

Audit, Governance and Standards Committee

Wednesday 6 June 2018

7.00 pm

Ground Floor Meeting Room G02A - 160 Tooley Street, London SE1 2QH

Membership

Councillor Gavin Edwards (Chair)
Councillor Victor Chamberlain
Councillor Dora Dixon-Fyle MBE
Councillor Nick Dolezal
Councillor Victoria Olisa
Councillor Andy Simmons
Councillor Dan Whitehead

Reserves

Councillor Eleanor Kerlake
Councillor Sarah King
Councillor Hamish McCallum
Councillor Cleo Soanes
Councillor Bill Williams

INFORMATION FOR MEMBERS OF THE PUBLIC

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Contact

Virginia Wynn-Jones on 020 7525 7055 or email: virginia.wynn-jones@southwark.gov.uk

Members of the committee are summoned to attend this meeting

Eleanor Kelly
Chief Executive
Date: 29 May 2018



Audit, Governance and Standards Committee

Wednesday 6 June 2018

7.00 pm

Ground Floor Meeting Room G02A - 160 Tooley Street, London SE1 2QH

Order of Business

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PART A - OPEN BUSINESS

The chair would like to remind members that prior to the meeting they have the opportunity to inform officers of particular areas of interest relating to reports on the agenda, in order for officers to undertake preparatory work to address matters that may arise during debate.

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. CONFIRMATION OF VOTING MEMBERS

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

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

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

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

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

5. MINUTES

1 - 6

To approve as a correct record the minutes of the open section of the meeting held on 19 February 2018.

Item No.	Title	Page No.
6.	REPORT ON RETROSPECTIVE CONTRACT-RELATED DECISION: KEPPEL ROW ENVIRONMENTAL IMPROVEMENTS	7 - 9
7.	AUDIT PLANS (INCLUDING PENSION FUND) AND AUDIT RISK ASSESSMENT	
	Grant Thornton will present an verbal update. The most recent update is available at Items 8 and 10 of 19 February 2018: http://modern.gov.southwark.gov.uk/ieListDocuments.aspx?CId=428&MId=5728&Ver=4	
8.	OPERATIONAL USE OF THE REGULATION OF INVESTIGATORY POWERS ACT 2000	10 - 14
9.	REVIEW OF MEMBER OFFICER PROTOCOL AND COMMUNICATIONS PROTOCOL	
	Norman Coombe, head of governance team (legal and democratic services) will present a verbal update.	
10.	PROGRESS REPORT ON THE WORK OF INTERNAL AUDIT AND ANTI-FRAUD	15 - 43
11.	DRAFT ANNUAL GOVERNANCE STATEMENT 2017-18	44 - 51
12.	DRAFT STATEMENT OF ACCOUNTS 2017-18	
	To follow	
13.	IN YEAR REVIEW OF WORK PROGRAMME 2018-19: JUNE 2018	52 - 61

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: 29 May 2018



Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Monday 19 February 2018 at 7.00 pm at Ground Floor Meeting Room G02A - 160 Tooley Street, London SE1 2QH

PRESENT: 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

OFFICER SUPPORT: Doreen Forrester-Brown (Director of Law and Democracy)
 Emma Marinos (Director of Modernise)
 Jennifer Seeley (Director of Finance)
 Jo Anson (Head of Financial and Information Governance)
 Julie Foy (Head of Human Resources)
 Emily Nice (Head of Organisation Transformation)
 Matt Dean (Grant Thornton)
 Paul Dossett (Grant Thornton)
 Angela Mason-Bell (BDO)
 Greg Rubins (BDO)
 Gerald Gohler (Constitutional Officer)

1. APOLOGIES FOR ABSENCE

In the absence of the chair, the vice-chair Councillor James Barber chaired the meeting until the chair's arrival.

Apologies for absence were received from the independent members Bill Dee and Charles Wynn-Evans; and for lateness from Councillor Paul Fleming (Chair).

2. CONFIRMATION OF VOTING MEMBERS

The members present were confirmed as the voting members.

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

The vice-chair informed the meeting that the following items had been circulated prior to the meeting:

- Supplemental agenda No. 1
- Closed agenda.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

5. MINUTES

RESOLVED:

That the minutes of the meeting held on 22 November 2017 be agreed as a correct record and signed by the chair.

6. GOVERNANCE TOPIC: UPDATE ON HR

At 7.15pm, Councillor Paul Fleming (chair) arrived and chaired the remainder of the meeting.

The committee heard from Emma Marinos, Director of Modernise; Julie Foy, Head of Human Resources and Emily Nice, Head of Organisation Transformation. Members asked questions of the officers.

RESOLVED:

1. That a gender and ethnicity breakdown of the council's apprentices be circulated to members of the committee.
2. That officers come back to the committee in autumn 2018 with information regarding:
 - a. the link between retrospective contract decisions and staff changes
 - b. the gender pay gap including among contracted out staff and the negotiations the council is conducting around this
 - c. measures the council is putting in place around well-being and mental health for its staff.

7. INTERNAL AUDIT OPERATIONAL PLAN 2018-19 AND STRATEGIC PLAN 2018-19 TO 2020-21

The meeting heard from Angela Mason-Bell and Greg Rubins from BDO who introduced the report. Members had no questions.

RESOLVED:

That the internal audit plan for 2018-19 attached as Appendix A of the report be approved.

8. GRANT THORNTON - INFORMING THE AUDIT RISK ASSESSMENT FOR SOUTHWARK COUNCIL AND SOUTHWARK PENSION FUND

Paul Dossett and Matt Dean from Grant Thornton introduced the report. Members had no questions.

RESOLVED:

1. That Grant Thornton's report on informing the audit risk assessment for Southwark Council and the Pension Fund, including the management comments, be noted.
2. That it be noted that these responses are consistent with the committee's understanding.
3. That the committee did not wish to make further comments at this time.

9. GRANT THORNTON - EXTERNAL AUDIT CERTIFICATION LETTER

Paul Dossett and Matt Dean from Grant Thornton introduced the report. Members asked questions of the officers.

RESOLVED:

That the external audit certification letter for Southwark Council attached as Appendix A of the report be noted.

10. GRANT THORNTON AUDIT PLANS FOR SOUTHWARK COUNCIL AND SOUTHWARK PENSION FUND 2017-18

Paul Dossett and Matt Dean from Grant Thornton introduced the report. Members had no questions.

RESOLVED:

That Grant Thornton's audit plan for Southwark Council and draft audit Southwark Pension Fund 2017-18 (as attached as Appendices A and B of the report) be noted.

11. INTERNAL AUDIT AND ANTI-FRAUD UPDATE

The meeting heard from Angela Mason-Bell and Greg Rubins from BDO who introduced the report. Members asked questions of officers.

Members asked that officers consider the steps the council takes when it finds out that a tenant who has applied for right-to-buy has untaxed income and it suspects money laundering, and to provide information setting out these steps to a future meeting of the

committee.

Members also asked that future reports include the total number of housing waiting list applications, as well as those referred to the team.

Members suggested officers use Southwark Life to warn residents about the practices of some companies making offers to tenants who are eligible for right-to-buy.

RESOLVED:

1. The update on the internal audit work as attached as Appendix A of the report be noted.
2. The update on the anti-fraud work as attached as Appendix B of the report be noted.

12. ANNUAL REPORT ON THE COUNCIL'S RISK REGISTER AND REFRESH OF THE RISK MANAGEMENT POLICY STATEMENT AND STRATEGY

The meeting heard from Jo Anson, Head of Financial and Information Governance. Members asked questions pertaining to the report.

Members asked for the following to be added to the risk register:

- The potential collapse of a third party service provider
- The lessons learned and recommendations from the Grenfell Tower tragedy and the issues around the Ledbury estate, and the council's ability to deal with such events.

RESOLVED:

1. That the annual report on the council's risk register be noted.
2. That the refresh of the risk management policy statement and strategy be noted.
3. That the following further references be added to the risk register.

13. SOUTHWARK MEMBER INDUCTION PROGRAMME 2018

The meeting heard from Doreen Forrester-Brown, Director of Law and Democracy, and Emily Nice, Head of Organisation Transformation. Members asked questions of the officers.

Members asked for training sessions on how members can best represent their constituents at licensing sub-committee and planning meetings to be included in the induction programme and for all training sessions to be offered on at least one alternative date.

RESOLVED:

1. That the progress which has been made in the implementation of electronic summons

be noted.

2. That the completion of the project to roll out mobile technology to all members be noted.
3. That the draft Southwark Member Induction Programme 2018 be noted and agreed.

14. DRAFT WORK PROGRAMME FOR 2018-19

Members considered the information in the report.

RESOLVED:

1. That the proposed draft work programme for 2018-19 be noted.
2. That the work programme for 2018-19 set out in Appendix 2 of the report be agreed without any changes.

15. ANNUAL REPORT OF AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

Members reviewed the information in the report.

RESOLVED:

1. That no amendments need to be made to the draft self-assessment of good practice attached at Appendix 1 of the report.
2. That this report on the committee's work and performance in 2017-18 be forwarded to all councillors, without amendments.

16. APPOINTMENT OF NON-VOTING CO-OPTED MEMBERS OF THE CIVIC AWARDS SUB-COMMITTEE FOR 2017-18

Councillors considered the information considered in the report under item 18.

RESOLVED:

1. That the short-listed nominations for the positions of co-opted members of the audit, governance and standards (civic awards) sub-committee outlined in the closed report be reviewed
2. That nominations as appropriate be agreed.

17. UPDATING OF WHISTLEBLOWING POLICY AND PROCEDURE

The meeting heard from Doreen Forrester-Brown, Director of Law and Democracy. Members asked questions related to the report.

Members asked officers to correct the telephone number of the UNITE union in the policy,

to add emails for the contacts listed and to ensure that these contact details be kept up to date.

RESOLVED:

That the recent changes to the council's whistleblowing policy and procedure be noted.

At 9pm the following motion was passed:

"That the press and 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 category 1 of paragraph 10.4 of the access to information procedure rules of the Southwark Constitution."

18. APPOINTMENT OF NON-VOTING CO-OPTED MEMBERS OF THE CIVIC AWARDS SUB-COMMITTEE FOR 2017-18

Additional information on the nominees was tabled at the meeting.

The committee considered the closed information relating to this item. Please see item 16 for the decision

Meeting ended at 9.25 pm

CHAIR:

DATED:

Item No. 6.	Classification: Open	Date: 6 June 2018	Meeting Name: Audit, Governance and Standards Committee
Report title:		Report on retrospective contract-related decision: Keppel Row Environmental Improvements	
Ward(s) or groups affected:		All	
From:		Director of Regeneration	

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 programme manager as set out in paragraph 11 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 16 March 2018 the Director of Regeneration approved a procurement strategy in respect of Keppel Row Environmental Improvements, through a Gateway 1 report to a value of £165,000. The approval of the procurement strategy, albeit not the contract award itself, was a retrospective decision. The chair and vice-chair of the audit, governance and standards committee were made aware of this decision on 22 March 2018.

KEY ISSUES FOR CONSIDERATION

7. Keppel Row is a small historic alleyway in Bankside SE1 for which funds have been secured from external sources to make environmental improvements, similar to recent works at Price's Street, Sumner Street, Great Suffolk Street and Flat Iron Square. All recent projects have been delivered by the council's term contractor FM Conway.

8. As the project developed it became clear that as the alleyway was not trafficked by motor vehicles, the most efficient route and best quality route to deliver this small scheme would be to engage a specialist landscape contractor rather than the council's term contractor.
9. Late in the project the decision was thus taken to procure a specialist landscape contractor rather than the council's term contractor and thus a Gateway 1 report was prepared retrospectively.
10. All of the correct processes as set out in Contract Standing Orders (CSOs) were carried out to find a contractor using the council's suppliers list EXOR and a Gateway 2 report was completed to set out the evaluation and selection of the contractor.
11. The lessons learned from this are:
 - a) That landscaping projects with planting on parts of the public highway which are not trafficked can be delivered by specialist landscape contractors rather than the term contractor, and that an early decision should be taken in consultation with the highways department about which procurement route to follow.
 - b) That regular updates from the procurement team for any changes to CSOs should be sought before initiating any procurement and that regular briefings will be provided through attendance of procurement advisors at future team meetings (the team has had further training by the procurement team on 13 March 2018 to ensure the latest procurement policies are well understood).
 - c) Following the practical completion of this project, a site visit and briefing will be arranged with the highways department to demonstrate the quality of work produced by a specialist landscape contractor.

Summary

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

Policy implications

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

Community impact statement

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

Resource implications

15. There are no direct resource implications in this report

Consultation

16. There has been no consultation on this report.

BACKGROUND DOCUMENTS

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

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Jon Abbott, Head of Regeneration North	
Report Author	Dan Taylor, Programme manager	
Version	Final	
Dated	10 May 2018	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Corporate Contract Review Board	Yes	Yes
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	No	No
Date final report sent to Constitutional Team	10 May 2018	

Item No. 8.	Classification: Open	Date: 6 June 2018	Meeting Name: Audit, Governance and Standards Committee
Report title:		Operational use of the Regulation of Investigatory Powers Act 2000	
Ward(s) or groups affected:		All	
From:		Director of Law and Democracy	

RECOMMENDATION

1. That the committee note the information relating to the use of RIPA for the period shown.

BACKGROUND INFORMATION

2. The Regulation of Investigatory Powers Act 2000 (RIPA) puts a regulatory framework around a range of investigatory powers used by local authorities. This is done to ensure the powers are used lawfully and in a way that is compatible with the European Convention on Human Rights. It also requires, in particular, those authorising the use of covert techniques to give proper consideration to whether their use is necessary and proportionate.
3. RIPA legislates for the use by local authorities of covert methods of surveillance and information gathering to assist in the detection and prevention of crime in relation to an authorities core functions.
4. At their meeting on 13 October 2010 the former committee agreed to consider reports on the use of RIPA.

KEY ISSUES FOR CONSIDERATION

5. The council's use of these powers is subject to regular inspection and audit by the Office of the Surveillance Commissioner (OSC) in respect of covert surveillance authorisations under RIPA. During these inspections, authorisations and procedures are closely scrutinised and Authorising Officers are interviewed by the inspectors.
6. The council was last inspected by HH Brian Barker, Assistant Surveillance Commissioner, on 3 October 2016.
7. Local authority authorisations and notices under RIPA (Regulation of Investigatory Powers Act 2000) will only be given effect once an order has been granted by a Justice of the Peace. Authorisations are for 3 months and can only be extended with further judicial approval. Within the 3 month period they are subject to monthly reviews to ensure they are still required.
8. Additionally, local authority use of directed surveillance under RIPA has been limited to the investigation of crimes which attract a six month or more custodial sentence, with the exception of offences relating to the underage sale of alcohol and tobacco.

9. Appendix A shows the usage for the period 1 January 2017 to 31 December 2017. Appendix B shows the usage for the period 1 April 2010 to 31 December 2016 for comparison purposes.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
The Constitution	Southwark Council 2nd floor, PO Box 64529, London, SE1P 5LX	Virginia Wynn-Jones 020 7525 7055
http://moderngov.southwark.gov.uk/ieListMeetings.aspx?Committeeld=425		

APPENDICES

No.	Title
A	Uses of RIPA 1 January 2017 to 31 December 2017
B	Uses of RIPA 1 April 2010 to 31 December 2016

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown, Director of Law and Democracy	
Report Author	Norman Coombe, Head of Corporate Team	
Version	Final	
Dated	29 May 2018	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Democracy	Yes	Incorporated
Strategic Director of Finance and Governance	No	No
Cabinet Member	N/a	N/a
Date final report sent to Constitutional Team	29 May 2018	

APPENDIX A

Uses of RIPA 1 January 2017 to 31 December 2017

Reference	Date authorised applied for	Purpose	Length of investigation	Were investigators given extra authorisation to acquire/access confidential information?
EN81	24.03.2017	surveillance concerning sale of illegal skin lightener	Terminated 08.05.2017	NO
EN82	13.07.2017	surveillance concerning prolific fly tipping	Terminated 12.10.2017	NO

APPENDIX B

Uses of RIPA 1 April 2010 to 31 December 2016

Reference	Date authorised applied for	Purpose	Length of investigation	Were investigators given extra authorisation to acquire/access confidential information?
EN55	01.04.2010	Covert surveillance to detect fraud	Authorisation cancelled 12.05.2010	No
N/A	29.04.2010	Proposed use of covert CCTV to gather evidence of begging & ASB	Refused	N/A
N/A	24.06.2010	Proposed covert surveillance of bar/club by Officers to establish whether unauthorised activities taking place	Refused	N/A
EN57	13.07.2010	Under age goods sales test purchasing	3 months	Yes
EN58	01.04.2011	Under age goods sales test purchasing	3 months	No
EN59	11.05.2011	Under age goods sales test purchasing	3 months	Yes
EN60	20.10.2011	Under age goods sales test purchasing	3 months	Yes
EN61	28.10.2011	Directed surveillance for the identification of persons supplying illegal products	3 months	Yes
EN62	09.02.2012	Under age goods sales test purchasing	3 months	Yes
EN63	30.06.2012	Under age goods sales test purchasing	3 months	No
EN64	25.10.2012	Under age test purchase for the sale of tobacco, alcohol and knives	3 months	No
EN65	25.11.2013	sale of counterfeit tobacco	Terminated 10.01.2014	No
EN66	20.01.2014	sale of counterfeit tobacco	Terminated 04.04.2014	No

Reference	Date authorised applied for	Purpose	Length of investigation	Were investigators given extra authorisation to acquire/access confidential information?
EN67	15.11.2014	sale of counterfeit tobacco	Refused	N/A
EN68	15.12.2014	sale of counterfeit tobacco	Terminated 07.01.2015	No
EN69	18.09.2015	sale of counterfeit tobacco	Terminated 01.12.2015	NO
EN70		sale of counterfeit tobacco	Refused	N/A
EN71	23.12.2015	sale of counterfeit tobacco	Terminated 10.02.2016	NO
EN72	23.12.2015	sale of counterfeit tobacco	Terminated 01.02.2016	NO
EN73	23.12.2015	sale of counterfeit tobacco	Terminated 10.02.2016	NO
EN74	23.12.2015	sale of counterfeit tobacco	Terminated 01.02.2016	NO
EN75	13.01.2016	surveillance concerning sale of unsafe food	Terminated 12.02.2016	NO
EN76	13.01.2016	surveillance concerning sale of unsafe food	Terminated 12.02.2016	NO
EN77	13.01.2016	surveillance concerning sale of unsafe food	Terminated 12.02.2016	NO
EN78	13.01.2016	surveillance concerning sale of unsafe food	Terminated 12.02.2016	NO
EN79	29.11.2016	sale of counterfeit tobacco	Terminated 23.01.2017	NO
EN80	29.11.2016	sale of counterfeit tobacco	On going	Not applicable as still first period
EN75	13.01.2016	surveillance concerning sale of unsafe food	Terminated 12.02.2016	NO
EN76	13.01.2016	surveillance concerning sale of unsafe food	Terminated 12.02.2016	NO
EN77	13.01.2016	surveillance concerning sale of unsafe food	Terminated 12.02.2016	NO
EN78	13.01.2016	surveillance concerning sale of unsafe food	Terminated 12.02.2016	NO
EN79	29.11.2016	sale of counterfeit tobacco	Terminated 23.01.2017	NO
EN80	29.11.2016	sale of counterfeit tobacco	Terminated 24.02.2017	NO

Item No: 10.	Classification: Open	Date: 6 June 2018	Meeting Name: Audit, Governance and Standards Committee
Report title:		Progress report on the work of internal audit	
Wards or Groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATIONS

1. That the audit, governance and standards committee note the update on internal audit work attached as Appendix A.

KEY ISSUES FOR CONSIDERATION

2. The role of internal auditors is to provide independent, objective assurance designed to add value and improve the council's performance. It assists the council to achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. An update on the work of internal audit is attached as Appendix A.

Community impact statement

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

Resource implications

4. The cost of the internal audit and anti-fraud service is contained within existing budgets for 2017-18.

Consultation

5. The 2017-18 internal audit plan was subject to consultation with strategic directors, directors and key staff.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

6. None required.

BACKGROUND DOCUMENTS

Background Papers	Held at	Contact
None		

APPENDICES

No.	Title
Appendix A	Internal Audit

AUDIT TRAIL

Lead Officer	Jennifer Seeley, Director of Finance	
Report Author	Jennifer Seeley, Director of Finance	
Version	Final	
Version Date	29 May 2018	
Key Decision	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
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
Final report sent to Constitutional Team		29 May 2018

LONDON BOROUGH OF SOUTHWARK

INTERNAL AUDIT PROGRESS REPORT

Audit, Governance and Standards Committee

6 June 2018

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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 the status of work undertaken by BDO in respect of the internal audit plan for 2017-18 and a summary of the work underway in respect of 2018-19, since the last meeting of the committee on 19 February 2018. Where audit reports have been finalised, the work undertaken, our assessment of the systems reviewed and the recommendations we have raised are summarised. 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 that 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 2017-18

Progress against the internal audit plan for 2017-18 is set out in section 2. Where reports have been finalised, the main findings from each audit are summarised in section 3.

Changes to the internal audit plan 2017-18

Five additional audits have been requested:

- Information governance - as reported to the meeting on 22 November 2017
- Chargebacks - to carry out an assessment of the design and operational effectiveness of the council's chargeback policy and procedures concerning housing rents. A second tranche of work is currently underway.
- Vetting - criminal convictions - to review the adequacy of the recruitment and vetting process
- Ledbury estate - cash payments - to review the adequacy of the controls
- Housing estate access locks - a review of the controls over access to restricted areas.

Two audits have been deferred to 2018-19:

- Estates Parking Policy - the systems implementation has been delayed, therefore the audit will be undertaken in quarter one of 2018-19.
- Commercial waste (due to restructuring underway) was replaced in 2017-18 with Food Safety, at the request of management.

Follow up

Details of the follow up of all high and medium priority internal audit recommendations are provided in section 4.

Schools audits

The audit programme is progressing as planned. Where a final report has been issued, the audit opinions are included in section 2.

Non internal audit services provided by BDO

BDO has provided the following services since the last meeting:

- Facilitated a risk workshop on violent warning markers
- Supported the council's anti-fraud team on an ongoing investigation.

2. INTERNAL AUDIT PLAN 2017-18 - STATUS REPORT

Audit	Director / audit sponsor	Days	Timelines					Assurance opinion	
			Start	Closing meeting / Status	Draft	Final	Committee	Design	Operational effectiveness
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
Electoral services	Director of finance and governance	20	24/7/2017	24/8/2017	13/9/2017	16/10/2017	November 2017	Moderate	Moderate
Health and safety	Director of modernise	20	11/4/2017	9/6/2017 14/8/2017	16/8/2017	1/11/2017	November 2017	Limited	Limited
Regulatory services	Director of environment	15	2/5/2017	19/6/2017	1/8/2017	8/11/2017	November 2017	Moderate	Substantial
Suspense account management	Director exchequer services	15	3/7/2017	1/11/2017	6/11/2017	9/11/2017	November 2017	Limited	Limited
Major regeneration - primary expansion	Director of regeneration	20	16/7/2017	31/10/2017	2/11/2017	9/11/2017	November 2017	Moderate	Moderate

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Audit	Director / audit sponsor	Days	Timelines					Assurance opinion	
			Start	Closing meeting / Status	Draft	Final	Committee	Design	Operational effectiveness
Information Governance	Corporate governance panel	15	24/7/2017	24/8/2017	6/9/2017 23/10/2017	10/11/2017	November 2017	Moderate	Limited
Procurement	Corporate governance panel	25	6/4/2017	16/6/2017 and 25/7/2017	1/8/2017	22/11/2017	November 2017	Substantial	Limited
Data protection	Strategic director finance and governance	20	1/12/2017	18/12/2017	22/12/2017	9/1/2018	February 2018	n/a Advisory Review	
Highways maintenance	Director of environment	15	14/8/2017	20/11/2017	4/12/2017	10/1/2018	February 2018	Moderate	Limited
Council tax	Director exchequer services	10	23/10/2017	12/12/2017	19/12/2017	25/1/2018	February 2018	Moderate	Moderate
Treasury management	Director of finance	5	16/10/2017	18/12/2017	10/1/2018	30/1/2018	February 2018	Moderate	Moderate
Housing benefits	Director of exchequer services	20	16/10/2017	12/12/2017	10/1/2017	1/2/2018	February 2018	Moderate	Limited
Register of interests	Corporate governance panel	15	15/7/2017	11/10/2017 and 7/11/2017	10/11/2017 and 22/1/2018	2/2/2018	February 2018	Limited	Limited
Non domestic rates	Director of exchequer services	10	13/11/2017	21/12/2017	10/1/2018	5/2/2018	February 2018	Moderate	Limited
Land charges	Director of planning	15	24/10/2017	22/1/2018	1/2/2018	5/2/2018	February 2018	Limited	Moderate
Children with disabilities service	Director of children's social care	15	26/10/2017	14/1/2018	27/1/2018	11/5/2018	June 2018	Limited	Limited

Audit	Director / audit sponsor	Days	Timelines					Assurance opinion	
			Start	Closing meeting / Status	Draft	Final	Committee	Design	Operational effectiveness
Commissioning of community grants	Director of communities	15	14/12/2017	29/1/2018	13/2/2018	4/4/2018	June 2018	Moderate	Substantial
MySouthwark home owners agency	Director of customer services	15	1/2/2018	20/3/2018	23/3/2018	6/4/2018	June 2018	Moderate	Moderate
Leisure services contract	Director of leisure	15	22/1/2018	14/2/2018	27/2/2018	19/3/2018	June 2018	Substantial	Substantial
Materials framework	Director of environment	10	6/3/2018	26/3/2018	29/3/2018	25/4/2018	June 2018	Substantial	Substantial
Grounds maintenance contract	Director of leisure	15	22/1/2018	27/2/2018	27/2/2018	19/3/2018	June 2018	Substantial	Substantial
Case management system	Director of law and democracy	15	1/2/2018	26/3/2018	30/3/2018	16/4/2018	June 2018	Substantial	Moderate
Enforcement	Director of exchequer services	10	6/3/2018	23/3/2018	29/3/2018	25/4/2018	June 2018	Moderate	Moderate
Integration of customer based systems	Director of customer experience	10	16/2/2018	20/3/2018	30/3/2018	22/5/2018	June 2018	Moderate	Moderate
Corporate facilities management	Director of modernise	15	15/2/2018	19/3/2018	29/3/2018	17/5/2018	June 2018	Moderate	Moderate
Staff recruitment and vetting / social care staff recruitment	Director of modernise / strategic director children's and adults	25	15/2/2018	29/3/2018	16/4/2018	24/5/2018	July 2018	Substantial	Substantial

Audit	Director / audit sponsor	Days	Timelines					Assurance opinion	
			Start	Closing meeting / Status	Draft	Final	Committee	Design	Operational effectiveness
Payroll	Director of exchequer services	25	27/11/2018	20/12/2017	29/1/2018		July 2018		
Housing rents	Director of exchequer services	20	30/10/2017	16/1/2018	31/1/2018		July 2018		
Ledbury estate	Director / departmental finance manager	5	6/2/2018	8/2/2018	21/8/2018		July 2018		
Community safety partnership	Director of communities	15	16/10/2017	22/3/2018	22/3/2018		July 2018		
Food safety	Director of environment	10	2/1/2018	19/3/2018	26/3/2018		July 2018		
Goods storage	Director of resident services	10	1/2/2018	23/3/2018	28/3/2018		July 2018		
Access to services	Corporate governance panel (CGP)	25	19/6/2017	Draft report to CGP	28/3/2018		July 2018		
Leaving care	Director of children's services	15	6/3/2018	27/3/2018	29/3/2018		July 2018		
Mosaic	Director of adult social care	25	9/3/2018	23/3/2018	29/3/2018 & updated 25/4/2018		July 2018		
Housing investment decision making	Director of asset management / director of resident services	10	24/10/2017	27/3/2018	6/4/2018		July 2018		

Audit	Director / audit sponsor	Days	Timelines					Assurance opinion	
			Start	Closing meeting / Status	Draft	Final	Committee	Design	Operational effectiveness
IT disaster recovery	Director of modernise	20	30/1/2018	5/3/2018	6/3/2018 & updated 20/4/2018		July 2018		
Apprenticeships levy	Director of modernise	15	17/3/2018	28/3/2018 Additional Information provided 3/5/2018. Quality review in progress	23/5/2018		July 2018		
Housing strategy partnerships - multi-agency working	Directors of resident services, adults' services and childrens' services	15	26/6/2017	10/5/2018	Quality review in progress Draft to be issued w/c 28/5/2018		July 2018		
Temporary accommodation	Directors of resident services and customer experience	15	21/3/2018	Reporting in progress					
Financial planning/ budget monitoring	Director of finance / chief officer's team	25	04/9/2017	24/5/2018	Quality review in progress Draft to be issued w/c 28/5/2018		July 2018		
Governance - decision making	Corporate governance panel	25	2/10/2017	25/5/2018	Quality review in progress		July 2018		

Audit	Director / audit sponsor	Days	Timelines					Assurance opinion	
			Start	Closing meeting / Status	Draft	Final	Committee	Design	Operational effectiveness
					Draft to be issued w/c 28/5/2018				

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. We have finalised all school reports relating to 2017-18.

The internal audit assurance opinions provided for the schools audited during 2017-18 were as follows:

School	Design	Operational Effectiveness
Reported previously		
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
Robert Browning Primary School	Substantial	Moderate
Riverside Primary School	Moderate	Substantial
Crampton Primary School	Moderate	Moderate
Phoenix Primary School	Limited	Limited
Ilderton Primary School	Limited	Limited
Crawford Primary School	Limited	Limited
Final reports issued since the last meeting of the audit, standards and governance committee		
Brunswick Park Primary School	Substantial	Substantial

School	Design	Operational Effectiveness
Heber Primary School	Moderate	Moderate
Hollydale Primary School	Moderate	Moderate
Southwark Park School	Substantial	Moderate
St James CE Primary School	Moderate	Moderate
St Thomas the Apostle School	Substantial	Moderate
Tower Bridge Primary School	Moderate	Moderate
Victory Primary School	Moderate	Moderate

3. SUMMARY OF INTERNAL AUDIT FINDINGS

CAS22		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
Children with disabilities service		Design	Operational effectiveness	High	2
May 2018		LIMITED	LIMITED	Medium	3
				Low	0
Purpose of audit	To provide assurance over the monitoring and scrutiny controls for payments being made in respect of children's disabilities services.		Added value	We included a flowchart to highlight the proposed changes to the current processes and controls.	
<p>Care packages are awarded within the children with disabilities services on a points based system, determined by the number of carer hours the council will provide. Panel approves all decisions and funding may be made either to providers or through direct payments to the family. Weekly timesheets are submitted by the care provider and signed by the family to confirm accuracy, before being reconciled by the finance team. Any unspent funds exceeding £800 are clawed back by the council. Reviews must be undertaken on an annual basis per legislation, the council has implemented a policy to undertake six-monthly reviews.</p> <p>Key findings</p> <ul style="list-style-type: none"> • Panel letters showing the agreed package are not being saved down regularly and appropriately • There is no formal sign off to evidence the reconciliation of timesheets to invoices • The recharging procedure is not formalised and does not happen in a timely manner • A significant amount of cases are more than 6 months old and are overdue for review • Surplus funds in client's accounts exceeding 8 weeks' worth of payment are not being clawed back in a consistent and timely manner. <p>Looking forward: supporting the council's journey from limited to substantial assurance</p>					
Design	Limited	→	Substantial	Introduce procedures making it mandatory to save down the panel award letter Introduce formal recording of reconciliations between timesheets and invoice Introduce a regular, formal recharging procedure	
Operational Effectiveness	Limited	→	Substantial	Conduct monthly spot checks on outstanding care package reviews to highlight reviews with more urgency and to ensure claw backs are prioritised and actioned in a timely and consistent manner	
<p>Follow up In line with agreed management implementation dates, the recommendations will be followed up in October 2018.</p>					

HM21 Commissioning of community grants April 2018		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	0
				Medium	3
		MODERATE	SUBSTANTIAL	Low	2
Purpose of audit	To review the effectiveness of recent changes to the governance framework and streamlining of the commissioning approach.	Added value	We benchmarked council processes and confirmed that these were in line with best practice.		
<p>The council reviewed the way in which commissioning is undertaken, and resulted in the creation of two new boards in May 2017 - the commissioning officers group at an operational level who subsequently feed into the senior level officer commissioning board, comprising strategic directors and directors. The aim is to ensure consistency in the commissioning process across the council and ensure that there is appropriate oversight of all commissioning undertaken. A report has been presented to Cabinet in October 2017 proposing a ‘common outcomes framework’, which will adapt the award criteria to ensure they align with the council’s wider objectives by focusing on outcomes of the services funded rather than outputs, with the aim to apply this to all future commissioning projects. Once grants are awarded, the service providers are monitored with the use of self-assessments to ensure they have complied with their initial application and spent funding appropriately, with site visits and support offered by the council when necessary.</p> <p>Key findings</p> <ul style="list-style-type: none"> • The frequency of commissioning officers’ group (COG) meetings and senior level officers’ commissioning group (SLOGG) meetings were not consistent with the terms of reference • The approval process for grants does not appropriately consider the past performance of grant recipients • Tenant grant funds are not monitored and this decision could not be evidenced as approved. <p>Good Practice</p> <ul style="list-style-type: none"> • The Southwark Common Outcomes Framework is clearly linked to the council’s objectives and received adequate scrutiny • Key issues were communicated between the senior level officers’ commissioning group (SLOGG) and the commissioning officers’ group (COG) • Officers were conducting assessments on grant recipients in a professional and timely manner. <p>Looking forward: supporting the council’s journey from moderate to substantial assurance</p>					
Design	Moderate → Substantial	Ensure commissioning group meetings are scheduled to take place on a regular schedule Ensure grants cannot be put forward for approval if previous performance assessments are incomplete or insufficient.			
<p>Follow up In line with agreed management implementation dates, the recommendations will be followed up in June 2018.</p>					

HM38 MySouthwark home owners agency April 2018		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	0
		MODERATE	MODERATE	Medium	2
				Low	6
Purpose of audit	To provide assurance on the adequacy and effectiveness over the governance arrangements in place for the Agency, including consideration of the completeness and accuracy of information provided to the MSHO board that is used as the basis for holding the council to account concerning its policies relating to leaseholders.	Added value		We carried out a benchmarking exercise to compare Southwark Council with other local authorities in regards to the services offered by the MHSO board. We concluded that the council is ahead of other local authorities in providing this new service, which does not appear to be in place elsewhere.	
<p>The council established the MySouthwark Homeowners Agency (MSHO) in December 2016 in response to feedback from homeowners. The agency is an independent service established within Southwark Council to advocate on behalf of Southwark homeowners to ensure that it properly addresses legitimate housing related issues. The service aims to improve leaseholder satisfaction by increasing transparency regarding value for money and major works charges and improve overall customer experience.</p> <p>Key findings</p> <ul style="list-style-type: none"> • Declarations of interest forms had not been completed and there was no register of interests maintained • The information held on objectives and consequently performance reporting was incomplete. <p>Good practice</p> <ul style="list-style-type: none"> • The purpose, aim, responsibilities and limitations of the Board were detailed and complied with, and meetings were held under quorate conditions • information provided to the Board could be substantiated and a work plan tracker was in place to allow for the monitoring of success • There was no duplication in the services provided by the agency with other council services • The service provided by the council exceeded other local authorities. <p>Looking forward: supporting the council's journey from moderate to substantial assurance</p>					
Design	Moderate → Substantial	Implement a register of interests and introduce the declaration of interests as a standing agenda item at the start of each meeting Make the updating of the council website a standing item after each meeting			
Operational Effectiveness	Moderate → Substantial	Align the code of conduct, terms of reference and work plan and ensure the documents are reviewed in conjunction with each other A meeting should be scheduled with the strategic director housing and modernisation to review the effectiveness of the Board			
<p>Follow up In line with agreed management implementation dates, the recommendations will be followed up in June 2018.</p>					

MA07 Creditor payments May 2018		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS			
		Design	Operational effectiveness	High	0		
		MODERATE		MODERATE		Medium	4
						Low	1
Purpose of audit	Review the arrangements to manage creditor payments processed via SAP (both by FC&P and other departments) to ensure that they are promptly and effectively brought into use.		Added value	We undertook a number of data analytics tests in addition to our sample testing in order to identify other potential areas of improvement.			
<p>The council's main financial system is SAP within which accounts payable transactions are recorded; SAP allows invoices to be scanned onto the system and electronic purchase ordering /invoice approval linked to the council's scheme of management. To support the processing of these transactions the council has a central financial control and processing (FC&P) team within the exchequer service division. There is a service agreement between FC&P and the council. The role of FC&P involves processing the payments and in particular areas, oversight of checking invoices or undertaking high-level checks.</p> <p>Key findings</p> <ul style="list-style-type: none"> • Schemes of management are not being updated with sufficient regularity to reflect the organisation and thus there are staff who have left with SAP authority levels. However, further testing identified these were noted as being closed accounts on SAP • There are a high number of variations between SAP authorisation limits and the scheme of management • Testing of transactions revealed a 28% rate of raising purchase orders retrospectively and not all required documentation was retained on SAP. <p>Good practice</p> <ul style="list-style-type: none"> • 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. • A well-defined workflow system operates within the SAP system, which restricts the approval of items to the relevant staff members. • A corporate template has been created for scheme of management. <p>Looking forward: supporting the council's journey from limited to substantial assurance</p>							
Design	Moderate	→	Substantial	Regular review and updating of departmental Scheme of Managements. Confirmation of checks undertaken between Regular management review of transactions, vender creation and vender amendment. Ensure all payments documentation is uploaded on to SAP as evidence.			
Operational Effectiveness	Moderate	→	Substantial	Corporate Governance Panel to add to the work plan an annual review of Schemes of Management to ensure compliance with council requirements. SAP authorisation levels to be reviewed and adjusted to meet Schemes of management.			
<p>Follow up The recommendations will be followed up as part of the annual audit of creditor payments in quarter three of 2018-19.</p>							

EL14 Leisure services contract March 2018		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	0
		SUBSTANTIAL	SUBSTANTIAL	Medium	0
				Low	2
Purpose of audit	To provide assurance over the adequacy and effectiveness of the council's contract management of the leisure services contract with Sports and Leisure Management. The audit considered the extent to which the contract objectives, deliverables and key performance indicators are being met.	Added value	We have identified good working practices in relation to contract monitoring, which could be shared within the directorate initially and council.		
<p>Following a competitive procurement exercise, from June 2016 the council has a seven-year contract with Sports and Leisure Management (trading as Everyone Active) for the management of leisure facilities. The contract is for the management of the council's eight leisure and sports facilities and to operate the booking system for all outdoor pitches. A fee is to be paid to the council from year two of the contract and the contract has been estimated at a value of just over £18m to the council.</p> <p>Good practice</p> <ul style="list-style-type: none"> • Clear and appropriate key performance indicators have been set as part of the contract to enable the performance and quality of service to be measured. • Performance monitoring of key performance indicators is undertaken on a monthly basis, including site inspections for which detailed evidence is retained • Monitoring of finances is part of the performance management and has helped to highlight initial concerns with the contractor not meeting their bid sums. From this meeting with the contractor, agreed action plans have been implemented to address the issues raised • Regular monthly meetings are held with the contractor to discuss performance and quality standards with actions raised where required with target dates • The management fee calculation spreadsheet clearly lays out the calculations for the fee and includes future income forecasts up to 2022/23. The spreadsheet includes a management fee payment schedule that lists the pay-by dates of invoices, as well as calculations of figures per year given that the contract's year runs separately to the council's financial year • The contractor produces very detailed quarterly performance reports for the council to highlight performance against key performance indicators and if failures have occurred and includes an outline of future investments • The senior management team is informed of the contract performance on a quarterly basis as part of the directorate's performance report • These reports are also presented with performance reports at the quarterly meetings with Everyone Active. These performance reports set out RAG ratings based on elements of the contract as well as KPIs and forecasts as to whether or not KPIs will be met by year-end. <p>Follow up Not applicable - low priority rated recommendations are not followed up.</p>					

EL45 Materials contract April 2018		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	0
		SUBSTANTIAL		Medium	0
		SUBSTANTIAL		Low	1
Purpose of audit	A review of the new materials framework in place and assessment of whether the selection of the framework complied with the council's contract standing orders, and is achieving the stated objective of reducing costs and making the process more efficient.	Added value	We conducted a review of the new tools involved in the price tracking process to review the suitability and the flexibility in use.		
<p>The council decided on a procurement strategy for the provision of materials using the Pretium third party framework that had a single supplier of Travis Perkins Group. This framework commenced in July 2017 and is in place until October 2019. This route was selected to reduce the contract management and administrative time and costs associated with the previous arrangements.</p> <p>Good practice</p> <ul style="list-style-type: none"> • The council's contract standing orders were followed when procuring the framework • The new stock replenishment process has streamlined the ordering process by consolidating most orders to one supplier and generating one invoice a week, thereby cutting down on paperwork and associated administrative costs • Budgets are monitored routinely each month and variances with actual values are being noted and explained. As of the end of February 2018 the materials spend is coming in at £632,747 under budget in the year to date. • Quarterly meetings are held to discuss contract and performance monitoring. Issues/actions arising from these meetings are being assigned deadlines and relevant officers and are being actively tracked each meeting in an action log. No significant issues are noted. <p>Follow up Not applicable - low priority rated recommendations are not followed up.</p>					

EL53		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
Grounds maintenance contract		Design	Operational effectiveness	High	0
March 2018		SUBSTANTIAL	SUBSTANTIAL	Medium	0
Low				Low	0
Purpose of audit	To provide assurance over the adequacy and effectiveness of contract management for the grounds maintenance contract. The audit will consider the extent to which the contract objectives, deliverables and key performance indicators are being met.	Added value	We consider that the services current processes, procedures and controls are good practice and should be used as a model for other contracts across the council to follow.		
<p>The council entered in to a seven year Grounds Maintenance contract in October 2016 with Quadron Services Ltd (QSL - who were bought by Idvere in February 2016 but continue to trade as Quadron). The contract value over the seven years is £39m. The contract covers 97 sites across the borough, including five major parks, 33 local parks, 15 gardens and squares, two sports grounds, three cemeteries and 39 other open spaces. The contract is based on six operational areas based on the five major parks and cemeteries. The scope of the contract ranges from maintenance of beddings, plants, shrubs, management of sports pitches, litter and park attendants. The contract is largely output based and specified standards have been set. The contract is priced on an annual unit price for each type of work.</p> <p>Good practice</p> <ul style="list-style-type: none"> • Appropriate key performance indicators (KPIs) have been set within the contract specification and clear targets have been set which are reviewed on a monthly basis. • Detailed monthly performance reports are produced and include month-by-month completion statistics. • Monthly contract meetings take place, to discuss operational issues with the contractor and a set agenda is followed. Detailed minutes are maintained and recorded actions identified which are monitored and cleared at the following meeting. • Site inspections are a part of performance monitoring and results are fed back to the contractor and matched to contractor data. • A summary of performance is included in the directorate performance report that is reported and discussed at the senior management team meeting. • Financial monitoring of the contract takes place each month to ensure the contract is within budget and any rectification notices or poor performance penalties are accounted for. • Invoices from the contractor are verified to services received before being processed with the correct authorisation. <p>Follow up Not applicable - no recommendations raised.</p>					

FG02 Case management system April 2018		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	0
		SUBSTANTIAL	MODERATE	Medium	3
				Low	0
Purpose of audit	To provide assurance that the new casework management system is achieving the outcomes set for the implementation, and to consider the adequacy of management information on performance of the legal service.	Added value		Data analysis was undertaken on data accounts to identify those that are duplicated as well as the data available to council services.	
<p>In February 2017, the council's legal team transitioned to using the VisualFiles case management system. The system enables the team to manage and record work undertaken and consequently they can better demonstrate compliance with the Law Society's Lexcel requirements. The previous system was replaced due to performance, integration and reliability issues. A business case was prepared detailing this need with the governance process being approved by the IT Improvement Board. Other anticipated benefits of the new system were that it would drive digital change by increasing efficiency, improve case management and visibility, improve information sharing between legal services teams and allow the development and tracking of key performance indicators for staff.</p> <p>Key findings</p> <ul style="list-style-type: none"> • Inconsistencies were found in relation to the documents held on VisualFiles • Data analysis identified a large proportion of duplicate entities (62%) and a low proportion of cost centres that had an allocated officer with access to costing reports within VisualFiles (30%). <p>Good Practice</p> <ul style="list-style-type: none"> • VisualFiles was integrated with the SSRS reporting software, Outlook email attachments and the Zlypha court document bundling system • VisualFiles was being effectively used to monitor the performance of staff and the department. <p>Looking forward: supporting the council's journey from moderate to substantial assurance</p>					
Operational effectiveness	Moderate → Substantial	Introduce reviews of staff access levels on VisualFiles Implement a formal review process to ensure documents are consistently held on VisualFiles Undertake a review of the entities within VisualFiles to remove any duplicates Deliver additional training to the team to improve consistency			
<p>Follow up In line with agreed management implementation dates, the recommendations will be followed up in February 2019.</p>					

FG34 Enforcement April 2018		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS													
		Design	Operational effectiveness	High	0												
		MODERATE		MODERATE		Medium	2										
						Low	1										
Purpose of audit	To provide assurance over the adequacy of the controls and the operational and financial impact (income maximisation and cost savings) associated with the appointment in January 2017 of the new internal enforcement (collection) agents.		Added value	We reviewed the KPIs the team are planning to introduce in the new year for suitability and to provide suggestions for further targets.													
<p>In January 2017, the council appointed an internal enforcement team in conjunction with a new 'One Step' automated system that allows the council to monitor council tax or business rates accounts that have fallen into arrears and then distribute them to enforcement agents (EAs). The council can use the EAs to recover outstanding debts once the previous statutory requirements are met, such as sending reminder letters and notices, The council can apply to the courts for a liability order, which will allow the council to engage with EAs to recover the debt directly.</p> <p>At the time of the audit the collectible debt by enforcement was as follows:</p> <table border="0"> <tr> <td>Total debt (open and closed accounts):</td> <td>With enforcement agents:</td> <td>Fees raised (additional to the above debt):</td> </tr> <tr> <td>CTAX - £25m NNDR - £9m</td> <td>CTAX - £9.2m NNDR - £1.7m</td> <td>CTAX - £1.1m NNDR - £353k</td> </tr> </table> <p>Key findings</p> <ul style="list-style-type: none"> • More comprehensive KPIs and targets should be introduced, including a KPI focusing on the prioritising of cases to ensure that the EA's are scheduling visits efficiently. <p>Good practice</p> <ul style="list-style-type: none"> • The one step system was being used well and backing documentation was available to justify each step of the process • Comprehensive monitoring is undertaken on the performance of the EAs, gathering useful information such as time taken per visits, visits per day and fees collected per visit, to be used by the service to increase efficiency. Additionally, EA monitoring via GPS tracking and video recording of visits is undertaken, providing safety to the agents themselves. <p>Looking forward: supporting the council's journey from moderate to substantial assurance</p> <table border="1"> <tr> <td>Design</td> <td>Moderate → Substantial</td> <td>Introduce the agreed KPIs and targets</td> </tr> <tr> <td>Operational Effectiveness</td> <td>Moderate → Substantial</td> <td>Adjust setting to ensure that enforcement agents are not able to manually amend the one-step system without authorisation</td> </tr> </table> <p>Follow up In line with agreed management implementation dates, the recommendations will be followed up in June 2018.</p>						Total debt (open and closed accounts):	With enforcement agents:	Fees raised (additional to the above debt):	CTAX - £25m NNDR - £9m	CTAX - £9.2m NNDR - £1.7m	CTAX - £1.1m NNDR - £353k	Design	Moderate → Substantial	Introduce the agreed KPIs and targets	Operational Effectiveness	Moderate → Substantial	Adjust setting to ensure that enforcement agents are not able to manually amend the one-step system without authorisation
Total debt (open and closed accounts):	With enforcement agents:	Fees raised (additional to the above debt):															
CTAX - £25m NNDR - £9m	CTAX - £9.2m NNDR - £1.7m	CTAX - £1.1m NNDR - £353k															
Design	Moderate → Substantial	Introduce the agreed KPIs and targets															
Operational Effectiveness	Moderate → Substantial	Adjust setting to ensure that enforcement agents are not able to manually amend the one-step system without authorisation															

HM42 Integration of customer based systems May 2018		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	0
		MODERATE		MODERATE	
				Low	6
Purpose of audit	To provide assurances over the controls in respect of integrated systems, including roles and responsibilities, information flows, access rights and security.		Added value	Process mapping was undertaken to outline best practice to be followed for rolling out the full integration between MySouthwark and CRM when a decision has been made about the CRM system, to ensure adequate checks are in place that customers will receive complete and accurate information without disruption.	
<p>In July 2013, the MySouthwark customer platform was launched as an online self-service system. The system provides 204,000 users access to information about local services and facilities and to manage their accounts for housing benefits, housing rents, business rates, council tax, leaseholder accounts, housing repairs and libraries. Access to information is achieved through connections to the council's Northgate revenues and benefits, iWorld and library systems, as well as internal systems such as e-forms. The aim is to provide customers with near real-time account and service information.</p> <p>Key findings</p> <ul style="list-style-type: none"> • There is no documented agreement between the services outlining their respective key roles and responsibilities • It was not possible to confirm the data matching parameters between CRM and MySouthwark. <p>Good practice</p> <ul style="list-style-type: none"> • There are strong controls in place to mitigate against customers gaining fraudulent access to MySouthwark accounts • Performance objectives between the services are aligned • User access for current staff was deemed appropriate. <p>Looking forward: supporting the council's journey from moderate to substantial assurance</p>					
Design	Moderate	→	Substantial	Implement a service level agreement between the website team and the CRM team Maintain a record of the parameters in place for data matching between CRM and MySouthwark and grant access to designated officers to review these	
Operational Effectiveness	Moderate	→	Substantial	Introduce a review of user access levels and liaise with relevant teams to ensure notification will be received should staff roles change	
<p>Follow up In line with agreed management implementation dates, the recommendations will be followed up in July 2018.</p>					

HM60		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS							
Corporate facilities management		Design	Operational effectiveness	High	0						
May 2018		MODERATE	MODERATE	Medium	2						
May 2018		MODERATE	MODERATE	Low	2						
Purpose of audit	To provide assurance over the adequacy and effectiveness of contract management for the council's contract with Kier Facilities Services Limited. The audit will consider the extent to which the contract objectives, deliverables and key performance indicators are being met.	Added value	We have highlighted how the council can strengthen its current controls and improve the assurance rating in this area. We included an example to use as a basis for the actions/issues template.								
<p>The council's contract with Kier Facilities Services Limited for the provision of consolidated repairs and maintenance services across the operational estate commenced on 27 May 2016. The contract was awarded via the EU compliant process followed through a Crown Commercial Service (CCS) Framework Agreement. The contract is valued at c. £8 million per year for a period of four years, with the option to extend for a further two years. Of this value, approximately £7m is for specific building improvement / accommodation rationalisation reviews across the council. This is the second contract awarded that consolidates a series of individual and disparate contracts with a number of suppliers to enable the delivery of hard FM and compliance services across the council's non-housing estate..</p> <p>Key findings</p> <ul style="list-style-type: none"> • There is no formal contingency protocol in place if the council's contractor fails to provide services or faces financial difficulty • KPI monitoring does not involve enough focus on following up on performance issues, and evidence provided shows that whilst there is a slight improvement, the contractor is still failing to meet targets. <p>Good practice</p> <ul style="list-style-type: none"> • KPI's have been clearly set and are appropriately defined • Contract performance is being formally reported to senior management • The contractor has confirmed that all staff working on the contract receive the London Living Wage per hour as a minimum. <p>Looking forward: supporting the council's journey from moderate to substantial assurance</p> <table border="1"> <tr> <td>Design</td> <td>Moderate → Substantial</td> <td>Formalise the contingency procedures providing guidance in the event of contractor collapse.</td> </tr> <tr> <td>Operational Effectiveness</td> <td>Moderate → Substantial</td> <td>Regularly update the KPI monitoring spreadsheet to reflect actions and resolved issues.</td> </tr> </table> <p>Follow up In line with agreed management implementation dates, the recommendations will be followed up in July 2018.</p>						Design	Moderate → Substantial	Formalise the contingency procedures providing guidance in the event of contractor collapse.	Operational Effectiveness	Moderate → Substantial	Regularly update the KPI monitoring spreadsheet to reflect actions and resolved issues.
Design	Moderate → Substantial	Formalise the contingency procedures providing guidance in the event of contractor collapse.									
Operational Effectiveness	Moderate → Substantial	Regularly update the KPI monitoring spreadsheet to reflect actions and resolved issues.									

HM71 Staff recruitment and vetting May 2018		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	0
		SUBSTANTIAL	SUBSTANTIAL	Medium	1
Low	1				
Purpose of audit	To provide assurance over the adequacy and effectiveness of the council's pre-employment checks. To provide assurance that the required approvals by the strategic director of children's and adults' services have been received prior to commencing appointment.	Added value	We highlighted how the council can strengthen its current controls and improve the assurance rating in this area.		
<p>Conducting rigorous pre-employment checks on job applicants supports effective recruitment, in order to detect fraudulent applications and to avoid the appointment of candidates who are less than suitable. In the Children's and Adults Services Department, due to budget pressures and as part of the budget recovery actions, a moratorium was implemented on all recruitment in 2017-18, unless with the express approval of the strategic director of children's and adult's services.</p> <p>Good practice</p> <ul style="list-style-type: none"> The council's policies and procedures are adequate and address the full process for staff recruitment and pre-employment vetting HR staff receive adequate training meaning that each member is aware of their given role, and the weekly team meetings enable clarification over issues arising. The one-to-one buddy system allows new starters to gain an understanding of Lumesse and how to carry out HR functions such as carrying out verification checks Job applications cannot be submitted without the completion of an electronic declaration Sample testing confirmed with reference to the HR database that all posts were signed off by the hiring manager Our sample testing found that all documentation to evidence the required vetting checks had been completed All job vacancies/descriptions reviewed in the sample had been approved by the hiring manager Permission to recruit forms were completed and approved by the strategic director for children's and adults services for social care For agency staff the hiring manager review documentation uploaded to confirm vetting checks have been completed correctly. <p>Key findings</p> <ul style="list-style-type: none"> For one case, a canvasser, the only check undertaken was the right to work in the UK. We were advised these individuals were recruited by the Electoral Services Team outside of the HR team and therefore not treated as employees and the same level of vetting checks. However, when completing their work on behalf of the Electoral Team they are furnished with Southwark ID so would be associated with the Council and therefore this is a potential reputational risk. There has been no risk assessment by the council. Checks against the council's CIFAS Staff Fraud Database are not undertaken, however this is being considered. <p>Follow up In line with agreed management implementation dates, the medium recommendation will be followed up in August 2018.</p>					

4. INTERNAL AUDIT PLAN 2018-19 - STATUS REPORT

Audit	Director / audit sponsor	Days	Timelines					Assurance opinion	
			Start	Closing meeting / Status	Draft	Final	Committee	Design	Operational effectiveness
Chargebacks (cfwd from 2017-18)	Director of finance	10	2/4/2018 Continuation of work started in 2017-18	14/5/2018	Quality review in progress Draft to be issued w/c 28/5/2018		July 2018		
Access to restricted areas (cfwd from 2017-18)	Director of asset management	10	23/4/2018	16/5/2018	Quality review in progress Draft to be issued w/c 28/5/2018		July 2018		
Recruitment checks - criminal convictions (cfwd from 2017-18)	Director of modernise	10	2/4/2018	Terms of reference issued 2017-18. Awaiting documentation pack.			November 2018		
CCTV	Director of environment	15	6/4/2018	13/4/2018	Quality review in progress Draft to be issued w/c 28/5/2018		July 2018		
Right to buy and ad hoc sales	Director of customer experience	20	14/5/2018	Reporting			July 2018		

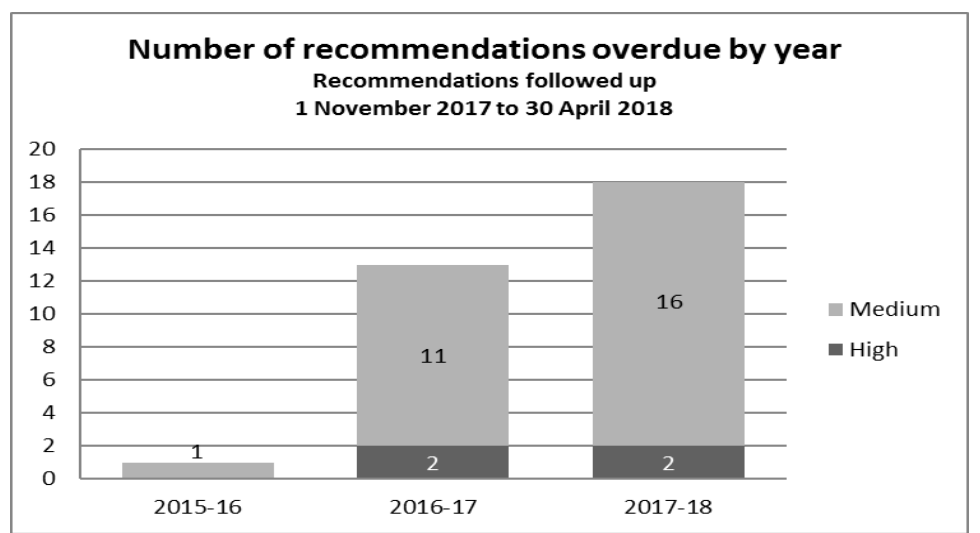
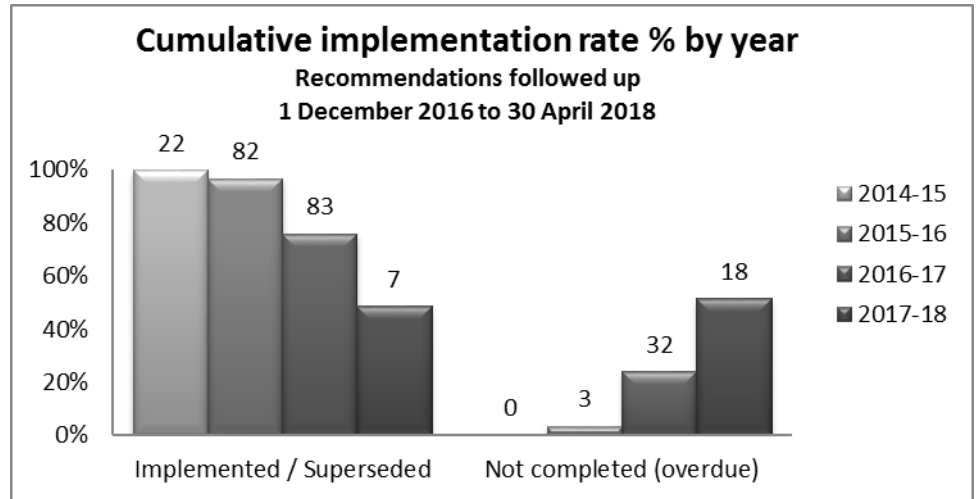
Audit	Director / audit sponsor	Days	Timelines					Assurance opinion	
			Start	Closing meeting / Status	Draft	Final	Committee	Design	Operational effectiveness
Better care fund	Directors of adult social care and commissioning	15	21/5/2018	Fieldwork			July 2018		
IT change controls	Director of modernise	15	22/5/2018	Fieldwork			July 2018		
Tenancy management organisations	Director of communities	15	4/6/2018	Start date confirmed, ToR agreed.			July 2018		
Parking management	Director of environment	15	16/7/2018	Start date confirmed. ToR being drafted			November 2018		
Youth and play service	Director of leisure	15	16/7/2018	Start date confirmed. ToR being drafted			November 2018		
Business continuity planning	Head of chief executive's department	25	23/7/2018	Start date confirmed. Draft ToR issued.			November 2018		
Legal fees	Director of law and democracy	15	10/9/2018	Start date confirmed. ToR being drafted			November 2018		

5. SUMMARY OF RECOMMENDATIONS STATUS

The cumulative summary provided here relates to 258 high and medium recommendations followed up in the period when BDO was appointed as internal auditors to the council from 1 December 2016 to 30 April 2018.

We have confirmed that 210 (81%) of the recommendations have now been implemented.

Of those audit reports followed up since our last progress report, we could confirm that all recommendations had been implemented.



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6. 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%	90%	Green
% of high and medium rated recommendations implemented by the agreed management implementation date	75%	81% As reported in section 4 of this report.	Green
% of recommendations in draft report accepted by audit sponsor / owner	90%	95%	Green
% of draft reports issued within 10 working days of the audit closure meeting.	90%	84% this represents 7 reports out of the 43 issued in draft to date that became overdue because of staff absences (5 cases) or where additional information was provided (2 cases) following the closing meeting.	Amber
% of returned audit satisfaction survey forms achieving a score of 4 or 5 out of 5	75%	80% We have received ten completed surveys, three rating us as 5 out of 5, five rating us as 4 out of 5 and two rating us as 3 out of 5.	Green
Annual chief officer and audit, governance and standards satisfaction survey results	Average of 75% and above	A new survey has been developed, this will be issued by the end of June 2018 at the end of the 2017-18 internal audit plan reporting period.	n/a
% of audits from the plan completed to draft report stage by 31 March 2018	100%	90% This represents 7 audit reports that were not issued by 31 March 2018. At the time of writing four audit reports have not been issued, all work has been completed and reporting or quality review is in progress.	Amber

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.

Item No. 11.	Classification: Open	Date: 6 June 2018	Meeting Name: Audit, Governance and Standards Committee
Report title:		Draft Annual Governance Statement 2017-18	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee note the draft annual governance statement 2017-18, as attached (Appendix 1).

BACKGROUND INFORMATION

2. The Accounts and Audit Regulations 2015 require that the annual governance statement for 2017-18 be presented to an appropriate committee of the body. 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. Formal approval will therefore be sought at the July meeting.
4. Following this approval, the annual governance statement should be signed by the most senior member of the council and most senior officer, i.e. 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 publish 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, as updated in 2016. This includes an assessment of the systems and processes for:

- establishing the council's principal statutory obligations and organisational objectives and applying the seven 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 assurances on the effectiveness of key controls are obtained throughout the year in the form of internal and external audit and inspection reports, risk management and performance management activities. In addition, each strategic director completes an annual governance assurance statement describing the key governance and internal control arrangements within their department, the arrangements they have made to provide assurance that those arrangements are effective and any opportunities for improvement identified through the assurance review processes.
9. The corporate governance panel (CGP) is responsible for evaluating assurances and the supporting evidence, and agreeing the final draft of the AGS. In agreeing the draft AGS, the CGP will consider issues that are of significance and comment in the final draft AGS as appropriate. Issues that are considered "significant" are those that meet the following criteria:
- The issue has seriously prejudiced or prevented achievement of a principal objective
 - The issue has resulted in a need to seek additional funding to allow it to be resolved or has resulted in significant diversion of resources from another aspect of the business
 - The issue has led to a material impact on the accounts
 - The audit, governance and standards committee has advised that it should be considered significant for this purpose
 - The chief audit executive has reported on it as significant for this purpose in the annual opinion on the internal control environment
 - The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation
 - The issue has resulted in formal action being taken by the S.151 officer and/or monitoring officer.
10. The draft AGS (Appendix 1) is presented to the audit, governance and standards committee for review. It will be brought again in July for further consideration and approval and, subject to this approval, will need to be signed by the leader of the council and the chief executive.

Community impact statement

11. This report and the accompanying draft 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

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

Consultation

13. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

14. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Financial and Information Governance files	Finance and Governance, Second Floor, Tooley Street	Rob Woollatt 020 7525 0614

APPENDICES

No.	Title
Appendix 1	Draft Annual Governance Statement 2017-18

AUDIT TRAIL

Lead Officer	Jennifer Seeley, Director of Finance	
Report Author	Rob Woollatt, Interim Departmental Finance Manager	
Version	Final	
Dated	24 May 2018	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
	Officer Title	Comments Sought
	Director of Law and Democracy	No
	Strategic Director of Finance and Governance	N/A
	Cabinet Member	N/A
	Date final report sent to Constitutional Team	24 May 2018

Annual Governance Statement 2017-18

Introduction

The CIPFA/SoLACE Delivering Good Governance in Local Government Framework (2016) requires local authorities to publish an Annual Governance Statement and to be responsible for ensuring:

- that their business is conducted in accordance with all relevant laws and regulations;
- public money is safeguarded and properly accounted for; and
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

The CIPFA/Solace document sets out seven core principles that underpin the governance framework and these are set out in Table 1 below together with an overview of the council's own governance arrangements in Table 2.

Table 1 – Core Principles of the CIPFA/SoLACE Framework



Appendix 1 sets out in more detail how the council is meeting these seven requirements in practice.

Table 2 – Key Elements of the Council’s Governance Framework

<p style="text-align: center;">Council, Cabinet and Leader</p> <ul style="list-style-type: none"> ➤ Provide leadership, approve the budget, develop and set policy ➤ Approve the constitution which sets out how the council operates ➤ Agree Council Plan priorities, developed in consultation with residents and stakeholders 	<p style="text-align: center;">Scrutiny and review</p> <ul style="list-style-type: none"> ➤ Scrutiny committees review council policy and can challenge decisions ➤ Audit, Governance and Standards Committee reviews governance and promotes and maintains high standards of conduct by councillors
<p style="text-align: center;">Decision making</p> <ul style="list-style-type: none"> ➤ All decisions made in compliance with law and council constitution ➤ All meetings are held in public ➤ Decisions are recorded on the council website 	<p style="text-align: center;">Risk Management</p> <ul style="list-style-type: none"> ➤ Risk management strategy ensures proper management of risks ➤ Risk registers identify both strategic and operational risks
<p style="text-align: center;">Chief Officers Team</p> <ul style="list-style-type: none"> ➤ Head of Paid Service is the Chief Executive and is responsible for all council staff and leading an effective chief officer team (COT) ➤ The strategic director of finance and governance is the council’s Section 151 officer and is responsible for safeguarding the council’s financial position and ensuring value for money ➤ The director of law and democracy is the council’s monitoring officer who, with the strategic director of finance and governance, is responsible for ensuring legality and promoting high standards of conduct in public life. 	

Review of Effectiveness

The council uses a number of ways to review the effectiveness of governance arrangements, including:

- An annual self-assessment and management assurance statement signed by strategic directors, confirming that the Code of Conduct, Financial Regulations and other corporate governance processes have operated as intended within their directorates throughout the year
- The annual report of the Chief Audit Executive provides an opinion to members on the adequacy and effectiveness of the internal control system and on the adequacy and effectiveness of the council’s risk management, control and governance process
- The work of the Corporate Governance Panel (CGP) to ensure that the council continues to have appropriate and fit for purpose governance arrangements that are recognised and applied across the council

- The work of the audit, governance and standards committee which includes responsibility for monitoring the development and operation of corporate governance in the council

The review, as detailed above, provides good overall assurance 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 manager.

The council faces a number of issues and areas of significant change that will require consideration and action as appropriate in 2018-19 and medium-term:

- The increased dependency in funding on locally generated resources (e.g. council tax and business rates) as a proportion of total funding.
- Uncertainty over any transition to a new local government finance system based on business rate retention and a new funding formula will require careful attention to government's developing policy, and management of any potential loss to the council from changes to existing funding streams.
- The duration of the London devolution pilot beyond 2018-19 and the extent to which responsibilities may be transferred to the council.
- Children's and adults' social care budgets remain exposed to significant price and demand pressures and the council must remain alert to the possibility of provider failure.
- The dedicated schools grant is now in a deficit due to significant unfunded pressures on high needs. At the same time the number of schools going into deficit has increased due to reduced funding and falling rolls. This situation, which is common across many local authorities, will require close monitoring and, in partnership with schools, a strong focus on the development of a robust financial recovery strategy over the medium term.
- 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, especially the management of ring-fenced resources (e.g. the adult social care precept).
- 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 2018-19 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, which, despite robust management action, remains subject to significant pressure.
- Management of the transition to new operational arrangements for universal credit and of the potential impact of welfare reform on finance and client services.
- Funding of the capital programme, specifically in recognition of social regeneration and housing delivery aspirations and the scale of the council's housing stock.

- The council needs to remain vigilant and ensure business continuity plans are robust in the event of contractor failure.
- The continuing need to improve services and enhance customer access to those services means that integration, optimisation and security of the use of data held and managed by council departments becomes increasingly important. Implementation of the General Data Protection Regulation in May 2018 requires ongoing planning to ensure that the council can continue to meet statutory requirements.
- The nature of the council's business activities means that there are ongoing information governance risks, including cyber security risks and IT network security, which continue to require careful management, particularly in the context of new IT shared service arrangements.
- In the wake of Grenfell, the council needs particularly to ensure that the highest standards of health and safety advice, support and guidance are provided consistently across all services.
- The council has comprehensive and documented arrangements in place to ensure value for money from commissioning and procurement. It needs to continue to ensure that expected practice is followed in all instances.

Conclusion

The council is satisfied that appropriate governance arrangements are in place. We propose over the coming year to take steps to address the matters identified above to further enhance our governance arrangements, including the continual development of the council's risk management framework.

Signed on behalf of Southwark Council:

Eleanor Kelly
Chief Executive
Date:

Peter John
Leader of the Council
Date:

Appendix 1 – The CIPFA/SoLACE framework

Priority 1 – Behaving with integrity, with commitment to ethical values, and respect for the rule of law

Codes of Conduct for members and officers reinforce a public service ethos and high standards of behaviour. These are supported by more detailed guidance such as anti-fraud strategy, whistleblowing policy, complaints procedure, contract standing orders, equality and diversity policy, member and officer protocol. The monitoring officer and strategic director finance and governance have specific responsibilities to ensure that council decisions meet legal requirements

Priority 2 – Ensuring openness and comprehensive stakeholder engagement

The council engages with stakeholders and partners through joint working arrangements, partnership boards and representation on external bodies' governing boards. Meetings are held in public (unless good reasons for confidentiality) and decisions published on the website. Consultation arrangements are embedded and consultation engagement section on the website includes a consultation hub, forum section. Regular customer surveys are conducted. 3,000 people took part in the 'Southwark conversation', the results of which will be used to inform the council plan and priorities.

Priority 3 – Defining outcomes in terms of sustainable economic, social and environmental benefits

The council's vision for the borough is set out in Fairer Futures. The council plan sets out how we will deliver the Fairer Futures vision and this is underpinned by departmental, service and business unit plans. During the year the council has refreshed its risk management policy statement and strategy to support the sustainability of the environment and minimise negative impacts, agreed an improved Air Quality Strategy and action plan

Priority 4 – Determining the intervention necessary to achieve intended outcomes

The council tracks performance against the fairer futures promises and council plan themes in the council plan performance schedules and produces an annual performance report. Senior management and members ensure the council remains focussed on delivering against agreed objectives and priorities set out in Fairer Futures and underpinned by fairer futures medium term financial strategy.

Priority 5 – Developing capacity, including the capability of leadership and individuals within the council

The Council's Fairer Future workforce strategy helps make sure that the council's staff can deliver the corporate plans and priorities for the borough. The council continues to invest in training through corporate learning and development programme including member training and development programme. The Southwark Manager toolkit aimed at improving individual and organisational performance.

Priority 6 – Managing risks and performance through strong internal control and financial management

During the year the council's risk management policy statement and strategy were refreshed. All departments and business units have risk registers which allocate a risk owner and are regularly reviewed. Internal audit arrangements and audit work programme designed to give assurance on the risk management and internal control processes. The audit, governance and standards committee provides independent assurance of the adequacy of the council's governance arrangements, including its risk management framework and the associated control environment. The council has robust financial management arrangements.

Priority 7 – implementing good practices in transparency, reporting and audit to deliver effective accountability

Minutes of meetings, key decisions, register of interests, gifts and hospitality and all items of expenditure over £500 are published on the council's website. The council produces an annual performance report, annual financial statements (including details of senior officer remuneration and member allowances) and an annual governance statement.

Item No. 13.	Classification: Open	Date: 6 June 2018	Meeting Name: Audit, Governance and Standards Committee
Report title:		In year review of work programme 2018-19: June 2018	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATIONS

1. That the audit, governance and standards committee consider the proposed revised work programme for 2018-19, 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 2018-19.

BACKGROUND INFORMATION

3. At their meeting in February 2018, the committee considered and agreed a work programme for 2018-19 and recommended that potential governance topics for 2018-19 should be considered at the June 2018 meeting.

KEY ISSUES FOR CONSIDERATION

4. In considering items for inclusion, it may be helpful to do this within the framework of the committee's purpose, as set out in the constitution. This was amended in 2016-17 when the committee was renamed and is stated to be:
 - Independent assurance of the adequacy of the council's governance arrangements, including the risk management framework and the associated control environment
 - Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment
 - Oversight of the financial reporting process
 - Scrutiny of the treasury management strategy and policies
 - A framework to promote and maintain high standards of conduct by councillors, co-opted members and church and parent governor representatives.
5. The committee's revised terms of reference, as approved by council assembly, cover functions relating to audit activity, the regulatory framework, accounts, treasury management and the council's standards framework. They are attached at Appendix 1 as they may further help the committee to determine items to be included in its work programme.
6. The work programme for 2018-19 agreed in February 2018 has been included at Appendix 1 for the committee's consideration. Items shown in brackets are standing items which will be brought forward as they arise.
7. During 2017-18, the committee decided that it would review a range of governance issues through the year and received reports on the following:

- Equalities impacts on the council (Stephen Douglass, director of communities)
 - IT (Emma Marinos, director of modernise, and Mark Compton-James, head of IT and digital services)
 - The Better Care Fund (Duncan Whitfield, strategic director of finance and governance, and David Quirke-Thornton, strategic director of children's and adults' services)
 - HR (Emma Marinos, director of modernise, and Julie Foy, head of human resources)
8. Members are asked to consider whether they would wish to continue this approach and, if so, to identify further governance topics for consideration in the coming year. If they do not wish to continue this approach, they are asked to identify an alternative approach to the review of governance.
 9. There remains a need to ensure flexibility in terms of emerging issues which come to light through items already on the committee's agenda. For example, a review of audit recommendations and progress on their implementation may highlight a need to request the attendance of individuals at a future meeting to help explain action taken. The draft programme therefore includes a standing item relating to review of the committee's work plan. There may also be a need to review the work programme to take account of any changes which may be agreed to the council's constitution during the year.
 10. Items have been grouped in line with its functions, in order to ensure that there is appropriate coverage of the committee's key roles as defined in its terms of reference.
 11. Training will continue to be provided for members on the role of the committee, and development needs will continue to be monitored to enable appropriate training to be provided as opportunities arise.
 12. The committee is asked to consider whether the attached work programme reflects its priorities for the next year or whether there are other amendments which it would wish to see included.

Policy implications

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

Community impact statement

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

Resource implications

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

Consultation

16. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

17. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None.		

APPENDICES

No.	Title
Appendix 1	Revised work programme 2018-19
Appendix 2	Extract from the constitution – Part 3K: Audit and governance committee

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Virginia Wynn-Jones, Principal Constitutional Officer	
Version	Final	
Dated	29 May 2018	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Director of Law and Democracy	No	No
Strategic Director of Finance and Governance	N/A	N/A
Cabinet Member	No	No
Date final report sent to Constitutional Team		29 May 2018

APPENDIX 1

Work Programme for 2018-19

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

Item	Meeting date						Commentary
	June 2018	July 2018	September 2018	November 2018	Feb 2019	June 2019	
General							
Annual work programme for following year					✓		Draft work programme for the committee – Constitutional Officer
In-year review of work programme	(✓)	(✓)	(✓)	(✓)	(✓)	(✓)	Standing item – to pick up emerging issues
Annual report of audit, governance and standards committee					✓		Report on committee’s work and performance to be submitted to all councillors each year – Constitutional Officer
Internal Audit activity							
Internal audit charter		✓					To review and approve changes, if needed, to the internal audit charter – Director of Finance
Internal audit plan and strategy for internal audit					✓		Proposed internal audit programme for future years – Director of Finance
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	✓		✓	✓	✓	✓	Issues raised and progress on implementation of recommendations, including approval of any significant additional advisory services – Director of Finance

Item	Meeting date						Commentary
	June 2018	July 2018	September 2018	November 2018	Feb 2019	June 2019	
Chief audit executive information	(✓)	(✓)	(✓)	(✓)	(✓)	(✓)	Report on appointment, departure, resignation or change in chief audit executive – Director of Finance
External Audit activity							
Audit fee letters (including pension fund)		✓			✓		Annual fee letters setting out indicative fees and planned work/outputs for 2018-19 in July 2018 and for 2019-20 in February 2019 for the council and pension fund – Grant Thornton
Audit plans (including pension fund)	✓					✓	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 2017-18 audit of financial statements and work to assess VfM arrangements – Grant Thornton
Informing the audit risk assessment for the council (including pension fund)	✓					✓	Item on oversight of management's processes in relation to risks of fraud/error, compliance with relevant laws and regulations and gong concern – Grant Thornton
Certification of claims and returns annual report					✓		Annual report summarising findings from the certification of 2017-18 grant claims – Grant Thornton

Item	Meeting date						Commentary
	June 2018	July 2018	September 2018	November 2018	Feb 2019	June 2019	
Audit update report	(✓)	(✓)	(✓)	(✓)	(✓)	(✓)	Standing item – update on work being planned or undertaken – Grant Thornton
Governance and standards activity							
Annual governance statement	✓	✓					Annual governance statement (AGS) is a mandatory statement setting out the council's governance arrangements – Departmental Finance Manager (Corporate and Central Services)
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				✓			Report on key risks in November – Head of Financial and Information Governance
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

Item	Meeting date						Commentary
	June 2018	July 2018	September 2018	November 2018	Feb 2019	June 2019	
Establishment of sub-committees for 2018-19		✓					Report to establish sub-committees in line with committee's role and functions – Principal Constitutional Officer
Appointment of non-voting co-opted members of the civic awards sub-committee for 2018-19					✓		Report to appoint the non-voting co-opted members of the civic awards sub-committee for 2018-19 – Principal Constitutional Officer
Member induction and training			✓				Report on member induction and training
Areas of governance for review during year		(✓)	(✓)	(✓)	(✓)		For consideration
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
Budget challenge and governance	(✓)	(✓)	(✓)	(✓)	(✓)	(✓)	Standing item – to monitor budget challenges as required, including processes and governance, throughout the year
Accounts							
Statement of accounts	✓	✓					2017-18 statement of accounts for consideration and approval – Director of Finance
Treasury Management							
Review of the policy and strategy				✓			Review of treasury management policy and strategy – Director of Finance

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 Gavin Edwards (Chair)	By email
Councillor Victor Chamberlain	By email
Councillor Dora Dixon-Fyle	By email
Councillor Nick Dolezal	1
Councillor Victoria Olisa	By email
Councillor Andy Simmons	1
Councillor Dan Whitehead	By email

RESERVES

Councillor Eleanor Kerslake	By email
Councillor Sarah King	By email
Councillor Hamish McCallum	By email
Councillor Cleo Soanes	By email
Councillor Bill Williams	By email

OTHER COUNCILLORS

Councillor Vicky Mills	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
Mr Charles Wynn-Evans	By email

FINANCE AND GOVERNANCE

Duncan Whitfield	1
Jo Anson	1
Jennifer Seeley	1
Rob Woollatt	1

BDO (Internal Auditors) – Greg Rubins	By email
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