

# Audit, Governance and Standards Committee

Wednesday 13 September 2017

6.00 pm

Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

## Membership

Councillor Paul Fleming (Chair)  
Councillor James Barber (Vice-Chair)  
Councillor Catherine Dale  
Councillor Dora Dixon-Fyle MBE  
Councillor Renata Hamvas  
Councillor David Hubber  
Councillor Andy Simmons

## Reserves

Councillor Evelyn Akoto  
Councillor Nick Dolezal  
Councillor Karl Eastham  
Councillor Sarah King  
Councillor Hamish McCallum  
Councillor Rosie Shimell  
Councillor Cleo Soanes

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## INFORMATION FOR MEMBERS OF THE PUBLIC

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### Access to information

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### Contact

Virginia Wynn-Jones on 020 7525 7055 or email: [virginia.wynn-jones@southwark.gov.uk](mailto:virginia.wynn-jones@southwark.gov.uk)

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Members of the committee are summoned to attend this meeting

**Eleanor Kelly**

Chief Executive

Date: 4 September 2017



# Audit, Governance and Standards Committee

Wednesday 13 September 2017

6.00 pm

Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

## Order of Business

Item No.	Title	Page No.
	<b>PART A - OPEN BUSINESS</b>	
	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.	
<b>1.</b>	<b>APOLOGIES FOR ABSENCE</b>	
	To receive any apologies for absence.	
<b>2.</b>	<b>CONFIRMATION OF VOTING MEMBERS</b>	
	A representative of each political group will confirm the voting members of the committee.	
<b>3.</b>	<b>NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT</b>	
	In special circumstances, an item of business may be added to an agenda within five clear days of the meeting.	
<b>4.</b>	<b>DISCLOSURE OF INTERESTS AND DISPENSATIONS</b>	
	Members to declare any personal interests and dispensation in respect of any item of business to be considered at this meeting.	
<b>5.</b>	<b>MINUTES</b>	1 - 5
	To approve as a correct record the minutes of the meetings held on 9 May 2017 and 13 May 2017.	

Item No.	Title	Page No.
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**6. GOVERNANCE TOPIC: BUDGET OVERSPEND**

Duncan Whitfield, strategic director of finance and governance, and David Quirke-Thornton, strategic director of children's and adults' services, are invited to attend.

**7. GOVERNANCE TOPIC: EQUALITIES IMPACT ON THE COUNCIL**

Stephen Douglass, director of communities, is invited to attend.

**8. INTERNAL AUDIT CHARTER AND ANTI-FRAUD STRATEGY** 6 - 20

**9. ANNUAL REPORT ON THE WORK OF THE CORPORATE RISK AND INSURANCE TEAM 2016-17** 21 - 23

**10. INTERNAL AUDIT PROGRESS REPORT** 24 - 60

**11. INTERNAL AUDIT ANNUAL REPORT 2016-17** 61 - 70

**12. AUDIT FINDINGS REPORT 2016/17 (INCLUDING PENSION FUND AUDIT FINDINGS) AND STATEMENT OF ACCOUNTS**

To follow

**13. ANNUAL GOVERNANCE STATEMENT (FINAL)** 71 - 79

**14. RETROSPECTIVE APPROVALS TO CONTRACT DECISIONS** 80 - 84

**15. IN YEAR REVIEW OF WORK PROGRAMME** 85 - 96

**16. APPOINTMENT OF EXTERNAL AUDITOR**

Following the council's decision to opt in to the PSAA auditor appointment arrangements, PSAA has undertaken a procurement process. It is now consulting the council on its proposal to appoint Grant Thornton (UK) LLP to audit the accounts of the council for five years from 2018-19. The appointment will start on 1 April 2018. The consultation closes on Friday 22 September 2017 and if the council is satisfied with the proposed appointment, it needs to confirm this to PSAA. If it wishes to make representations, these need to be sent to PSAA by 22 September 2017.

Officers to give a verbal update.

**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.”

**PART B - CLOSED BUSINESS**

Date: 4 September 2017



## Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Tuesday 9 May 2017 at 7.00 pm at Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

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**PRESENT:** Councillor Paul Fleming (Chair)  
 Councillor Catherine Dale  
 Councillor Renata Hamvas  
 Councillor David Hubber (Reserve)  
 Councillor Andy Simmons  
 Councillor Cleo Soanes (Reserve)

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)  
 Kevin Campbell-Scott, Fraud Manager  
 Angela Mason-Bell, BDO Public Sector Internal Audit Manager  
 James Thirgood, Grant Thornton (External Audit)  
 Victoria Foreman, Constitutional Officer

### 1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors James Barber, Nick Dolezal and Hamish McCallum. Councillor David Hubber was in attendance as a reserve on behalf of Councillor James Barber, and Councillor Cleo Soanes on behalf of Councillor Nick Dolezal.

Apologies were also received from Mr William Dee, independent member.

### 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 27 February 2017 were confirmed as a correct record and signed by the chair.

### 6. REVIEW OF CODE OF CORPORATE GOVERNANCE

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

#### RESOLVED:

1. That the revised code of corporate governance, as attached at Appendix 1 to the report, be adopted.
2. That the council's governance arrangements as reviewed against the CIPFA/SOLACE 2016 framework for good governance, as set out in Appendix 2 to the report, be considered.
3. That further information regarding methods of identification of issues for examination by the committee be included in the council's code of corporate governance.

### 7. INTERNAL AUDIT AND ANTI-FRAUD PROGRESS REPORT

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

#### RESOLVED:

That the progress report on internal audit and anti-fraud, covering the year from 1 April 2016 to 31 March 2017 be noted.

### 8. GRANT THORNTON PLANNED AUDIT FEE FOR 2017-18

Officers introduced the report.

#### RESOLVED:

That Grant Thornton's fees for the audit of the council and the pension fund be noted.

**9. GRANT THORNTON PROGRESS REPORT AND UPDATE FOR YEAR ENDED 31 MARCH 2017**

Officers introduced the report.

**RESOLVED:**

That Grant Thornton's progress report and update for year ended 31 March 2017, as attached to the report at Appendix A, be noted.

**10. REVISED WORK PROGRAMME FOR 2017-18**

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

**RESOLVED:**

1. That the proposed revised work programme for 2017-18, including planned coverage of governance topics for the year as set out below, be noted:
  - 2016-17 outturn and budget recovery board – July 2017
  - Equalities impacts on the council – September 2017
  - Human Resources update - November 2017
  - Information Technology update - February 2018.
2. That the work programme for 2017-18 be agreed subject to scheduling of the item 'Informing the audit risk assessment for the council (including pension fund)' being permanently amended from May to February each year.

The meeting ended at 7.34 pm.

**CHAIR:**

**DATED:**



## Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Saturday 13 May 2017 at 12.15 pm at Southwark Cathedral, Montague Close, London Bridge, SE1 9DA

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**PRESENT:** Councillor Paul Fleming (Chair)  
 Councillor Nick Dolezal  
 Councillor Renata Hamvas  
 Councillor Andy Simmons

**OFFICER SUPPORT:** Chidilim Agada, Constitutional Manager  
 Doreen Forrester-Brown, Director of Law and Democracy  
 Virginia Wynn-Jones, Principal Constitutional Officer

### 1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Catherine Dale and Hamish McCallum.

### 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 or urgent items of business.

### 4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were no disclosures of interest or dispensations.



**5. ESTABLISHMENT OF SUB-COMMITTEES FOR 2017-18****RESOLVED:**

1. That the size and composition of the audit, governance and standards committee, as agreed by annual council assembly on 13 May 2017 and the roles and functions of the audit, governance and standards committee and its subcommittees (see Appendix 1 to the report), be noted.
2. That a civic awards sub-committee with the size and composition as set out in paragraph 10 of the report, be established.
3. That a conduct sub-committee to consider complaints of misconduct against councillors (and co-opted members) as set out in paragraph 12 of the report, be established.
4. That Councillor Catherine Dale and Councillor James Barber be appointed as chair and vice-chair of the civic awards sub-committee.

The meeting ended at 12.20pm.

**CHAIR:**

**DATED:**

# Agenda Item 8

<b>Item No:</b> 8.	<b>Classification:</b> Open	<b>Date:</b> 13 September 2017	<b>Meeting Name:</b> Audit, Governance and Standards Committee
<b>Report title:</b>		Internal Audit Charter and Anti-fraud strategy	
<b>Wards or Groups affected:</b>		All	
<b>From:</b>		Strategic Director of Finance and Governance	

## RECOMMENDATION

1. That the audit, governance and standards committee note the updated Internal Audit Charter and Anti-fraud strategy.

## KEY ISSUES FOR CONSIDERATION

2. It is good practice to review the internal audit charter and anti-fraud strategy on a regular basis.
3. The internal audit charter is based on the charter is a requirement of Public Sector Internal Audit Standards (PSIAS).
4. The anti-fraud strategy provides a context and structure for anti-fraud work.

## Community Impact Statement

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

## Resource implications

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

## Consultation

7. There has been no consultation on this report.

## SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

8. None required.

## BACKGROUND DOCUMENTS

Background Papers	Held at	Contact
None		

## APPENDICES

No.	Title
Appendix A	Internal Audit Charter
Appendix B	Fairer Future Anti-fraud, bribery and corruption strategy

## AUDIT TRAIL

<b>Lead Officer</b>	Jennifer Seeley, Director of Finance	
<b>Report Author</b>	Jennifer Seeley, Director of Finance	
<b>Version</b>	Final	
<b>Version Date</b>	23 June 2017	
<b>Key Decision</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
Cabinet Member	N/A	N/A
<b>Final Report Sent to Constitutional Team</b>		23 June 2017

# Fairer Future Internal Audit Charter

## Introduction

The council is committed to making Southwark a fairer place to live, where all residents have the opportunity to fulfil their potential.

Although we are under increasing pressure to deliver more with less, we remain committed to ensuring all residents, businesses and voluntary and community sector groups can make the most of the many opportunities that our borough has to offer.

The council has set out its ambitious vision in the Fairer Future promises, and in order to deliver these we need to deliver the Fairer Future values:

- Spending money as if it were coming from our own pockets
- Being open, honest and accountable
- Making Southwark a place to be proud of

It is important in delivering this that the council can be assured its systems and controls are designed correctly and operating effectively, and internal audit is a key service to managers in delivering this.

## Purpose of this charter

This charter formally defines internal audit's mission, purpose, authority and responsibility. It establishes internal audit's position within Southwark Council, and defines the scope of internal audit activities.

The charter is a requirement of Public Sector Internal Audit Standards (PSIAS). The charter shall be reviewed annually by management and approved by Southwark Council's audit, governance and standards committee.

# Role and scope of Internal Audit

## Internal audit definition and role

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal audit supports management to fulfil its own risk, control and compliance responsibilities. Internal audit provides the audit, governance and standards committee with information necessary for it to fulfil its own responsibilities and duties.

The Accounts and Audit Regulations 2015 require the council to have an internal audit service.

## Internal audit's mission

Internal audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

## Standards of internal audit practice

To fulfil its mission, internal audit will perform its work in accordance with PSIAS, which encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF): Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.

## Internal audit's scope

The scope of internal audit activities includes all activities conducted by Southwark Council. The Internal Audit Plan sets out those activities that have been identified as the subject of specific internal audit engagements.

The range of work performed by internal audit is set out in PSIAS and not repeated here.

The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management, with the aim of improving governance, risk management and control and contributing to the overall opinion.

The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, internal audit should maintain objectivity and not assume management responsibility.

# Effective Internal Audit

## Effective internal audit

internal audit is effective when:

- ❖ It achieves the purpose and responsibility included in the internal audit charter
- ❖ It conforms with the Standards
- ❖ Its individual members conform with the Code of Ethics and the Standards
- ❖ It considers trends and emerging issues that could impact the organisation.

The internal audit activity adds value to Southwark Council (and its stakeholders) when it considers strategies, objectives and risks, strives to offer ways to enhance governance, risk management and control processes and objectively provides relevant assurance.

## Coordination with and reliance on other assurance providers

In co-ordinating activities internal audit may rely on the work of other assurance and consulting service providers.

A consistent approach is adopted for the basis of reliance and internal audit will consider the competency, objectivity, and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services.

Where reliance is placed upon the work of others, internal audit is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

## Access to records and confidentiality

There are no limitations to internal audit's right of access to Southwark Council's officers, records, information, premises, or meetings which it considers necessary to fulfil its responsibilities.

When the auditors receive confidential information about council affairs it shall at all times be kept confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable.

All information will be maintained in line with appropriate regulations, for example the Data Protection Act 1998.

# Independence and objectivity

To provide for internal audit's independence, its personnel and external partners report to the chief audit executive, who reports functionally to the audit, governance and standards committee.

The chief audit executive has free and full access to the chair of the audit, governance and standards committee.

The chief audit executive reports administratively to the strategic director of finance and governance who provides oversight.

The strategic director of finance and governance will take decisions in relation to the appointment, remuneration and removal of the chief audit executive in accordance with established council procedures. These decisions will be reported to the chief officer's team and audit, governance and standards committee, who may request a direct consultation with the chief audit executive or strategic director of finance and governance.

The internal audit service provided by BDO will have an impartial, unbiased attitude and will avoid conflicts of interest. The internal audit service is not ordinarily authorised to perform any operational duties for Southwark Council.

In the event that internal audit undertakes non-audit activities, safeguards will be agreed to ensure that independence and objectivity of the internal audit activity are not impaired. This might include a separate partner review of the work or a different team undertaking the work.

In the event that internal audit provides assurance services where it had previously performed consulting services, an assessment will be undertaken to confirm that the nature of the consulting activity did not impair objectivity and safeguards will be put in place to manage individual objectivity when assigning resources to the engagement. Such safeguards will be communicated to the audit, governance and standards committee.

Internal audit must be free from interference in determining the scope of internal auditing, performing work and communicating results.

Should any interference take place, internal audit will disclose this to the audit, governance and standards committee to discuss the implications.

# Internal audit's role in countering fraud, bribery and corruption

Management are responsible for the prevention and detection of fraud, bribery and corruption.

Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption as well as seeking to identify indications that fraud and corruption may have been occurring.

Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud and corruption will be detected. In the event that internal audit suspects a fraud, this will be referred to appropriate management in the first instance and then the audit, governance and standards committee.



# Internal audit, management and staff commitments

## Internal audit's commitments to Southwark Council

Internal audit commits to the following:

- ❖ working with management to improve risk management, controls and governance within the organisation
- ❖ performing work in accordance with PSIAS
- ❖ complying with the ethical requirements of PSIAS
- ❖ dealing in a professional manner with Southwark Council's staff, recognising their other commitments and pressures
- ❖ raising issues as they are identified, so there are no surprises and providing practical recommendations
- ❖ liaising with external audit and other regulators to maximise the assurance provided to Southwark Council
- ❖ reporting honestly on performance against targets to the audit, governance and standards committee.

## Management and staff commitments to Internal Audit

The management and staff of Southwark Council commit to the following:

- ❖ providing unrestricted access to all of Southwark Council's records, property, and personnel relevant to the performance of engagements
- ❖ responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- ❖ implementing agreed recommendations within the agreed timeframe
- ❖ being open to internal audit about risks and issues within the organisation
- ❖ not requesting any service from internal audit that would impair its independence or objectivity
- ❖ providing honest and constructive feedback on the performance of internal audit.

# Contact us

We'd like to hear what you think about this Internal Audit Charter and if you've got questions, we are here to answer them.

There are lots of different ways to get in touch with us and share your views.



@lbs\_southwark



/southwarkcouncil

Or if you prefer, email [councilnews@southwark.gov.uk](mailto:councilnews@southwark.gov.uk) or call 020 7525 7251.

Southwark Council would like to thank BDO, the internal audit provider, for their assistance in the preparation of this Internal Audit Charter.

# Fairer Future Anti-fraud, bribery and corruption strategy

# Introduction

Southwark is committed to the ongoing effort to fight fraud.

This plan builds on the policy from 2012-16 which saw national recognition of our efforts to help ensure we protect resources for those with a genuine need.

The council has set out its ambitious vision in the Fairer Future promises, and in order to deliver these we need to deliver the Fairer Future values:

- Spending money as if it were coming from our own pockets
- Being open, honest and accountable
- Making Southwark a place to be proud of

Prevention of fraud is key, and we seek to prevent fraud from being committed at the outset. We seek to prosecute and take action to recover any proceeds of crime. We want our residents, suppliers and the public to know that fraud against Southwark Council does not pay.

Southwark's anti-fraud service is continuing to move from reacting to fraud by investigating cases as they arise, to taking a proactive stance to prevent fraud from occurring in the first place.

The service now aims to build further on this with a view to embedding this ethos to become part of business as usual processes across the council.

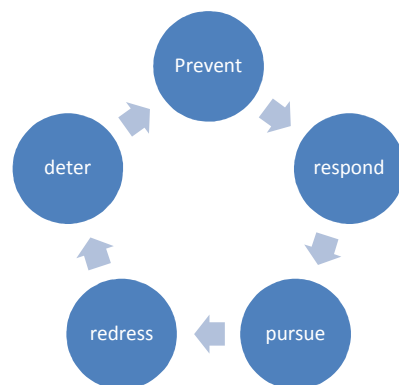
The anti-fraud service has established three key areas of work:

- ❖ Reactive – work which focuses on investigating and pursuing those who commit fraud against the council.

- ❖ Proactive – work which focuses on the identification, deterrence and prevention of fraud.
- ❖ Financial – work which focuses on recovery of the proceeds of crime.

The combined work of these areas helps protect the Southwark public purse, to direct the council's resources to those with a genuine need.

Our key objectives are prevent, respond, pursue, redress and deter. This strategy sets out the key fraud risks facing the council and the core objectives for the anti-fraud service, followed by how the council aims to achieve these.



# Key Fraud Risks

The risks of fraud are continuously changing and the response needs to remain fluid, as we need to horizon scan to identify potential issues. The following risks are the council's current priorities.

## ❖ **Housing fraud**

The housing investigations team use tools such as credit checks, document scanners and [www.ilatch.co.uk](http://www.ilatch.co.uk) to prevent and detect sub-letting. We will continue to work with services such as housing applications and right to buy to prevent fraud in these areas.

## ❖ **Procurement and contract fraud**

Contract monitoring is key to preventing fraud in this area. We will continue to work on avoiding duplicate payments, bank mandate fraud and advising on how to counter emerging scams. We will help services to prevent and recognise any collusive tendering.

## ❖ **Recruitment and Payroll fraud**

We will use document scanners and information from the national fraud initiative to prevent and detect fraud. We will work with Human Resources (HR) and management to enable them to take necessary action.

## ❖ **Council Tax**

Helping management ensure that income is identified and collected, and that discounts and exemptions are properly applied, including Single Person Discount (SPD), second home ownership, student occupancy, non occupancy, new builds and properties deemed unfit for habitation.

## ❖ **Social care**

With growing demand in this area, every penny counts. The anti-fraud service will build on projects such as those with no recourse to public funds to identify threats, funding pressures and help the service undertake checks and monitoring to help protect this key funding stream.

## ❖ **Corruption and bribery**

Prevention is key. The council will not tolerate staff, contractors or suppliers committing corruption or bribery. Work to educate, refresh and review will continue.

## ❖ **Cyber**

We monitor emerging issues, working with internal audit and IT to check controls and help mitigate cyber security breaches. This covers traditional physical hacks and attacks, and emerging internet usage and ransomware.

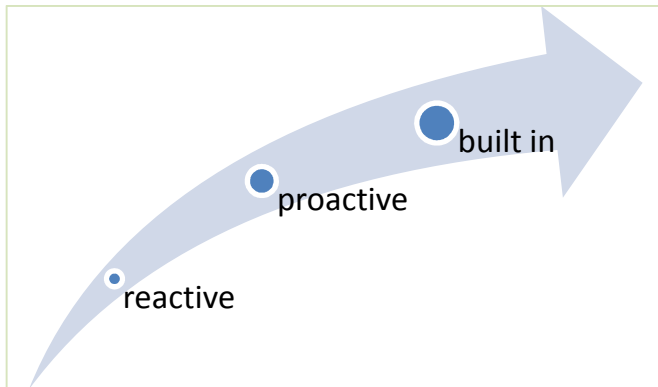
## ❖ **New and emerging fraud risks**

These are considered on an ongoing basis through liaison with operational management, internal and external audit, relevant partner organisations, and colleagues in other public sector organisations, as well as through reference to relevant publications.

# How we are tackling fraud

This section sets out how we aim to achieve our core objectives.

Over-arching is the need to help services build in fraud risk management. The key stages have been identified as:



## Stages of anti-fraud work:

**Reactive** – respond to fraud after the event. An essential part of the investigation, this work will continue, but increasingly we will work to try to prevent fraud.

**Proactive** – further increasing our work with management to build tools into existing processes, develop services to help them undertake checks, increase risk based monitoring to focus on fraud risks, and to make sure they know where and how to report fraud.

**Built in** – to review core changes in the organisation and feed in to the processes to help prevent new emerging risks and ensure processes don't allow more fraud.

By building fraud risk management into core processes, and into changes within the organisation, we aim to increase effectiveness of fraud prevention and reduce the costs resulting from fraud loss and investigation. We recognise that there will remain an ongoing need for proactive work and reactive investigations.

Increasing proactive involvement in relevant decisions to help management review controls will be key, in identifying risks where changes in process, procurement or reorganisations may highlight new exposures.

We want to:

- ❖ work with services to review and respond to NFI matches promptly
- ❖ work with management to identify control improvements
- ❖ review key process changes
- ❖ work with colleagues across the council, and especially legal, procurement advice team, HR and IT to help identify these changes.
- ❖ develop training for front line staff, in conjunction with Organisational Transformation
- ❖ Build on tools available to help front end checks, e.g. NFI App checker

# Core Objectives

## Prevent

The anti-fraud service will work with services and suppliers to prevent fraud. Prevention remains a core objective of the service as it stops the root cause of fraud, thus preventing loss, the need to investigate and the costs of this.

- ❖ Introduce credit checks and data matching for key services
- ❖ Maintain use of document scanners.
- ❖ Proactive internal and external communications
- ❖ Provide anti-fraud training.

## Respond

The anti-fraud service will respond to each potential fraud referral. Each case will be:

- ❖ Reviewed
- ❖ Intelligence checked
- ❖ Linked to corporate objectives
- ❖ Risk Assessed
- ❖ Prioritised
- ❖ Investigated

We will work with management, and address issues identified with the wide range of sanctions available. Where fraud is identified, we will respond quickly. The service will:

- ❖ Consider the issues
- ❖ Work with management to mitigate the immediate threat
- ❖ Work with HR to prioritise employee investigations
- ❖ Consider and develop the control environment where necessary
- ❖ Report findings to management and ultimately to the audit, governance and standards committee.
- ❖ Ensure appropriate sanctions are applied

## Pursue

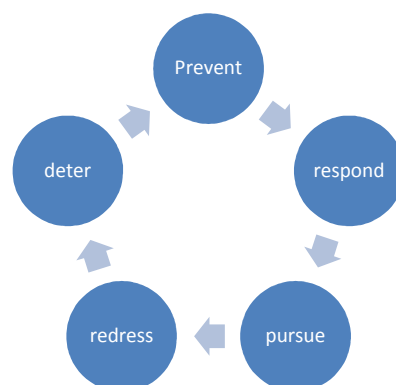
- ❖ The anti-fraud service will pursue fraud against the council. Where fraud is identified, the anti-fraud service will work tirelessly to bring about justice.

## Redress

- ❖ The anti-fraud service uses financial investigation to look for those who have made criminal gains from frauds against the council. Following prosecutions, we will track the money and recover from criminals using the powers available to us. The council will seek maximum redress from individuals who commit fraud against it.

## Deter

- ❖ We will draw lessons from the work of the service and communicate successful outcomes, to help deter fraudsters from committing fraud against the council. The service also links with internal audit and management to to learn, enhance controls promote the work at each stage, to deter fraudsters.is last sentence means]



# Contact us

We'd like to hear what you think about this Anti-fraud, bribery and corruption strategy and if you've got questions, we are here to answer them.

There are lots of different ways to get in touch with us and share your views.



@lbs\_southwark



/southwarkcouncil

Or if you prefer, email [councilnews@southwark.gov.uk](mailto:councilnews@southwark.gov.uk) or call 020 7525 7251.



<b>Item No.</b> 9.	<b>Classification:</b> Open	<b>Date:</b> 13 September 2017	<b>Meeting Name:</b> Audit, Governance and Standards Committee
<b>Report title:</b>		Annual report on the work of the corporate risk and insurance team 2016-17	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Strategic Director of Finance and Governance	

### RECOMMENDATION

1. That the audit, governance and standards committee note the annual report on the work of the corporate risk and insurance team in 2016-17.

### BACKGROUND INFORMATION

2. This report provides an annual report for 2016-17 of the work of the corporate risk and insurance team (the team).
3. Specifically, the report provides an overview of the key risk management and insurance activities and progress with objectives for the year 2016-17 and an overview of the team's objectives for 2017-18.

### KEY ISSUES FOR CONSIDERATION

#### Overview

4. In 2016-17, the team continued to progress the implementation of both the risk management and insurance objectives.

#### Risk Management

5. The risk management objectives for 2016-17 focused on:
  - Finalise the review begun in 2015-16, a review of the risk management support requirements across the council and its implementation
  - Enhanced use of the risk management information tool, JCAD, to create a clearer platform for management, monitoring and reporting on key risk, especially corporate risks.
6. In order to achieve these objectives the team has completed the following activities:
  - Completed a review of the risk management support requirements and procured the required risk management administration support via BDO the council's internal auditors
  - Adapted JCAD to be able to report separately on corporate risks to aid reporting and oversight of corporate risk register
  - In addition, the team has completed the CIPFA risk management benchmarking exercise which assessed the council's arrangements against best practice. When compared against 29 other authorities, the

council was ranked above average on leadership and management, policy and strategy, and people, was average for partnerships and shared resources, and just below average for processes.

7. The team's objectives for 2017-18 are:
- To consider the results of the benchmarking exercise, consider improvements and if appropriate implement an action plan
  - Carry out a review of the departmental risk registers to improve quality and accuracy of risk registers.

### **Insurance**

8. Insurance objectives for 2016-17 were to:
- Develop a new insurance risk financing strategy for the council aligned to the council's needs and external insurance market conditions
  - Develop a suite of guidance documentation (and support training as required) for key council functions to improve the management of insurance risk
  - Continue to work with housing department to implement risk management activities to improve the public liability claims experience
  - Continue to seek opportunities to reduce the overall cost and to recover costs related to insured losses
  - Identify further opportunities for integrating insurance services across the council.
9. In order to achieve these objectives the team has completed the following activities:
- Initial advice has been received on a new risk financing strategy which is ready to be incorporated into a procurement exercise should this be undertaken in 2017-18
  - New guidance document with support training has been provided to teams across the council, including corporate facilities management, legal, regeneration and property and published on the Source
  - Supported the implementation of a new communal area inspection process
  - Whilst no new cost recovery initiatives have been identified the current initiatives are still supporting the successful recoveries for the council.
10. The team's insurance objectives for 2017-18 will focus on the following:
- Consider and, if appropriate, complete a new insurance risk financing procurement exercise across all classes of insurance and aligned to the council's risk appetite and the position of the external insurance market
  - Continue to support the transition of the engineering inspection contract to housing and modernisation, engineering section
  - Provide support on the leaseholder's insurance procurement by assisting with the evaluation.

### **Policy implications**

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

**Community impact statement**

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

**Resource implications**

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

**Consultation**

14. Consultation has not been undertaken.

**SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

15. None required.

**BACKGROUND DOCUMENTS**

Background Papers	Held At	Contact
None		

**APPENDICES**

No.	Title
None	

**AUDIT TRAIL**

<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Jo Anson, Head of Financial and Information Governance	
<b>Version</b>	Final	
<b>Dated</b>	23 June 2017	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Director of Law and Democracy	No	No
Strategic Director of Finance and Governance	N/A	N/A
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>	23 June 2017	

# Agenda Item 10

<b>Item No:</b> 10.	<b>Classification:</b> Open	<b>Date:</b> 13 September 2017	<b>Meeting Name:</b> Audit, Governance and Standards Committee
<b>Report title:</b>		Internal Audit Progress Report	
<b>Wards or Groups affected:</b>		All	
<b>From:</b>		Strategic Director of Finance and Governance	

## RECOMMENDATION

1. That the audit, governance and standards committee note the Internal Audit Progress report for 2017-18 as at end August 2017, attached as Appendix A.

## KEY ISSUES FOR CONSIDERATION

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

## Community Impact Statement

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

## Resource implications

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

## Consultation

5. There has been no consultation on this report.

## SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

6. None required.

## BACKGROUND DOCUMENTS

Background Papers	Held at	Contact
None		

## APPENDICES

No.	Title
Appendix A	Internal Audit Progress report as at end August 2017

## AUDIT TRAIL

<b>Lead Officer</b>	Jennifer Seeley, Director of Finance	
<b>Report Author</b>	Jennifer Seeley, Director of Finance	
<b>Version</b>	Final	
<b>Version Date</b>	31 August 2017	
<b>Key Decision</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
Cabinet Member	N/A	N/A
<b>Final Report sent to Constitutional Team</b>		31 August 2017

# LONDON BOROUGH OF SOUTHWARK

## INTERNAL AUDIT PROGRESS REPORT

Audit, Governance and Standards Committee

13 September 2017

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# 1. PROGRESS AGAINST INTERNAL AUDIT PLAN

## Purpose of the report

This report informs Southwark Council's audit, governance and standards committee of progress made by BDO for work undertaken against the internal audit plans for 2016-17 (completed) and 2017-18. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards.

## Internal audit approach and methodology

As part of our audit approach, we have agreed terms of reference for each piece of work with management, identifying the headline and sub-risks which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

Our methodology is based on four assurance levels in respect of our overall conclusions as to the design and operational effectiveness of controls within the system reviewed - substantial, moderate, limited or no assurance. The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system we are required to make a judgement when making our overall assessment. The definitions for our assurance levels are set out in the appendix to this report.

## Internal audit plan 2016-17

All work relating to the 2016-17 plan assigned to BDO has been completed, as set out in section 2. The main findings from each audit are summarised in section 4.

## Annual report 2016-17

The results of the entire internal audit plan for 2016-17 are presented as a separate paper by the council's chief audit executive. As in previous years this includes an overall assurance opinion for the year with regard to governance, risk management and internal control.

## Internal audit plan 2017-18

The internal audit plan for 2017-18 is underway as set out in section 3. Where reports have been finalised, the main findings from each audit are summarised in section 5.

## Changes to the internal audit plan 2017-18

An internal audit of information governance was requested by the corporate governance panel. The purpose of the audit is to review workplace practices to confirm that the key requirements set out in the council's e-learning course on information governance essentials are being applied. This time has been allocated from the contingency allowance.

## Follow up

Details of the follow up of all high and medium priority internal audit recommendations are provided in section 5.

## Schools audits

The audit programme is progressing as planned. Where a final report has been issued, the audit opinions are included in sections 2 and 3 for 2016-17 and 2017-18 respectively.

## Non internal audit services provided by BDO

BDO is in discussion with officers about two pieces of advisory work:

- Facilitation of a workshop on the processes for dealing with the risk of inappropriate behaviour (e.g. abusive, anti-social, physical violence) towards the council's officers and contractors. This follows a review of violent warning marker registers held by departments.
- Advice in respect of the refinancing of PFI contracts relating to schools in the borough.



## 2. INTERNAL AUDIT PLAN 2016-17 - COMPLETED

Audit	Director / audit sponsor	Days	Timelines					Assurance opinion	
			Start	End	Draft	Final	Committee	Design	Operational effectiveness
Commissioning of services	Directors of adult social care and children's social care	25	6/2/2017	22/3/2017	30/3/2017	17/5/2017	September 2017	Limited	Limited
Creditor payments	Director of exchequer	20	3/1/2017	9/2/2017	16/2/2017	26/5/2017	September 2017	Substantial	Moderate
Digital strategy	Director of modernise	10	6/3/2017	22/3/2017	30/3/2017	25/4/2017	September 2017	Moderate	Moderate
Emergency planning and resilience	Head of chief executive's office	10	6/3/2017	22/3/2017	29/3/2017	3/5/2017	September 2017	Moderate	Moderate
Licencing and environmental protection	Director of environment	15	5/1/2017	20/3/2017	24/3/2017	16/5/2017	September 2017	Moderate	Moderate
Mosaic payments	Directors of adult social care, children's social care and exchequer	25	3/1/2017	16/3/2017	30/3/2017	26/6/2017	September 2017	Limited	Limited
Payroll and expenses	Directors of exchequer services and modernise	25	1/2/2017	28/3/2017	30/3/2017	1/8/2017	September 2017	Moderate	Limited
Personalised budgets and direct payments	Directors of adult social care and children's social care	25	6/2/2017	29/3/2017	30/3/2017	20/6/2017	September 2017	Moderate	Limited
Regeneration programmes and projects	Director of regeneration	20	9/1/2017	24/3/2017	31/3/2017	4/5/2017	September 2017	Substantial	Substantial

Audit	Director / audit sponsor	Days	Timelines					Assurance opinion	
			Start	End	Draft	Final	Committee	Design	Operational effectiveness
South dock marina	Director of leisure	20	24/1/2017	3/3/2017	13/3/2017	9/6/2017	September 2017	Limited	Limited
Southwark building services	Director of environment	25	13/2/2017	21/3/2017	30/3/2017	28/4/2017	September 2017	Moderate	Moderate

### Schools internal audit plan 2016-17

We have completed the internal audit plan for schools on behalf of the director of education. A total of ten school audits were assigned to BDO, nine full audits and one follow up. The assurance opinions provided for the full audits were:

School	Design	Operational Effectiveness
Charles Dickens Primary School	Moderate	Limited
Rotherhithe Primary School	Moderate	Limited
Rye Oak Primary School	Substantial	Substantial
St. Francesca Cabrini Roman Catholic Primary School	Moderate	Moderate
St John's Walworth Church of England Primary School	Moderate	Limited
St Mary Magdalene Church of England Primary School	Limited	Limited
St Paul's Church of England Primary School	Substantial	Moderate
Surrey Square Primary School	Moderate	Limited
Townsend Primary School	Moderate	Limited

### 3. INTERNAL AUDIT PLAN 2017-18 - STATUS REPORT

Audit	Director / audit sponsor	Days	Timelines					Assurance opinion <sup>2</sup>	
			Start	Closing meeting / Status	Draft	Final	Committee	Design	Operational effectiveness
<b>Approved Internal Audit Plan 2017-18</b>									
IT network security	Director of modernise	25	6/4/2017	14/4/2017	25/4/2017	16/5/2017	September 2017	Limited	No
Corporate energy	Head of service development	15	24/4/2017	15/6/2017	16/6/2017	23/6/2017	September 2017	Moderate	Substantial
Home ownership charges to leaseholders	Directors of exchequer and asset management	15	10/4/2017	7/6/2017	16/6/2017	26/6/2017	September 2017	Moderate	Substantial
Housing adaptations	Director of asset management	10	10/4/2017	8/6/2017	20/6/2017	1/8/2017	September 2017	Moderate	Moderate
Apex asset management system	Director of asset management	15	20/6/2017	27/7/2017	1/8/2017	2/8/2017	September 2017	Limited	Moderate
Procurement	Corporate governance panel	25	6/4/2017	16/6/2017 and 25/7/2017	1/8/2017		November 2017		
Regulatory services	Director of environment	15	2/5/2017	19/6/2017	1/8/2017		November 2017		
Health and safety	Director of modernise	20	11/4/2017	9/6/2017 and 14/8/2017	16/8/2017		November 2017		
Electoral services	Director of finance and governance	20	24/7/2017	24/8/2017			November 2017		
Register of interests	Director of law and democracy	15	15/5/2017	Reporting			November 2017		

Audit	Director / audit sponsor	Days	Timelines				Assurance opinion <sup>2</sup>		
			Start	Closing meeting / Status	Draft	Final	Committee	Design	Operational effectiveness
Cashless systems	Director exchequer services / other directors	20	12/6/2017	Reporting			November 2017		
Major regeneration programmes & projects - primary expansion	Director of regeneration	20	16/5/2017	Reporting			November 2017		
Suspense account management	Director exchequer services	15	3/7/2017	Reporting			November 2017		
Access to services	Corporate governance panel	25	19/6/2017	Fieldwork			November 2017		
Housing strategy, performance and partnerships - multi-agency working	Director of resident services / director of adults' services / director of children's services	15	26/6/2017	Fieldwork			November 2017		
Highways maintenance	Director of environment	15	14/8/2017	Fieldwork			November 2017		
<b>Additional audits</b>									
Information Governance	Corporate governance panel	15	24/7/2017	17/8/2017			November 2017		

## Schools internal audit plan 2017-18

In addition to the audits above, we have programmed in the internal audit plan for schools on behalf of the director of education, to take place during term times between May 2017 and March 2018.

To date we have completed 12 out of the planned 22 audits, six reports have been finalised and we are awaiting a response to the other six reports.

The internal audit assurance opinions provided for the schools where the reports have been finalised are:

School	Design	Operational Effectiveness
Alfred Salter Primary School	Moderate	Substantial
Cathedral School of St Saviour and St Mary Overie	Substantial	Moderate
Evelina Hospital School	Substantial	Moderate
Goodrich Community Primary School	Substantial	Substantial
Grange Primary School	Substantial	Moderate
St George's Cathedral RC Primary	Substantial	Moderate

# 4. SUMMARY OF INTERNAL AUDIT FINDINGS - 2016-17

MA07a <b>Creditor Payments</b> May 2017	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	0
	<b>SUBSTANTIAL</b>	<b>MODERATE</b>	Medium	2
			Low	3

This annual audit reviewed the adequacy of the design and operational effectiveness of the control framework relating to the creation and amendment of vendors, raising and authorisation of purchase orders, and payment of invoices. The scope of the audit this year also covered the use of procurement cards and declarations of interest.

### Key findings

- In ten instances from a sample of 30, purchase orders and invoices had not been uploaded onto the SAP system as required and were instead held on personal drives that in some cases were inaccessible during the audit.
- In two cases out of fifteen vendor creation and amendments, the requisite checks had not been evidenced as fully completed.

Both of these areas lower the operational effectiveness of the controls in place in the council's creditor payments system and our overall conclusion is consequently moderate assurance on effectiveness.

### Good practice

- Comprehensive policies and procedures are available to all staff on the Source intranet website.
- A well-defined workflow system operates within the SAP system which restricts the approval of items to the relevant staff members.
- Amendments to transactions have to be actioned via a variation to the original purchase order on SAP which is subject to the same workflow system and approvals as for new purchases.
- A number of statistics and KPIs are monitored and reported on monthly, with an accompanying narrative to explain any shortfalls or anomalies, including payment turnaround time, PO creation time and vendor creation/amendment time. These statistics are used to target improvements within the team and/or system.
- Potential duplicate payments are flagged using the AP forensics software introduced a year ago prior to payment runs. Payments that require further clarification are automatically blocked from being paid until checked and released manually.
- CHAPS payments require appropriate authorisation and undergo independent checks on bank account details as well as being scrutinised by both the treasury officers and finance and governance officers prior to being processed for payment.

### Follow up

The medium recommendations will be followed up as part of the annual creditor payments audit in quarter three 2017-18.

CAS60 <b>Commissioning</b> May 2017	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	1
	<b>LIMITED</b>	<b>LIMITED</b>	Medium	6
		Low	2	

The main findings from the audit relate to the procurement and re-procurement of care services, in particular how the council will avoid continual short term extensions to contracts rather than ensuring sufficient time for formal tendering exercises. The service needs to establish the local needs and operational processes and requirements internally, finalise the council's market position statements and clearly evidence the council's future commissioning strategy, which should also be shared with relevant parties.

#### Key findings

- Commissioning of services is not being completed in line with the council's contract standing orders. Per the council's electronic contract register twenty two contracts are due to expire on 31 March 2017, with an approximate value of £11.5m. No evidence has been provided that formal tendering exercises are being undertaken or that approvals for an extension of the existing contracts have been sought in eighteen cases.
- Market position statements for the new financial year have not been finalised for each type of care provision and within these statements the market development priorities have not been completed and target dates have not been recorded. There is no evidence of review by senior management, so it is the adopted practice of the commissioning team. Associated to this point, there is no evidence that the council's commissioning strategy has been made available to all relevant parties. In addition, work plans supporting the delivery of work provided no indication of priority of the work or time targets for completion.
- There is no evidence that lessons learnt from tendering exercises or monitoring of providers is being formally shared throughout the team to assist in improving working practices and avoiding a repetition of failings.
- The central record of the monitoring of providers is not being maintained to accurately reflect the current position for each provider. It needs to be continually maintained to assist in identifying where there is a need to improve efficiencies and be an effective management tool by collating all relevant information in a single place, such as the actual risk rating of the provider's quality of service and performance and when visits are due. Currently management would have to either speak to all monitoring officers or spend time reviewing various documentation held on the shared drive.

#### Good practice

- There was evidence of identifying local needs and the service is part of local partnership boards and commissioning groups with relevant stakeholders / partners.
- Those care packages set up by the Brokerage team were found to have been done on a timely basis, with relevant documentation, such as signed spot contracts being retained and contract prices agreed to those recorded on Mosaic, Therefore it was found payments on SAP reconciled to the Mosaic records.
- The quality and performance team through their contract monitoring also monitor non-financial outcomes including compliance with the ethical charter, London living wage and HR areas at providers. This includes identifying staff turnover for stability of the provider and DBS checks being completed for Safeguarding.

#### Follow up

In line with agreed management implementation dates, the high and medium recommendations will be followed up in October 2017.

IT02 <b>Digital Strategy</b> April 2017	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	0
	<b>MODERATE</b>	<b>MODERATE</b>	Medium	3
		Low	0	

The purpose of this audit was to assess the design and evaluate the operational effectiveness of the control framework relating to the council's digital transformation programme, including governance arrangements and the extent to which risks and issues with regards to the delivery of the strategy are being adequately managed. At the request of management the scope of the audit also considered the reach of the programme across the council to those areas which might benefit from it.

#### Key findings

- Accountability for the digital transformation programme has not been assigned.
- Project leads are not in place for all projects to be delivered by the digital transformation programme
- There is not a definitive list of projects.
- Information recorded within the issue log is insufficient to ensure the effective management of the issues identified.
- The findings identified with regards to the controls in place could significantly affect the delivery of the digital transformation programme and the achievement of the goals stated within the council's digital strategy. Consequently, we conclude moderate assurance over both the controls' design and their operational effectiveness.
- We performed an analysis of the project portfolio that had been established for the purposes of the digital transformation programme and found that not all departments are equally involved in the programme.
- Through use of a short questionnaire issued to departmental representatives we also considered how the programme is promulgated and discussed beyond the IT improvement board and the key risks to the successful delivery of the programme. The responses to the questionnaire highlighted the requirement for adequate business need identification and the development of clear business cases to support the projects in place. Furthermore, whilst we found that in general the digital transformation programme reflects the key projects in each directorate, the capacity and expertise to deliver the projects within the directorates was identified as a significant risk to successful delivery.

#### Good practice

- The digital transformation programme has been developed in line with the principles and priorities outlined in the digital strategy to ensure that there are outputs and projects in place to address all strategic goals.
- The IT improvement board provides regular oversight of the delivery of the digital transformation programme and the digital strategy.
- The risk register is maintained, managed and reviewed on a routine basis in order to identify and address risks that may affect the delivery of the digital strategy.

#### Follow up

We confirmed through our follow up in August 2017 that the three recommendations have been implemented within the agreed timeframes.



EL25 <b>Emergency Planning and Resilience</b> May 2017	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	0
	<b>MODERATE</b>	<b>MODERATE</b>	Medium	1
			Low	3

The purpose of this audit was to assess the design and evaluate the effectiveness of the council's controls with regards to emergency planning and resilience and identify ways in which the controls in place could be improved.

#### Key findings

- The council's generic emergency plan has not been formally approved by an appropriate body.
- Whilst emergency planning risks are reviewed annually through the Southwark emergency planning forum, there are no formal arrangements in place to review the risk register on a more frequent basis.
- The plan does not include an identification of all third parties involved with emergency planning and resilience at the council.
- A standard has not been set for the information to be included as part of the council's emergency planning scheme activation record, therefore the information recorded is not consistent.
- The gaps identified in the emergency planning and resilience management could affect the council's ability to respond to an emergency situation within the borough without undue delay.

#### Good practice

- Emergency planning and resilience guidance and handbooks have been made available to members of staff through the council's intranet.
- Members of staff that undertake roles within the council's generic emergency plan receive regular training on their roles.
- There is a requirement in place for the generic emergency plan to be reviewed and exercised annually and it was observed that exercises have been performed and actions to improve emergency planning were identified and acted upon effectively.
- A Southwark emergency planning forum has been established and meets on a regular basis to ensure an efficient and effective multi-agency approach to the planning for, response to and recovery from emergency situations.

#### Follow up

We confirmed through our follow up in August 2017 that the medium recommendation has been implemented within the agreed timeframes.

EL25 Licensing and Environmental Protection May 2017	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	0
			Medium	5
	MODERATE	MODERATE	Low	3

The purpose of our review was to provide assurance that appropriate controls are in place and operating effectively in relation to the Licensing and Environmental Protection Teams. The areas covered were licencing processes and fees, Section 61 and 60 processes, enforcement policy and actions and the performance of the teams.

#### Key findings

- We identified an inconsistent approach to performance management across the two separate teams of licensing and environment protection, including business planning and key performance indicators.
- One case was identified where an application for a specialist treatment licence was rejected by the council for an expired fire and lighting certificates. There was no evidence of the case being followed up as required to ensure that the business was not continuing to operate without the appropriate certification in place.
- Systems access rights need to be reviewed to minimise the risk of duplication of records being set up.
- Review processes had not identified cases of missing data or deadlines not being met with regard to section 60 and 61 cases
- The enforcement policy has not been updated in 10 years.

#### Good practice

- Teams have well-established proactive processes and targeting of risk areas controls in place with good internal and external sharing of intelligence and regular meetings to assist the process.
- Guidance has been produced and is available to officers covering the process for section 61 and 60 notices.
- The licensing pages on the council's internet site are detailed explaining the processes, requirements and links to on-line application forms.
- Technical guidance has been produced, and is available on the council's website, for developers or those who want to undertake works in the Borough detailing the legislation and requirements for proceeding with a development.
- Key Performance Indicators have been set up for the environmental protection team which are part of the team's business plan for the financial year and are reported on as set in the plan to management.
- Fees have been set and approved via the correct authorisation route.

#### Follow up

In line with agreed management implementation dates, the medium recommendations will be followed up in January 2018.

MA07b <b>Mosaic Payments</b> June 2017	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	2
	LIMITED	LIMITED	Medium	0
			Low	0

The purpose of the audit was to provide assurance that the controls to manage mosaic payments are adequate and effectively brought into use to safeguard the council from the risk of financial loss, error or fraud.

Mosaic is the council's new care database which went live in 2016 to replace CareFirst as the main information repository in the Children's and Adults Department. The combined department has an ambitious change agenda responding to local and national priorities and is looking to IT to help enhance service delivery, to encourage self-service by some members of the public and to deliver cost savings.

Mosaic payments are made via the council's finance system SAP through interfaces. Care plans are authorised by the appropriate care panel and loaded on to Mosaic, including the amount, and a payment cycle set, for example weekly or monthly, which commences at the next appropriate date. The interface file is raised for each payment cycle and sent to the financial control and process team who perform a basic reconciliation of number of records and amount and run the interface through SAP to arrange the payments. These payments are then added to the next payment run. Invoices from providers are received by the appropriate finance team and details loaded on to Mosaic against the appropriate case and are then loaded directly on to SAP for payment through the creditors system. However, it is noted that there are still some payments made though CareFirst which are reconciled before being processed via an interface. New/amended vendors are dealt with by the SAP Helpdesk which is based in the council. In the last twelve month period, the value of payments being processed via Mosaic totalled c. £54 million.

#### Key findings

The controls over the processing of payments via Mosaic are inadequate to protect the council from the risk of potential financial loss, with two fundamental weaknesses evident:

- In respect of children's services it was found that the review and subsequent authorisation of payments lacked a segregation of duties. This was due to the ability of some officers to authorise payments 'on behalf of' others, leading to situations where payments had been raised and then authorised by the same person.
- In respect of adults' services, it was found that the authorisations tab in Mosaic did not function as intended and as such there was no audit trail showing the officers raising or authorising the payments.

#### Good practice

- Comprehensive policies and procedures are being made available to all staff on the Source.
- The CHAD mosaic helpdesk system provides useful help and processes new users and vendors appropriately.

#### Follow up

The recommendations will be followed up as part of the annual Mosaic payments audit in quarter four 2017-18.

MA05 Payroll and Expenses Services August 2017	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	3
	MODERATE	LIMITED	Medium	2
			Low	3

The purpose of the audit was to review the controls over payroll and expenses to ensure they are promptly and effectively brought into use. The council processes payroll and expenses for 4,600 staff. Council managers provide HR with notification of new starters, leavers and variations which are then processed onto the payroll for payment. The council operates an employee self-service system to process the majority of sickness, annual leave, unpaid leave, overtime and expenses. There have been changes in the responsibility of the payroll service, appointment of new key members of staff and since 1 January 2017 a review has been underway within the payroll and HR teams to address a number of areas for improvement. Work has included the mapping of all processes in respect of starters and the introduction of quarterly sample on the accuracy and completeness of information held to support HR and payroll transactions.

#### Key findings

Whilst the control framework surrounding the processing of payroll was generally found to be well-designed, at the time of the audit evidence was not available to support compliance with controls, including processing of starters, leavers and amendments to contracts or bank details. Since the audit, we have been advised that a number of documents have been located by the HR and Payroll teams across various systems such as a generic payroll email inbox and sharefiles. We have also been advised that all recommendations are being implemented. The key findings were:

- Procedures clearly outlining the responsibilities of the payroll and HR teams were not in place, increasing the risk of inconsistent or inappropriate processing. A definitive list officers with access to the SAP system was not available therefore it was not possible to provide assurance that access is only restricted to appropriate and authorised persons. The review being undertaken by HR and Payroll has encompassed the above areas and is addressing the weaknesses identified by creating procedural guidance and reviewing the access levels with a view to streamlining job roles to increase the transparency in the access levels.
- Testing identified that supporting evidence and appropriate approvals were not retained routinely by either the HR or payroll teams in respect of: the processing of starters, leavers, including settlement and redundancy agreements, amendments to bank details and contract variations.
- Incorrect expense claims, or claims without sufficient supporting documentation had been processed, and there was a lack of guidance available to clarify the acceptability of transactions involving volunteers and carers.
- There were inconsistencies in the processing of JNC and hard-to-fill benefits, including overpayments to staff that join or leave the council part way through the month and the payment to a staff member who appeared to be ineligible.

#### Follow up

The recommendations will be followed up as part of the 2017-18 annual payroll and expenses audit in quarter three 2017-18.

CAS09 <b>Personalised Budgets and Direct Payments</b> June 2017	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	1
	<b>MODERATE</b>	<b>LIMITED</b>	Medium	2
			Low	1

The purpose of the audit was to review the controls in place for the customer journey in creating, authorising and then monitoring a personalised budget, from the initial application being validated to the authorisation, actual award and the monitoring processes ensure expenditure and the level of award is appropriate and meeting the care needs of the individual.

#### Key findings

Audit testing identified a general lack of retention of key documentation and the uploading of these documents onto the mosaic and carestore systems. This is exacerbated by a lack of a standardised format for file names or file locations within the system. Additionally, in respect of some processes which had been migrated to the Mosaic system, staff have reverted to using offline forms, e.g. Learning disabilities use the old resource allocation system (RAS) rather than Mosaic's in-built indicative budget system (IBC). Due to budgeting changes the learning disabilities team needed to rationalise the personal budgets offer through applying a 10% deflator across care groups to bring in line with comparator authorities, with implementation over review cycle to ensure that the impact on each individual client is mitigated appropriately. There was insufficient flexibility within the mosaic system to allow this, hence the reversion to using the RAS. Evidence was not always available from this system to trace back payments to the source documentation to verify that the amount being paid was correct and had been appropriately authorised. There is a growing backlog of monitoring information that has yet to be collected which in some cases is putting the council in a situation of not being able to effectively track where its payments are being spent.

We note that these issues have been raised by the internal audit service in previous audits of this area.

From a sample of 16 personalised budgets and direct payments we were unable to locate the following documents:

- 7 outcomes based assessments, 16 residency or ID checks
- 15 financial assessments, 8 RAS's or IBC's
- 4 support plans
- 14 confirmation letters detailing the agreed and approved personal budget sent to the client
- 6 panel approvals for proposed personal budgets

From a sample of 25 personalised budgets and direct payments it was found that in 11 cases monitoring information had not been collected.

#### Good practice

- The procedures detailing the flow of the processes involved in assessing new clients, preparing budgets, creating support plans and gaining panel approval are well structured.
- When documents could be found they were generally well prepared and completed as per the guidelines.

#### Follow up

Management has set out a detailed long-term action plan to address the recommendations, which includes the development of proposals to improve data quality currently underway. An interim follow up of progress being made will be undertaken in December 2017, with a full audit of the new arrangements and control framework carried out as part of the internal audit plan in 2017-18.

CX02 Regeneration Programmes and Projects May 2017	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	0
			Medium	0
	SUBSTANTIAL	SUBSTANTIAL	Low	4

Due to the strategic importance and materiality of the regeneration programme, an annual internal audit continues to be undertaken, the purpose of which for 2016-17 was to provide assurance over the adequacy and operational effectiveness of these arrangements. Two schemes were reviewed for two of the three regeneration areas: Regeneration South - Aylesbury Estate and Regeneration North - One Tower Bridge.

**Key findings**

Within the agreed terms of reference, oversight and reporting arrangements to Cabinet and the chief executive, and review and monitoring of the delivery of the schemes by senior management and those with operational responsibility were found to be appropriate and proportionate to the nature of the scheme and the stage of the project. Signed partnership agreements were in place for both schemes with delivery targets and milestones, and regular meetings were being held between the council and partners to assess performance and address issues as they arose. Financial reporting was occurring on a regular basis. There are no findings of significance with regards to the risk areas considered as part of this review, although we have made four low priority recommendations to enhance the control framework and provide increased transparency of information used for decision making.

**Follow up**

As the recommendations are low category, internal audit has advised management to ensure that the actions are implemented as agreed.

EL15 South Dock Marina June 2017	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	1
	LIMITED	LIMITED	Medium	6
			Low	4

The purpose of our review was to provide assurance that appropriate controls are in place and operating effectively in relation to the South Dock Marina. The areas covered were income control, assets, licences and waiting lists, security and management of the service.

**Key findings**

As a remote site, a number of additional controls are required to ensure full management oversight and scrutiny of activities.

- The scale of fees and discounts available are not being applied on a consistent basis and local agreements are being entered into without formal evidence of management agreement being retained.
- The required documentation which should be held for all craft, including the annual insurance cover, is either not being sought or not being retained on file.
- The harbourmaster’s position has been covered by a temporary arrangement whereby the individual’s company invoices the council via a third party. Current arrangements have been in place since 2012. They are likely to be contrary to the new HM Revenue and Customs IR35 rule which is introduced on 1 April 2017 and needs to be addressed urgently.
- There is no authorisation available to support staff discounts and these are being applied inconsistently.

**Good practice**

- Flow charts covering income and issue of fobs have been created and communicated to appropriate staff and hard copies are held in the marina offices.

The head of service has recognised the need for a full review of the appropriateness of the current business model, to assess whether it supports the maximisation of income, whether fees and charges reflect market value and other options around the commercialisation of services. We also recognise that the full introduction of Havenstar database and allowing it to interface with SAP will enable the service to obtain further operational efficiencies by automating some processes that are currently carried out manually.

**Follow up**

In line with agreed management implementation dates, the high and medium recommendations will be followed up in October 2017.

EL43 Southwark Building Services April 2017	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	0
	MODERATE	MODERATE	Medium	3
			Low	3

The purpose of the audit was to review the arrangements to manage South Building Services to ensure they are promptly and effectively brought into use. This included assurance over the accuracy and scrutiny of data reported.

The management team has undergone unexpected turnover during 2016/17 and responsibility for SBS has moved from Housing and Modernisation to Environment and Leisure. At the time of the audit, SBS was in the process of reviewing its key systems and creating action plans to be addressed as part of the improvement plan for the service. Some processes, including the appointment of subcontractors and a training matrix, have already been successfully implemented. The need for a review of the pay and productivity scheme was noted by the service, however due to the large scale of the project, this section was not fully defined in the improvement plan to allow for flexibility whilst appropriate options were explored.

#### Key findings

- The process for closer monitoring of subcontractors performance needs to be clearly outlined and the penalties for poor performance clearly outlined.
- The pay and productivity scheme was not evidenced as approved and had not been reviewed for appropriateness of application in practice by SBS
- Overtime payments were made to staff for additional responsibilities without evidenced approval.

#### Good practice

- The new process for the appointment of subcontractors was thorough and transparent
- The revised training matrix was clear and evidenced when mandatory training was yet to be completed or relevant qualifications were due to expire
- The identification and allocation of repairs work was done through the use of the call centre, with variations to work being documented and approved at the appropriate level
- Income is independently checked and agreed between housing and modernisation and SBS
- The authorisation levels per SAP reconciled with the authorised signatory list
- The SBS business manager was aware of possible fraud risks and safeguarding controls were implemented, including the need for independent approval for variations and photographic evidence
- Financial and non-financial information is reported to the director of environment.

#### Follow up

In line with agreed management implementation dates, the medium recommendations will be followed up in January 2018.



# 5. SUMMARY OF INTERNAL AUDIT FINDINGS - 2017-18

IT04 <b>IT Network Security</b> May 2017	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	2
	LIMITED	NO ASSURANCE	Medium	6
			Low	0

The purpose of this review was to provide assurance that the council has adequate arrangements in place to prevent, identify and respond to a breach of its IT network security. The council's IT network underpins the council's ability to provide its critical services to its residents, serving as a platform from which its IT systems can collect, process and store information. The IT network is also the bridge between the council and the external services, such as the Public Services Network (PSN), which are essential to the council's operations. In order to access these services, the council is required to demonstrate that the security of its network meets the standards set by external bodies, including the UK Government Digital Service and the Payment Card Industry Security Standards council.

## Key findings

- The council has deployed and is using operating systems that are no longer supported by the developer.
- There are not adequate arrangements in place to apply operating system security and firmware patches to its IT servers.
- The council's corporate risk register does not accurately record the risk of an information security breach or the consequences.
- A disproportionately high number of users have been granted elevated access rights, which includes domain administrator access.
- The Council does not have procedures in place to identify unusual or suspicious activity, nor are existing network perimeter security controls reviewed on a routine basis.
- Vulnerabilities, including the absence of a de-militarized zone between the Council's IT network and the PSN, have been included within the design of the council's IT network.
- Firewall rules, both internal and external, are not subject to a routine review in order to determine their adequacy.
- Anti-malware signatures are not updated on all Council devices.
- The design and configuration of the council's IT network perimeter security controls are inherently insecure and do not meet the requirements of either the PSN or of the Payment Card Industry Data Security Standard (PCI-DSS). A prolonged lack of effective management has only served to undermine the existing controls, such as they are, and require that the council will need to take drastic action in order to secure its IT network.

## Good practice

- The council has a defined information governance and security framework, which includes a procedure for responding to information security breaches.
- Responsibility for the management of the council's IT network has been assigned to a named member of staff within the council.
- Penetration tests, both internal and external, are performed on a routine basis.

## Follow up

In line with agreed management implementation dates, the high and medium recommendations will be followed up in November 2017.

EL31 Corporate Energy June 2017		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		MODERATE	SUBSTANTIAL	High	0
				Medium	2
				Low	0
Purpose of audit	A review of how sighted the council is on its energy usage in each building, which considered the extent to which the data is sound, well understood and maximised to support planning and further efficiencies.	Added value	From discussions arising from the review, the energy team is to revisit the council's approach and expansion of the current Green Buildings programme as part of the planned review of the council's building and accommodation arrangements.		
<p>The sustainability and energy team has a number of controls in place to ensure that data captured both automatically and manually on energy is accurate and complete, and can be used with confidence to assist in performance management and decision making on environmental issues.</p> <p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>Key performance targets have not been set for all areas covered by the green building programme (energy, water, waste &amp; recycling, paper use, transport) for all council buildings, meaning a lack of evidence to support any improvements or for reporting performance.</li> <li>The energy team needs to have close links with corporate facilities management to establish if the council's carbon reduction capital fund, a commitment of £2.5m over ten years, could be used to effectively support capital projects. The fund has been available for three years to date and has not been used to support any initiatives.</li> </ul> <p><b>Good practice</b></p> <ul style="list-style-type: none"> <li>Independent audit of the Carbon Reduction Commitment Energy Efficient Scheme claim for 2015-16 found the council is compliant with scheme regulation and carried a low risk of penalties or fines, and that systems and processes are effective. The single issue raised that the evidence pack did not contain all of the emails for self-reading meters as part of the evidence of primary source data has been addressed.</li> <li>The Council is part of an energy framework, Laser, which procures energy for over 65,000 end users. When compared with the best current market prices the council is saving 39% (operational) and 46% (housing) on gas prices and 10% on electricity prices. The London Energy Project's independent review gave an opinion that the council was using the best market option.</li> <li>The council uses an electronic database to record all meter readings and costs from which performance reports can be run at any time. Smart meters are used in the majority of locations, with a constant connection to the database for sending usage data. Where manual readings are taken the details entered on to the database are sense checked to ensure that the meter reading and amount of usage are consecutive to the previous reading and in line with the meters average usage. If this is not the case a warning is raised for officers to investigate.</li> <li>There is an efficient method of sharing data with relevant teams, such as My Southwark Home Owners team, and where appropriate officers have been given read only access so they can review properties they are responsible for and run reports as and when required.</li> </ul> <p><b>Follow up</b></p> <p>In line with agreed management implementation dates, the medium recommendations will be followed up in January 2018.</p>					

FG32 <b>Charges to Leaseholders</b> June 2017		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS		
		Design	Operational effectiveness	High	0	
				Medium	1	
				Low	1	
MODERATE		SUBSTANTIAL				
Purpose of audit	To provide assurance over the processes and control associated with major construction works on council leaseholders' properties, from initial commissioning of works through billing of leaseholders to final accounts and refunds to leaseholders.		Added value	We have highlighted how the council can move from a rating of moderate to substantial assurance in respect of the design of the control framework in this area.		
<p>Leaseholders are charged for large one-off works carried out on a building or estate. The total costs are apportioned to properties and then to individual leaseholders. Leaseholders receive an initial notification of the estimated cost, which is based upon the appointed contractor's fee estimates. The estimate is adjusted for actual costs when the final account for the works has been received and approved, a final invoice or refund is issued to the leaseholder. Asset management is responsible for commissioning the major works. Contracts are procured using partnering and framework agreements, as well as individual open tenders. Estimated total costs for the work tend to include a contingency percentage and various provisions for unforeseen work. The final account may be received two to three years after completion. The target is to have these agreed within three months of the defects liability period.</p> <p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>Projects are consistently coming in under budget at final account by a significant amount. A review into the surveying methods will have to be undertaken to discover whether there are any improvements that can be made to the accuracy of the initial estimates.</li> </ul> <p><b>Good practice</b></p> <ul style="list-style-type: none"> <li>Communication with leaseholders is clear, concise and consistent</li> <li>Calculations to apportion estimated costs between leaseholders is carried out accurately</li> <li>Calculations to apportion actual costs between leaseholders is carried out accurately</li> <li>Additional invoices and refunds are calculated accurately and credited to the correct accounts</li> <li>There is a robust debt recovery procedure in place.</li> </ul> <p><b>Looking forward: supporting the council's journey from moderate to substantial assurance</b></p>						
Design	Moderate → Substantial		The council should conduct a formal review to explore possible solutions to reduce the difference between estimated and actual costs of works.			
<p><b>Follow up</b></p> <p>In line with agreed management implementation dates, the medium recommendation will be followed up in February 2018.</p>						

HM04 <b>Housing Adaptations</b> August 2017		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS							
		MODERATE	SUBSTANTIAL	High	0						
				Medium	2						
				Low	2						
Purpose of audit	A review the arrangements over the management of housing adaptations to provide assurance that they are efficient and effective. The audit included a reviewing of the accuracy of data reported and that reports are sufficiently scrutinised.		Added value	We have highlighted how the council can move from a rating of moderate to substantial assurance in this area.							
<p>This review was undertaken following a complete restructure of the Housing Adaptations Team (HAT) and the overall repairs service. The HAT team as a separate entity no longer exists and none of the pre-restructure staff are still in post. However, for service identification and continuity the service is still known as HAT. The new team has introduced new processes, started using an electronic database (previously being dependent on paper systems) and developed better ways of working and an improved control environment. The head of repairs and maintenance welcomed the audit as a way to critique the new processes and highlight any areas of weakness or need for improvement.</p> <p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>Referrals are not always being dealt with in a timely manner. This is due to a backlog of referrals.</li> <li>The monitoring of referrals and adaptation works is inconsistent between the manually updated spreadsheet and the CASEMANAGER system.</li> </ul> <p><b>Good practice</b></p> <ul style="list-style-type: none"> <li>The HAT have robust controls in place to ensure that the responsibility for preparing surveyor drawings is clearly outlined from the start</li> <li>Payments to contractors are being made accurately and in a timely manner. Payments are being signed off by the correct authorised signatories.</li> </ul> <p><b>Looking forward: supporting the council's journey from moderate to substantial assurance</b></p> <table border="1"> <tr> <td>Design</td> <td>Moderate → Substantial</td> <td>Add in controls we have recommended regarding guidelines for using CASEMANAGER should be clarified to ensure that housing officers are updating monitoring information in a consistent manner.</td> </tr> <tr> <td>Effectiveness</td> <td>Moderate → Substantial</td> <td>Run a monthly report showing referrals that are overdue, allowing the HAT to prioritise those works that are most overdue</td> </tr> </table> <p><b>Follow up</b> In line with agreed management implementation dates, the medium recommendation will be followed up in September 2017.</p>						Design	Moderate → Substantial	Add in controls we have recommended regarding guidelines for using CASEMANAGER should be clarified to ensure that housing officers are updating monitoring information in a consistent manner.	Effectiveness	Moderate → Substantial	Run a monthly report showing referrals that are overdue, allowing the HAT to prioritise those works that are most overdue
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Effectiveness	Moderate → Substantial	Run a monthly report showing referrals that are overdue, allowing the HAT to prioritise those works that are most overdue									

HM01 <b>Apex Asset Management System</b> August 2017		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS							
		Design	Operational effectiveness	High	1						
				Medium	5						
LIMITED	MODERATE	Low	1								
Purpose of audit	This was an audit of how the new electronic systems within Apex are working, including data transfer from other council systems and accuracy of data recorded.		Added value	A fault in the parameters within APEX was identified, which impacts on the council's reported rate on the decency of its housing stock.							
<p>The council has a 30 year plan to invest in its housing stock to ensure that it meets the UK government's Decent Homes Standard. The council has previously maintained a series of systems to record the condition of its housing. A project is underway to transform APEX to consolidate the systems, and cover all aspects of housing stock management, including the functionality for raising purchase orders and using it as a fully integrated works management system. A project board has been established, a project plan developed and a project manager appointed. The project includes data cleansing and ensuring that data recorded in APEX is accurate and complete.</p> <p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>The parameters within APEX wrongly classified an asset as passing the rate of decency, when it should have been reported as an error. The incorrect parameter is being investigated by management, as yet the effect on the reported rates of decency for the council's housing stock is not known, therefore the issue has being rated as high priority within this report.</li> <li>Dates recorded for wet and dry tests per APEX and Northgate did not reconcile with the supporting evidence and there were duplicate fields within APEX containing conflicting information</li> <li>Action points raised in the project board did not have revised implementation dates</li> <li>Disaster recovery plans were not in place</li> <li>User access levels could not be confirmed as appropriate.</li> </ul> <p><b>Good practice</b></p> <ul style="list-style-type: none"> <li>The updates per Northgate were evidenced as being accurately interfaced in APEX</li> <li>There was appropriate representation on the APEX project board, with issues raised and sufficient challenges</li> <li>Back-ups of the APEX system were undertaken and reviewed to confirm no corruption had occurred.</li> </ul> <p><b>Looking forward: supporting the council's journey from limited to substantial assurance</b></p> <table border="1"> <tr> <td>Design</td> <td>Limited → Substantial</td> <td> <ul style="list-style-type: none"> <li>Address the parameter error in APEX resulting in false-positive results</li> <li>Review and remove any unnecessary duplicated elements or attributes within APEX</li> <li>Create a disaster recovery plan for APEX asset management</li> <li>Update the user access level codes within APEX and undertake a review of user access levels</li> </ul> </td> </tr> <tr> <td>Effectiveness</td> <td>Moderate → Substantial</td> <td> <ul style="list-style-type: none"> <li>Update the survey dates held in APEX and Northgate to reconcile with the supporting certificates</li> <li>Improve project board arrangements including frequency and documentation relating to actions</li> </ul> </td> </tr> </table> <p><b>Follow up</b> In line with agreed management implementation dates, the medium recommendation will be followed up in September 2017.</p>						Design	Limited → Substantial	<ul style="list-style-type: none"> <li>Address the parameter error in APEX resulting in false-positive results</li> <li>Review and remove any unnecessary duplicated elements or attributes within APEX</li> <li>Create a disaster recovery plan for APEX asset management</li> <li>Update the user access level codes within APEX and undertake a review of user access levels</li> </ul>	Effectiveness	Moderate → Substantial	<ul style="list-style-type: none"> <li>Update the survey dates held in APEX and Northgate to reconcile with the supporting certificates</li> <li>Improve project board arrangements including frequency and documentation relating to actions</li> </ul>
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# 6. SUMMARY OF RECOMMENDATIONS STATUS

The cumulative summary provided here relates to 177 high and medium recommendations followed up in the period 1 December 2016 to 31 August 2017.

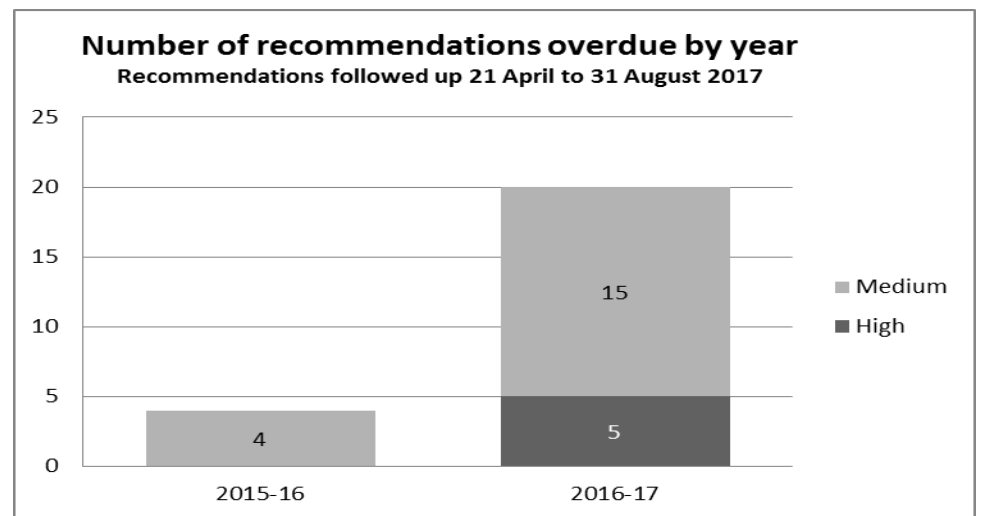
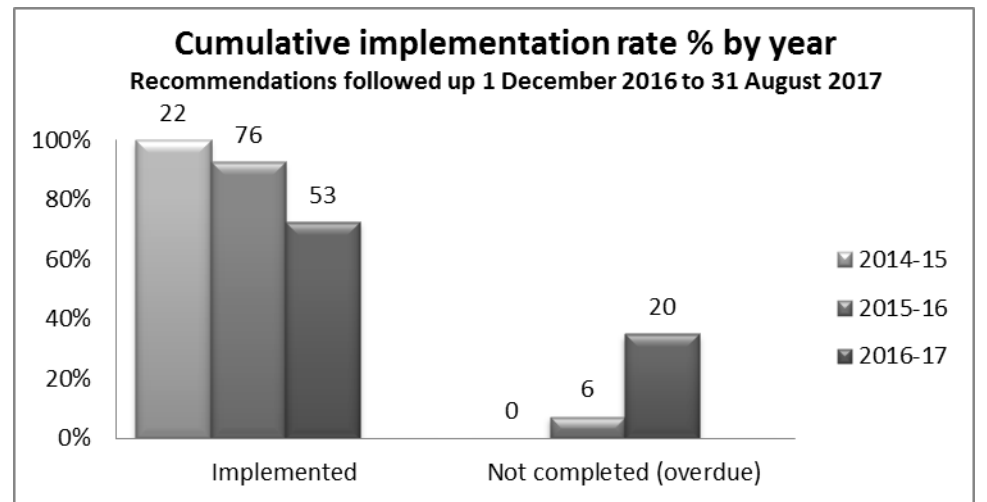
We have confirmed that 151 (85%) of these recommendations have been implemented.

Of those audits followed up since the last progress report to the committee, we identified that 24 recommendations had not been completed by the due date, five were high priority and nineteen medium priority.

Four of the medium priority recommendations were raised in 2015-16.

The details of the recommendations that are overdue (against the action plan agreed by management) are included in section 7 of this report.

In the case of one audit (page 32), the implementation date has changed three times.



# 7. OVERDUE RECOMMENDATIONS

Audit	Recommendations	Priority	Director	Due Date	Comments
<b>2016-17 audit reports</b>					
<b>Youth and play services</b>	In respect of the use of service providers/programme of service, a formal procurement/commissioning exercise should be undertaken, and a procedure compiled for use of providers in the future based on the decisions made. This should include reference to an agreed minimum number of quotations that must be obtained in respect of third party providers to ensure value for money has been achieved. Where a provider offers continuous service to the council, a service level agreement should be drawn up and signed by both parties.	High	Director of leisure	January-2017 October 2017	Procedures that were put in place were not implemented by staff on site. There has now been a complete change of staffing at the centre and all new staff and specifically the new centre manager have been briefed in the procedures. This will be inspected regularly to ensure compliance and action will be taken if any instances of non-compliance are found.
Youth and play services	The approved fees and charges should be applied consistently to all services provided at all centres. These should be the only fees and charges being applied across the service. Any additional services now offered should be included in the 2016-17 fees and charges to receive appropriate approval. Invoices should be evidenced as checked to the approved fees and where they do not reconcile and invoice should not be raised and clarity sought over the requested value.	High	Director of leisure	December-2016 October 2017	Fees and Charges for 2017-18 were agreed as part of the council's budget setting process. These are now being implemented.  We have moved to only accepting BACs or electronic payments for bookings. All staff and organisations have been informed of this and its implementation will be monitored regularly. The new DTC centre manager will take responsibility for overseeing the implementation of this. All organisations that do not have formal agreements (bookings) have been notified that they will have to have correct bookings, provide all supporting

Audit	Recommendations	Priority	Director	Due Date	Comments
					documentation and pay the correct charge. No new bookings are being taken until organisations agree to this. This is due to be implemented from 24 April 2017. A new fortnightly inspection regime is going to be implemented from May. This will involve fortnightly random checks of bookings and invoices by the Interim Youth and Play Manager.
Youth and play services	The youth and play service should seek clarity over the VAT treatment and their right to operate a discount policy in respect of this. Once a decision has been made in how to treat VAT, this should be formally approved by the appropriate management.	Medium	Director of leisure	<del>December-2016</del> October 2017	The interim youth and play manager is following up on this. Staff training and new procedures will be implemented as soon as we know exactly what the procedure is.
Youth and play services	A central bookings log should be maintained at Albany Road for all bookings taken across centres. All centres should keep a local log and this should be sent to Albany Road on a set periodic basis in line with banking procedures. Local logs should be signed off by two members of staff (or one where applicable) to confirm completeness prior to being sent.	High	Director of leisure	<del>December-2016</del> October 2017	A reorganisation of the service means that it is no longer possible to hold a central log but logs will be held at the Damilola Taylor Centre and other sites where bookings are taken. Procedures for this process were developed but there have been problems with implementation. New staffing in DTC will support the implementation of these procedures. A new inspection regime will test its implementation on a fortnightly basis. A new fortnightly inspection regime is going to be implemented from May. This will involve fortnightly random checks of bookings, logs, signing forms and invoices and will be conducted by the interim youth and play manager.



Audit	Recommendations	Priority	Director	Due Date	Comments
Youth and play services	A sign in and out book should be in operation at each centre to ensure correct use of the facilities. This should be reconciled against the bookings log prior to it being sent to Chumleigh Gardens to ensure that the correct groups are using the correct facilities at the correct times.	Medium	Director of leisure	<del>January-2017</del> October 2017	Use of the signing in sheets and matching these against use will be subject to regular ad hoc checks and will be reviewed in October 2017.
Youth and play services	A cashbook or transaction log should be maintained at each centre, including Albany Road for any cash paid centrally. This should be maintained on a daily basis and signed off by the site staff at the end of the day. Receipts should be issued to customers to confirm their booking as well as the money paid by them. Receipts should be stored in the safe alongside the cash received and cashbook in order to confirm values recorded. The cashbook should be reconciled to cash in the safe at the end of each day as well as receipts issued. A reconciliation sheet should be completed with the value of cash in the safe and the total of the cash transactions for that day. The reconciliation should be signed off by two members of staff present when counting cash takings for the day.	High	Director of leisure	<del>October-2016</del> April 2017	Regular checks will be implemented to ensure that no cash or cheques are being taken. Any instances will be followed up with the member of staff. New staffing in the centre will support the implementation of these new procedures.
Youth and play services	Each individual centre that has a safe on site should maintain a safe log of all items in and out of the safe. Two people should be present at all times when the safe is being accessed. The safe log, once updated should be	Medium	Director of leisure	<del>October-2016</del> April 2017	Use of safe should no longer be required but this will be kept under review as part of the inspection regime.

Audit	Recommendations	Priority	Director	Due Date	Comments
	signed off by the two observers.				
Youth and play services	A reconciliation of the centralised booking log, the safe log/cash banked and bank statements should be undertaken to confirm accuracy of cash banked. The reconciliation should be prepared and reviewed by two individuals and evidenced through signatures.	High	Director of leisure	<del>October-2016</del> April 2017	Use of safe should no longer be required but this will be kept under review as part of the inspection regime.
<b>Access to services - housing and modernisation</b>	The directorate should establish if the area housing offices can share information with other services without a tenant's permission and if the waiver on any forms completed is strong enough to cover this issue. If information can be shared then a single point of contact should be established.	Medium	Director of resident services	<del>January-2017</del> June 2018	There have been management discussions regarding data sharing clauses and guidance to be added to the Housing procedures. However the Housing procedures will not be updated until after the changes to data protection legislation have been made in May 2018.
Access to services - housing and modernisation	A checklist should be created that outlines acceptable supporting evidence for the eligibility of a discount. This checklist should be completed and signed by the pest control technicians after the production of supporting evidence. Advice should be sought from the Head of Financial and Information Governance as necessary.	Medium	Director of resident services	<del>March-2017</del> June 2018	The Council is considering the development of a data sharing system however this will be on hold until after the full implementation of the Council's shared service programme.
Access to services - housing and modernisation	The overall control framework for cash collection and banking from pest control services should be reviewed. This review should include the introduction of regular monitoring and reconciliations for the key stages of pest control income collection.	Medium	Director of resident services	<del>March-2017</del> August 2017	A mobile working solution was implemented in August 2016 however although mandatory to all staff from April 2017, testing identified that this is not the case in practice.

Audit	Recommendations	Priority	Director	Due Date	Comments
<b>Funding panels</b>  Community Services (CS) Learning Disabilities and Transition (LD) Adult Mental Health Services Personalisation and Placements (MH)	<p>All panel terms of reference should be updated to include:</p> <ul style="list-style-type: none"> <li>the eligibility criteria for panel membership</li> <li>panel members / post holders and relevant roles and responsibilities</li> </ul> <p>The terms of reference for the CS and LD panels should be updated to include decision making criteria for funding panel outcomes</p> <p>The CS panel terms of reference should be completed for approval prior to the next meeting of the panel, to provide an appropriate decision making framework in future</p> <p>For all panels, authorisation of decisions made and date authorised should be retained to demonstrate accountability.</p>	<p>Medium</p> <p>Medium</p> <p>Medium</p> <p>Medium</p>	Director of Adult Services	<del>March 2017</del> September 2017	<p>The assistant director mental health and learning disabilities has advised that MH panels TOR have not been resolved. The CCG and LBS are trying to resolve and agree TOR and a funding mechanism for funding splits for residential and nursing placements.</p>
<b>Planning applications</b>	<p>A planning performance agreement should be retained for all cases. This should be signed and dated by the applicant and the manager, prior to the commencement of work.</p> <p>Management should introduce a check to confirm that a PPA has been completed and fees agreed and received for all work (pre planning applications, planning applications and bespoke work) prior to resources being assigned to commence the work.</p> <p>A procedure should be developed to enable an effective check that will</p>	<p>Medium</p> <p>Medium</p> <p>Medium</p>	Director of planning	<del>October 2016</del> <del>March 2017</del> Next follow up - April 2018	<p>There has been a delay in implementing the recommendations due to a piece of software (EXACOM) not being delivered in the original timescale agreed. It had been expected to be installed by October and fully operational by December 2016. However this was first delayed until the beginning of March 2017 and the August 2017.</p> <p>The new system will monitor the PPA's including fees, milestones, and payments made. Evidence of actually number of hours worked is being collected on the Planning IT system (Acolaid) which will be linked to Exacom. In addition the council's</p>



Audit	Recommendations	Priority	Director	Due Date	Comments
<b>2015-16 audit reports</b>					
<b>Section 106 agreements</b>	<p>Section 106 management should carry out an annual review of the following procedural guidance to ensure that they reflect current practice:</p> <ul style="list-style-type: none"> <li>• The Supplementary Planning Document (SPD);</li> <li>• Process notes; and</li> <li>• Guidance recorded on the Southwark Source.</li> </ul> <p>Annual review of these guidance sources should be recorded on file; with relevant sign off from an authorising officer.</p>	Medium	Director of Planning	<p><del>December-2016</del>  <del>June 2017</del>  <del>August-2017</del>            Next follow up - April 2018</p>	<p>June update - The S106 post is in the process of being re-advertised externally after a previous successful applicant turned the job offer. The annual review of guidance and process notes will be undertaken by the new post holder.</p> <p>August update - The CIL /S106 team leader has been in post since the beginning of July.</p>
Section 106 agreements	<p>The council should ensure that it monitors non-financial obligations arising from S106 agreements both during development and after the project has been completed if the developer has outstanding or on-going S106 obligations.</p>	Medium	Director of Planning	<p><del>December-2016</del>  <del>June 2017</del>  <del>August-2017</del>            Next follow up - April 2018</p>	<p>June update - There have been issues with Exacom, the software required for the monitoring of the non - financial obligations, which delayed the implementation of the recommendation. The Exacom should be going live on 27 April 2017, to facilitate the effective monitoring of non-financial obligations under s106 agreements.</p> <p>August update - Exacom has gone live. Additional temporary resources have been recruited to populate the data-sets in Exacom who is now in the process of copying the data across from the planning software (Accolaid).</p>

Audit	Recommendations	Priority	Director	Due Date	Comments
<b>Sheltered and supported accommodation</b>	Consistent time frames in relation to inspection dates should be adhered to. Action taken should be recorded against issues raised. All evidence of assessments should be retained within the relevant location. Supported accommodation hostels health and safety assessments should be completed within the appropriate timescales.	Medium	Director of resident services	<del>June 2016</del> Next follow up - November 2017	<p>We have been informed that this has been superseded by the annual programme set by the project officer and business support team and sent out to the relevant service managers. Weekly walk-arounds are now part of the health and safety refresher training undertaken and incorporated into work plans. Audits have been incorporated into the work plan of the service manager. This now forms part of the performance management of the service.</p> <p>However, no evidence was received to support this and sign off the recommendation.</p>
Sheltered and supported accommodation	Risk assessments should be carried out within the relevant timescales. All assessments should be signed and dated by the relevant parties involved in the process.	Medium	Director of resident services	<del>June 2016</del> Next follow up - November 2017	A sample of five residents was selected, and it was found that in three instances the risk assessments were not completed within two weeks of the arrival date.

## 8. KEY PERFORMANCE INDICATORS 2017-18 to date

Description	Target	Actual and comment	RAG Rating
% of audits from the plan reported to the planned meeting of the audit, governance and standards committee (as per the approved terms of reference).	90%	86% For one report from 2017-18 (housing adaptations), the draft report was issued slightly later than originally agreed and the report would not have been ready for the July audit committee if it had gone ahead as planned.	Amber
% of high and medium rated recommendations implemented by the agreed management implementation date	75%	85% As reported in section 6 of this report.	Green
% of recommendations in draft report accepted by audit sponsor / owner	90%	100%	Green
% of draft reports issued within 10 working days of the audit closure meeting	90%	88% As reported in section 3 of this report, this represents one report.	Green
% of returned audit satisfaction survey forms achieving a score of 4 or 5 out of 5	75%	100% We have received three completed surveys, two rating us as 4 out of 5 and one rating us as 5 out of 5 in terms of the internal audit service provided.	Green
Annual chief officer and audit, governance and standards satisfaction survey results	Average of 75% and above	The first survey will be undertaken at the end of 2017-18.	n/a
% of audits from the plan completed to draft report stage by 31 March 2018	100%	To be reported at the end of 2017-18.	n/a

# APPENDIX - ASSURANCE DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.



<b>Item No:</b> 11.	<b>Classification:</b> Open	<b>Date:</b> 13 September 2017	<b>Meeting Name:</b> Audit, Governance and Standards Committee
<b>Report title:</b>		Internal Audit Annual Report 2016-17	
<b>Wards or Groups affected:</b>		All	
<b>From:</b>		Strategic Director of Finance and Governance	

### **RECOMMENDATION**

1. That the audit, governance and standards committee note the Internal Audit Annual report, attached as Appendix A.

### **KEY ISSUES FOR CONSIDERATION**

2. The annual report summarises the work of internal audit and anti-fraud for the financial year 2015-16 and includes the head of anti-fraud and audit's opinion regarding the adequacy and effectiveness of Southwark's arrangements for governance, risk management and control for the year.
3. For the year 2016-17, RSM undertook work from 1 April to 30 November 2016, and BDO undertook work from 1 December 2016 to 31 March 2017.
4. During 2016-17 RSM provided support to the council's Budget Recovery Board. This is a non-internal audit service and is not considered to have caused any conflicts of interest.
5. During 2016-17 BDO did not provide any non-internal audit services.

### **Chief Audit Executive opinion**

6. The Chief Audit Executive is of the view that sufficient internal audit work has been undertaken during 2016-17 to enable her to draw a reasonable conclusion on adequacy and effectiveness of the council's risk, control and governance arrangements for the year.
7. For the year ended 31 March 2017, based on the work undertaken, the Chief Audit Executive's opinion regarding the adequacy and effectiveness of the council's arrangements for governance, risk management and control is moderate assurance that there is a sound system of internal control, designed to meet the council's objectives and that controls are being applied consistently.

### **Community Impact Statement**

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

### **Resource implications**

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

**Consultation**

10. There has been no consultation on this report.

**SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

11. None required.

**BACKGROUND DOCUMENTS**

Background Papers	Held at	Contact
None		

**APPENDICES**

No.	Title
Appendix A	Internal Audit Annual report 2016-17

**AUDIT TRAIL**

<b>Lead Officer</b>	Jennifer Seeley, Director of Finance	
<b>Report Author</b>	Jennifer Seeley, Director of Finance	
<b>Version</b>	Final	
<b>Version Date</b>	28 June 2017	
<b>Key Decision</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
Cabinet Member	N/A	N/A
<b>Final Report Sent to Constitutional Team</b>		28 June 2017

# LONDON BOROUGH OF SOUTHWARK

## INTERNAL AUDIT ANNUAL REPORT

Audit, Governance and Standards Committee

13 September 2017

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# 1. EXECUTIVE SUMMARY

## Purpose of the report

This report details the work undertaken by internal audit for Southwark Council and provides an overview of the design and operational effectiveness of the controls in place.

The report includes the results of the work of the previous internal audit provider RSM as well as the work completed by BDO in the period 1 April 2016 to 31 March 2017. *Note that BDO has not reviewed RSM's work and can take no responsibility for the opinions they have reached.*

## Internal audit plan 2016-17

The audit plan as approved by the former audit and governance committee at its meeting on 22 February 2016 has been delivered by internal audit.

The internal audit work undertaken by BDO covered the four month period from 1 December 2016 to 31 March 2017. There were no restrictions placed upon the scope of our audits. Our work has complied with the Public Sector Internal Audit Standards.

As reported in previous progress reports, the whole plan has been completed except for the reviews of contracts, commercial waste, data protection, housing adaptations, estates parking permits and temporary accommodation. All of these audits are included within internal audit work programme for 2017-18.

## Chief Audit Executive opinion

The role of internal audit is to provide an opinion to members, through the audit, governance and standards committee, on the adequacy and effectiveness of the internal control system to ensure the achievement of the council's objectives in the areas reviewed.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by internal audit as outsourced providers of the service. It also summarises the activities of internal audit for the year.

## Internal Audit Opinion for 2016-17

The basis for forming my opinion is as follows:

- An assessment of the design and operation of the underpinning risk management arrangements and supporting processes
- An assessment of the range of individual opinions arising from risk-based assignments contained within internal audit risk based plans that have been reported throughout the year. The assessment has taken account of the relative materiality of the areas reviewed
- Management's progress in respect of addressing control weaknesses and implementing recommendations
- Any reliance that is being placed upon third party assurances.

**Overall, I am able to provide moderate assurance that there is a sound system of internal control, designed to meet the council's objectives and that controls are being applied consistently.**

In forming this view I have taken into account that:

- Marginally, the majority of audits received either substantial or moderate assurance across the year
- Areas of weakness have been identified through some of our reviews
- Management has put in place action plans to address the audit findings in a timely manner
- Follow up audits have shown that 80% of recommendations are being implemented within agreed timeframes.

## 2. INTERNAL AUDIT OPINIONS AND RECOMMENDATIONS

Audit	BDO / RSM	Assurance opinion <sup>1</sup>		Number of Recommendations		
		Design	Operational effectiveness	High	Medium	Low
<b>Council Wide / Thematic Reviews</b>						
Access to Services	RSM	Reasonable		0	1	4
Capital Funding	RSM	Reasonable		0	3	2
Governance	RSM	Partial		3	1	6
<b>Chief Executive's Department</b>						
Commercial Property Portfolio	RSM	Reasonable		0	4	6
Planning Applications	RSM	Partial		0	5	7
Regeneration Programmes and Projects	BDO	Substantial	Substantial	0	0	4
<b>Children's and Adults' Services</b>						
Client Affairs	RSM	No		2	3	4
Deprivation of Liberty	RSM	Partial		1	0	1
Funding Panels	RSM	Reasonable		0	4	7
Mosaic (Adults)	RSM	Reasonable		0	4	5
Pupil Registry Systems	RSM	Substantial		0	0	2
Public Health	RSM	Reasonable		0	4	6
Commissioning of Services	BDO	Limited	Limited	1	6	3
Personalised Budgets and Direct Payments	BDO	Moderate	Limited	1	2	1

### Notes:

1. BDO provide separate assurance opinions for the design of the control framework and the operational effectiveness of the controls as operated in practice and evidenced via audit testing. RSM provided a single assurance opinion on these factors. In terms of definitions, the opinions map on to one another quite closely. RSM and BDO's substantial and no assurance are broadly the same word, RSM's partial broadly equates to BDO's limited assurance and RSM's reasonable broadly equates to BDO's moderate assurance.

Audit	BDO / RSM	Assurance opinion <sup>1</sup>		Number of Recommendations		
		Design	Operational effectiveness	High	Medium	Low
<b>Environment and Social Regeneration</b>						
Cemeteries and Crematoria Income Management	RSM	Partial		1	0	3
Trading Standards, Food Safety and Health & Safety	RSM	Reasonable		0	4	4
Youth and Play Service	RSM	No		6	7	2
Emergency Planning and Resilience	BDO	Moderate	Moderate	0	1	3
Licencing and Environmental Protection	BDO	Moderate	Moderate	0	5	3
South Dock Marina	BDO	Limited	Limited	1	9	4
Southwark Building Services	BDO	Moderate	Moderate	0	3	3
<b>Finance and Governance</b>						
Access to Services - Council Tax	RSM	Reasonable		0	1	2
Access to Services - Housing Benefits	RSM	Reasonable		0	1	1
Access to Services - NNDR	RSM	Substantial		0	0	3
Pensions Administration (Admitted Bodies & AVCs)	RSM	Reasonable		0	3	5
<b>Housing and Modernisation</b>						
Access to Services - Housing and Modernisation	RSM	Reasonable		0	3	1
Housing Solutions - Homelessness	RSM	Partial		0	8	6
Housing Solutions - Other Services	RSM	Partial		0	9	12
No Recourse to Public Funds	RSM	No		3	4	1
Registrars Income Management	RSM	Reasonable		0	5	3
Sales and Acquisitions - Right to Buy	RSM	Partial		1	4	1
Tenancy Management Initiative / Organisations	RSM	Partial		0	8	3
<b>IT Audits</b>						
Cyber Security and Network Security	RSM	Partial		2	8	2
Payment Card Project Review / PCI Compliance	RSM	Partial		2	3	0
Strategy - Digital	BDO	Moderate	Moderate	0	3	0

Audit	BDO / RSM	Assurance opinion <sup>1</sup>		Number of Recommendations		
		Design	Operational effectiveness	High	Medium	Low
<b>Main Financial Systems</b>						
Council Tax	RSM	Reasonable		0	6	5
Housing Benefits	RSM	Partial		0	7	7
Housing Rents	RSM	Reasonable		0	3	7
NNDR	RSM	Reasonable		0	2	4
Creditor Payments	BDO	Substantial	Moderate	0	2	3
Mosaic Payments	BDO	Limited	Limited	2	0	0
Payroll and Expenses	BDO	Moderate	Limited	3	2	3

#### Schools internal audit plan 2016-17

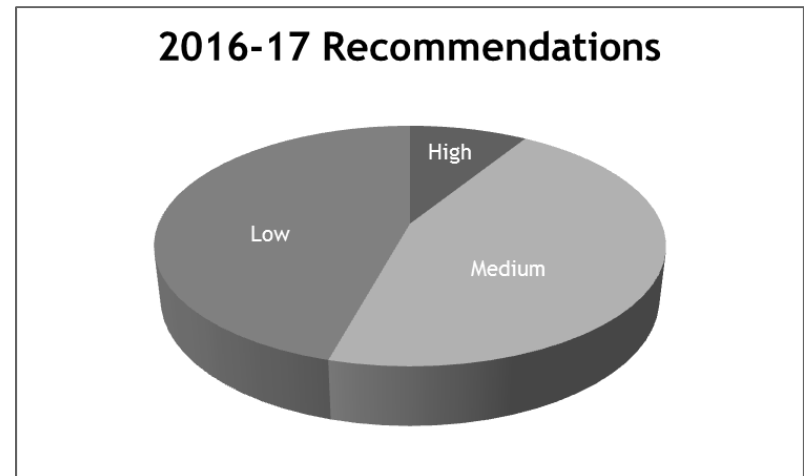
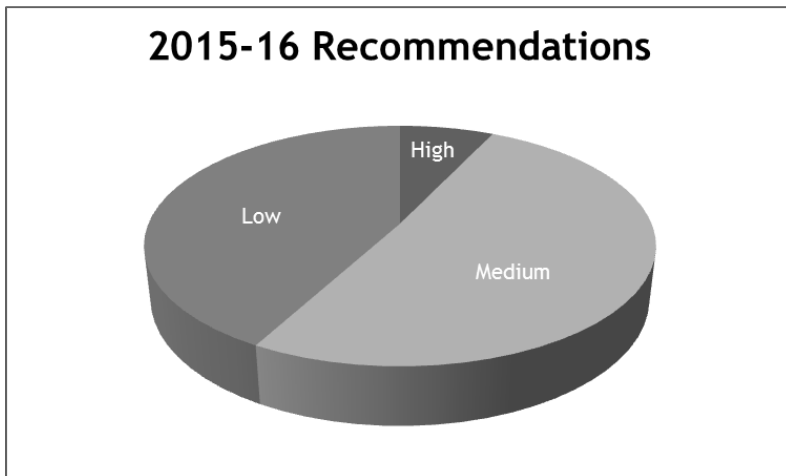
In addition to the plan above, 25 schools were audited as part of the three year cyclical audit plan undertaken on behalf of the director of education. As summary of the internal audit opinion provided is set out below.

Internal Audit Opinions - BDO		Number of Schools
Design	Operational Effectiveness	
Substantial	Substantial	1
Substantial	Moderate	1
Moderate	Moderate	1
Moderate	Limited	5
Limited	Limited	1
Internal Audit Opinions - RSM		Number of Schools
Substantial Assurance		0
Moderate Assurance		9
Limited Assurance		7
No Assurance		0

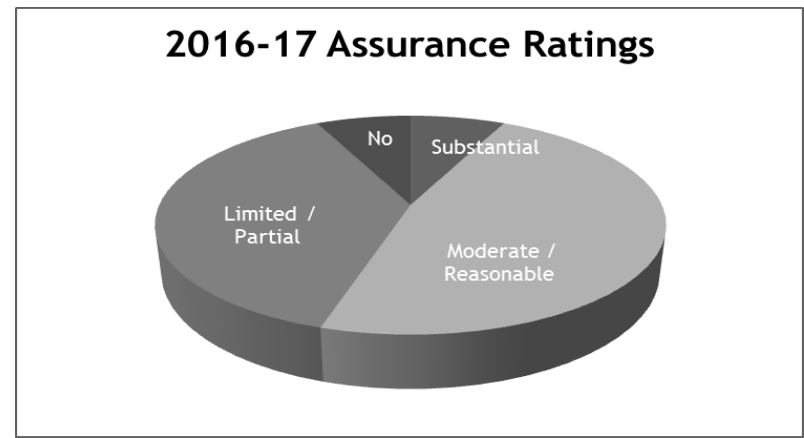
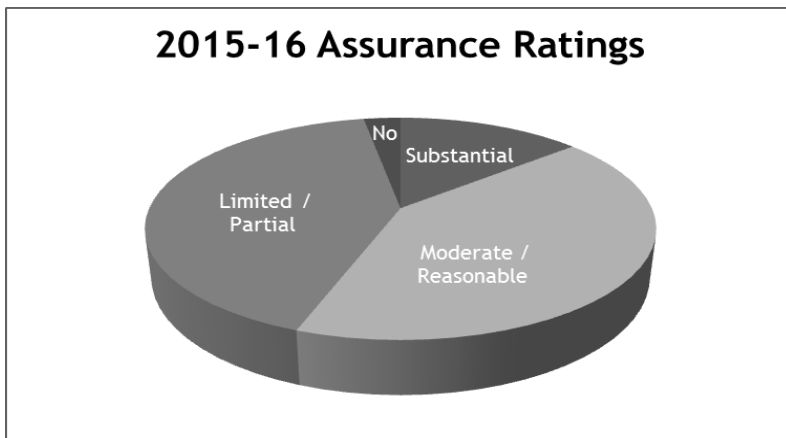


### 3. RECOMMENDATIONS AND ASSURANCE DASHBOARD

The number of recommendations raised and their significance in 2016-17 compared to 2015-16 is set out below.



The relative proportion of overall opinion ratings for 2016-17 compared to 2015-16 is set out below. For comparative purposes the BDO opinion rating for operational effectiveness has been used.



# APPENDIX - ASSURANCE DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

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Recommendation Significance	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

<b>Item No.</b> 13.	<b>Classification:</b> Open	<b>Date:</b> 13 September 2017	<b>Meeting Name:</b> Audit, Governance and Standards Committee
<b>Report title:</b>		Annual Governance Statement 2016-17	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Strategic Director of Finance and Governance	

### RECOMMENDATION

1. That the audit, governance and standards committee approves the annual governance statement 2016-17, as attached (Appendix 1).

### BACKGROUND INFORMATION

2. The Accounts and Audit Regulations 2015 require that the annual governance statement be presented to and approved by an appropriate committee of the council. Under the constitution, the audit, governance and standards committee is the body that formally receives the annual governance statement.
3. The regulations require the annual governance statement to accompany the signed and dated accounts and to be approved at the same time as the statement of accounts. The draft annual governance statement for 2016-17 was reviewed by the corporate governance panel and its comments have been taken on board. Formal approval of the statement is now sought.
4. Following this approval, the annual governance statement should be signed by the most senior member of the council and most senior officer, who are the leader of the council and the chief executive.

### KEY ISSUES FOR CONSIDERATION

5. Every year, each local authority is required by law to conduct a review of the effectiveness of its system of internal control and to include a statement reporting on the review, the annual governance statement (AGS), with its financial statements.
6. The annual governance statement is therefore a mandatory statement that recognises, records and publishes the council's governance arrangements as defined in the CIPFA/SOLACE framework for good governance in local authorities. It reflects how the council conducts its business, both internally and in its dealings with others. Its objective is to provide assurance on the effectiveness of the corporate governance arrangements and to identify significant governance issues requiring management action.
7. The statement is produced following a review of the council's governance arrangements and system of internal control. The review consists of an evaluation of the council's governance arrangements against the best practice described in the CIPFA guidelines. This includes an assessment of the systems and processes for:

- establishing the council's principal statutory obligations and organisational objectives and applying the six CIPFA/SOLACE core principles of good governance
  - identifying the principal risks to the achievement of the council's objectives
  - identifying and evaluating key controls to manage the council's principal risks
  - obtaining assurances on the effectiveness of key controls.
8. The statement has also been reviewed by Grant Thornton, the council's external auditor.

### **Community Impact Statement**

9. This report and the accompanying annual governance statement are not considered to have a direct impact on local people and communities. However, good governance arrangements are important to the delivery of local services and to the achievement of outcomes.

### **Resource implications**

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

### **Consultation**

11. There has been no consultation on this report.

### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

12. None required.

### **BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
Financial Governance files	Finance and Governance, Second Floor, Tooley Street	Jo Anson 020 7525 4308

### **APPENDICES**

<b>No.</b>	<b>Title</b>
Appendix 1	Annual Governance Statement 2016-17

## AUDIT TRAIL

<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Jo Anson, Head of Financial and Information Governance	
<b>Version</b>	Final	
<b>Dated</b>	29 August 2017	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Director of Law and Democracy	No	No
Strategic Director of Finance and Governance	N/A	N/A
<b>Cabinet Member</b>	N/A	N/A
<b>Date final report sent to Constitutional Team</b>	29 August 2017	

## Annual Governance Statement

## APPENDIX 1

### ***Scope of responsibility***

1. Southwark Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, Southwark Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which include arrangements for the management of risk.
3. Southwark Council has approved and adopted a revised Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at [www.southwark.gov.uk](http://www.southwark.gov.uk). This statement explains how the council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6, which requires all relevant bodies to prepare an annual governance statement.

### ***The purpose of the governance framework***

4. The governance framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and the activities through which it accounts to, engages with and leads its communities. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
5. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
6. The governance framework has been in place at Southwark Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

### ***The council's governance framework***

7. The council assembly is responsible for approving the budget, developing policies, making constitutional decisions and deciding local legislation. The council assembly elects the leader for a term of four years, and the leader appoints a cabinet of up to ten councillors (including him/herself), each holding a special portfolio of responsibility.
8. The council's [constitution](#) is updated throughout the year and sets out how the council operates. It states what matters are reserved for decision by the whole

council, the responsibilities of the cabinet and the matters reserved for collective and individual decision, and the powers delegated to panels, committees and community councils. Decision-making powers not reserved for councillors are delegated to chief officers and heads of service. The monitoring officer ensures that all decisions made are legal and supports the audit, governance and standards committee in promoting high standards of conduct amongst members.

9. The overview and scrutiny committee and its sub-committees scrutinise decisions made by the cabinet, and those delegated to officers, and review services provided by the council and its partners. The scrutiny officer promotes and supports the council's scrutiny functions.
10. The cabinet has developed a [fairer future vision](#) for Southwark, which is published on the council's website. It is reviewed and updated according to changing statutory requirements, the evolving social and economic situation, analyses of needs and the performance of the council against its priorities. The vision is underpinned by five principles and guides ten promises, made to help achieve the vision.
11. The overall budget and policy framework of the council is set by the council assembly and all decisions are made within this framework. The council's overall policy is represented through the [council plan](#), which is developed alongside the budget through consultation with residents and other stakeholders in the borough, and which sets out how the fairer future vision will be delivered. Performance against the council plan is monitored throughout the year. Progress is reviewed quarterly by the leader, lead cabinet member for performance and respective cabinet members and is reported through an annual performance report at the end of each financial year. The council also monitors its performance through feedback from its residents and service users.
12. The council welcomes views from the public and community as part of the constitutional process. These views are considered through formal and informal consultation processes, attendance at local meetings (e.g. community council meetings) or contact with a local ward councillor. Trades unions are consulted on issues that affect council staff.
13. The council plan is a key reference tool for [Fairer Future medium term financial strategy and integrated efficiency plan](#) (2017-18 to 2019-20) which enables the council to make best use of financial resources available and to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders. At the broadest level, the council also works with a number of key strategic partners.
14. From the council plan, service plans and business plans are developed and individual officer work plans are agreed, with performance targets agreed at every level. Detailed budgets are aligned to corresponding plans following a robust budget challenge process, which challenges managers to demonstrate efficiency and value for money, and performance is monitored and managed at every level on a regular basis.
15. The performance management process helps to identify learning and development needs, which are translated into personal development plans for staff. Members are also offered development opportunities, in line with their own personal development plans. The council provides a complete programme of learning and development to officers and members. Senior officers are also expected to keep abreast of developments in their profession.

16. The council also has a [whistleblowing policy](#), which encourages staff and other concerned parties to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment.
17. The council expects the highest standards of conduct and personal behaviour from members and staff; and promotes and maintains high standards of conduct by both elected and co-opted members of the authority. These standards are defined and communicated through codes of conduct, protocols and other documents.
18. The council's financial management arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" (2010) as set out in the "Application Note to Delivering Good Governance in Local Government: Framework". The chief financial officer is the strategic director of finance and governance, who has statutory responsibility for the proper management of the council's finances and is a key member of the chief officer team. He formally devolves the management of the council's finances within departments to strategic directors through the Scheme of Delegation for Financial Authority and Accountability. Strategic directors further devolve decision making through departmental schemes of management. The strategic director of finance and governance also provides detailed finance protocols, financial regulations, procedures, guidance and finance training for managers and staff.
19. The council's assurance arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Head of Internal Audit in Public Service Organisations" (2010). The chief audit executive reports functionally to the audit, governance and standards committee, which approves the audit plan and strategy and receives reports throughout the year on audit and anti-fraud activity as well as the annual report and opinion on the internal control framework.
20. The council's risk management strategy ensures proper management of the risks to the achievement of the council's priorities and helps decision making. In the council's day-to-day operations, a framework of internal controls (e.g. authorisation, reconciliations, separation of duties, etc) controls the risks of fraud or error, and this framework is reviewed by internal audit. The council has appropriate arrangements in place to deal with fraud and corruption risks and is committed to maintaining its vigilance to tackle fraud. Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved. The council's legal services and procurement teams ensure that all are fit for purpose and the council's interests are protected.
21. The audit, governance and standards committee is responsible for monitoring the effective development and operation of corporate governance in the council. It provides independent assurance of the adequacy of the council's governance arrangements, including the risk management framework and the associated control environment, 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 and scrutiny of the treasury management strategy and policies.

### ***Review of effectiveness***

22. Southwark Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the council who have responsibility for the development and maintenance of the



governance environment, the chief audit executive's annual report, and by comments made by the external auditors and other review agencies and inspectorates.

23. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following:

- the council's internal management processes, such as performance monitoring and reporting; the staff performance appraisal framework; internal surveys of awareness of corporate policies; monitoring of policies, such as the corporate complaints and health and safety policies; and the corporate budget challenge process
- the work of the corporate and departmental contract review boards
- the work of the corporate governance panel
- an annual self assessment of the adequacy of the governance arrangements in departments completed by each strategic director
- the council's internal audit coverage, which is planned using a risk-based approach. The outcome from the internal audit coverage helps form the chief audit executive's opinion on the overall adequacy of the council's internal control framework, which is reported in his annual report
- the chief audit executive's annual report
- Ofsted's three yearly inspection of safeguarding and looked after children services
- external audit of the council's financial statements and the pension fund accounts
- the work of the audit, governance and standards committee, which reviews the outcomes from the annual audit plan and the annual report of the chief audit executive
- the work of the overview and scrutiny committee and its sub-committees
- review of the constitution by the constitutional steering panel, which recommends amendments, where appropriate, to the constitution for agreement by the council assembly
- work of the audit, governance and standards committee, which includes monitoring the operation of the members' code of conduct and the member and officer protocol
- statutory officers' reports, if applicable.

24. We have been advised on the implications of the result of the effectiveness of the governance framework by the audit, governance and standards committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

### ***Significant governance issues***

25. The review, as detailed above, provides good overall assurance of the effectiveness of the council's system of internal control. Specific opportunities for improvement in governance and internal controls identified as part of the assurance processes detailed above have been addressed or are included in action plans for the relevant managers.

26. The council faces a number of issues and areas of significant change that will require consideration and action as appropriate over the medium to long term:

- Management of children's and adults' social care budgets where the impact of price and demand pressures has led to calls on resources and necessitated action to control the situation via the budget recovery board.
- Spending pressures resulting from the loss of education support grant (ESG) and dedicated schools grant (DSG) funding will require strong financial management whilst maintaining service standards, e.g. special educational needs.
- The council is increasingly dependent on shared arrangements with health partners, in order to meet the growing demand for services in the context of reduced council funding. This will require appropriate strategies and planning by all parties.
- Funding of the capital programme, specifically in recognition of social regeneration and housing delivery aspirations and the scale of the council's housing stock.
- Management arrangements in respect of monitoring contractors and their use of sub-contractors.
- Management of pressures generated by changes in legislation (e.g. Housing and Planning Act 2016) especially insofar as they affect resources for housing.
- The council continues to experience pressures, as a consequence of changes in the rented and private residential housing market across London. There are overriding budget pressures within the social rented sector combined with unaffordable rent levels and, as a result, a significant impact on temporary accommodation costs. These pressures are anticipated to continue through 2017-18 and beyond and will continue to need close monitoring and management.
- As with temporary accommodation, the council is experiencing significant demand increases in respect of the no recourse to public funds (NRPF) budget. Although this has been mitigated by robust management action, the budget remains subject to significant pressure.
- Management of the transition to new operational arrangements for universal credit and of the potential impact on finance and client services.
- Uncertainty over any transition to a new local government finance system based on 100% business rate retention will require careful attention to government's developing policy, and management of any potential loss to the council from changes to existing funding streams.
- Managing new discretionary relief for business rates in the context of significant increases in rateable value (averaging 28%) for all businesses across the borough.

- The continuing need to improve services and enhance customer access to those services means that integration and optimisation of the use of data held and managed by council departments becomes increasingly important.
- The nature of the council’s business activities means that there are ongoing information governance risks, including cyber security risks, which continue to require careful management, particularly in the context of a period of transition to new IT shared service arrangements.
- Implementation of the General Data Protection Regulations in May 2018 will require careful planning to ensure that the council can continue to meet statutory requirements.

27. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements, including the continual development of the council’s risk management framework. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Southwark Council:

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Chief Executive

Leader of the Council

Date: .....

Date: .....

<b>Item No.</b> 14.	<b>Classification:</b> Open	<b>Date:</b> 13 September 2017	<b>Meeting Name:</b> Audit, Governance and Standards Committee
<b>Report title:</b>		Report on retrospective contract-related decision	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Chief Executive	

## RECOMMENDATIONS

1. That the audit, governance and standards committee note the retrospective contract decision detailed in the report.
2. That the audit, governance and standards committee note the actions taken by the strategic director of children’s and adult services and the director of regeneration as set out in paragraph 19 to ensure that the risk of future retrospective contract decisions is minimised for the future.
3. That the audit, governance and standards committee consider whether it would wish to make recommendations to help improve future decision-making.

## BACKGROUND INFORMATION

4. Where an approval to a contract decision has been sought retrospectively and has an estimated value of more than £100,000, there is a requirement under contract standing order 6.7 to submit a report to the audit, governance and standards committee. The report should set out the circumstances and manner in which the decision was taken, for the purpose of obtaining guidance to inform future decision making.
5. This requirement applies to decisions relating to the approval of a procurement strategy (Gateway 1 or GW1), decisions relating to the approval of a contract award (Gateway 2 or GW2) and decisions relating to the approval of a variation or extension to a contract (Gateway 3 or GW3) decisions.
6. On 22 February 2017, the strategic director of children’s and adults’ services approved the procurement strategy for construction works at a number of council-managed primary schools, including for early years landscaped playground works at Ivydale Primary School, comprising the invitation of competitive tenders from five contractors selected from the council’s Approved List, in accordance with Contract Standing Order (CSO) 5.3 (July 2016 edition). Approval was also given to the strategy for procuring single-point professional services from Faithful and Gould under Option G of the SCAPE multi-disciplinary professional services framework.
7. The estimated value of the early years landscaped playground works at Ivydale Primary School was in the order of £340,000.
8. On 5 April 2017, the strategic director of children’s and adults’ services approved the appointment of Faithful and Gould as professional services provider.

9. A change of tendering strategy for works emerged from discussions with the consultant team who were appointed following the GW2 approval on 5 April 2017. A revised strategy of procuring the landscaped playground works through a single supplier negotiation from the council's approved list of contractors was made for the following reasons:
- Iterative discussions were required at an early stage on the specification of materials, components and lead-in periods to give certainty of timescale for project delivery
  - Identification of a single supplier enabled early consultation with the school on the timing and sequencing of works, allowing early communications and management of the school community's expectations
  - Single supplier negotiation provides the fastest route to site so that the most noisy and disruptive works can be undertaken over the summer holiday period, causing minimum adverse impact on school operations
10. Blakedown Landscapes (SE) Ltd was identified as the preferred landscape contractor from the council's approved list following consultation with the council's Parks Service and Faithful and Gould's consultant landscape architect. Significant factors for selection were Blakedown's safe trading limit, their approved list classification under both hard and soft landscaping, their capacity in August and September 2017 to undertake the work and their recent track record with the council on comparable work, which includes successfully bidding, winning in competition and delivering a number of hard/soft landscape contracts involving play areas, including Nelson Square Park (contract value: £540,000), St Mary's Churchyard phases 2 and 3 (contract value: £600,000) and Camberwell Green (contract value: £780,000). Blakedown also had previous experience of working in and around schools in other London boroughs.
11. At the Children's and Adults' Board (CAB) meeting on 14 June 2017, the strategic director of children's and adults' services approved exemption under CSO 6.8 from the tendering requirements of CSO 4.3 to enable a revised strategy for procuring the early years landscaped playground works at Ivydale Primary School from a single provider, Blakedown Landscapes (SE) Ltd ['Blakedown'] selected from the council's Approved List. Approval was also given to the appointment of Blakedown as main contractor for the early years landscaped playground works at Ivydale Primary School for a contract period of 10 calendar weeks commencing on 24 July 2017, subject to the final negotiated tender:
- not exceeding the quantity surveyor's cost estimate in the sum of £322,500;
  - being endorsed in the quantity surveyor's tender report as representing value for money; and
  - final sign-off by the director of education in consultation with the departmental finance officer.
12. Tender documents were issued to Blakedown on Tuesday 13 June 2017. The following timescale was indicated in the tender documentation:
- Return of tender 21 June 2017

- Construction start date 24 July 2017
  - Construction Completion 29 September 2017
13. Blakedown submitted their tender on 21 June 2017 and, following a detailed evaluation of the tender submission by the council's consultant team, a recommendation for acceptance was presented to the director of education on 6 July 2017, who confirmed her final sign-off on the same day. Works commenced on site at the start of the school summer holiday, on Monday 24 July, in accordance with the project programme.
  14. The referral of this procurement to the audit, governance and standards Committee is required because the revised procurement strategy was approved retrospectively, that is, the strategy had been initiated prior to it being formally agreed on 14 June 2017.

### **KEY ISSUES FOR CONSIDERATION**

15. The change in the tendering strategy for landscape works at Ivydale Primary School emerged from discussions on the design/specification and programme for the project with the professional services team, following their appointment in April 2017. Blakedown were identified as a potential single provider and exploratory discussions took place with them, without entering into any commitment, in May 2017. The development of the landscape design and specification proposals took place in April and May in consultation with the school and with the benefit of Blakedown's advice on buildability and delivery issues.
16. A full set of tender documents was produced in early June 2017 for issue to Blakedown on 13 June 2017. No contract had been entered into or commitment made to Blakedown at this stage, and no costs were incurred by the council prior to the approval of the revised works procurement strategy at the children's and adults' board meeting held on 14 June 2017. A letter of award dated 7 July 2017 was ultimately sent to Blakedown following receipt of formal approval to appoint.
17. CSO 6.7.1 states that "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..." Although no contract had been entered into without authorisation, CSO 6.7.1 means that the commencement of the procurement strategy can only take place subsequent to the formal gateway 1 approval. The wording of CSO 6.7.1 is currently under review to provide greater clarity.
18. A contributory factor in this matter was the short timescale for delivering the project, which needed to commence on site at the beginning of the school summer holiday so that the new early years outdoor play facility would be available for use in the 2017/18 academic year. Implementation of the 2017/18 primary schools annual programme commenced in earnest in January 2017 which, in the case of the Ivydale project, resulted in a challenging programme for the design, procurement and approvals processes. An earlier start would have enabled a more relaxed programme to be adopted, with more time for sequential decision-making.
19. The main lesson learned from this is that the implementation of the annual programme of works to primary schools should start at an earlier stage so that more time is available for sequential decision-making. With this in mind, a start

on preparations for the 2018/19 programme is scheduled for September 2017. It would have been advisable to seek the strategic director's views as soon as a change in direction appeared necessary, i.e. in mid-May.

### Summary

20. Officers in the legal and procurement sections have discussed and agreed the conclusions set out above.

### Policy implications

21. There are no policy implications arising from this report.

### Community Impact Statement

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

### Resource implications

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

### Consultation

24. There has been no consultation on this report.

### BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Constitution – Contract Standing Orders July 2017	Constitutional Team, Tooley Street, Second Floor	Constitutional Team 020 7525 7055

### APPENDICES

No.	Title
None	

**AUDIT TRAIL**

<b>Lead Officer</b>	Bruce Glockling, Head of Regeneration (Capital Works)	
<b>Report Author</b>	Andy Brown, Programme Manager Capital Development, Chief Executive's Department	
<b>Version</b>	Final	
<b>Dated</b>	30 August 2017	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments sought</b>	<b>Comments included</b>
Corporate Contract Review Board	Yes	Yes
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
<b>Cabinet Member</b>	<b>No</b>	<b>No</b>
<b>Date final report sent to Constitutional Team</b>		31 August 2017



<b>Item No.</b> 15.	<b>Classification:</b> Open	<b>Date:</b> 13 September 2017	<b>Meeting Name:</b> Audit, governance and standards committee
<b>Report title:</b>		In year review of work programme 2017-18	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Strategic Director of Finance and Governance	

### RECOMMENDATIONS

1. That the audit, governance and standards committee consider the proposed revised work programme for 2017-18, including scheduling of governance topics for the year and also whether they would wish to make any other amendments.
2. That the audit, governance and standards committee, subject to any requested changes, agree the work programme set out in Appendix 1 for 2017-18.

### BACKGROUND INFORMATION

3. At their meeting in May 2017, the committee considered and agreed a work programme for 2017-18 and requested that various changes be made to the plan, details of which are set out below.

### KEY ISSUES FOR CONSIDERATION

4. Members agreed that they would permanently move the item 'Informing the audit risk assessment for the council (including pension fund)' from May for consideration in February each year.
5. The committee indicated that the scheduling of governance topics should be as follows; budget overspend in July 2017, equalities in September 2017, HR in November 2017 and IT in February 2018. The cancellation of the meeting in July 2017 means that items from July have rolled on to September or November as required. The work programme has been updated to take account of these requests.
6. As in previous years, 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, reviews 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 still 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.
7. 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.
8. The committee is asked to consider whether the attached revised work programme reflects its priorities for 2017-18 or whether there are other amendments which it would

wish to see included.

### Policy implications

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

### Community impact statement

10. 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

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

### Consultation

12. There has been no consultation on this report.

### SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

13. None required.

### BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None.		

### APPENDICES

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

### AUDIT TRAIL

<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Virginia Wynn-Jones, Principal Constitutional Officer	
<b>Version</b>	Final	
<b>Dated</b>	1 September 2017	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments sought</b>	<b>Comments included</b>
Director of Law and Democracy	No	No
Strategic Director of Finance and Governance	N/A	N/A
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>	1 September 2017	

## APPENDIX 1

### 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 (cancelled)	September 2017	November 2017	February 2018	June 2018	
<b>General</b>							
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
<b>Internal Audit activity</b>							
Internal audit charter			✓				To review and approve changes, if needed, to the internal audit charter – Director of Finance
Internal audit plan and strategy for internal audit					✓		Proposed internal audit programme for future years – Director of Finance

Item	Meeting date						Commentary
	May 2017	July 2017 (cancelled)	September 2017	November 2017	February 2018	June 2018	
Annual report and opinion on internal audit and fraud			✓				Including review of effectiveness of system of internal audit and Director of Finance's opinion on system of internal control and report on internal audit contractor and Director of Finance (chief audit executive) performance – Director of Finance
Progress report on the work of internal audit and anti-fraud	✓	✓	No report due to consideration of the final accounts at this meeting	✓	✓	✓	Issues raised and progress on implementation of recommendations, including approval of any significant additional advisory services – Director of Finance
Chief audit executive information	(✓)	(✓)	(✓)	(✓)	(✓)	(✓)	Report on appointment, departure, resignation or change in chief audit executive – Director of Finance
<b>External Audit activity</b>							
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

Item	Meeting date						Commentary
	May 2017	July 2017 (cancelled)	September 2017	November 2017	February 2018	June 2018	
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

Item	Meeting date						Commentary
	May 2017	July 2017 (cancelled)	September 2017	November 2017	February 2018	June 2018	
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
<b>Governance and standards activity</b>							
Annual governance statement		✓ (Draft)	✓ (Final)				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

Item	Meeting date						Commentary
	May 2017	July 2017 (cancelled)	September 2017	November 2017	February 2018	June 2018	
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		✓ only required if changes to arrangements agreed on 13 May 2017					Report to establish sub-committees in line with committee's role and functions – Principal Constitutional Officer

Item	Meeting date						Commentary
	May 2017	July 2017 (cancelled)	September 2017	November 2017	February 2018	June 2018	
Appointment of non-voting co-opted members of the civic awards sub-committee for 2017-18					✓		Report to appoint the non-voting co-opted members of the civic awards sub-committee for 2017-18 – Principal Constitutional Officer
Member induction and training			✓				Report on member induction and training
Areas of governance for review during year		(✓) Budget overspend (to tie in with committee's consideration of the draft accounts)	(✓) Equalities impacts on the council	(✓) Human Resources	(✓) IT		<b>Areas identified for 2017-18:</b> IT (including project/shared service boards/modernisation), childrens' and adult's services (learning disability/ transitional arrangements), continued monitoring of HR, the budget overspend and an examination of the impact of equalities on the council (Director of Communities to be invited to pre-meeting briefing in July to discuss with members what they would like to gear about in September)
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



Item	Meeting date						Commentary
	May 2017	July 2017 (cancelled)	September 2017	November 2017	February 2018	June 2018	
Budget challenge and governance	(✓)	(✓)	(✓)	(✓)	(✓)	(✓)	Standing item – to monitor budget challenges as required, including processes and governance, throughout the year
<b>Accounts</b>							
Statement of accounts		✓ (Draft)	✓ (Final)				2016-17 statement of accounts for consideration and approval – Director of Finance
<b>Treasury Management</b>							
Review of the policy and strategy				✓			Review of treasury management policy and strategy – Director of Finance

**APPENDIX 2****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.

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**COMMITTEE: AUDIT, GOVERNANCE AND STANDARDS COMMITTEE (OPEN AGENDA)**

**NOTE:** Original held in Constitutional Team; all amendments/queries to Virginia Wynn-Jones, Constitutional Team on 020 7525 7055 or virginia.wynn-jones@southwark.gov.uk

**COPIES****COUNCILLORS**

Councillor Paul Fleming (Chair)	1
Councillor James Barber (Vice Chair)	1
Councillor Catherine Dale	By email
Councillor Dora Dixon-Fyle MBE	1
Councillor Renata Hamvas	1
Councillor David Hubber	By email
Councillor Andy Simmons	1

**RESERVES**

Councillor Evelyn Akoto	By email
Councillor Nick Dolezal	By email
Councillor Karl Eastham	By email
Councillor Hamish McCallum	By email
Councillor Sarah King	By email
Councillor Rosie Shimell	By email
Councillor Cleo Soanes	By email

**OTHER COUNCILLORS**

Councillor Fiona Colley	By email
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**LAW AND DEMOCRACY**

Norman Coombe	1
Doreen Forrester-Brown	1

**COMMUNICATIONS**

Louise Neilan	By email
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**CONSTITUTIONAL TEAM**

Virginia Wynn-Jones	8
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**INDEPENDENT PERSONS**

Mr William Dee	By email
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Mr Charles Wynn-Evans	By email
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**FINANCE AND GOVERNANCE**

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Jo Anson	1
Jennifer Seeley	1
Fay Hammond	1

<b>BDO (Internal Auditors) – Greg Rubins</b>	By email
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