

Audit, Governance and Standards Committee

Wednesday 18 July 2018

7.00 pm

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

Membership

Councillor Gavin Edwards (Chair)
Councillor Humaira Ali
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

Access to information

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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: 10 July 2018



Audit, Governance and Standards Committee

Wednesday 18 July 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

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To approve as a correct record the minutes of the open section of the meeting held on 6 June 2018.

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	To follow.	
12.	IN YEAR REVIEW OF WORK PROGRAMME 2018-19: JULY 2018	114 - 124

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: 10 July 2018



Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Wednesday 6 June 2018 at 7.00 pm at Ground Floor Meeting Room G02A - 160 Tooley Street, London SE1 2QH

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

OFFICER SUPPORT: Jennifer Seeley, Director of Finance
Jo Anson, Head of Financial and Information Governance
Rob Woollatt,
Paul Dossett, Grant Thornton
Matt Dean, Grant Thornton
Jon Abbott,
Dan Taylor,
Norman Coombe,
Virginia Wynn-Jones,

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Dan Whitehead, and from Bill Dee and Charles Wynn-Evans, the independent members.

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 chair agreed to accept item 12: Draft statement of accounts 2017-18 as late and urgent.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

5. MINUTES

The minutes of the meeting of 19 February 2018 were agreed as a correct record and signed by the chair.

6. REPORT ON RETROSPECTIVE CONTRACT-RELATED DECISION: KEPPEL ROW ENVIRONMENTAL IMPROVEMENTS

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

RESOLVED:

1. That the retrospective contract decision detailed in the report be noted.
2. That 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 be noted.
3. That the audit, governance and standards committee made recommendations to help improve future decision-making.

7. AUDIT PLANS (INCLUDING PENSION FUND) AND AUDIT RISK ASSESSMENT

The internal auditors verbally updated the meeting. Members had questions for the internal auditors.

8. OPERATIONAL USE OF THE REGULATION OF INVESTIGATORY POWERS ACT 2000

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

Officers undertook to circulate to the committee information on test purchases made.

RESOLVED:

1. That the information relating to the use of RIPA for the period shown be noted.

9. REVIEW OF MEMBER OFFICER PROTOCOL AND COMMUNICATIONS PROTOCOL

Officers verbally updated the meeting. Members had questions for the officers.

Officers noted the committee's recommendation that the member officer protocol refer to officer interactions with ward members as separate to committee chairs and cabinet member roles.

10. PROGRESS REPORT ON THE WORK OF INTERNAL AUDIT

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

Officers undertook to brief members separately on the IT network audit issues raised.

RESOLVED:

1. That the update on internal audit work attached as Appendix A to the report be noted.

11. DRAFT ANNUAL GOVERNANCE STATEMENT 2017-18

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

RESOLVED:

1. That the draft annual governance statement 2017-18 as attached at appendix 1 of the report be noted.

12. DRAFT STATEMENT OF ACCOUNTS 2017-18

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

RESOLVED:

1. That the draft statement of accounts for 2017-18 at appendix 1 of the report be reviewed.

13. IN YEAR REVIEW OF WORK PROGRAMME 2018-19: JUNE 2018

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

Further suggestions for future governance topics included:

- Equality impact assessment, including use of sub-contractors
- IT (after November 2018, when the audit recommendations should have been implemented)

RESOLVED:

1. That the proposed revised work programme for 2018-19 be considered, and that the governance topic of "The council's procurement policy and how it is implemented" be included in the agenda for the next meeting.
2. That the work programme for 2018-19 set out in appendix 1 of the report be agreed.

Meeting ended at 8.25 pm

CHAIR:

DATED:

Item No: 6.	Classification: Open	Date: 18 July 2018	Meeting Name: Audit, Governance and Standards Committee
Report title:		Governance topic: The council's procurement policy - compliance and implementation	
Wards or Groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATIONS

1. That the audit, governance and standards committee note the Council's Fairer Future Procurement Strategy attached as Appendix A
2. That the audit, governance and standards committee note the recent internal audit of procurement attached as Appendix B, and PowerPoint guidance to relevant staff attached as Appendix C
3. That the audit, governance and standards committee note the Council's Contract Standing Orders in relation to contract monitoring (paragraphs 14 and 15)
4. That the audit, governance and standards committee note the list of contracts that are over the EU threshold and should have six monthly and annual performance reports attached as Appendix D
5. That the audit, governance and standards committee consider how it would wish to progress its review of governance in respect of contract management.

KEY ISSUES FOR CONSIDERATION

Fairer Future Procurement Strategy

6. The council has significant procurement spend. In June 2016 the cabinet agreed the council's Fairer Future Procurement Strategy. This is attached as appendix A.
7. This strategy sets out how the council will use procurement to promote enhanced employment rights, to ensure fair pay and terms and conditions, to reduce inequality and to encourage ethical corporate behaviour. It continued the commitment for all contractors to pay the London Living Wage and introduced a new requirement asking that they sign up to the Southwark Diversity Standard, that covers key issues such as offering guaranteed hours contracts. It makes clear that companies that engage in illegal blacklisting of union members and activists can expect to have their contracts terminated.
8. The strategy also ensures that key strategic contracts have early and timely political input when assessing options and before a decision is taken about the external procurement of the services. Gateway zero decisions will include challenging whether services should be procured externally at all or if we could achieve better outcomes with an in-house service as we have done with our in-sourcing of customer services and the revenue and benefit service.

9. The contracts also present an opportunity for added social value, when our contractors are able to provide additional benefits, at little or no additional cost. Whilst we are flexible and open to bidder's proposals of what added value they can offer, we are of course particularly seeking social value offers that help us to achieve our fairer future promises and commitments such as local employment and apprenticeship opportunities.

Internal Audit of Procurement

10. In 2017-18 the internal audit service reviewed the council's procurement practice and considered the extent to which the council was complying with its own rules. This was reported to audit, governance and standards committee in November 2017, and appendix B shows the executive summary.
11. The audit concluded that the design of the controls was 'substantial' meaning there is a sound system of internal control designed to achieve system objectives.
12. However the audit also concluded that the council's compliance with these controls was 'limited' meaning that the non-compliance with key procedures and controls places the system objective at risk.
13. The Corporate Governance Panel, Lead Contract Officers and all Directors were notified of the findings of the audit, through a PowerPoint presentation circulated in April 2018, and Directors were further reminded as part of the Corporate Contract Review Board annual report circulated in May 2018. The PowerPoint is attached as Appendix C.

Contract Standing Orders

14. The Council's Contract Standing Orders (CSO) provide the framework within which procurement should be considered. They also establish how contracts should be monitored – giving minimum standards which must be followed by the Lead Contract Officer (LCO).
15. The specific CSO regarding monitoring contracts to ensure they are achieving the relevant KPI and social value objectives is CSO 9: Contract Management and monitoring which is reproduced below:

9. Contract management and monitoring

9.1 The LCO must ensure that systems are in place to manage and monitor contracts in respect of at least:

- a) compliance with specification and contract
- b) contractor performance and KPIs
- c) budget and cost
- d) user satisfaction
- e) risk management
- f) delivery of social value commitments, including London Living Wage.

9.2 Where the Estimated Contract Value exceeds the relevant EU threshold, the LCO should prepare a six-monthly monitoring report to the relevant DCRB.

9.3 Where the contract relates to a Strategic Procurement or was awarded

by an individual decision maker, the LCO should prepare an annual monitoring report to the CCRB, within six months of the contract anniversary.

Contracts requiring a six monthly or annual report

16. Based on the council's contract register as at June 2018, there are 69 contracts which would require a six monthly monitoring report, per the contract standing orders. A list of these contracts is attached at Appendix D.

Community impact statement

17. The council's procurement spend is designed to acquire goods, works or services, to fulfil the council's serviced objectives. In itself, this report is not considered to have a direct impact on local people and communities.

Resource implications

18. The costs incurred as part of contractual spend should be contained within council general fund, housing revenue account or capital budgets.

Consultation

19. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

20. None required.

BACKGROUND DOCUMENTS

Background Papers	Held at	Contact

APPENDICES

No.	Title
Appendix A	Fairer Future Procurement Strategy
Appendix B	Executive Summary of Internal Audit of Procurement
Appendix C	Procurement Practice power point presentation
Appendix D	List of contracts requiring six mostly monitoring report

AUDIT TRAIL

Lead Officer	Jennifer Seeley, Director of Finance	
Report Author	Jennifer Seeley, Director of Finance	
Version	Final	
Version Date	20 June 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	20 June 2018	

Fairer Future Procurement strategy

Foreword

Our council's vision is to create a fairer future for all in Southwark. We have promised to deliver value for money, high quality services in our borough and naturally this is central to our strategy for procurement of supplies, services and works. However, we believe there is an opportunity for our procurement and contracts to deliver so much more than this.

This strategy sets out how we will use procurement to promote enhanced employment rights, to ensure fair pay and terms and conditions, to reduce inequality and to encourage ethical corporate behaviour. It continues our commitment for all contractors to pay the London Living Wage and introduces a new requirement asking that they sign up to the Southwark Diversity Standard, that covers key issues such as offering guaranteed hours contracts. It makes clear that companies that engage in illegal blacklisting of union members and activists can expect to have their contracts terminated.

The strategy also ensures that key strategic contracts have early and timely political input when assessing options and before a decision is taken about the external procurement of the services. Gateway zero decisions will include challenging whether services should be procured externally at all or if we could achieve better outcomes with an in-house service as we have done with our in-sourcing of customer services and the revenue and benefit service.

Our contracts also present an opportunity for added social value, when our contractors are able to provide additional benefits, at little or no additional cost. Whilst we are flexible and open to bidder's proposals of what added value they can offer, we are of course particularly seeking social value offers that help us to achieve our fairer future promises and commitments such as local employment and apprenticeship opportunities. In the coming months we will be piloting a new tool that we hope will assist us in assessing the value of these proposals in relation to our fairer future priorities and to better monitor the delivery of social value within contracts.

I'd like to thank all the members of overview and scrutiny committee whose 2015 report was the genesis of this Strategy and many of the new commitments within it. I hope that it will live up to their ambitions and help deliver our shared ambition of a Fairer Future for All in Southwark.

COUNCILLOR FIONA COLLEY

CABINET MEMBER FOR FINANCE,
MODERNISATION & PERFORMANCE

Our Fairer Future Promises

1. Value for money: We will continue to keep council tax low by ensuring that all our high quality services offer value for money.

2. Access to health for all: We will provide free swimming and gyms for all residents. We'll double the number of NHS health checks. And we'll extend bike hire across the borough.

3. Quality affordable homes: We will improve housing standards and build more homes of every kind, including 11,000 council homes - with 1,500 built by 2018. We will make all council homes warm, dry and safe. And we will start rolling out our kitchen and bathroom quality guarantee.

4. More and better schools: We will meet demand for primary and secondary school places. We will drive up standards across our schools, so that 70 per cent of students at every secondary school get five good GCSEs.

5. More and better nurseries and childcare: We will help parents to balance work and family life, by opening two new community nurseries and investing in our children's centres.

6. A greener borough: We will protect our environment by diverting more than 95 per cent of waste away from landfill, doubling the number of estates receiving green energy and investing in parks and open spaces.

7. Safer communities: We will make Southwark safer with more CCTV, estate security doors and a Women's Safety Charter. We will have zero tolerance for noisy neighbours.

8. More education, employment and training: We will guarantee education, employment or training for every school leaver. And we will create 2,000 new apprenticeships and 5,000 more jobs for local people.

9. Revitalised neighbourhoods: We will make our neighbourhoods places that we can all be proud to live in, transforming areas such as Elephant and Castle, Aylesbury and the Old Kent Road.

10. An age-friendly borough: We want you to get the best out of Southwark whatever your age so we will become an age friendly borough including the delivery of an Ethical Care Charter and an older people's centre of excellence.

Introduction

The Fairer Future Procurement Strategy sets out how the council's Fairer Future commitments are at the centre of both what and how the spend under contracts can get maximum benefit to our local area, economy and our residents. Specifically the Fairer Future Promise to deliver value for money across all our high quality services, as well as some of our values including "being open, honest and accountable" and "spending money as if it were from our own pocket" are directly part of undertaking procurement projects.

The aim of the Fairer Future Procurement Strategy is to provide context and a framework to ensure that the council takes the right steps when:

- Identifying service needs and options for the ways in which these may be best delivered.
- Procuring the supplies, services and works where contracting is the preferred option.
- Managing and monitoring contracts that have been awarded.

The Fairer Future Procurement Strategy must be read in conjunction with the council's contract standing orders and procurement guidelines.

The council's promise to deliver value for money across all our high quality services underpins all procurement projects and runs throughout the Fairer Future Procurement Strategy. The strategy also covers the following Fairer Future values:

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

Spending Money as if it were coming from our own pocket

The council delivers a wide range of services to all residents, workers and visitors to Southwark.

When reviewing service delivery and procuring the council will address the following points:

- Addressing the need to balance price and quality, and to be explicit about the relative importance of both.
- To challenge procurement arrangements and seek opportunities to reduce price, improve quality and maximise efficiency.
- To complete a whole life analysis of options and assessment of risks.
- To continue joint procurement of services with other councils where such arrangements deliver value for money and improved outcomes.
- To reduce the costs of procurement process and the time it takes by taking a planned and co-ordinated approach that is efficient, effective and streamlined, avoiding duplication and waste.
- To ensure existing contracts, frameworks and internal and external procurement options or collaboration opportunities are utilised where appropriate to reduce procurement costs.
- To deliver value for money across all our service delivery and contracts.

The council seeks to operate a mixed economy of service provision with in-house service delivery and ready access to a diverse, competitive range of suppliers providing quality services (including small firms, social enterprises, minority businesses, and voluntary and community sector groups), and wherever possible encourage local sourcing and local employment.

Critically assessing our business needs, from a make or buy decision, to challenging the specified levels of service or identifying possible process efficiencies are precursors to the procurement planning process and ensuring that any possible contract delivers best value. It is important that projects give enough attention and time to plan, in order to take up opportunities that are available to ensure best value is secured.

As part of the “make or buy” option, genuine consideration of in-house service delivery is part of the planning process and explicit consideration of whether the works, goods or services could be provided in-house must be included when developing the procurement strategy.

The council has a good record of bringing previously outsourced services in-house as in-house provision will not always secure service improvements or value for money for operational, statutory or business reasons and in such cases it will be necessary to contract with suppliers.

Where contracting with external suppliers is selected for providing services, the procurement strategy (gateway one report) must demonstrate how this will be successful in meeting defined service objectives and the commitments of the council plan, and how it will achieve long term value for money.

In accordance with our Fairer Future values, the council will seek to exercise good governance in the procurement process. This will include:

- Ensuring all procurement practices are legal, ethical and transparent, conforming to procurement legislation and regulation and robust enough to meet the challenge of external scrutiny.
- Applying appropriate governance arrangements to meet the principles of openness and accountability, and to manage risk.
- Having clear, unambiguous and sufficiently flexible operational arrangements that respond to service needs, reduce red tape and protect statutory and regulatory responsibilities of the council.
- Promoting the commitment of suppliers to the prevention and detection of fraud and corruption in their processes.

Strategic Assessment

This Fairer Future Procurement Strategy introduces a new strategic assessment (gateway zero) for services above £10m in value (excluding capital investment works). This assessment will be for cabinet members (IDM) decision making and will ensure that key strategic contracts have early and timely political input when assessing all options and before a decision about the external procurement of the services.

The strategic assessment by the service head will address the relevant factors in a timely manner to allow a full strategic options assessment. The timing of the review will be influenced by factors including: decisions to in-source, new outsourcing decisions, services provided to vulnerable people, the nature of the organisation to be awarded work, and the length or conditions of the contract.

The review by the service head should explore all options and makes the case for the preferred mode of delivery (e.g. in-house, private sector, voluntary or community sector, shared service), as well as considering the broad methods by which a service is to be delivered (e.g. single provider/framework of providers etc.) as well as possible social value.

The strategic assessment decisions will be included on the forward plan and cabinet members will attend pre-scrutiny sessions on request from OSC. A strategic assessment may also be requested for other contracts by the relevant cabinet member.

Being Open, Honest and Accountable

Protecting the workforce

Where the council renews contracts or outsources services to the private or voluntary sector the following workforce issues must be considered and applied on a case by case basis as allowed by EU procurement, local government and other relevant legislation and as provided by relevant council policy, including:

- Pension provision
- The transfer and treatment of staff under TUPE
- Terms & conditions including sick pay, training and provision of equipment
- Consideration of trade union recognition
- Early consultation with trades unions before possible outsourcing of services
- Gender pay gap and payment differential
- Southwark Ethical Care Charter (in relation to care contracts)

Equalities and Community Impact

The council must have due regard to equality issues and community impact under its Public Sector Equality Duty. The council's Approach to Equality policy sets out how equality and human rights considerations will be embedded into our policies on procurement and commissioning. All Gateway zero strategic assessments and Gateway 1 reports setting out the procurement strategy must show that all relevant equality issues and obligations are taken into account and planned throughout both the procurement process and in the delivery of those functions on behalf of the council.

Diversity Standard

Where the council does renew contracts or outsource services, prospective suppliers must sign up to the council's Diversity Standard. It sets out the policies and expectations for ways of working when delivering contracts that protect the workforce delivering on behalf of Southwark Council. These include:

- Requirement for an offer of guaranteed hours (zero hour contracts)
- Payment of London Living Wage (where appropriate).

Blacklisting

Blacklisting is where employers and recruiters discriminate against individuals based upon trade union membership or activity. This is prohibited by law. All relevant tenders shall include relevant questions relating to any prior blacklisting activity and shall exclude any organisation that cannot satisfy the council's commitment to only doing business with suppliers who meet minimum statutory and ethical standards, in line with best procurement practice. Contracts for public works will include provisions to provide for the termination of the contract if the provider is proved to engage in blacklisting activities during the course of that contract.

Governance

The council has an established gateway process as part of governance process set out in Contract Standing Orders:

Gateway one report – Procurement Strategy

This assesses the options for delivery of needs and makes a recommendation for the best route to market to deliver the contract

Gateway two report – Contract Award Recommendation

This sets out the recommended supplier/s to award of contracts to who have been assessed as offering best value for money from the procurement process following the evaluation process.

This approach will be continued using the e-procurement system to deliver our procurement projects and the system will also enhance the ability to record contract management and monitoring.

Engagement

The cabinet were asked to further enhance engagement with members in respect of contracts or purchases with an estimated value of £100,000 or more through the introduction of a requirement to consult with the relevant cabinet member before a procurement strategy is implemented. This will be formalised through inclusion in contract standing orders

Making Southwark a place to be proud of – Social Value

A key opportunity for the council as part of its commitment to getting the most of its spend with external organisations through contracts is to focus on the possible additional value linked to the contractual spend that benefits the local area, economy and health and wellbeing of residents. This has been termed “social value”.

The council has an obligation under the Public Services (Social Value) Act 2012 to consider what social value could be obtained during a procurement process for all service contracts that are subject to the Public Contract Regulations 2015. The Act offers an important opportunity to achieve more from the council’s spending on services. Southwark Council will go beyond the narrow focus of the legislation and consider what social value can be delivered during the development of all procurement strategies (gateway one reports).

When considering the additional benefits and social value to be delivered, this must support the social, economic or environmental well-being of Southwark and its residents and specifically support the delivery of the council’s Fairer Future commitments and policies. Key areas of social value commitments include:

- Apprenticeships
- Job creation
- Work placement opportunities
- Payment of London Living Wage where appropriate
- Environmental and sustainability considerations
- Health and wellbeing considerations

- Requiring suppliers to comply with the council’s Safer Lorries, Safer Cycling Pledge including the Fleet Operator’s Recognition Scheme at Gold standard where appropriate

The tender process should set out clearly the methodology for evaluating social value during the procurement process and directly link this to the Fairer Future commitments. The evaluation methodology for each tender should be assessed on a case by case basis and the weightings should reflect the relative importance of the social value element to the subject matter of the contract and be proportional to this.

The achievement of social value commitments from proposed successful tenderers should be set out in the contract award recommendation (gateway two report). These commitments should form part of the contract’s key performance indicators and be monitored and reported on as part of best practice contract management, as well as in performance reports to departmental and corporate contract review boards as required.

Making Southwark a place to be proud of – developing staff

The council will continue to develop the skills of staff, including:

- promoting staff competencies in procurement, commissioning and contract management
- ensuring that all procurement activity is undertaken by informed managers supported by professional procurement staff, providing specialist support and advice.
- utilising e-procurement facilities to deliver process and procurement savings.
- providing high quality guidance, support, documentation and awareness sessions for service managers and their staff engaged in procurement processes.
- improving contract management by continuously improving and learning from experience of 'relationship management'.

Contact us

We'd like to hear what you think about this Integrated Efficiency Plan and if you've got questions, we are here to answer them.

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



@lbs_southwark



/southwarkcouncil

Or if you prefer, email councilnews@southwark.gov.uk or call 020 7525 7251.

TR17 Procurement November 2017		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	3
		SUBSTANTIAL	LIMITED	Medium	6
				Low	2
Purpose of audit	A review of the adequacy of the council’s procurement practices against best practice, and the extent to which competition and value for money are achieved. The impact of the implementation of the e-procurement system was also considered.	Added value		The need for greater transparency in the procurement process was identified, the need for a central store of information so that sufficient information is available to confirm that expected practice is followed and that non-compliance can be identified, reported and acted upon appropriately.	
<p>The council’s contract standing orders (CSOs) set out the expectations of council managers and other staff involved in procurement, including roles and responsibilities, financial thresholds for the required competition and approvals. These were last updated and agreed by council assembly on 22 March 2017. In 2016-17 the council moved to an e-procurement system, the aim being that all new procurement activity will be managed through that system, in advance of this becoming mandatory for purchases exceeding the EU threshold in 2018. Training on the new systems is being provided to council managers and employees. Council managers have access to an approved supplier listing, which should be used for specified activities.</p> <p>Key findings - noncompliance with the council’s contract standing orders</p> <ul style="list-style-type: none"> • The approved supplier list was not used for procurement where staff would be required to do so. • Spend with suppliers was not in accordance with the agreed value per the gateway reports, and there was a lack of accountability and information available to explain the variances. • The contract register was not updated for contract leads who have left the council • A number of contracts on the contract register were not published on contracts finder • Arrangements had not been made for contracts that were due to expire • Annual performance reports were not being reported as part of the forward plan. • Conflicts of interest were not declared for all staff listed as contract leads on the contract register. <p>Key findings - the new e-procurement system:</p> <ul style="list-style-type: none"> • The system was not fully utilised due to the storage of documents being optional • Members of staff listed as contract leads on the contract register were yet to receive training on the e-procurement system. • As there is no mandated central location for storing procurement information and documentation, assurance could not be given that single supplier negotiations were not used without being approved and suppliers from the approved supplier list were not used for services outside the scope of the agreed services. <p>Good practice</p> <ul style="list-style-type: none"> • A comprehensive and documented procedural and control framework are embedded in the council’s contract standing orders. <p>Follow up</p> <p>To allow for communication of expectations and further embedding of the e-procurement system, the high and medium recommendations will be followed up in April 2018.</p>					

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.

Improving Southwark's Procurement Practice

following Internal Audit review

Background

- Internal Audit Report completed as part of 2017-18 internal audit plan
- Final report in September 2017
- Considered by the Corporate Governance panel
- Reported to the Audit Governance and Standards committee
- Highlights cross cutting issues
- Requires action by officers across the council
- Good governance is not just the Procurement Advice Team (PAT)

Key message

The audit found that the design of our controls was good. But we didn't always follow them. So if we actually did what our constitution, procedures, and guidance covers then we would be fine:

Design	Operational effectiveness
Substantial	Limited
Appropriate procedures and controls in place to mitigate the key risks.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.
There is a sound system of internal control designed to achieve system objectives.	Non-compliance with key procedures and controls places the system objectives at risk.

Approved Suppliers list

1) The approved supplier list is not being used by managers where required to do so

Please ensure you are familiar with the use of the approved suppliers list (available via Exor) for works or works related services

2) Approved Suppliers list records should be updated

When you use the approved list you must update the Exor record with:

- what was procured
- who was invited to tender or provide a quote
- Tender prices received
- Final pricing details
- Who was awarded the contract
- The contract value

3) If using the Approved suppliers list you still need to update the council's contract register

When you use the approved list you **MUST ALSO** upload details and documentation onto the council's e-procurement system

- this must include gateway reports
- This is a lead contract officer responsibility

Using single suppliers

- 1) **There is a lack of transparency when single suppliers (not competitive quotes/tenders) are used.**

Any single supplier negotiations must be undertaken in line with the council's contract standing orders and recorded on the council's contract register, e-procurement system and approved list as required.

- 2) **At below £25k there is a requirement to ensure value for money and best value and to keep a record of what action has been taken and when.**

The best way of ensuring value for money is to obtain competitive quotes and, if this is not done, you should record the reason for not seeking quotes (e.g. in a gateway report or e-mail exchange or on the project file)

Training requirements

- 1) **Not all lead contract officers have had training on the use of the e-procurement system.**
- 2) **The use of e-procurement will become mandatory in 2018 and the council should make full use of the functionality for storage of procurement and tender document**

E-procurement training is provided and available to book through MyLearningSource. It can also be organised for particular teams as well if needed.

Please contact Tom Smith or Michael Mansa-Ray (procurement support officers) with the names of all key staff involved in procurement, including those named on the contract register, so we can ensure those staff have received training on the e-procurement system.

If you would like training on this please contact Emma Whitehead, interim Head of Procurement, or any other member of the Procurement Advice Team

Record keeping

- 1) **All contracts over £25,000 MUST be recorded on the council's contract register, and on the government's Contracts Finder database.**
- 2) **There have been some difficulties when staff responsible for contracts have left the council without an adequate handover**
- 3) **There are some examples where not acting on a forthcoming contract expiry date to ensure there is a new tender or extension, has raised the risk that the council fails to continue a required service and faces reputational risk or potential financial penalties**

All chief officers, directors and relevant staff responsible for contracts are reminded that you must ensure all contracts above the £25,000 threshold are recorded on both the contract register and contract finder, as per contract standing orders. If you do not know how to add contracts to both Contracts Finder and the council's Contract Register please contact a member of the Procurement Advice Team

Please make sure that responsibility for contracts is passed to a new responsible officer, with appropriate handover, when the original lead contract officer is leaving the council, or moving to take on other functions.

DCRB / management team forward plans should include a contract end date, to challenge the lead contract officer on new arrangements or extensions.

All contracts should be reviewed around 12-18 months ahead of the end date, to allow time for action by the service area responsible.

SAP spend

- 1) **There have been issues where spend with a supplier on SAP has exceeded that anticipated by the contract**

All lead contract officers need to comply with the CSOs in regards to variations to contracts.

When entering a procurement, you should check if their requirements may be covered by an existing contract, and if so, the contract lead should be contacted.

Follow up actions

- **Please note**
 - Intermittent spot checks will be undertaken to confirm that relevant documentation has been uploaded to the Approved List System. Any instances of non-compliance will be reported to relevant chief officers and directors.
 - The procurement advice team will be undertaking regular checks to ensure all contracts are recorded on the contracts register and contracts finder.
 - The procurement advice team will do an annual check on the quality of the contract register
 - Every quarter, the procurement advice team will review the contract register to ensure staff listed as the lead contract officer are still current employees.
 - We will be seeking to use SAP as a control measure to include the contract register reference number as a mandatory field within a purchase order, and will give more information on this as our plan develop

APPENDIX D - List of contracts requiring a six monthly monitoring report

Title	Department	Description	Estimate Value
95A Meeting House Lane, London, SE15 2TU	Housing and Modernisation	The design and build of a new residential development.	£7,296,533
Adult Integrated Drug & Alcohol Treatment System Service	Children and Adults	Contract for treatment of drug and alcohol misuse	£1,096,238
Advice in community Languages	Housing and Modernisation	Provision of advice services	£478,317
Asbestos Consultancy Services Contract A – surveying and bulk sampling	Housing and Modernisation	Contract A: surveying and bulk sampling of the councils residential and other premises for suspected asbestos containing materials. This contract will serve voids, day-to-day repairs and kitchen and bathroom replacements for the Asset Management team.	£7,200,000
Asbestos Consultancy Services Contract B – Air Sampling and monitoring	Housing and Modernisation	Contract B: air sampling and monitoring after asbestos removal to ensure airborne asbestos fibres are absent before the area is occupied. This contract will serve voids, day-to-day repairs and kitchen and bathroom replacements for the Asset Management team.	£1,640,000
Asbestos removal Contract A (North)	Housing and Modernisation	Removal of asbestos; encapsulation of asbestos materials and making safe; reinstatement works on an ad hoc basis; Emergency response that covers 24/7 52 weeks a year asbestos removal service	£6,030,000
Asbestos removal Contract B (South)	Housing and Modernisation	Removal of asbestos; encapsulation of asbestos materials and making safe; reinstatement works on an ad hoc basis; Emergency response that covers 24/7 52 weeks a year asbestos removal service	£5,070,000
Automatic public conveniences	Environment and Social Regeneration	Provision and maintenance (for 15 years) of two public toilets	£950,000
Banking services	Finance and Governance	Banking services	£365,000
Barristers Framework (Lambeth and Southwark)	Finance and Governance	Provision of legal services to Lambeth and Southwark	£6,000,000
Burgess Park Southern Entrance	Environment and Social Regeneration	Landscape Architect consultancy services	£195,133
Canada Water Culture Space	Environment and Social Regeneration	Programming and hires of Canada Water Culture space and	£480,000

Title	Department	Description	Estimate Value
		associated rooms	
CCTV Repairs and maintenance	Environment and Social Regeneration	CCTV repairs and maintenance service for town centre and estate cameras and central control room	£610,739
Community Southwark	Housing and Modernisation	Providing Southwark's Council for the Voluntary Sector (CVS), infrastructure & volunteering services .	£1,271,190
Consultancy services for the delivery of the short and medium term burial provisions in Camberwell Old and New cemeteries	Environment and Social Regeneration	Consultancy services for the development of future burial sites	£176,000
Contract A (north of the borough) Lift Maintenance Contract	Housing and Modernisation	Planned preventative maintenance to passenger & disability lifts, responsive repairs for passenger & disability lifts, stock condition surveys of passenger & disability lifts, refurbishment of passenger lifts & replacement/new installations of disability lifts	£8,815,000
Contract B (south of the borough) Lift Maintenance Contract	Housing and Modernisation	Planned preventative maintenance to passenger & disability lifts, responsive repairs for passenger & disability lifts, stock condition surveys of passenger & disability lifts, refurbishment of passenger lifts & replacement/new installations of disability lifts	£7,160,000
Direct Payment Support	Children and Adults	Direct Payment Support	£167,425
Door Entry and Warden Call Contract	Housing and Modernisation	The awarding authority seeks to appoint 1 contractor for the provision of door entry and warden call maintenance and minor works to its housing stock within the London Borough of Southwark. The contract will include responsive repairs and maintenance to door entry systems, responsive repairs and testing of warden call systems, refurbishments/ replacements of door entry and warden call systems. The contract will be required to provide a 24/7 365 days response repair service.	£7,260,000
Engineering inspection contract and insurance cover.	Housing and Modernisation	Engineering inspection of plant/statutory requirements	£1,275,815
ERPS system and support	Housing and	Combination of SAP & SAP Hana	£500,000

Title	Department	Description	Estimate Value
	Modernisation		
Financial advice	Finance and Governance	Provision of financial advice services	£600,000
Framework Agreement for Landscaping Works Projects within the London Borough of Southwark	Environment and Social Regeneration	Provision of landscaping services.	£14,000,000
General Building Works Back-Up Contract A (North)	Housing and Modernisation	The aim of this contract to provide additional General Building Works in order to reduce the number of over-due orders to an acceptable level until new contracts are in place for the ongoing requirement.	£100,000
Generalist Advice Services - East of Borough & Leaseholders Advice	Housing and Modernisation	Provision of advice services	£2,251,300
Generalist Advice Services - West of Borough	Housing and Modernisation	Provision of advice services	£2,082,594
Grounds maintenance	Environment and Social Regeneration	Parks grounds maintenance	£38,660,090
Heating & Water Contract A	Housing and Modernisation	Heating and hot water services and potable water testing and treatment, individual heating and gas safety inspections and repairs and maintenance to district heating, laundries and sewage plant.	£36,000,000
Heating & Water Contract B	Housing and Modernisation	Heating and hot water services and potable water testing and treatment, individual heating and gas safety inspections and repairs and maintenance to district heating, laundries and sewage plant.	£33,000,000
Integrated Health Service for Young People (Sexual Health and Substance Misuse)	Housing and Modernisation	Provision of sexual health and substance misuse for under 25's.	£1,503,333
Integrated highways maintenance, project delivery and professional services	Environment and Social Regeneration	Maintenance of borough's highway infrastructure; undertaking improvements to the network; provision of design and other services to promote the efficient operation of the network.	£96,000,000
Internal Audit, Anti-Fraud and Risk Management Administration	Finance and Governance	Provision of Internal Audit & Related Services	£3,400,000

Title	Department	Description	Estimate Value
IT cloud	Finance and Governance	IT managed service for the revenues and benefits division	£3,500,000
Leasehold and Ancillary Properties Building Insurance	Finance and Governance	The leaseholders and ancillary properties buildings insurance contract relates to flats and maisonettes sold by the council under long lease terms.	£18,000,000
Library stock supply contract	Environment and Social Regeneration	Provision of library materials (books and audio visual materials) for Southwark Libraries	£1,800,000
Local Education Partnership	Children and Adults	Design and build school building phase 1	£11,300,000
Local Education Partnership	Children and Adults	Design and build school buildings phase 3a	£25,500,000
Local Education Partnership	Children and Adults	Design and build school buildings phase 3b	£31,700,000
Local Education Partnership	Children and Adults	PFI - design, build and operate school building	£19,500,000
Local Education Partnership	Children and Adults	PFI - design, build and operate school buildings	£60,000,000
Long-term Repairs & Maintenance contract	Housing and Modernisation	Day to day repairs and maintenance to both residential and non-residential housing stock	£110,000,000
Major Works Framework Contracts	Housing and Modernisation	This Framework comprises of four separate Lots, each comprising five or six firms to provide sufficient choice and competition within each. The four frameworks cover major works programmes with a value up to £3.5m; major works programmes with a value above £3.5m; work on Southwarks district heating systems; and standalone works on communal and internal electrics.	£528,000,000
Management of the culture space and hiring of the learning and meeting spaces at Canada Water Library	Environment and Social Regeneration	Management of artistic programme and hires	£160,000
Older People Residential Care	Children and Adults	Older People Residential Care	£158,572,900
Parking enforcement, notice processing and associated services	Environment and Social Regeneration	Parking and traffic enforcement managed services	£12,515,200
Pension Fund Advisory Services	Finance and Governance	Advice & Actuarial	£310,690
Pension Fund Investment Management Services	Finance and Governance	Investment management	£1,575,000

Title	Department	Description	Estimate Value
Pension Fund Investment Management Services	Finance and Governance	Investment management	£2,250,000
Pension Fund Investment Management Services	Finance and Governance	Investment management	£800,000
Pension Fund Passive Investment Management	Finance and Governance	Pension Fund Passive Investment Management	£3,610,000
Pension Fund Passive Investment Management	Finance and Governance	Pension Fund Passive Investment Management	£3,610,000
Play provision/ multi activity youth club & befriending scheme	Children and Adults	Short Breaks	£375,000
Play provision/ multi activity youth club & befriending scheme	Children and Adults	Short Breaks	£289,440
Play provision/ multi activity youth club & befriending scheme	Children and Adults	Short Breaks	£386,865
Play provision/ multi activity youth club & befriending scheme	Children and Adults	Short Breaks	£315,000
Portage Home Learning	Children and Adults	Home visiting educational services for children aged 0-5 with developmental delay and/or disabilities	£200,000
Quality Auditing of mechanical services	Housing and Modernisation	Quality audits of individual boiler installations and district heating plant; quality audits of gas servicing systems and processes; testing regimes on cold water storage tanks and temperature monitoring; pre installation quality control audits; work in progress quality control auditing; internal systems auditing to ensure current legislation is complied with; booster sets for high rise builds; leaseholder gas servicing record certificate audits and review	£1,850,000
Removals, Storage and Crate Hire	Housing and Modernisation	Provision of removals, crate hire, and temp storage service	£339,000
Removals, Storage and disposal services	Housing and Modernisation	Provision of removal and transport services for relocation or storage purposes, and services for disposal of goods held in storage.	£2,250,000
Responsive repairs and planned maintenance of Communal Lighting, Landlord's supplies & and Lightning Protection	Housing and Modernisation	Responsive repairs and planned maintenance to communal lighting, landlord supplies and lightning protection systems. Communal lighting is to circa. 3000 blocks.	£4,480,000

Title	Department	Description	Estimate Value
		Contract includes annual tests and responsive repairs to 557 lightning protection systems, stock condition surveys to all communal lighting covered by the contract and some emergency lighting tests. Contractor is required to provide 24/7/365 service	
Revenues & Benefits IT Service (Cloud)	Housing and Modernisation	Managed IT services, provision of hardware & software, support & maintenance for the Revenues & Benefits Service	£3,500,000
Revenues and Benefits processing resilience service	Finance and Governance	Revenues and benefits processing resilience service	£1,900,000
SEND taxis for children, young people and vulnerable adults	Children and Adults	Provision of taxi transport to children and adults eligible for travel assistance with passenger assistants where required.	£10,570,000
Social Care Software	Housing and Modernisation	Case management software	£576,483
Software licence and related agreements	Finance and Governance	Digitalised provision for council tax and housing benefit for the revenues and benefits service.	£165,000
Specialist legal advice & casework services	Housing and Modernisation	Provision of advice services	£2,456,048
Supply of electricity to all Southwark Council sites	Environment and Social Regeneration	Supply of electricity to all Southwark Council sites	£25,600,000
Supply of gas to all Southwark Council	Environment and Social Regeneration	Supply of gas to all Southwark Council	£46,000,000
Waste management	Environment and Social Regeneration	Collection, treatment, recycling and disposal of municipal waste	£665,000,000

Agenda Item 7

Item No: 7.	Classification: Open	Date: 18 July 2018	Meeting Name: Audit, Governance and Standards Committee
Report title:		Anti-Fraud Services and Special Investigations Team progress report April 2017 to March 2018	
Wards or Groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATIONS

1. That the audit, governance and standards committee note the progress on the anti fraud services and special investigations team for the year from 1 April 2017 to 31 March 2018

BACKGROUND INFORMATION

2. The annual report summarises the work of the anti-fraud services (finance and governance) and the special investigations team (housing and modernisation) for the financial year 2017-18.

ANTI FRAUD WORK

3. The anti-fraud work is conducted by two teams:
 - Anti-fraud services within Finance and Governance Department, which investigates cases involving the council's employees, agents, contractors, anyone else conducting business for or with the council, and members of the public. There are multiple types of fraud this could include, including theft, council tax discount/exemption fraud, significant financial fraud, procurement fraud, grant fraud, national non-domestic rates fraud or evasion, false documents, identities and applications, and immigration offences.
 - The Special Investigation Team within Housing and Modernisation Department, which investigates housing tenancy fraud in respect of the housing stock owned and managed by the council and other social housing where legislation directs that a local authority has specific responsibility. This includes cases of unlawful subletting, non-occupation, succession, assignment, mutual exchange, and right to buy.

4. This report is structured:

Reactive Anti-Fraud Work (paragraphs 5 to 7)

Proactive Work:

National Fraud Initiative (paragraphs 10 to 14)

Anti-money laundering and right to buy (paragraphs 15 to 18)

Fraud and verification (paragraphs 19 to 20)

Document scanner (paragraphs 21 to 25)

Transparency (paragraph 26)

Reactive anti-fraud work

5. The number of referrals received through the council's website, email, by letter and fraud hotline for the two anti-fraud teams between 1 April 2017 and 31 March 2018 was 1095
6. The table below shows the number of cases that have resulted in a successful sanction for each of the two anti-fraud teams between 1 April 2017 and 31 March 2018.

Team	2017-18	2016-17
Anti-fraud services	14	16
Special investigations team	47	61
Total	61	77

7. In addition, housing management has recovered an additional 89 properties, and the Special Investigations Team has undertaken an additional 26 preventative actions, which can include a right to buy being stopped or a tenancy succession claim being cancelled.

Proceeds of Crime Act

8. The Proceeds of Crime Act 2002 (POCA) provides for the confiscation or civil recovery of the proceeds from crime and contains the principal money laundering legislation in the UK. This work acts as an important deterrent to show that crime against the council does not pay.
9. Between 1 April 2017 and 31 March 2018, the courts have recognized that those the council has prosecuted have benefited from their criminal conduct to the value of £199,241.75. A total of £119,391.04 has also been received from the proceeds of crime work during this period from available assets.

National Fraud Initiative (NFI)

10. Data for the 2016-17 biennial NFI cycle was released on 26 January 2017. As with NFI 2014-15, housing benefit matches that are identified as potential fraud cases are referred to the DWP.
11. Recommended matches are treated with higher priority as they are considered better quality matches based on matching criteria and risk and have historically yielded positive results.
12. Southwark Council were allocated 41,220 matches to process, an increase of 6,000 (4%) more matches than the previous 2014/15 exercise.
13. Anti-Fraud Services provided help and support to teams processing the matches as well as completing several categories of work where resources were limited in other teams.
14. Southwark teams processed 22,347 matches and identified 2,043 cases of fraud or error in this exercise. The total combined financial outcome (fraud & error) identified up to April 2018 is £1,943,532.86 of which £1,018,142.86 is recoverable.

Anti-money laundering and right to buy

15. When a tenant makes a right to buy application they are sent a pack of information, which from 1 May 2016 includes a form to fulfil the council's responsibilities in respect of money laundering. No right to buy application will be processed without the form being completed.
16. The table below shows the outcomes and where cases are referred to the special investigations team or housing benefit service to review

Total forms issued	Number
Total RTB Applicants	642
AML replies that raised concerns	101
Applications withdrawn by applicant/no response	25
Withdrawn based on information provided on the form	2
Referred to SIT	16

17. When the council believes that a right to buy applicant may be using untaxed income and could be involved in money laundering it takes the following steps:
 - a. This would be resolved by direct contact with the applicant to confirm origin of funding. Southwark Council would not accept cash payments. Applicants or third parties need to show through the banking system where this money is being kept. Bank accounts are taxed at source.
 - b. Suspicious activity reports (SARs) are requested for details under Investigation through an Accredited Financial Investigator and are for information only are marked as Official – Sensitive as defined under CPIA 1996 and subject to Public Interest Immunity. These are kept secure and only authorised officers have access to this sensitive data. Referrals can be made directly to the National Crime Agency through the designated money laundering officer.
 - c. Report if appropriate to HM Revenue & Customs.
18. If the council believes that a tenant is vulnerable, and may have been approached by a firm seeking to exploit that vulnerability through a right to buy application, sale and leaseback arrangement then the council takes the following steps:
 - a. Southwark website provides an 'Important Right to Buy Alert' should residents be offered assistance to buy their council home and provides links to alternative websites for advice. In the event this issue is brought to the attention of the Right To Buy Team they consider each case on it's merit and will consider how to proceed, which may include;
 - b. Referral to Special Investigations Team,
 - c. Referral to Service Officers or Social Services.
 - d. Referral to Financial Conduct Authority if needed.

Fraud and verification

19. A fraud and verification officer within anti-fraud services checks the veracity of waiting list and homelessness applications which have raised a cause for concern and conduct a review to enable housing management to make an informed decision on the applicant's eligibility to remain on the housing register.
20. Between 1 April 2017 and 31 March 2018, 364 cases were handled by the team.

- a. **239** cases: waiting list applicants were recommended for removal from the housing register
- b. **80** cases: applicants were recommended as being bona fides
- c. **35** cases were rejected, **7** cases were set up in error, **3** cases were referred to other departments
- d. There were **13** homeless cases. **6** were maintained, **5** rejected and **2** cancelled.
- e. There were **15** staff cases, **9** were recommended to be maintained and **6** were removed.

Document scanner

21. The council uses seven scanners to verify identity documents including passports, ID cards and driving licenses. The scanners are located at the Aylesbury sub-office, Bournemouth Road, Tooley Street, Peckham and Walworth MySouthwark customer service points, Homeowner agency at Market Place, and Southwark Registrars Office.
22. If a document does not pass the scan, it is rescanned, therefore the number of scans will always be higher, or the same as, the number of customers.
23. A score of 10 or more generally indicated a quality issue, and the document would be rescanned. A score of 15 or more indicates significant concerns about the veracity of the document. All of these cases have been checked by the anti-fraud team.

	Scans	Customers	Score of 10+	Score of 15+	Confirmed FALSE
Aylesbury Sub-Office/NRPF	56	53	12	3	0
Housing Options	2029	1596	405	101	0
Tooley St/Recruitment	878	607	160	33	0
Peckham Service Point	129	98	26	12	0
Registrars	1951	1398	275	84	0
Specialist Housing Services	781	635	155	11	0
Walworth Service Point	498	384	105	26	0

24. Due to issues concerning machine access via online facilities for Feb and March 2018 this data has not been included. However, 2017-18 has seen a 10% increase in scans compared to 2016-17. This also reflects a 10% increase in the number of customers scanned.
25. No false documents have been confirmed by this system in 2017-18, and it is believed that the use of the scanners continues to provide a clear and strong deterrence.

Transparency

26. In February 2015, the Local Government Transparency Code was revised and published. This now includes a requirement to publish the following information about counter fraud work annually. The table below shows the information required.

	2017-18	2016-17
Number of occasions used		
Prevention of Social Housing Fraud powers	25	25
Number of FTE investigators/prosecutors	12	12
Number of FTE accredited counter fraud		

officers	11	10
Total spend	£541,395	£570,303
Total number of cases investigated	1102	509

Policy implications

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

Community impact statement

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

Resource implications

29. The costs of the anti-fraud service are met from existing budgets.

Consultation

30. Consultation has not been undertaken.

Supplementary advice from other officers

31. None required.

BACKGROUND DOCUMENTS

Background Papers	Held at	Contact
None		

APPENDICES

No	Title
None	

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Paul Bergin, Senior Investigation Officer	
Version	Final	
Version Date	10 July 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	No	No
Cabinet Member	No	No
Final Report Sent to Constitutional Team		10 July 2018

Item No: 8.	Classification: Open	Date: 18 July 2018	Meeting Name: Audit, Governance and Standards Committee
Report title:		Internal Audit update July 2018	
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 2018-19.

Consultation

5. The 2018-19 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	Ian Young, Departmental Finance Manager	
Report Author	Virginia Wynn-Jones, Principal Constitutional Officer	
Version	Final	
Version Date	10 July 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		10 July 2018

LONDON BOROUGH OF SOUTHWARK

INTERNAL AUDIT PROGRESS REPORT

Audit, Governance and Standards Committee

18 July 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 6 June 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 progress 2017-18 and 2018-19

Progress against the internal audit plans for 2017-18 and 2018-19 is set out in sections 2 and 3. For 2017-18, this covers audits finalised since the last meeting of the committee and work in progress.

Where reports have been finalised, the executive summary from each audit is summarised in section 4.

Follow up

A summary of the follow up of all high and medium priority internal audit recommendations is provided in section 5.

Schools audits 2018-19

The audit programme is progressing as planned. Where a final report has been issued, the audit opinions are included in section 3.

Non internal audit services provided by BDO

BDO has provided the following non internal audit services since the last meeting:

- Independent verification of the validity of historical costs relating to the Canada Water development
- Audit of the Teachers' Pensions End of Year Certificate for the year ended 31 March 2017

We do not consider that undertaking this work has caused the internal audit service any conflict of interest in delivering the internal audit programme.

2. INTERNAL AUDIT PLAN 2017-18 - STATUS REPORT

This table summarises the status of audits finalised since the last meeting or audits that are in progress.

Please note that all reports issued (whether draft or final) as part of the internal audit plan for 2017-18 are included in the internal audit annual report and annual statement of assurance for 2017-18.

Audit	Director / audit sponsor	Days	Timelines					Assurance opinion	
			Start	Closing meeting / Status	Draft	Final	Committee	Design	Operational effectiveness
Housing rents	Director of exchequer services	20	30/10/2017	16/1/2018	31/1/2018	2/7/2018	July 2018	Moderate	Limited
Food safety	Director of environment	10	2/1/2018	19/3/2018	26/3/2018	4/7/2018	July 2018	Moderate	Limited
Goods storage	Director of resident services	10	1/2/2018	23/3/2018	28/3/2018	4/7/2018	July 2018	Limited	Limited
IT disaster recovery	Director of modernise	20	30/1/2018	5/3/2018	6/3/2018 & updated 20/4/2018	5/7/2018	July 2018	Limited	Limited
Data sharing - multi-agency working	Directors of resident services, adults' services and childrens' services	15	26/6/2017	10/5/2018	1/6/2018	9/7/2018	July 2018	Limited	Moderate
Apprenticeships levy	Director of modernise	15	17/3/2018	28/3/2018	23/5/2018 & updated	9/7/2018	July 2018	n/a - Advisory review	
Payroll	Directors of exchequer services and modernise	25	27/11/2018	20/12/2017	29/1/2018 & updated 27/6/2018	9/7/2018	July 2018	Moderate	Moderate

Audit	Director / audit sponsor	Days	Timelines					Assurance opinion	
			Start	Closing meeting / Status	Draft	Final	Committee	Design	Operational effectiveness
Mosaic	Director of adult social care	25	9/3/2018	23/3/2018	29/3/2018 & updated 25/4/2018	9/7/2018	July 2018	Moderate	Limited
Community safety partnership	Director of communities	15	16/10/2017	22/3/2018	22/3/2018	9/7/2018	July 2018	Moderate	Moderate
Ledbury estate compensation payments	Director / departmental finance manager	5	6/2/2018	8/2/2018	22/2/2018	Management responses received, awaiting formal sign off by the audit sponsor	July 2018	Moderate	Limited
Access to services	Corporate governance panel (CGP)	25	19/6/2017	Draft report to CGP	28/3/2018 Findings accepted	Report presented to CGP on 11 June 2018	July 2018	Moderate	Moderate
Governance - decision making	Corporate governance panel (CGP)	25	2/10/2017	25/5/2018	1/6/2018 Findings accepted	Report presented to CGP on 11 June 2018	July 2018	Moderate	Moderate
Leaving care	Director of children's services	15	6/3/2018	27/3/2018	29/3/2018	Management responses received, awaiting formal sign off by the director	July 2018	Moderate	Limited

Audit	Director / audit sponsor	Days	Timelines					Assurance opinion	
			Start	Closing meeting / Status	Draft	Final	Committee	Design	Operational effectiveness
Housing investment decision making	Director of asset management / director of resident services	10	24/10/2017	27/3/2018 further meeting 19/7/2018	6/4/2018 (for discussion)		September 2018		
Financial planning/ budget monitoring	Director of finance / chief officer's team	25	04/9/2017	24/5/2018	6/7/2018		September 2018		

3. 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
CCTV	Director of environment	15	6/4/2018	13/4/2018	1/6/2018	5/7/2018	July 2018	Substantial	Moderate
Access to restricted areas (cfwd from 2017-18)	Director of asset management	10	23/4/2018	16/5/2018	26/6/2018	10/7/2018	July 2018	No	Limited
Chargebacks (cfwd from 2017-18)	Director of finance	10	2/4/2018 Continuation of work started in 2017-18	14/5/2018	27/6/2018		September 2018		
Temporary accommodation (cfwd from 2017-18)	Director of customer experience	15	21/3/2018	26/6/2018 & 11/7/2018	29/6/2018		September 2018		
Right to buy and ad hoc sales	Director of customer experience	20	14/5/2018	28/6/2018	11/7/2018		July 2018		
IT change controls	Director of modernise	15	22/5/2018	3/7/2018 & 5/7/2018	11/7/2018		September 2018		
Tenancy management organisations	Director of communities	15	4/6/2018	Reporting			September 2018		
Better care fund	Directors of adult social care and commissioning	15	21/5/2018	Reporting			July 2018		
Parking management	Director of environment	15	16/7/2018	ToR agreed			November 2018		

Audit	Director / audit sponsor	Days	Timelines					Assurance opinion	
			Start	Closing meeting / Status	Draft	Final	Committee	Design	Operational effectiveness
Youth and play service	Director of leisure	15	16/7/2018	ToR agreed			November 2018		
Public health - health in all policies	Director of health and wellbeing	20	25/7/2018	Start date confirmed, draft ToR issued			September 2018		
Legal fees	Director of law and democracy	15	10/9/2018	Start date confirmed, draft ToR issued			November 2018		
Recruitment checks - criminal convictions (cfwd from 2017-18)	Director of modernise	10	TBC	Terms of reference issued. Awaiting documentation pack.			September 2018		
Business continuity planning	Head of chief executive's department	25	Q4 (was Q2)	Deferred to Q4 at request of management, draft ToR issued			November 2018		

Schools internal audit plan 2018-19

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 2018 and March 2019.

The internal audit assurance opinions provided for the schools audited to date are as follows:

School	Design	Operational Effectiveness
Final reports issued since the last meeting of the audit, standards and governance committee		
Ann Bernadt Nursery School	Limited	Limited
Dulwich Wood Nursery School	Moderate	Moderate
John Ruskin Primary School	Moderate	Moderate

4. SUMMARY OF INTERNAL AUDIT FINDINGS

MA03 Housing Rents July 2018		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	1
		Moderate	Limited	Medium	4
				Low	5
Purpose of audit	To provide assurance over the controls in place to accurately collect and allocate rental income.	Added value	We identified a disjointed and inconsistent approach due to a number of teams being involved in various processes that affect the collection of housing rents. There was a lack of knowledge regarding where certain responsibilities lay within the council.		
<p>The council's housing rents team collect approximately £215m in rent per annum from circa 33,000 properties. Tenants may pay rents due by PayPal, rent card, bank transfer, standing order or direct debit. A new way of working has been introduced, which includes a change of approach to income maximisation and debt chasing due to the challenges presented by the roll out of universal credit, utilising the 'Rent Sense' software for a risk based approach to debt management, a greater emphasis on the customer experience and increased engagement to reduce the risk of payments being missed.</p> <p>Good practice:</p> <ul style="list-style-type: none"> • Reconciliations between AIM, SAP and iWorld are undertaken accurately and are approved within a timely manner • Housing stock reconciliations between additions and removals are updated and completed on a monthly basis • There was an adequate segregation of duties and supporting documentation for the amendments made to rental values of properties. <p>Key findings:</p> <ul style="list-style-type: none"> • Supporting documentation for refunds was not saved on information@work • Write-offs were completed without sufficient evidence of authorisation after adequate checks being undertaken • Rent liabilities and accounts could be amended by inappropriate and non-current staff members • Amendments to rent liabilities were made without the correct level of authorisation and requests were not retained centrally • Properties were removed from the council's housing stock without authorisation. 					
Looking forward: supporting the council's journey from moderate / limited to substantial assurance					
Design	Moderate →	Substantial	Upload all documentation within two weeks of it being completed Introduce a pro forma for amendments to, or removals of, properties Introduce a pro forma which is consistently used by all teams when requesting system access		
Operational Effectiveness	Limited →	Substantial	Undertake sample testing of those cases for which documentation has been lost Improve staff awareness for the removal of access rights if they are no longer required		
Follow up - The recommendations will be followed up in January 2019 as part of the next audit of housing rents.					

EL51		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
Food Safety July 2018		Design	Operational effectiveness	High	2
		Moderate	Limited	Medium	2
				Low	1
Purpose of audit	A review of the resource planning measures that the council's food safety team has in place to ensure that all required food safety inspections can be completed within the required timeframe.	Added value	We explored the council's relationships with other services such as business rates to help with identification and reconciliation of all food premises in the borough. We contacted the procurement team to determine possibilities of prioritising recruitment of agency staff or preferred suppliers frameworks to support the team.		
<p>The council is responsible for enforcing the Food Safety Act 1990 across the borough, including the inspection of premises that handle food, to ensure that premises are hygienic, food is safe and infectious disease is mitigated. The Food Standards Agency (FSA) sets the criteria and timeframes. The council was last audited by the FSA in 2012. The council has reported to the FSA that it has not been meeting the required number of inspections per the FSA criteria. If the service continues to fail to meet the required standards, the FSA has the power to take over the running of enforcing the Food Safety Act 1990 in the borough and the council would incur any costs for this arrangement. However, in practice is rare and Southwark's performance has not been raised as a significant risk by the FSA. The director sought assurance and advice on how to ensure that the team has a robust resource planning strategy and performance monitoring process to help identify potential future issues arising and to have appropriate contingency plans in place to ensure the team complies with legislation.</p> <p>Good practice:</p> <ul style="list-style-type: none"> • A comprehensive master spreadsheet for food premises pre and post inspection allows easy comparison over time of hygiene ratings and risk profiles, and whether inspections are required more or less frequently • A risk-based approach is used to prioritise premises that require inspection based on the resources available. <p>Key findings:</p> <ul style="list-style-type: none"> • The council is meeting just under 40% of the inspections required under the Food Standards Agency's premises criteria (although the majority of these are low risk premises and the council inspects the known high-risk premises) • The service has not completed any form of reconciliation to confirm the actual number of known premises in the borough. Any potential violation is the responsibility of the owner and not the council if they fail to report the existence of their premises. • The service does not have relationships in place with all council services that deal with food premises • The food safety team's service plan is not formally presented to the strategic director for environment and social regeneration and the lead member with responsibility for this area. 					
Looking forward: supporting the council's journey from moderate / limited to substantial assurance					
Design	Moderate →	Substantial	Develop a plan as to how the inspection shortfall will be addressed and seek agreement from the strategic director of environment and social regeneration.		

			<p>The team's service plan should be approved by the relevant cabinet member and strategic director for leisure & environment before being published</p> <p>The service needs to liaise with other council services to either gain access to their databases or receive information in regards to food premises.</p>
Operational Effectiveness	Limited →	Substantial	<p>A formal record should be retained to evidence the calculations for the number of inspections that can be completed compared with the FSA's requirements</p> <p>Performance targets need to be reviewed on an annual basis and adjusted to be a challenging target to help achieve FSA targets and improve performance</p> <p>Introduce the plan to address the shortfall in inspections of premises.</p>
<p>Follow up The recommendations will be followed up in November 2018 in line with the agreed management implementation dates.</p>			

HM53 Goods Storage and Disposal July 2018		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	1
		Limited	Limited	Medium	5
				Low	2
Purpose of audit	To provide assurance that the goods storage and disposal procedure is being implemented effectively and efficiently.	Added value	A fundamental weakness was identified in the reconciling and payment of invoices, meaning under or over payments may have been made to the contractor unknowingly.		
<p>Since the previous audit in July 2015, the housing and modernisation department has taken over the responsibility for contract management and the service is now compliant with the council's contract standing orders, and has reduced from three to a single provider, whose fees cover pickup, storage and disposal of items. The service has reduced the number of items held in storage from 271 to 101 as at October 2017, resulting in reduced monthly costs of storage from £84,071 to £12,336. When a tenant leaves items behind at the end of a tenancy, a resident services officer (RSO) visits the property, takes an inventory of items, photographs the items and makes a storage request to the housing finance team. The systems team will contact Harrow Green to pick up and store the goods. Invoices from the provider are checked on a monthly basis by the housing finance team and reconciled against the two 'central' logs maintained by the team.</p> <p>Good practice:</p> <ul style="list-style-type: none"> • Goods had only been collected by tenants after liaising with the council • There was a consistent approach to goods storage and disposal across temporary accommodation, sheltered housing and resident services • There was insurance in place to cover damage caused by the contractor <p>Key findings:</p> <ul style="list-style-type: none"> • Monitoring meetings were not evidenced as being undertaken on a regular basis • A number of issues were identified with the completeness of the reconciliations undertaken on the accuracy of invoices • Inventory checks were not undertaken in line with the goods storage and disposal procedure • Checks of the storage facility were not undertaken • Insufficient evidence was retained relating to the disposal of goods. 					
Looking forward: supporting the council's journey from moderate / limited to substantial assurance					
Design	Limited →	Substantial	Ensure incorrect invoices are not paid Obtain supporting photographic evidence from the contractor of the number of storage cases		
Operational Effectiveness	Limited →	Substantial	Implement a regular schedule of contract monitoring meetings Remind staff of the need to follow the inventory process outlined in the procedure Obtain greater supporting documentation relating to the disposal of goods		
Follow up The recommendations will be followed up in September 2018 in line with the agreed management implementation dates.					

IT05 IT Disaster Recovery July 2018		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	3
		Limited	Limited	Medium	3
				Low	0

Purpose of audit	To provide assurance that the council has adequate arrangements in place to recover its IT services, hardware and infrastructure in the event of a disaster.	Added value	Review of the council's IT disaster recovery arrangements highlighted potential issues in areas that could significantly affect the council's ability to recover to offer critical IT services in the event of a disaster.
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In October 2017, Southwark council exited their contract with Capita for the provision of ICT services and joined with the London Boroughs of Lewisham and Brent to operate as a shared ICT service. The shared ICT service is responsible for the provision and maintenance of the councils' IT estates. It is expected that the council will have migrated its data from the Capita data centres by October 2018. The councils' shared ICT Service is responsible for the management and availability of IT resources. This includes the disaster recovery and backup arrangements. Ownership of the ICT systems rests with the respective Head of Service.

Good practice:

- The Shared ICT Service has contracted with SunGard, a third party vendor to provide disaster recovery and testing services.
- There are appropriate arrangements in place to successfully backup data.

Key findings:

- The IT disaster recovery procedures have not been tested
- The impact of an IT disaster on the council has not been adequately assessed
- The recovery objectives are not aligned to the council's continuity requirements
- Work is underway across the council to update business continuity arrangements and the ICT service will need to ensure their arrangements are strengthened in accordance with that process
- The IT Disaster Recovery plan was last updated in March 2016
- Backup and restoration procedures have not been defined.

Looking forward: supporting the council's journey from limited to moderate assurance

Design	Limited → Moderate	Update the IT disaster recovery plan. Assess the impact of an IT disaster on the council Align the recovery objectives with the continuity requirements of the council
Operational Effectiveness	Limited → Moderate	Formally test the disaster recovery arrangements Update the IT Business Continuity Plan in place Update backup procedures

Follow up
The recommendations will be followed up in April 2019 in line with the agreed management implementation dates.

HM52 Data Sharing - Multi-Agency Working July 2018	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	1
	Limited	Moderate	Medium	3
			Low	2

Purpose of audit	To review the adequacy of the council's procedures, controls and protocols and provide assurance that there is a consistent approach in identifying potential vulnerable tenants and that the flow of information between the different parts of the council and other agencies supports the 'single view of the customer'.	Added value	Undertaking the review helped to identify there is a need for an electronic approach to sharing data between directorates to ensure relevant information is shared appropriately but also on a timely basis.
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Within the council and externally there are a number of multi-agency approaches to the provision of housing and consequently client information is recorded across various council systems and external partners systems. Where the council has faced serious case reviews, a regular theme has been the failure to share sufficient information between parties to ensure that all are aware where the client is known to be vulnerable. This includes the communication of the actions that are required to ensure that the client receives the correct support or housing to meet their needs and deliver the council's vision in practice.

Good practice:

- Housing Services has produced written procedures for referrals.
- Housing Services use a referral form to social care detailing concerns of an individual for potential assessments.
- Procedures in place for sharing data in relation to safeguarding cases, which are covered by data protection.

Key findings:

- There is no data sharing agreement between housing services and children's and adults services departments as to how to and what information could be shared on vulnerable tenants unless a case is a serious case review where it is covered under a national agreement.
- A reconciliation between the information held by the departments has not been undertaken to ensure both databases have current details of risk assessments and if clients are tenants of the council. At present, the two databases are standalone systems.
- Checks are not undertaken on the access to department databases by staff from outside of the department.
- Information raised following risk assessments is not being shared with housing services that raises an issue on health and safety for staff who could potentially attend addresses of tenants without knowing the full details of their vulnerabilities.
- Children's and adults services currently have no formal process to refer clients with vulnerabilities to housing services.
- There are no written procedures in children's and adults services covering the referral of clients to housing services so no way of ensuring the right officer is contacted to avoid possible delays.

Looking forward: supporting the council's journey from limited to moderate assurance			
Design	Limited →	Substantial	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.
Operational Effectiveness	Moderate →	Substantial	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.
Follow up The recommendations will be followed up in November 2018 in line with the agreed management implementation dates.			

HM75 Apprenticeships Levy July 2018		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	0
		N/A - Advisory Review		Medium	4
				Low	3
Purpose of audit	To provide assurance that the processes in place at the council effectively support the correct calculation of the Apprenticeship Levy payable to HMRC and the accurate and timely draw down of funds from the Digital Account.	Added value	Data analytics was undertaken to match payroll, HR and apprenticeship records and identify discrepancies with ages and NICs, as well as those who fall within IR35 yet have not been included within the calculation of the pay bill. We engaged a BDO employment tax specialist to identify improvements to bring the council in line with best practice.		
<p>The UK government has a target of three million apprenticeships by 2020 and the aim to ‘upskill the workforce’. The Apprenticeship Levy has been chosen as the route to fund, encourage and increase employer engagement. Introduced by the Finance Act 2016, the Levy is applicable to all employers (or groups of connected employers) with a combined pay bill of £3m or more. The Levy has been set at 0.5% initially and is payable to HMRC alongside PAYE/NIC as part of the Real Time Information (RTI) system. The pay bill is defined as any amount subject to Secondary Class 1 NI Contributions (including any earnings below the secondary threshold). As of February 2018, the council’s pay bill for the 11 months totalled approximately £130m, bringing the levy to date to £637,104. Levy paying employers are able to access and utilise the English proportion of their levy (plus a 10% uplift) via a Digital Apprenticeship Service account. Funds held in the digital apprenticeships account will only be available for the levy-payer’s use for 18 months. After that any unused funds are transferred into a central government fund. Each separate levy payment (plus the associated 10% government top-up) will have its own 24-month lifespan (increased from the originally proposed 18 months). Funds used to provide training are taken from the account on a first-in-first-out basis.</p> <p>Good practice:</p> <ul style="list-style-type: none"> • There were parameters evidenced as in place for the calculation of the pay bill and NICs for apprentices under 25 • The Apprenticeship Levy liability was notified to HMRC in a timely manner. <p>Key findings:</p> <ul style="list-style-type: none"> • There is a lack of assurance that connected charities have been identified, and those identified have not been included on the council’s Digital Account to allow for access to the levy • Payments made to workers who are engaged by the council via a personal service company (PSC) which falls under the scope of IR35 are yet to be added onto the payroll and included within the calculation of the pay bill, reducing the entitlement for the council and understating the levy • NICs have been taken for apprentices under 25 due to data entry errors, inflating the council’s pay bill and therefore the levy • The full cost of training is not known to the council until each qualification has been through procurement so forecasting to ensure the use of the levy before expiry is complex, and the digital account functionality around this has not worked since the introduction of the levy. 					

MA05 Payroll July 2018		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	0
		Moderate	Moderate	Medium	7
				Low	3

Purpose of audit	To review the adequacy and operational effectiveness of the key controls in place to manage the identified risks in respect of the payroll and expenses.	Added value	We undertook a number of data analytics tests in addition to our sample testing in order to identify potential areas of improvement. This included analysis of overtime payments being made by the council.
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Within the Exchequer Services Division of the Finance and Governance Department, the council has a SAP Competency Centre, which includes the officers responsible for SAP HR and Payroll management and running the actual payroll. The council's Human Resources team is in the Housing & Modernisation Directorate, which is split into HR Operational service and HR Strategy & Development. There is a service level agreement between payroll and HR. Southwark Council processes the payroll for 4,600 staff on a monthly basis. The monthly payroll cost for officers is £15m and the monthly payroll cost for pensioners is £5m. Council managers work with the HR operational teams concerning new starters, leavers and variations for the staff for which they have line management responsibility. HR notifies the payroll team for the financial aspects of these changes to be reflected in the payroll system. The council operates an employee self-service (ESS) system where processing/approval regarding sickness, annual leave, unpaid leave, overtime and expenses can be undertaken. If individuals cannot access the system then managers can do this on the individual's behalf. Some services are not on ESS such as Southwark Cleaning where managers issue payroll with excel documents of time to be compensated that is then processed.

Conclusion:

New systems and procedures implemented during 2017 have strengthened controls around the processing of HR and payroll transactions. There has also been clarity of the roles and responsibilities of the respective teams and the introduction of management checks on processes and reviews on the sufficiency and retention of evidence to support decisions made on pay, amendments and other transactions. This is a positive direction of travel in relation to procedures being introduced, which has resulted in an improvement from part limited to moderate assurance. The further introduction of sample checks on the timeliness of notifications from managers, timely processing and completeness of documentation should further enhance the control environment. There is the need for more manager awareness of their responsibilities, and holding managers to account for non-compliance with expected practice.

Key findings:

- Testing identified that supporting evidence and appropriate approvals were not being retained in all cases by the HR or payroll teams in respect of: the processing of starters, leavers, including settlement and redundancy agreements, amendments to bank details and contract variations
- Managers were not notifying HR and completing the correct lines of entry on the casework system on a timely basis, leading to the payroll processing deadlines being missed and remedial action having to be take in the subsequent month
- We did not receive all supporting documentation related to expense claims and we noted that there were claims without sufficient supporting documentation that had been processed
- Ten exceptions concerning access rights in SAP were identified.

In addition to the key findings, we noted that:

- SAP has been upgraded and some stages of the current payroll run procedure have become an automatic process. Therefore, the procedure may need to be updated once the upgrade is completed.
- HR has introduced a new change to the issuing of starter contracts from mid-November onward, all starter contracts will be issued along with the start date confirmation email. This practice is adopted in order to improve the Council's compliance with the 8 weeks requirement. Testing found that the eight-week deadline was generally being met.

Data Analytics

- A review of whether all payments made had a corresponding payee in the master file data found two exceptions. One employee received three months further payroll after they had left the council as the manager failed to notify HR and payroll. One employee did not receive the sum due for outstanding annual leave that took four months to be rectified.
- A review of overtime paid in the current financial year, up to November 2017, identified that the top 25 employees (for overtime payments) had received a sum of £198,890 and as a percentage of their basic salary the highest earner received an additional 57.8% (£11,560) and the lowest an additional 29.24% (£6,103). On average, the top 25 had received an additional 37.46% of their basic salary in Overtime payments.
- It was noted that 24 of the 25 employees receiving overtime payments came from the Environment & Social Regeneration Directorate and were in the Cleaning Services Department.

Looking forward: supporting the council's journey from limited to moderate assurance

Design	Moderate →	Substantial	Ensure procedures and control frameworks are updated and clear Overtime should be subjected to regular review and scrutiny
Operational Effectiveness	Moderate →	Substantial	Ensure documents are retained on SAP in a timely manner. Ensure that leavers who have access to SAP and their profile on SAP are removed on a timely manner Leavers and contract variation should be recorded on Casework Managers should obtain and retain appropriate supporting documentation from employees prior to approval of expense SAP access should be reviewed on a regular basis to ensure it remains appropriate

Follow up

The recommendations will be followed up in November 2018 as part of the next audit of payroll.

CAS63 Mosaic July 2018	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	2
	Moderate	Limited	Medium	1
			Low	1

Purpose of audit	To review the arrangements for recording, approving and processing social care packages within Mosaic, such that only valid cases and accurate amounts are generated for processing and payment via SAP.	Added value	An in depth review of the documentation needed to back up the payments being made was carried out.
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Mosaic is the council’s care database, and the majority of invoices received by the council for care packages are processed for payment via SAP through interfaces from the Mosaic system. The audit focussed upon this type of payment. Care support plans that set out the packages provided to clients are authorised by the appropriate panel or a delegated officer. The care package details are loaded on to Mosaic, including the amount to be paid to the provider and the payment cycle (e.g. weekly or monthly), and are authorised via electronic workflow. Mosaic will automatically pick up payments due based on the payment cycle and produce an interface file that is sent to the SAP team to be processed. The financial control and processing team perform a basic reconciliation of number of records and amount and run the interface through SAP to generate the payments to providers. Invoices are received from providers by the appropriate finance team and details loaded on to Mosaic against the relevant client and care plan.

This is an annual audit, as Mosaic is now a key system that drives social care payments made by the council. Through discussion with management, the specific areas of social care focussed upon this year were learning disability residential care and older people nursing care, based upon the volume and materiality of transactions being processed through the system and specific areas of concern.

Good practice:

- There is a set of policies and procedures to help guide the social worker teams and the finance teams in the processing and preparation of Mosaic payments
- Access to systems is well managed, maintaining a segregation of duties through the workflow
- Sufficient checks are carried out on the Mosaic file prior to payment
- Interface files from the Mosaic system to the SAP system have several in built checks to reject mistakes and incorrect payments, in addition to a reconciliation that is prepared to ensure that changes to the interface files are correct and signed off appropriately.

Key findings:

- Panel assessments and approvals for care packages and financial assessments were not evident on the Mosaic system.
- Support plans are not being reviewed within a year as required
- In one case there was a recorded panel decision to move a client onto a substantially lower care package. This panel decision was not actioned or appropriately followed through and recorded, we were advised that this was a panel suggestion rather than approval to act, however the Mosaic system was not clear on this point.

We also found minor variations in cost figures between support plans, panel assessment and Mosaic forms. This could be because an average weekly cost for the year figure is prominent on each client’s profile page, and this figure could be used rather than the actual weekly cost in some calculations.

Looking forward: supporting the council's journey from limited to moderate assurance			
Design	Moderate →	Substantial	Introduce a monthly review of a sample of 10% of all new cases to ensure all documents have been completed and saved correctly
Operational Effectiveness	Limited →	Substantial	<p>Ensure that all support plans, panel assessments and financial assessments are being completed appropriately and then being saved down to the Mosaic system. A review of current cases should be conducted to address any gaps in documentation.</p> <p>Ensure that actions arising from care plans and panel assessments are put into place in a timely manner</p> <p>Introduce monitoring of documentation review dates to ensure that documents do not fall out of date.</p>
<p>Follow up The recommendations will be followed up in January 2019 as part of the next audit of Mosaic.</p>			

CAS31 Community Safety Partnership July 2018		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	0
		Moderate	Moderate	Medium	2
				Low	1
Purpose of audit	To provide assurance on the management and monitoring controls over the new commissioning arrangements for leaving care, and the extent to which they are meeting the stated objectives and delivering against required standards and meeting key performance indicators.	Added value		We helped review the new risk scoring system that separates care leavers by their needs into high, medium and low risk categories.	
<p>The community safety partnership team works with the police, fire services, victim support and other agencies to tackle crime, anti-social behaviour and substance abuse issues in the borough of Southwark. “Making the Borough Safer” is one of the council’s ten “Fairer Future Promises”. In March 2017, the community safety partnership team was re-organised and is now part of the communities division of the housing and modernisation department. The team’s work has several strands directed at different areas of focus, such as drug and alcohol treatment and domestic abuse. Services provided either can be conducted by in-house teams or the council will engage with its partners to help provide external services. External services will be agreed through a contract or a grant with KPIs and targets to help the council ensure that services are being completed to the correct standards and timeframes.</p> <p>Good practice:</p> <ul style="list-style-type: none"> • There are strong, robust strategies in place for each of the strands of the community safety partnership team. • Each strand is holding regular monitoring meetings • There is a clear structure regarding roles and responsibilities in the service, with each sub group reporting into an overall committee • Relationships with each service have been well defined in the contracts agreed • Agreements are well structured to allow the council to have good oversight on the fulfilment of obligations on behalf of the clients. <p>Key findings:</p> <ul style="list-style-type: none"> • There is no consolidation of the separate strands to help provide an overall financial view of the service • When undertaken, the monitoring conducted on targets and KPIs is of sufficient frequency and depth, but not all the targets and KPIs within agreed contracts are being monitored. 					
Looking forward: supporting the council’s journey from limited to moderate assurance					
Design	Moderate →	Substantial	Introduce a standardised consolidated view of the overall finances that pulls together the separate strands to be discussed quarterly		
Operational Effectiveness	Moderate →	Substantial	Ensure that all contractual targets and KPIs are monitored within expected timeframes		
<p>Follow up The recommendations will be followed up in August 2018 in line with the agreed management implementation dates.</p>					

ADD04		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
Ledbury Estate Compensation Payments July 2018		Design	Operational effectiveness	High	1
				Medium	1
		Moderate	Limited	Low	2
Purpose of audit	To provide assurance over the record keeping and validity of cash payments being made to residents of the Ledbury Estate in the period 10 August 2017 to 7 January 2018.	Added value	We included an example to use as a basis for the changes to the processes and controls, and highlighted how the council can strengthen its current controls and improve the assurance rating in this area should similar situations arise on the future.		
<p>In August 2017, the council took the decision to turn off the gas in all four tower blocks on the Ledbury Estate; this followed a structural survey that identified safety concerns. A full evacuation of the properties was not undertaken, rather the council implemented a programme of replacing gas-powered appliances (e.g. heaters, cookers) with electrical ones. Residents had a range of options made available to them, from choosing to stay and using electrical hotplates and free shower facilities at leisure centres, making a request to move into temporary accommodation or making a bid for a permanent move via the council's housing solutions service. The council made compensation payments to residents of the four tower blocks since August 2017 via cheque and cash. At the time of the audit in February 2018, the total amount of cash approved by the strategic director of finance and governance to the area manager responsible for the Ledbury Estate is £12,000. Following a request by the Area Manager for a further £2,000 cash float on 12 January 2018, the strategic director of finance and governance requested an audit of the controls in place concerning the compensation payments.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • Cash and cheque payments were not always supported by documentation to evidence the validity of the payment • Payments were not reviewed and authorised by management • A weekly formal forecast was not being undertaken on likely cash required. <p>We recognise that applying controls can be challenging in emergencies but there is an increased risk of fraud and error in these situations that requires enforcement of these controls.</p>					
Looking forward: supporting the council's journey from limited to moderate assurance					
Design	Moderate →	Substantial	Introduce written procedures and criteria for cash payments Introduce forecasts for future payments		
Operational Effectiveness	Limited →	Substantial	Management review and authorisation of payments Checks to ensure completeness and accuracy of payment registers		
<p>Follow up As this was an unusual situation, our recommendations are there to be applied to any similar future circumstances, an in-year follow up will therefore not be undertaken.</p>					

TR01 Access to Services July 2018		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS									
		Design	Operational effectiveness	High	1								
		Limited	Moderate	Medium	3								
				Low	2								
Purpose of audit	This audit focused upon the adequacy of the control framework for identifying where customers no longer require services or are no longer eligible to receive services and/or funding.	Added value	A cross-council review has been undertaken to identify recurring issues across a range of departments. A lack of cross-council communication has been identified.										
<p>This is the final of three thematic reviews undertaken by internal audit on access to services as part of the council's internal audit strategic plan. The earlier reviews (carried out by the previous internal auditors) considered initial applications and changes to circumstances. This audit focused upon when a customer of the council no longer requires a services or is no longer entitled to receive such services and / or funding. The previous audits, which covered exchequer, housing, finance, culture and customer experience, have highlighted areas for improvement including the introduction of a framework to ensure a consistent approach across services for validation checks and retention of evidence and notifying other council services of changes.</p> <p>Conclusion:</p> <p>Overall, there was a lack of knowledge relating to the retention of documentation or whether any data cleansing would be undertaken to ensure documents were not held longer than the agreed retention period. Additionally, there was a lack of communication between council departments that would enable quicker identification and cancellation of services or payments. This had implications for the council's compliance with the General Data Protection Regulations that came into effect on 25 May 2018, and were addressed as part of work undertaken to ensure that the council is compliant.</p> <p>Looking forward: supporting the council's journey from limited to moderate assurance</p> <table border="1"> <tbody> <tr> <td>Design</td> <td>Moderate →</td> <td>Substantial</td> <td>Introduce a data sharing agreement between the two departments Children's and adults services to introduce a formal referral process Children's and adults services to compile written procedures covering the referral of clients to housing residential services.</td> </tr> <tr> <td>Operational Effectiveness</td> <td>Limited →</td> <td>Substantial</td> <td>Once a data sharing agreement is in place: Undertake an initial data matching exercise and then set a timetable for carrying out further checks Any risk assessments undertaken by either department to be shared Review the users of Mosaic and iWorld and establish if other departments have access, the level of access and gain assurance this is still required.</td> </tr> </tbody> </table> <p>Follow up</p> <p>This audit report is being considered by the Corporate Governance Panel, following which a management action plan and timeframes for implementation will be agreed. The follow up will be carried out in accordance with that action plan.</p>						Design	Moderate →	Substantial	Introduce a data sharing agreement between the two departments Children's and adults services to introduce a formal referral process Children's and adults services to compile written procedures covering the referral of clients to housing residential services.	Operational Effectiveness	Limited →	Substantial	Once a data sharing agreement is in place: Undertake an initial data matching exercise and then set a timetable for carrying out further checks Any risk assessments undertaken by either department to be shared Review the users of Mosaic and iWorld and establish if other departments have access, the level of access and gain assurance this is still required.
Design	Moderate →	Substantial	Introduce a data sharing agreement between the two departments Children's and adults services to introduce a formal referral process Children's and adults services to compile written procedures covering the referral of clients to housing residential services.										
Operational Effectiveness	Limited →	Substantial	Once a data sharing agreement is in place: Undertake an initial data matching exercise and then set a timetable for carrying out further checks Any risk assessments undertaken by either department to be shared Review the users of Mosaic and iWorld and establish if other departments have access, the level of access and gain assurance this is still required.										

TR12		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
Governance - Decision Making July 2018		Design	Operational effectiveness	High	0
				Medium	4
		Moderate	Moderate	Low	0

Purpose of audit	A review to give assurance on the adequacy of evidence presented across the council such that decisions are based upon sufficient information and decisions reached are documented such that future scrutiny can be undertaken.	Added value	The review has highlighted issues to address, which a training programme through electronic measures could compensate.
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The Local Government Acts 1972 and 2000 set out the powers and responsibilities of local government. This includes executive arrangements, which govern how decisions are made and include a requirement to have a constitution. The council's constitution is a written legal document that guides the council on its decision-making processes. The council's decision-making powers fall into two categories, executive and non-executive functions. Those stated above can exercise a decision in connection with an executive function. The council's scrutiny function of decisions is undertaken by the overview and scrutiny committee, which provides a critical challenge to the delivery of public services through the power to make inquiry into matters of local concern. Amongst other things, the overview and scrutiny committee has the power to recommend that the decision maker reconsider a decision. All future executive decisions must be recorded on the council's published forward plan.

- Good practice:**
- The council has a constitution, which details how the council's decision-making process operates. The most recent update was on 7 June 2017.
 - The council has also produced guidance on the decision-making, overview, scrutiny committee call in processes, and a flowchart for officers, which is available on the Source.
 - Departmental co-ordinators have been appointed and receive training from the constitutional team on a minimum of an annual basis to ensure they are kept aware of any changes in the process.
 - The constitutional team has set deadline dates for receipt of updates for the forward plan, building in some lead-time for the leader of the council to review the updated version of the plan before it is published. These are communicated to departmental co-ordinators.
 - The constitutional team leads on reminding departmental co-ordinators of deadlines and issues a detailed systematic guide of what actions to take and how to update the forward plan with their information. The team send timely reminders to departmental co-ordinators to seek confirmation from chief officers and individual decision makers before processing these updates.
 - Decisions are being recorded at appropriate departmental senior management team meetings where respective reports are sent for approval. Once approved and the approval route confirmed, the departmental co-ordinator updates the forward plan as required. Decisions were found to be in the main taken in a timely manner and through the correct route with the exception of where General Exception Notices (GEN) were raised.
 - The forward plan is published in accordance with the schedule with the relevant date and decision maker recorded. The forward plan web page has links to the plans from November 2017 to May 2018 and when clicked on a printed version can be downloaded or there is the ability to click on each decision for that month with new items for the plan clearly marked.
 - Information is generally presented on a timely basis, apart from items raised in Key Findings, so the appropriate decision maker is

making a decision on relevant information in the reports.

Key findings:

- The current list of departmental co-ordinators for children’s and adult services and finance and information governance departments is not up to date and does not reflect each department’s process.
- At present the terms of reference covering the role of a departmental co-ordinator is in draft form and has not received ratification of the actual duties expected.
- A review of General Exception Notices for a six months period (October 2017 - March 2018) found 24 had been raised, with three being rated as urgent. A review of the 24 found 11 where reasons for the GEN being raised brought in to question the department’s processes on identifying key decisions and ensuring they followed the process. Reasons included omission from plan, incorrect decision maker identified and key decision not identified until with completion of assessment or at report stage. This meant the correct approval route was not sought in sufficient time, meaning that the decision was postponed until the next relevant meeting.
- There is a lack of training available for staff involved in the decision making process and the council has no measurement as to the current knowledge base of staff to ensure decisions are taken following the correct approval process. Guidance for staff has not been reviewed since August 2016 and does not have enough details covering the process.

Looking forward: supporting the council’s journey from limited to moderate assurance

Design	Moderate →	Substantial	<p>Finalise the terms of reference for the departmental co-ordinator role.</p> <p>Re-design the GEN form to include a section for directors to sign as evidence they have seen and approve the notice.</p> <p>Introduce a checklist, which chief officer signs off confirming all updates are correct and all decisions recorded after checking senior management and contract review board’s minutes.</p> <p>Introduce a formal training package on decision-making. All relevant staff to undertake on a minimum of an annual basis.</p>
Operational Effectiveness	Moderate →	Substantial	<p>Create a central record of General Exception Notices and establish a lesson learned process.</p> <p>Retain statistics on General Exception Notices (GENs) and report them to corporate governance panel.</p> <p>Update list of departmental co-ordinators.</p> <p>Ensure the guidance available for staff is evidenced when reviewed and updated as required.</p>

Follow up

The recommendations will be followed up in January 2019 in line with the agreed management implementation dates.

CAS05 Leaving Care July 2018	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	1
	Moderate	Limited	Medium	2
			Low	0

Purpose of audit	To provide assurance on the management and monitoring controls over the new commissioning arrangements for leaving care, and the extent to which they are meeting the stated objectives and delivering against required standards and meeting key performance indicators.	Added value	We helped review the new risk scoring system that separates care leavers by their needs into high, medium and low risk categories.
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Southwark council has a legal duty to support young people after they leave care at the age of 18 in employment, education and training until they reach the age of 21. This can be extended until the age of 25 if the young person is in continuing education or training. At the age of 16 all children in care are required to have a 'Pathway Plan'. This document sets out goals and targets in relation to the child's ongoing education, health needs and ambitions. As the child leaves care the council remains obligated to ensure that they are in a good position with respect to housing, education, health and work. All children are allocated a personal advisor as their main point of contact with the council, and to ensure that the care leaver is following their pathway plan. New procedures are currently being developed to enhance the process of leaving care, including making a broader range of support more easily available to more clients, as well as ensuring that social workers can be more flexible in order to meet the varying needs of clients.

A risk assessment tool is under development, currently with the Leaving Care Service, Clinical hub (psychology staff) and the Performance. The future development and roll out of the tool will be subject to trials before being adopted during the Current Care Leaver's Partnership Pilot - service users and worker feedback will be used to develop it and training will be provided to understand the purpose of the tool will be provided. The pilot Pathway Plan will embed the tool within the Pathway Plan assessment. We were asked to consider the use of this tool as part of the audit, to identify any areas for improvement whilst it is being developed.

Good practice:

- There is a robust set of policies and procedures underpinning the service
- All care leavers are offered advice on the help and support available to them
- All care leavers have a pathway plan in place.

Key findings:

- Effective monitoring of cases is not in place, there has been high-level of non-compliance with the completion of pathway plans, review of pathway plans and regularity of visits by personal advisers.
- Pathway plans vary substantially in quality, with some being very detailed and some lacking targets and goals for the care leaver
- Visits with care leavers by the PAs are not always face to face. In instances where contact is not face to face there is a lack of explicit agreement from the care leaver in the majority of cases
- In respect of the development of the new risk assessment tool for care leavers, we found the following:
- The risk rating system as at the time of the audit lacked score weighting and lack a holistic input from the social worker. Additionally, the risk scores are not currently being effectively reflected in the pathway plans of care leavers

Looking forward: supporting the council's journey from limited to moderate assurance			
Design	Moderate →	Substantial	Provide extra training for social workers with respect to how to include clients in the preparation of pathway plans Requirements for contact with care leavers should be clarified and communicated to staff
Operational Effectiveness	Limited →	Substantial	Ensure that monitoring activities for pathway plan completion, pathway plan review and PA visits are strengthened to avoid gaps and substandard pathway plans. Ensure that pathway plans are actively reviewed and updated, with the care leaver actively involved and producing SMART targets to help the care leaver
Follow up The recommendations will be followed up in August 2018 in line with the agreed management implementation dates.			

ESR21 CCTV July 2018		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	0
		Substantial	Moderate	Medium	2
				Low	0
Purpose of audit	To provide assurance that the control framework in place for the CCTV service is effective and compliant with legislation.	Added value	Undertaking the review and the timing assisted management in gaining assurance over the control framework currently in place for the Surveillance Commissioner's review for a 5 years accreditation.		
<p>The council has 450 CCTV cameras within the borough, which are monitored via a CCTV control room, based at a police station. The cameras gather around two thousand pieces of evidential material every month, including information that does not relate to crime and anti-social behaviour. The council must comply with the Surveillance Camera Code of Practice 2013. The council was awarded a one-year accreditation from the Surveillance Commissioner in 2017 and is currently preparing for an audit to be awarded a five-year accreditation.</p> <p>Good practice:</p> <ul style="list-style-type: none"> The CCTV Service Standard Operating Procedures lay out the core function of the Service and provides an update on its role within the Safer Southwark Partnership (SSP). The Privacy Notice clearly states the rights of the public to access and possible use of footage Access to the CCTV control room is controlled via doors with pin pads with different codes known to control room staff and management Retained images are held on four specific computers held in the CCTV control room called 'vigilant stations'. The control room is recorded using two CCTV cameras and all cameras and recordings are checked three times per day. Checks confirmed that footage that has not been requested for criminal investigations is automatically deleted after 31 days and is not recoverable and evidence retained for investigations will be deleted after a maximum of 6 months under appropriate authority Requests to review footage forms are being completed before data is downloaded and stored in case of investigation. Police and CCTV operators have either a Crime Reporting Information System (CRIS) or Computer Aided Despatch (CAD) reference number before viewing The Information Sharing Protocol (ISP) provides detail to staff about disclosures of specific information. <p>Key findings:</p> <ul style="list-style-type: none"> The server recording checklist that is used to evidence that all cameras are working and recording correctly on servers at the start of each shift, three shifts per day, is not being completed by staff. A review of a three-month period, January 2018 - March 2018 found that on 15% of occasions no signature was recorded The signage to clearly identify the area was under surveillance was missing from one camera location visited. This was corrected during the time of the audit. 					
Looking forward: supporting the council's journey from limited to moderate assurance					
Operational Effectiveness	Moderate →	Substantial	Server and cameras checks are evidenced when completed at the commencement of each shift Evidence physical checks of camera sites, to ensure they comply with The Surveillance Camera Code of Practice.		
Follow up The recommendations will be followed up in August 2018 in line with the agreed management implementation dates.					

ADD01		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
Access to Restricted Areas July 2018		Design	Operational effectiveness	High	4
		No	Limited	Medium	4
				Low	0

Purpose of audit	To establish if the current controls are sufficient to ensure access to restricted areas on council housing estates such that only approved personnel, including contractors, who require access as part of their role can gain access.	Added value	Significant deficiencies in the control framework were identified which has resulted in a lack of assurance regarding the management of access to restricted areas. In our opinion, the council needs a complete overhaul of the key management systems, potentially through the procurement of a new entry system to secure all areas. At present assurance cannot be provided that areas under the scope of this review are restricted to only those with valid rights of access.
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Following an initial referral to the Council’s anti-fraud team raising increasing concerns over the access to restricted areas on housing estates, the director of finance has requested an internal audit of the controls for access to such areas. Mul-T-locks were introduced for the restricted areas in 2009. The engineering team within the asset management division have managed these since 2012. The restricted areas on the council’s housing estates are divided into eight geographical areas and there are five types of restricted area: boiler house/ communal plant rooms, lift motors rooms, electrical intake cupboards, tank rooms and access to roof areas and ladder boxes.

Key findings:

- There is a lack of overarching guidance relating to the management of access to restricted areas
- There is no written contract with the company being used by the council for copying the keys to secure areas and holding the patent
- There is no record of the designated restricted areas within housing estates
- The key register did not include all keys issued by the council.
- Spare keys were being held in an unsecure location with no record maintained
- Keys have not been returned when staff left the council
- A record of current contractors is not maintained to allow for scrutiny over whether these keys are held with non-current contractors
- Keys issued with a finite life have not been returned and those which were returned could not be tracked through to keys held
- There is a lack of guidance relating to the authorisation for ordering keys and a lack of consistency relating to who was deemed appropriate to order keys
- Incidents in restricted areas and the actions taken are not recorded, as well as a lack of guidance on the process to be followed and a lack of reporting of the cost implications of these incidents.

Conclusion:

Significant deficiencies within the control framework were identified throughout the audit as well as a lack of compliance with the limited controls in place. A lack of communication between teams within the council meant there was no complete record of all keys in circulation and therefore no assurance can be given that access is suitably restricted. Whilst recommendations have been raised to address the issues identified, restricted areas within the borough will not be secure unless all locks are changed with new keys issued following the guidance outlined in this report, as it is not possible to locate all keys that have been issued.

It is acknowledged that prior to the audit commencing that the team had recognised there were issues with key controls and an officer was already investigating potential options of security systems on the market. The team were also aware of the funding implications and the need to identify potential capital and longer-term revenue budget before moving forward. It was also noted that there were no recorded deaths or serious injuries due to gaining access to the restricted areas.

Follow up

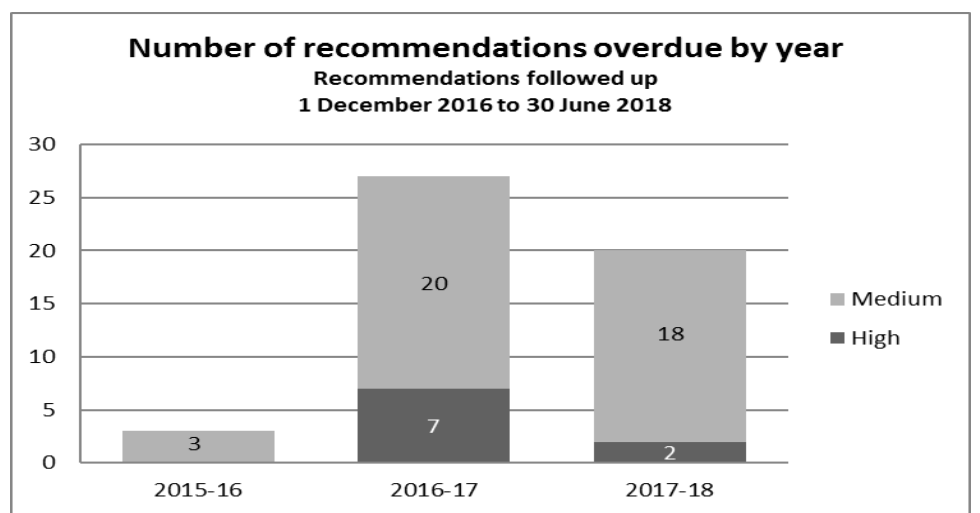
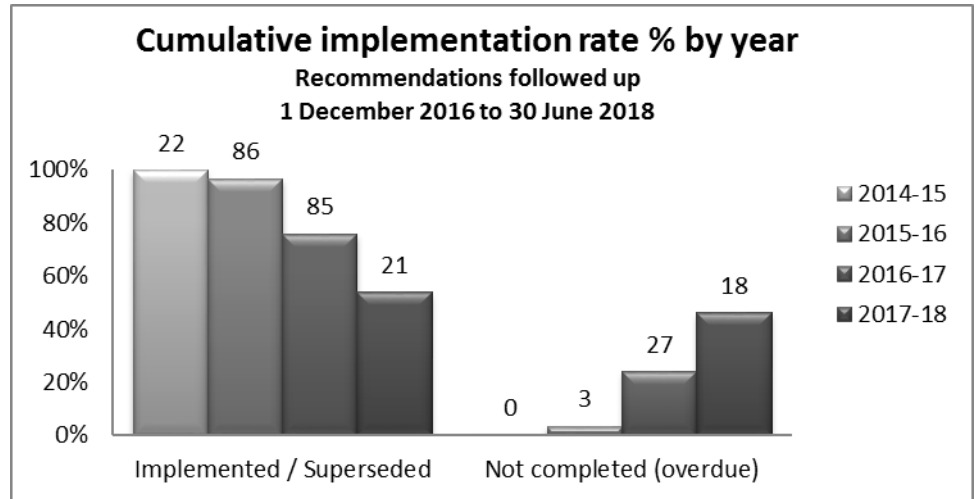
The recommendations will be followed up in November 2018 in line with the agreed management implementation dates.

5. SUMMARY OF RECOMMENDATIONS STATUS

The cumulative summary provided here relates to 261 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 June 2018.

We have confirmed that 214 (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.



6. KEY PERFORMANCE INDICATORS 2018-19 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%	100%	Green
% of high and medium rated recommendations implemented by the agreed management implementation date	75%	81% As reported in section 5 of this report.	Green
% of recommendations in draft report accepted by audit sponsor / owner	90%	100%	Green
% of draft reports issued within 15 working days of the audit closure meeting.	90%	100%	Green
% of returned audit satisfaction survey forms achieving a score of 4 or 5 out of 5	75%	80% In respect of the audit reports finalised since the last meeting, we have received one completed survey, which rated us as 5 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, which was issued at the end of June 2018. We would appreciate the committee's views on our service.	n/a
% of audits from the plan completed to draft report stage by 31 March 2019	100%	To be reported at the end of 2018-19.	n/a

APPENDIX - ASSURANCE DEFINITIONS

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

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

Item No: 9.	Classification: Open	Date: 18 July 2018	Meeting Name: Audit, Governance and Standards Committee
Report title:		Internal Audit Annual Report 2017-18	
Wards or Groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATIONS

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

KEY ISSUES FOR CONSIDERATION

2. The annual report summarises the work of internal audit and anti-fraud for the financial year 2017-18 and includes the head of anti-fraud and audit's opinion regarding the adequacy and effectiveness of Southwark's arrangements for governance, risk management and control for the year.

Community impact statement

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

Resource implications

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

Consultation

5. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

6. None required.

BACKGROUND DOCUMENTS

Background Papers	Held at	Contact

APPENDICES

No.	Title
Appendix A	Internal Audit Annual report 2017-18

AUDIT TRAIL

Lead Officer	Ian Young, Departmental Finance Manager	
Report Author	Virginia Wynn-Jones, Principal Constitutional Officer	
Version	Final	
Version Date	10 July 2018	
Key Decision	Yes	
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		10 July 2018

LONDON BOROUGH OF SOUTHWARK

INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE

2017-18

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EXECUTIVE SUMMARY

Internal Audit 2017-18

This report details the work undertaken by internal audit for the London Borough of Southwark (“the council” and provides an overview of the effectiveness of the controls in place for the full year.

We have summarised by department the audits undertaken during 2017-18 on page four, and highlighted audits undertaken in addition to the approved plan, and those not carried out (and the reasons why). We have detailed the opinions and number of recommendations for each audit on pages five to seven.

We have noted those reports which are in draft at the time of writing, and where a management response is to be agreed. Whilst the final report may differ to that initially reported, these reports will not change the overall assurance opinion concluded for 2017-18.

Our internal audit work for the 12 month period from 1 April 2017 to 31 March 2018 was carried out in accordance with the internal audit plan approved by management and the audit, governance and standards committee.

The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

Head of internal audit opinion

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

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation’s risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service.

Schools audits

In respect of the school audit programme for 2017-18, we have prepared a separate annual summary report, which is included at appendix I to this report.

Opinion

The basis for forming my opinion is as follows:

- An assessment of the design and operation of the underpinning risk management arrangements and supporting processes
- An assessment of the range of individual opinions arising from risk based audit assignments contained within internal audit’s risk based plans that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas and management’s progress in respect of addressing control weaknesses.

Overall, we are able to provide moderate assurance that there is a sound system of internal control, designed to meet the council’s objectives and that controls are being applied consistently. In forming our view we have taken into account that:

- The council has ended 2017-18 with a balanced outturn position after movements to/from reserves. In a climate of continued spending pressures, strong financial management during the year enabled the council’s overall financial standing, as measured by its usable reserves, to improve by £10.9m, compared to a reduction of £27.4m in 2016-17. The Council has shown strong financial management in respect of the children’s and adults budget recovery board. The Housing Revenue Account reserves at 31 March 2018 stood at £19.9m (against £14.4m in 2016-17), of which around 65% is committed. This upward movement is positive, but still remains below the optimal level considered prudent and represents a moderate degree of risk, which is being managed. We have provided a moderate assurance opinion in the financial planning and budget monitoring audit.
- 81% of recommendations made in the years 2015-16 to 2017-18 have been implemented, and management has generally improved its performance in implementing agreed recommendations. However, there is scope for more timely implementation of recommendations in accordance with the timeframes set out by management.
- 48% of audits received limited or part limited assurance in 2017-18. Whilst this is an improved position from 2016-17, the operational effectiveness of the controls in place needs to be addressed, to ensure that the controls are consistently and routinely applied across the council. We acknowledge the level of organisational change in the last two years and the focus of management to include areas of most concern in the audit plan.
- To facilitate the strengthening of the internal control framework, internal audit will be working more closely with directors forum, as well as the anti-fraud teams. More detailed review of the status of the audit plan with the strategic director of finance and governance has also been introduced, with follow up of any issues by the director.

Internal audits completed in 2017-18, by council department.

The list below includes additional audits requested by management during the year

CHIEF EXECUTIVE'S DEPARTMENT

Land charges	Major regeneration programmes & projects
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CHILDREN'S AND ADULTS' SERVICES DEPARTMENT

Children with disabilities services	Mosaic
Leaving care	Social care staff recruitment (covered in staff recruitment and vetting audit audit)

SCHOOLS AUDITS

We have completed 20 school audits during 2017-18.

ENVIRONMENT AND SOCIAL REGENERATION DEPARTMENT

Corporate energy	Leisure services contract
Food safety	Materials contract
Grounds maintenance contract	Regulatory services
Highways maintenance	

FINANCE AND GOVERNANCE DEPARTMENT

Data protection (advisory review)	Home ownership - charges to leaseholders
Electoral services	Legal case management system
Enforcement team	

KEY FINANCIAL SYSTEMS

Council tax	Mosaic payments (covered in mosaic audit)
Creditor payments	Payroll
Housing benefit and universal credit	Suspense account management
Housing rents	Treasury management
Non-domestic rates	

IT AUDITS

IT disaster recovery	Network security
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HOUSING AND MODERNISATION DEPARTMENT

Apex asset management system	Housing adaptations
Apprenticeships levy (advisory review)	Housing investment decision making
Commissioning of community grants	Data sharing - multi-agency working
Community and safety partnership service	Integration of customer based systems
Corporate facilities management	Ledbury estate compensation payments (an addition to the original plan)
Corporate health and safety	MySouthwark home owners agency
Good storage and disposal	Staff recruitment and vetting

THEMATIC REVIEWS / COUNCIL WIDE AUDITS

Access to services	Information governance (an addition to the original plan)
Financial planning and budget monitoring	Procurement
Governance - decision making	Register of interests

Planned internal audits not undertaken in 2017-18

Children's and adults' services department	Social educational needs (SEN) - deferred to Q1, 2019-20
Finance and governance department	Accounts preparation (advisory) - not required Budget recovery board (advisory) - not required, assurance audit to be undertaken in 2018-19
IT audits	Programme governance - deferred to 2018-20 due to ICT shared service implementation Helpdesk - work already undertaken by the London Borough of Lambeth internal audit service, results to be shared with the council
Housing and modernisation department	Estates parking permits - deferred to 2018-19

REVIEW OF 2017-18 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix II for definitions)	
	H	M	L	Design	Operational Effectiveness
CHIEF EXECUTIVE'S DEPARTMENT					
Land charges	1	4	1	Limited	Moderate
Major regeneration programmes & projects	-	3	2	Moderate	Moderate
CHILDREN'S AND ADULTS' SERVICES DEPARTMENT					
Children with disabilities services	2	3	-	Limited	Limited
Leaving care- draft	1	2	-	Moderate	Limited
Mosaic	2	1	1	Moderate	Limited
ENVIRONMENT AND SOCIAL REGENERATION DEPARTMENT					
Corporate energy	-	2	-	Moderate	Substantial
Food safety	2	2	1	Moderate	Limited
Grounds maintenance contract	-	-	-	Substantial	Substantial
Highways maintenance	-	5	3	Moderate	Limited
Leisure services contract	-	-	2	Substantial	Substantial
Materials contract	-	-	1	Substantial	Substantial
Regulatory services	-	1	-	Moderate	Substantial
FINANCE AND GOVERNANCE DEPARTMENT					
Data protection	We identified four areas for consideration to support the work being undertaken.			N/A - Advisory Review	
Electoral services	-	4	-	Moderate	Moderate
Enforcement team	-	2	1	Moderate	Moderate
Home ownership - charges to leaseholders	-	1	1	Moderate	Substantial
Legal case management system	-	3	0	Substantial	Moderate

REVIEW OF 2017-18 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix II for definitions)	
	H	M	L	Design	Operational Effectiveness
KEY FINANCIAL SYSTEMS					
Council tax	-	1	2	Moderate	Moderate
Creditor payments	-	4	1	Moderate	Moderate
Housing benefit and universal credit	1	4	5	Moderate	Limited
Housing rents	1	4	5	Moderate	Limited
Non-domestic rates	-	4	3	Moderate	Limited
Payroll	-	7	3	Moderate	Moderate
Suspense account management	2	4	1	Limited	Limited
Treasury management	-	2	2	Moderate	Moderate
HOUSING AND MODERNISATION DEPARTMENT					
Apprenticeships levy	-	4	3	N/A - Advisory Review	
Apex asset management system	1	5	1	Limited	Moderate
Commissioning of community grants	-	3	2	Moderate	Substantial
Community and safety partnership service	-	2	2	Moderate	Moderate
Corporate facilities management	-	2	2	Moderate	Moderate
Corporate health and safety	1	10	1	Limited	Limited
Goods storage and disposal	1	5	2	Limited	Limited
Housing adaptations	-	2	2	Moderate	Moderate
Housing investment decision making - Draft	1	1	1	Moderate	Limited
Data sharing - multi-agency working	1	3	2	Limited	Moderate
Integration of customer based systems	-	2	6	Moderate	Moderate
Ledbury estate compensation payments - Draft	1	1	2	Moderate	Limited
MySouthwark home owners agency	-	2	6	Moderate	Moderate
Staff recruitment and vetting	-	1	1	Substantial	Substantial

REVIEW OF 2017-18 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix II for definitions)	
	H	M	L	Design	Operational Effectiveness
IT AUDITS					
IT disaster recovery	3	3	-	Limited	Limited
Network security	2	6	-	Limited	No
THEMATIC REVIEWS / COUNCIL WIDE AUDITS					
Access to services - Draft	1	2	-	Moderate	Limited
Financial planning and budget monitoring - Draft	-	4	-	Moderate	Moderate
Governance - decision making - Draft	-	4	-	Moderate	Moderate
Information governance	2	7	1	Moderate	Limited
Procurement	3	6	2	Substantial	Limited
Register of interests	2	2	-	Limited	Limited

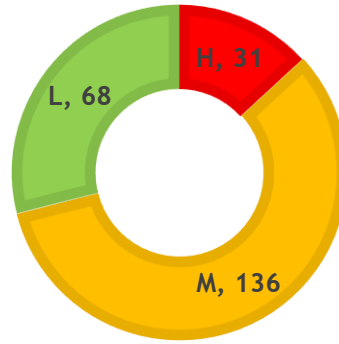
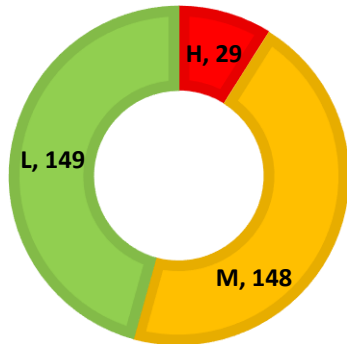
SUMMARY OF FINDINGS

RECOMMENDATIONS AND ASSURANCE DASHBOARD

2016-17

2017-18

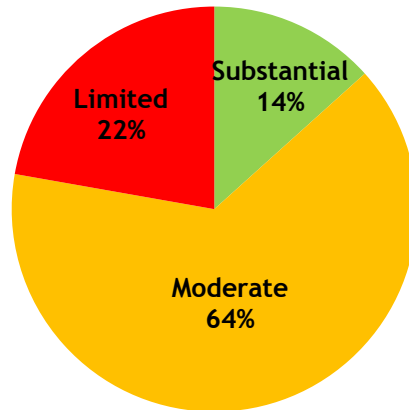
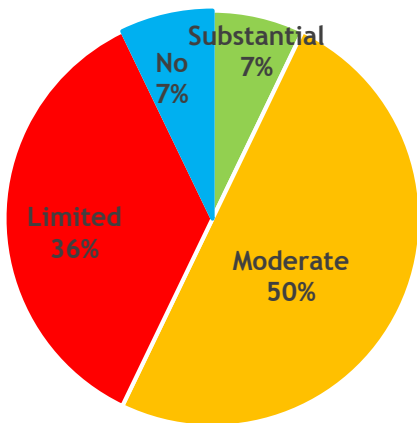
The number of recommendations raised and their significance over 2016-17 and 2017-18 are set out below:



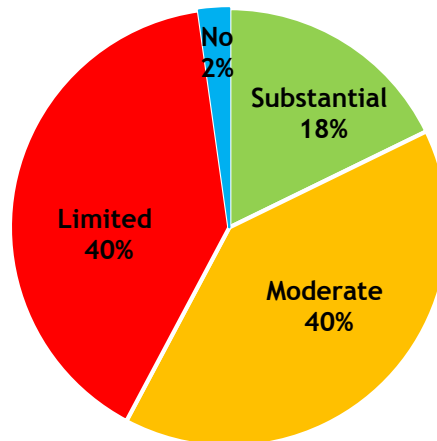
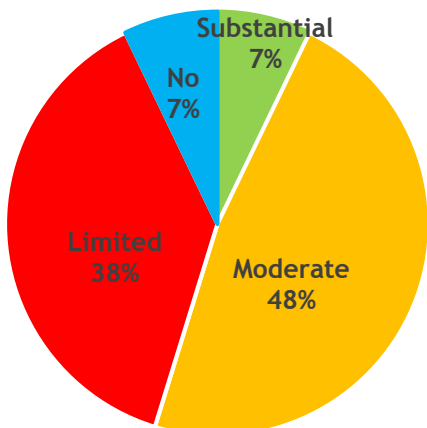
In 2017-18 we raised an average of 5.2 recommendations per assurance audit as compared to 7.8 in 2016-17, although the relative number of high and medium recommendations had increased.

We provide an overall opinion on both the design and operational effectiveness of the controls operating over the areas where we undertaken assurance audits. The assurance levels given during 2016-17 and 2017-18 are set out below. Based upon the work undertaken, these show a good improvement overall with regards to the design of the control framework, and a marginally improved position in respect of the operational effectiveness of the controls in place to manage the identified risks.

CONTROL DESIGN



CONTROL EFFECTIVENESS



KEY THEMES

Themes and trends identified in the year

PEOPLE

- Whilst clarity of roles and responsibilities was evident in the majority of areas reviewed, policies and procedures were absent or not reflective of actual requirements and practice in some areas, e.g. suspense account management and IT disaster recovery
- Lessons learned were not routinely considered and used as a means of improving outcomes or identifying new approaches or training staff, e.g. health and safety and financial planning and budget monitoring
- In some areas there was a culture of non-compliance evident across the council, including procurement, raising of purchase orders and annual declarations of conflicts of interests .

GOVERNANCE

- Governance and reporting requirements were found to be well defined and generally understood through our audits of financial planning and budgetary control and governance - decision making
- Contract management was found to be strong in the majority of areas audited, although risk management with regards to contractor failure (in light of the collapse of Carillion) needs to be strengthened.
- Targeted key performance indicators to measure, monitor and drive service improvement were not used for all services, e.g. enforcement team, corporate energy, community grants, facilities management and health & safety
- Actions arising from contract, service and management meetings were not always adequately recorded and subsequently followed up to resolution.

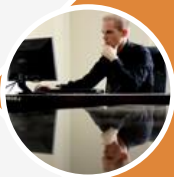
SYSTEMS AND PROCESSES

- Inconsistent practices across teams within services was evident, and a lack of understanding of the process by staff, leading to inefficiencies in the process and the council not meeting required service and statutory timeframes, e.g. regulatory services, council tax, non-domestic rates, housing rents, health & safety and information governance.
- Cyber security risks were highlighted, including use of unsupported versions of Windows operating systems and lack of IT disaster recovery plans. User access to the council's systems was not being routinely reviewed to ensure it remained appropriate and that leavers' access had been revoked, e.g. housing rents, payroll, suspense accounts and the apex asset management system
- Data quality issues (completeness of information) with council systems was identified in 42% of the audits undertaken, including leaving care cases, adult social care, legal cases, housing benefits, housing rents , payroll, Ledbury estate compensation payments and health & safety
- Lack of evidence to support the appropriate management approval of transactions and commitment of council funds was found in 22% of the audits completed, including children with disabilities, land charges, electoral services, payroll and expenses, housing rents and community grants.

ADDED VALUE

How we have added value during the year

USE OF SPECIALISTS



We have used our IT and Data Protection specialists to deliver Network Security, IT Disaster Recovery and Information Governance assurance audits and the Data Protection readiness review.

We have used an employment tax specialist to help deliver the Apprenticeships Levy advisory review.

RESPONSIVENESS



We have been able to adapt our audit plan to address your emerging risks and areas requiring assurance to management, such as the inclusion of the review of Information Governance, Ledbury Estate Compensation Payments, plus the reviews continuing into 2018-19 on Chargebacks and Temporary Accommodation.

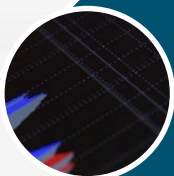
BENCHMARKING AND BEST PRACTICE



We have shared best practice examples from our clients and other local authorities, and undertaken benchmarking exercises in a number of audits. We have performed this in approximately 80% of our reviews. This is clearly indicated in the executive summaries.

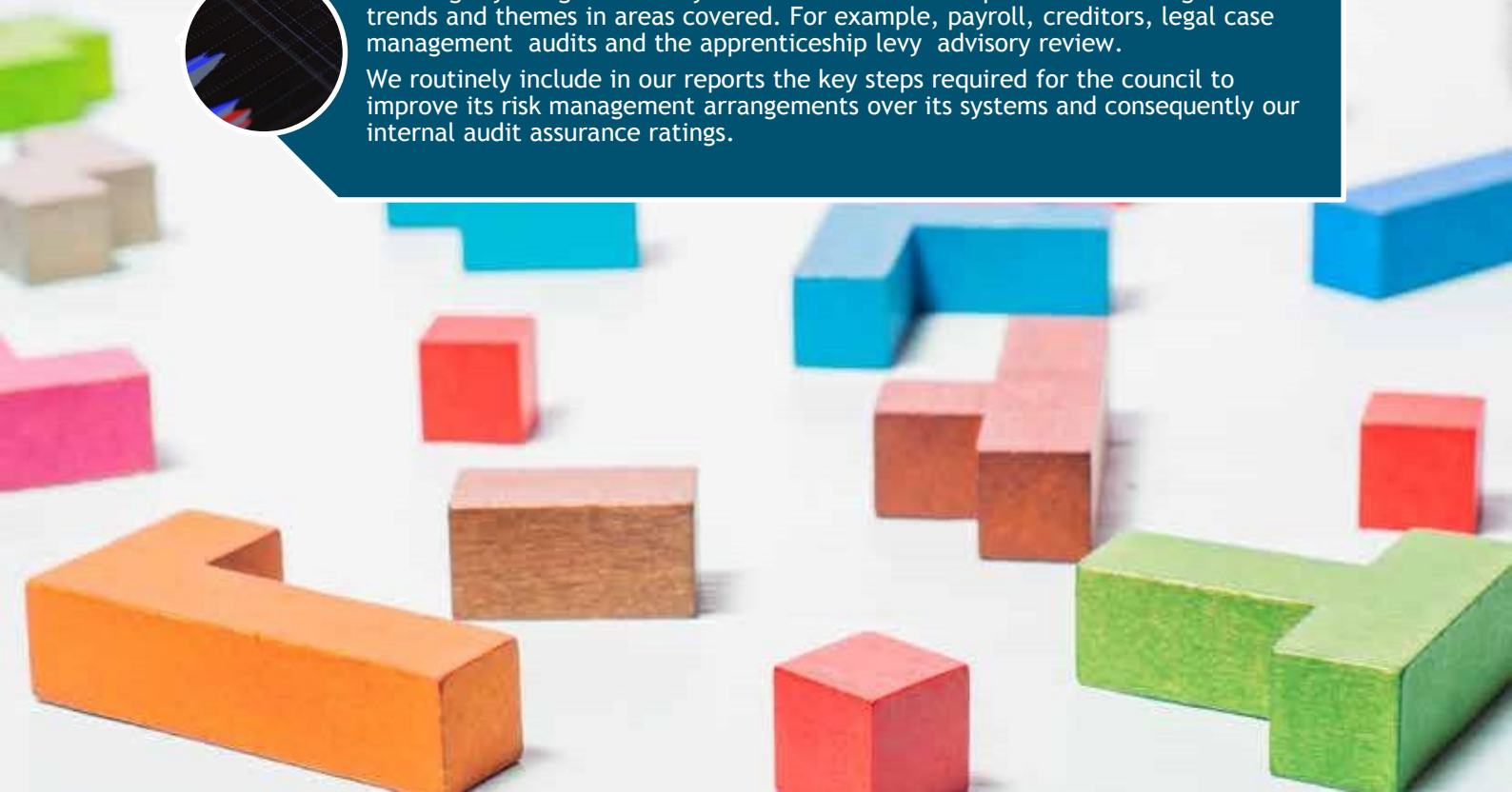
A comparison of practices across the five departments has identified areas where greater consistency and adoption of good practice across the council would make processes more efficient and improve the effectiveness of controls.

INNOVATION



We have used our audit days innovatively to support the council in achieving its aims e.g. by using data analysis in various reviews to provide some insights on trends and themes in areas covered. For example, payroll, creditors, legal case management audits and the apprenticeship levy advisory review.

We routinely include in our reports the key steps required for the council to improve its risk management arrangements over its systems and consequently our internal audit assurance ratings.



BACKGROUND TO ANNUAL OPINION

Introduction

Our role as internal auditors to the London Borough of Southwark is to provide an opinion to members, through the audit, governance and standards committee, on the adequacy and effectiveness of the internal control system to ensure the achievement of the council's objectives in the areas reviewed. Our approach, as set out in the firm's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

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

Scope and approach

Audit Approach

Our internal audit work for the 12 month period from 1 April 2017 to 31 March 2018 was carried out in accordance with the internal audit plan approved by management and the audit, governance and standards committee, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with the council's management for each review, by:

- Considering the risks that have been identified by management as being associated with the processes under review
- Reviewing the written policies and procedures and holding discussions with management to identify process controls
- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage
- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place
- Performing compliance tests (where appropriate) to determine that the risk management activities and controls have operated as expected during the period.

BACKGROUND TO ANNUAL OPINION

The opinion provided on page 3 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

Coverage

During 2017-18 BDO LLP has reviewed and evaluated the council's processes in the areas listed on page 4.

Reporting mechanisms and practices

Our initial draft reports are sent to the key officer responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

Our method of operating with the audit, governance and standards committee is to agree reports with management and then present and discuss the matters arising at the committee's meetings.

Management action on our recommendations

Management have generally been conscientious in reviewing and commenting on our reports, although the response timelines are not usually within the expected timeframe of two weeks. For the reports which have been finalised, management have responded positively.

Recommendation follow-up

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented in a timely manner then weaknesses in control and governance frameworks will remain in place. An unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment.

Management has generally improved its performance in addressing the findings and implementing recommendations arising from internal audit work. However, there is a need for more timely implementation of recommendations in accordance with the timeframes set out by management to ensure that the risks identified are being managed.

A total of 107 high and medium recommendations raised in 2015-16 were covered by the follow up protocols. We confirmed that 97% have been implemented.

A total of 115 high and medium recommendations raised in 2016-17 were covered by the follow up protocols. We confirmed that 77% have been implemented.

A total of 39 high and medium recommendations raised in 2017-18 have been subject to follow up to date. We have confirmed that 49% have been implemented within the agreed date.

Relationship with external audit

All our final reports are available to the external auditors through the audit, governance and standards committee papers and are available on request. Our files are also available to external audit should they wish to review working papers to place reliance on the work of internal audit.

Report by BDO LLP to London Borough of Southwark

As the internal auditors of the London Borough of Southwark ("the council" we are required to provide the audit, governance and standards committee, the chief executive, s151 officer and the directors with an opinion on the adequacy and effectiveness of risk management, governance and internal control processes, as well as arrangements to promote value for money.

In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides the council with moderate assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2017-18. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.

In assessing the level of assurance to be given, we have taken into account:

- All internal audits undertaken by BDO LLP during 2017-18
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to the council
- Any limitations which may have been placed on the scope of internal audit - no restrictions were placed on our work

KEY PERFORMANCE INDICATORS

<i>Quality Assurance</i>	<i>Detail on KPI's</i>	<i>RAG Rating 2017-18</i>
<ul style="list-style-type: none"> High quality documents produced by the auditor that are clear and concise and contain all the information requested. 	We have received an average of 4/5 ratings in the satisfaction surveys we have received as of July 2018.	Green
<ul style="list-style-type: none"> Frequent communication to the customer of the latest mandatory audit standards and professional standards prescribed by the main accountancy bodies. 	Professional updates are provided within the audit governance and standards committee progress report, a new internal audit charter is issued every year.	Green
<i>Reporting Arrangements</i>		
<ul style="list-style-type: none"> The auditor attends the necessary, meetings as agreed between the parties at the start of the contract 	All meetings attended including audit, governance and standards committee meetings, individual audit meetings and contract reviews.	Green
<ul style="list-style-type: none"> Information is presented in the format requested by the customer. 	No requests to change the BDO format.	N/A
<i>Audit Protocol</i>		
<ul style="list-style-type: none"> Customer satisfaction reports - overall score at average at least 3.5 / 5 for surveys issued at the end of each audit. 	Average client satisfaction received year to date is 4/5.	Green
<ul style="list-style-type: none"> Annual survey to audit, governance and standards committee to achieve score of at least 70% 	A new audit survey has been issued in June 2018, we are awaiting the results	TBC
<ul style="list-style-type: none"> External audit can rely on the work undertaken by internal audit (where planned) 	External Audit has indicated that their strategy and approach has changed and they will not seek reliance on our work.	N/A
<ul style="list-style-type: none"> Annual Audit Plan delivered in line with timetable Actual days are in accordance with Annual Audit Plan 	Planned number of audit days in line with those agreed with the audit, governance and standards committee. We did not issue all draft reports by 31 March 2018 as intended, this will be addressed in 2018-19	Amber



KEY PERFORMANCE INDICATORS

<i>Delivery</i>	<i>Detail on KPI's</i>	<i>RAG Rating 2017-18</i>
<ul style="list-style-type: none"> Draft report to be produced 3 weeks after the end of the fieldwork 	This KPI has largely been met, with 5 reports not issued within the expected timeframes, 2 non-school audits (due to staff absence) and 3 schools (due to the Summer break)	Green
<ul style="list-style-type: none"> Management to respond to internal audit reports within 3 weeks 	Timely management responses have been received in 68% (31 out of 47) cases for non-school audits and 50% of schools.	Amber
<ul style="list-style-type: none"> Final report to be produced 1 week after management responses 	All final reports except two have been issued within one week of receipt of management response, the delays were due to manager absence.	Green
<ul style="list-style-type: none"> 90 % recommendations to be accepted by management 	95% of recommendations raised in draft reports in 2017-18 have been accepted by management.	Green
<ul style="list-style-type: none"> At least 60% input from qualified staff 	All audits have been led by a qualified senior auditor.	Green
<ul style="list-style-type: none"> Positive result from any external review 	Following an External Quality Assessment by the Institute of Internal Auditors in April 2015, BDO were found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards.	Green



APPENDIX I

LONDON BOROUGH OF SOUTHWARK

SCHOOLS INTERNAL AUDIT REPORT

SUMMARY OF THEMES ARISING FROM THE INTERNAL AUDIT PROGRAMME
2016-17 TO 2017-18

MAY 2018

APPROACH TO INTERNAL AUDIT OF SCHOOLS

A three year rolling cycle of internal audits across all of the schools within the London Borough of Southwark is undertaken, on behalf of the director of education. This report summarises the key findings made in schools over the two year period 2016-17 to 2017-18 and provides information to schools on the framework of control expected by the council.

The work is designed to assess the design and operational effectiveness of the controls in place to mitigate the key risks in the areas below:

- Governance
- Procurement
- Banking
- Data Security
- Budgeting
- Cash Handling
- Payroll and Pensions

“The main purpose of the audit is to assess whether adequate controls are in place to help prevent financial management weaknesses within the school that could result in budget overspend or inappropriate expenditure being incurred”

In turn, this ensures that the school is minimising its exposure to financial and reputational risk. To this end, our internal audit terms of reference set out the objective of the audit as follows:

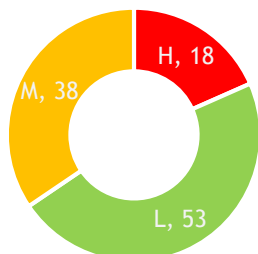
The limitations to the scope of our work are as follows:

- Testing is performed on a sample basis, selected from transactions processed in the previous 12 months.
- The audit does not assess the adequacy of teaching arrangements at the school.
- Our work does not provide any guarantee against material errors, loss or fraud, or provide an absolute assurance that material error, loss or fraud do not exist.

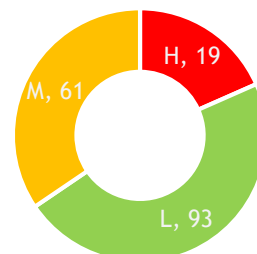
SUMMARY OF RECOMMENDATIONS ARISING FROM SCHOOL INTERNAL AUDITS

The summaries of findings within this report are based on all schools reviews from the programme of audits carried out from 2016-17 to 2017-18. The graphs below provide a breakdown of the recommendations made over the two cycles.

2016-17



2017-18

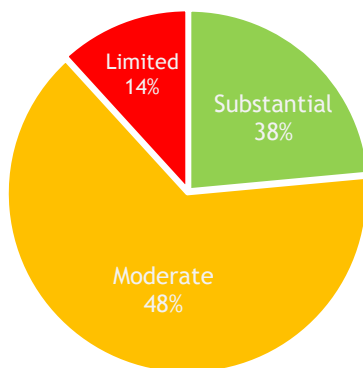


The number of recommendations raised and their significance over 2016-17 and 2017-18 are set out below:

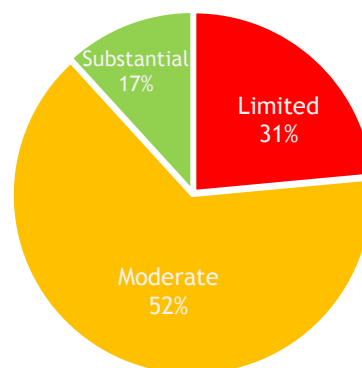
In 2017-18 and 2016-17 we raised a total of 173 recommendations across 20 schools and 109 recommendations across 9 schools respectively. This calculates as an average of 12 recommendations raised per school in 2016-17, reducing to 9 recommendations per school in 2017-18, which indicates an improving position.

We also provided an overall opinion on both the design and operational effectiveness of the controls operating over the areas we review when we are providing assurance. The assurance levels given during 2016-17 and 2017-18 are set out below. These results indicate that whilst on the whole the control frameworks are well designed, they are not being applied consistently and effectively in practice.

CONTROL DESIGN



CONTROL EFFECTIVENESS



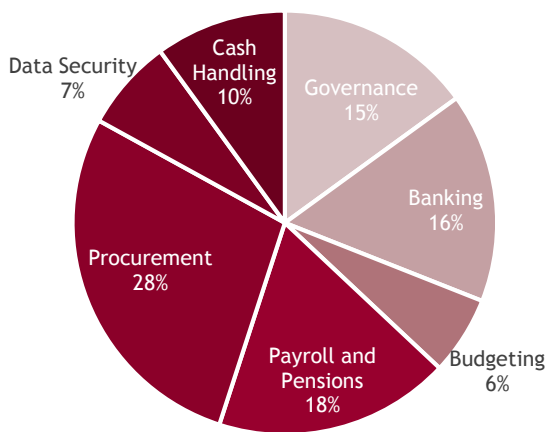
Assurance Rating - Design	Assurance Rating - Operation Effectiveness	Percentage of schools 2016-17 and 2017-18
Substantial	Substantial	10%
Substantial	Moderate	28%
Moderate	Substantial	7%
Moderate	Moderate	24%
Moderate	Limited	17%
Limited	Moderate	0%
Limited	Limited	14%
Limited	No	0%
No	Limited	0%

SUMMARY OF KEY FINDINGS BY AREA

Area	Number of Recommendations and significance			Summary of Key Findings
	H	M	L	
Governance	0	12	29	<ul style="list-style-type: none"> Declaration of business interest forms are not up to date and have not been produced by all members. Instrument of Governance, Scheme of Delegation and Financial Procedures are not always up to date and evidenced as approved. Lack of evidence of advanced circulation (at least one week) of papers to governing body and committee meetings.
Banking	5	10	30	<ul style="list-style-type: none"> Bank mandates are not always appropriately signed or do not reflect the Scheme of Delegation concerning cheque signatories. Bank reconciliations are not performed on a monthly basis or in a timely manner.
Budgeting	0	4	12	<ul style="list-style-type: none"> In some cases the annual budgets were not approved by the Governing Body at a quorate meeting in accordance with the set timetable. Lack of evidence to show that budgets are monitored regularly by the Governing Body and that budget variations are being discussed and actions taken are agreed. There is limited scrutiny of overspends (and also underspends) by the Business Managers and Head Teachers.
Payroll and Pensions	10	12	30	<ul style="list-style-type: none"> Up to date and signed contracts with the payroll provider are not held on file. There is a lack of segregation of duties between the preparer and the sender of the BACS files. HR document retention does not always provide a complete audit trail of the new starter process. Starter and leaver forms are not being authorised and kept on file. Overtime claims are not supported by timesheets, or appropriately approved by senior management. Pension opt-out forms are not stored on file for all employees who opt-out of the pension scheme DBS checks are not being evidenced as obtained prior to employment commencing
Procurement	14	38	28	<ul style="list-style-type: none"> Purchase Order forms are not being used correctly, completed in full or authorised and raised in line with Financial Regulations (i.e. separate officers) Online purchasing is not subject to adequate checks. Separation of duties in authorisation is not taking place or evidenced. Lack of evidence that goods are being checked upon delivery and signed as received. Insufficient quotes are being obtained in the tendering process (a breach of Financial Regulations). Credit card statements are not being separately reviewed and expenditure is not being monitored.
Data Security	2	12	6	<ul style="list-style-type: none"> ICT provider contracts are sometimes nearing expiration and do not specify the need for remote back-ups Users of the finance system are not being reviewed on at least an annual basis Risk assessments are not evidenced where staff have started at the school prior to DBS clearance
Cont.				

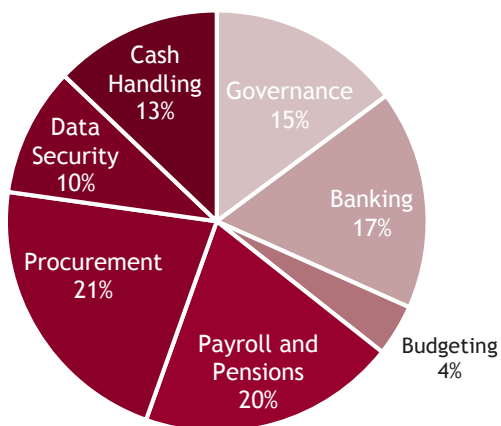
SUMMARY OF KEY FINDINGS BY AREA

Cont.				
Cash Handling	6	11	11	<ul style="list-style-type: none"> Robust controls for the proper recording of cash transactions are not in place. This includes recording of transactions, use of receipts and independent reconciliations. Petty cash storage is vulnerable to unauthorised access
TOTAL	37	99	146	<i>We aim to agree workable solutions to the issues identified from our testing techniques and attempt to agree shorter timeframes for resolving high risk areas as opposed to low risk areas. Typically three months for High, six months for Medium and nine months for Low category recommendations</i>

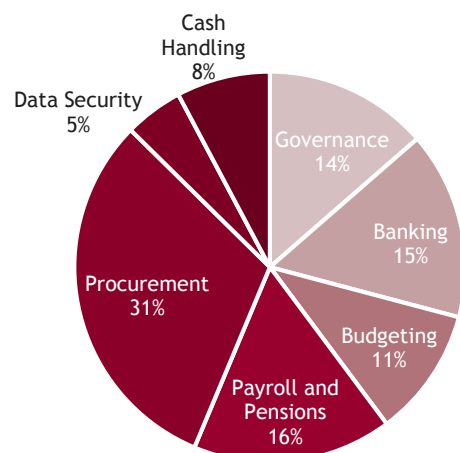


The pie chart reflects that the highest number of recommendations were raised for the area of Procurement, while the lowest number of recommendations were raised for the area of Budgeting across all schools audited. The schools should look to implement the recommendations suggested in the audit reports as well as continue building upon their good practice areas to improve the design and effectiveness of controls in place.

2016-17



2017-18



Procurement remains the area where most recommendations are made, increasing from 21% to 31% in 2017-18. Recommendations made relating to budgeting almost trebled during 2017-18. Data security and cash handling recommendations fell significantly in 2017-18.

AREAS SUBJECT TO AUDIT

Area	
Governance	<ul style="list-style-type: none"> • Declaration of business interest forms for governors • Governors are given opportunities to declare interests at each meeting • Meetings are quorate and held at least termly
Banking	<ul style="list-style-type: none"> • Who the school banks with • The school has not been overdrawn • Bank Mandate and cheque signatories conform to the school's scheme of delegation • Bank reconciliations are undertaken on a monthly basis and appropriately signed and authorised • Controls on the security over cheque stationery, their storage location and cheques are not pre-signed.
Budgeting	<ul style="list-style-type: none"> • Agreement of the budget in line with required timeframes • Budget monitoring • Reporting of budgeting monitoring to governors • Commitment of expenditure to individual budget areas • Budgets set result in prudent but not excessive levels of unspent balances
Payroll and Pensions	<ul style="list-style-type: none"> • Contract with payroll provider • Payroll process • Separation of duties • Accuracy and authorisation of payments • Overtime claims • Amendments to pay • Starters • Leavers • Accuracy of deductions • Pension opt-out forms • Payroll provider responsibility • Process for informing LBS pensions team of changes to payroll data
Procurement	<ul style="list-style-type: none"> • The full purchasing process from the use of purchase order forms to invoice authorisation • Process for procurement over thresholds set in the school's financial procedures • Direct debits and control over payments • Online purchasing • Procurement cards / credit cards and control over payment
Data Security	<ul style="list-style-type: none"> • Access to the finance system • Password security • Back ups of data • DBS checks and risk assessments are complete
Cash Handling	<ul style="list-style-type: none"> • Receipting of cash and cheques received • Records of monies due and received • Banking records • Reconciliation processes of monies collected to those banked • Whether the cash in the safe agrees with records • Physical security over cash held on the premises / access to keys

APPENDIX II

OPINION AND RECOMMENDATION SIGNIFICANCE DEFINITION

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	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.

FOR MORE INFORMATION:**GREG RUBINS****Partner, Public Sector**

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Item No. 10.	Classification: Open	Date: 18 July 2018	Meeting Name: Audit, Governance and Standards Committee
Report title:		Annual Governance Statement 2017-18	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATIONS

1. That the audit, governance and standards committee approves the annual governance statement 2017-18, as attached (appendix 1).

BACKGROUND INFORMATION

2. The Accounts and Audit Regulations 2015 require that the annual governance statement be presented to and approved by an appropriate committee of the council. Under the constitution, the audit, governance and standards committee is the body that formally receives the annual governance statement.
3. The regulations require the annual governance statement to accompany the signed and dated accounts and to be approved at the same time as the statement of accounts. The draft annual governance statement for 2017-18 was reviewed by the corporate governance panel and its comments have been taken on board. Formal approval of the statement is now sought.
4. Following this approval, the annual governance statement should be signed by the most senior member of the council and most senior officer, who are the leader of the council and the chief executive.

KEY ISSUES FOR CONSIDERATION

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

- establishing the council's principal statutory obligations and organisational objectives and applying the six CIPFA/SOLACE core principles of good governance
- identifying the principal risks to the achievement of the council's objectives
- identifying and evaluating key controls to manage the council's principal risks
- obtaining assurances on the effectiveness of key controls.

8. The statement has also been reviewed by Grant Thornton, the council's external auditor.

Community Impact Statement

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

Resource implications

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

Consultation

11. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

12. None required.

BACKGROUND DOCUMENTS

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

APPENDICES

No.	Title
Appendix 1	Annual Governance Statement 2017-18

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Rob Woollatt, Interim Departmental Finance Manager	
Version	Final	
Dated	10 July 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	N/A	N/A
Date final report sent to Constitutional Team	10 July 2018	

APPENDIX 1

Annual Governance Statement 2017-18

Introduction and Acknowledgement of Responsibility

Southwark Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Accounts and Audit Regulations (2015) require the Council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

The Principles of Good Governance

The CIPFA/SoLACE Delivering Good Governance publication (2016) defines the various principles of good governance in the public sector. The document sets out seven core principles that underpin the governance framework and these are set out in Table 1 below

Table 1 – Core Principles of the CIPFA/SoLACE Framework



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

Key Elements of the Council's Governance Framework

The governance framework at Southwark Council comprises the systems and processes, culture and values which the Council has adopted in order to deliver on the above principles. The governance framework incorporated into this AGS has been in place at Southwark Council for the year ended 31 March 2018 and up to the date of the approval for the statement of accounts.

Table 2 – Overview of the Councils 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. 	

The council assembly is responsible for approving the budget, developing policies, making constitutional decisions and deciding local legislation. The council assembly elects the leader for a term of four years, and the leader appoints a cabinet of up to ten councillors (including him/herself), each holding a special portfolio of responsibility.

The council's constitution is updated throughout the year and sets out how the council operates. It states what matters are reserved for decision by the whole council, the responsibilities of the cabinet and the matters reserved for collective and individual decision, and the powers delegated to panels, committees and community councils. Decision-making powers not reserved for councillors are delegated to chief officers and heads of service. The monitoring officer ensures that all decisions

made are legal and supports the audit, governance and standards committee in promoting high standards of conduct amongst members.

The overview and scrutiny committee and its sub-committees scrutinise decisions made by the cabinet, and those delegated to officers, and review services provided by the council and its partners. The scrutiny officer promotes and supports the council's scrutiny functions.

The cabinet has developed a fairer future vision for Southwark, which is published on the council's website. It is reviewed and updated according to changing statutory requirements, the evolving social and economic situation, analyses of needs and the performance of the council against its priorities. The vision is underpinned by five principles and guides ten promises, made to help achieve the vision.

The overall budget and policy framework of the council is set by the council assembly and all decisions are made within this framework. The council's overall policy is represented through the council plan, which is developed alongside the budget through consultation with residents and other stakeholders in the borough, and which sets out how the fairer future vision will be delivered. Performance against the council plan is monitored throughout the year. Progress is reviewed quarterly by the leader, lead cabinet member for performance and respective cabinet members and is reported through an annual performance report at the end of each financial year. The council also monitors its performance through feedback from its residents and service users.

The council welcomes views from the public and community as part of the constitutional process. These views are considered through formal and informal consultation processes, attendance at local meetings (e.g. community council meetings) or contact with a local ward councillor. Trades unions are consulted on issues that affect council staff.

The council plan is a key reference tool for Fairer Future medium term financial strategy and integrated efficiency plan (2017-18 to 2019-20) which enables the council to make best use of financial resources available and to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders. At the broadest level, the council also works with a number of key strategic partners.

From the council plan, service plans and business plans are developed and individual officer work plans are agreed, with performance targets agreed at every level. Detailed budgets are aligned to corresponding plans following a robust budget challenge process, which challenges managers to demonstrate efficiency and value for money, and performance is monitored and managed at every level on a regular basis.

The performance management process helps to identify learning and development needs, which are translated into personal development plans for staff. Members are also offered development opportunities, in line with their own personal development plans. The council provides a complete programme of learning and development to officers and members. Senior officers are also expected to keep abreast of developments in their profession.

The council also has a whistleblowing policy, which encourages staff and other concerned parties to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment.

The council expects the highest standards of conduct and personal behaviour from members and staff; and promotes and maintains high standards of conduct by both elected and co-opted members of the authority. These standards are defined and communicated through codes of conduct, protocols and other documents.

The council's financial management arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" (2010) as set out in the "Application Note to Delivering Good Governance in Local Government: Framework". The chief financial officer is the strategic director of finance and governance, who has statutory responsibility for the proper management of the council's finances and is a key member of the chief officer team. He formally devolves the management of the council's finances within departments to strategic directors through the Scheme of Delegation for Financial Authority and Accountability. Strategic directors further devolve decision making through departmental schemes of management. The strategic director of finance and governance also provides detailed finance protocols, financial regulations, procedures, guidance and finance training for managers and staff.

The council's assurance arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Head of Internal Audit in Public Service Organisations" (2010). The chief audit executive reports functionally to the audit, governance and standards committee, which approves the audit plan and strategy and receives reports throughout the year on audit and anti-fraud activity as well as the annual report and opinion on the internal control framework.

The council's risk management strategy ensures proper management of the risks to the achievement of the council's priorities and helps decision making. In the council's day-to-day operations, a framework of internal controls (e.g. authorisation, reconciliations, separation of duties, etc.) controls the risks of fraud or error, and this framework is reviewed by internal audit. The council has appropriate arrangements in place to deal with fraud and corruption risks and is committed to maintaining its vigilance to tackle fraud. Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved. The council's legal services and procurement teams ensure that all are fit for purpose and the council's interests are protected.

The audit, governance and standards committee is responsible for monitoring the effective development and operation of corporate governance in the council. It provides independent assurance of the adequacy of the council's governance arrangements, including the risk management framework and the associated control environment, the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, oversight of the financial reporting process and scrutiny of the treasury management strategy and policies.

Review of Effectiveness

Southwark Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The review of effectiveness is informed by the work of the senior managers within the council who have responsibility for the development and maintenance of the governance environment, the chief audit executive's annual report, and by comments made by the external auditors and other review agencies and inspectorates.

The key elements of the review of effectiveness are:

- the council's internal management processes, such as performance monitoring and reporting; the staff performance appraisal framework; internal surveys of awareness of corporate policies; monitoring of policies, such as the corporate complaints and health and safety policies; and the corporate budget challenge process
- 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

Assurance Statement

The review, as detailed above, provides good overall assurance of the council's system of internal control and that the arrangements are fit for purpose in accordance with the governance framework.

Governance Issues

Specific opportunities for improvement in governance and internal controls identified as part of the assurance processes have been addressed or are included in action plans for the relevant managers. Focus will be placed on the following significant governance issues during 2018-19:

1. 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.
2. 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.

3. The council has comprehensive and documented arrangements in place to ensure value for money from commissioning and procurement. The council's fairer future procurement strategy sets out how the council will use procurement to promote enhanced employment rights, to reduce inequality, to encourage ethical corporate behaviour and to provide an opportunity for added social value. We need to continue to ensure that expected practice is followed in all instances and objectives of the strategy are delivered.
4. 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.
5. The need to remain vigilant and ensure business continuity plans are robust in the event of contractor failure.

The council also faces a number of issues and areas of significant change that will require consideration and action as appropriate in 2018-19 and medium-term. Whilst the budget recovery work in Children's and Adults services undertaken during 2017-18 has been successful, there remains significant uncertainty with regard to financial planning, particularly in the period beyond 2019. Significant issues identified include:

- 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.

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:

Annex 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. 12.	Classification: Open	Date: 6 June 2018	Meeting Name: Audit, governance and standards committee
Report title:		In year review of work programme 2018-19: July 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 June 2018, the committee considered and agreed a work programme for 2018-19 and recommended a governance topic on "The council's procurement policy - compliance and implementation", and that potential governance topics for 2018-19 could consider the IT network audit recommendations after November 2018, and equality impact assessments, including sub-contracting, for future meetings.

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 June 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 2018-19, the committee has agreed to continue to review a range of governance

issues through the year. Some proposed topics included:

- IT network audit recommendations (after November 2018, following the agreed completion date for these actions)
 - equality impact assessments, including sub-contracting.
8. 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.
 9. 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.
 10. 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.
 11. 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

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

Community impact statement

13. 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

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

Consultation

15. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

16. 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	10 July 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		10 July 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 Not required: integrated into internal audit strategy and plan
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		✓					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
Annual report on anti-fraud		✓					Annual progress report on the anti fraud services and special investigations team -

Item	Meeting date						Commentary
	June 2018	July 2018	September 2018	November 2018	Feb 2019	June 2019	
							Fraud manager
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
Chief audit executive information	(✓)	(✓)	(✓)	(✓)	(✓)	(✓)	Report on appointment, departure, resignation or change in chief audit executive – Director of Finance Not required: new audit arrangements in place.
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 the year, 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

Item	Meeting date						Commentary
	June 2018	July 2018	September 2018	November 2018	Feb 2019	June 2019	
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
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					✓		Annual report on complaints made under

Item	Meeting date						Commentary
	June 2018	July 2018	September 2018	November 2018	Feb 2019	June 2019	
under Code of Conduct							Code of Conduct – Head of Corporate Team
Report on operational use of Regulation of Investigatory Powers Act 2000					✓		Annual report on use of powers under RIPA – Head of Corporate Team
Review of member and officer protocol and communications protocol				✓			Annual review of protocols, with recommendations for changes as needed – Head of Corporate Team
Establishment of sub-committees for 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

Item	Meeting date						Commentary
	June 2018	July 2018	September 2018	November 2018	Feb 2019	June 2019	
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.

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
Ian Young	1
Rob Woollatt	1

BDO (Internal Auditors)	By email
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