-Evans	By email

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Michael Pinder	1
Jo Anson	1
Jennifer Seeley	1
Fay Hammond	1

BDO – Internal Auditors – Greg Rubins	2
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