

Audit, Governance and Standards Committee

Wednesday 12 September 2018

7.00 pm

Ground Floor Meeting Room G02B - 160 Tooley Street, London SE1 2QH

Membership

Councillor Gavin Edwards (Chair)
Councillor Dora Dixon-Fyle MBE
Councillor Humaira Ali
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

You have the right to request to inspect copies of minutes and reports on this agenda as well as the background documents used in the preparation of these reports.

Babysitting/Carers allowances

If you are a resident of the borough and have paid someone to look after your children, an elderly dependant or a dependant with disabilities so that you could attend this meeting, you may claim an allowance from the council. Please collect a claim form at the meeting.

Access

The council is committed to making its meetings accessible. Further details on building access, translation, provision of signers etc for this meeting are on the council's web site: www.southwark.gov.uk or please contact the person below.

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: 4 September 2018



PRINTED ON
RECYCLED PAPER

Audit, Governance and Standards Committee

Wednesday 12 September 2018

7.00 pm

Ground Floor Meeting Room G02B - 160 Tooley Street, London SE1 2QH

Order of Business

Item No.	Title	Page No.
	PART A - OPEN BUSINESS	
	The chair would like to remind members that prior to the meeting they have the opportunity to inform officers of particular areas of interest relating to reports on the agenda, in order for officers to undertake preparatory work to address matters that may arise during debate.	
1.	APOLOGIES FOR ABSENCE	
	To receive any apologies for absence.	
2.	CONFIRMATION OF VOTING MEMBERS	
	A representative of each political group will confirm the voting members of the committee.	
3.	NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT	
	In special circumstances, an item of business may be added to an agenda within five clear days of the meeting.	
4.	DISCLOSURE OF INTERESTS AND DISPENSATIONS	
	Members to declare any personal interests and dispensation in respect of any item of business to be considered at this meeting.	
5.	MINUTES	1 - 5
	To approve as a correct record the minutes of the open section of the meeting held on 18 July 2018.	

Item No.	Title	Page No.
6.	GOVERNANCE TOPIC: PROCUREMENT	
7.	ANNUAL AUDIT LETTER FOR SOUTHWARK COUNCIL AND SOUTHWARK PENSION FUND 2017-18	6 - 21
8.	GRANT THORNTON PROGRESS REPORT AND UPDATE FOR YEAR ENDED 31 MARCH 2018	22 - 33
9.	BUDGET CHALLENGE AND GOVERNANCE	
	To follow.	
10.	INDEPENDENT MEMBER RECRUITMENT: VERBAL UPDATE	
11.	IN YEAR REVIEW OF WORK PROGRAMME 2018-19: SEPTEMBER 2018	34 - 43

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

EXCLUSION OF PRESS AND PUBLIC

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

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

PART B - CLOSED BUSINESS

Date: 4 September 2018



Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Wednesday 18 July 2018 at 7.00 pm at Ground Floor Meeting Room G02A - 160 Tooley Street, London SE1 2QH

PRESENT: Councillor Gavin Edwards (Chair)
Councillor Humaira Ali
Councillor Dora Dixon-Fyle MBE
Councillor Nick Dolezal
Councillor Victoria Olisa
Councillor Andy Simmons
Councillor Dan Whitehead

OTHERS PRESENT: Matt Dean, Grant Thornton
Angela Mason-Bell, BDO
Greg Rubins, BDO

OFFICER SUPPORT: Duncan Whitfield, strategic director of finance and governance
Rob Woollatt, departmental finance manager
Jo Anson, head of financial and information governance
Norman Coombe, head of corporate team, legal services
Virginia Wynn-Jones, constitutional team

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from the independent members, Charles Wynn-Evans and Bill Dee. Apologies for lateness were received from Councillor Andy Simmons.

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 11, Southwark Council audit findings report 2017-18 and pension fund audit findings report 2017-18, and item 13, independent members: verbal update as late and urgent.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

5. MINUTES

The minutes of the meeting of 6 June 2018 were agreed as a correct record and signed by the chair.

6. GOVERNANCE TOPIC: THE COUNCIL'S PROCUREMENT POLICY - COMPLIANCE AND IMPLEMENTATION

The strategic director of finance and governance presented the governance topic. Members had questions for the officers.

RESOLVED:

1. That the Council's Fairer Future Procurement Strategy attached as Appendix A of the report was noted.
2. That the recent internal audit of procurement attached as Appendix B of the report, and PowerPoint guidance to relevant staff attached as Appendix C of the report was noted.
3. That the council's Contract Standing Orders in relation to contract monitoring (paragraphs 14 and 15 of the report) were noted.
4. That the list of contracts that are over the EU threshold and should have six monthly and annual performance reports attached as Appendix D of the report was noted.
5. That the audit, governance and standards committee considered how it would wish to progress its review of governance in respect of contract management, and agreed:
 - the chair would discuss the scope of an internal audit review with the strategic director of finance and governance and that this would be brought back to the committee
 - to ask officers to request an audit follow up from BDO.

7. ANTI-FRAUD SERVICES AND SPECIAL INVESTIGATIONS TEAM PROGRESS REPORT APRIL 2017 TO MARCH 2018

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

RESOLVED:

1. That the progress on the anti fraud services and special investigations team for the year from 1 April 2017 to 31 March 2018 was noted.

8. INTERNAL AUDIT UPDATE JULY 2018

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

Officers undertook to provide a written update on IT disaster recovery planning.

Officers undertook to provide a written update on appropriate governance arrangements over partnerships.

RESOLVED:

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

9. INTERNAL AUDIT ANNUAL REPORT 2017-18

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

RESOLVED:

1. That the Internal Audit Annual report, attached as Appendix A of the report, be noted.

10. ANNUAL GOVERNANCE STATEMENT 2017-18

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

The strategic director of finance and governance thanked members of the committee for their input and support.

RESOLVED:

1. That the annual governance statement 2017-18, as attached as appendix 1 of the report, be agreed.

11. SOUTHWARK COUNCIL AUDIT FINDINGS REPORT 2017-18 AND PENSION FUND AUDIT FINDINGS REPORT 2017-18

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

RESOLVED:

1. That:
 - a) the matters raised in Grant Thornton's audit findings report for 2017-18 (Appendix A of the report) before approval of the council's accounts be considered
 - b) the adjustments to the accounts as set out on pages 22-24 of the audit findings

report be noted

- c) the council's letter of representation set out at Appendix B of the report be approved
- d) the matters raised in the pension fund audit findings report 2017-18, (Appendix C of the report) prior to approval of the pension fund statement of accounts be considered
- e) the adjustments to the pension fund statement of accounts as set out in page 14 of the audit findings report be noted
- f) the pension fund letter of representation set out at Appendix D of the report be approved
- g) the Statement of Accounts 2017-18 (Appendix E of the report), subject to any final changes required by the conclusion of the audit, being delegated to the strategic director of finance in consultation with the chair of audit, governance and standards committee, be approved
- h) the audit fee letter (Appendix F of the report) be noted.

12. IN YEAR REVIEW OF WORK PROGRAMME 2018-19: JULY 2018

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

Officers undertook to bring back further information on budget updates from central government when they were available.

RESOLVED:

1. That the proposed revised work programme for 2018-19, including scheduling of governance topics for the year, was considered and no other amendments were made.
2. That the work programme set out in Appendix 1 for 2018-19 be agreed.

13. INDEPENDENT MEMBERS: VERBAL UPDATE

Officers introduced the update.

Officers undertook to provide a list of all applicants for the role of independent member

Members recorded their thanks to the retiring independent member, William Dee, for his support.

Members recorded their thanks to Jennifer Seeley as director of finance on her retirement.

RESOLVED:

1. That the membership of the selection panel for new independent members would

comprise Councillors Gavin Edwards, Humaira Ali and Dora Dixon-Fyle.

Meeting ended at 9.30 pm

CHAIR:

DATED:

Agenda Item 7

Item No: 7.	Classification: Open	Date: 12 September 2018	Meeting Name: Audit, Governance and Standards Committee
Report title:		Annual Audit Letter for Southwark Council and Southwark Pension Fund 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 final Annual Audit Letter for Southwark Council and Southwark Pension Fund, attached as Appendix A.

KEY ISSUES FOR CONSIDERATION

2. The Annual Audit Letter summarises the key findings arising from the work Grant Thornton, the council's external auditors, have carried out at Southwark Council for the year ended 31 March 2018.
3. Grant Thornton gave an unqualified opinion on the Council's financial statements and the Southwark Council Pension Fund accounts on 31 July 2018.
4. Grant Thornton are satisfied that the council has in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2018.

Community Impact Statement

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

Resource implications

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

Consultation

7. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

8. None required.

BACKGROUND DOCUMENTS

Background Papers	Held at	Contact

APPENDICES

No.	Title
Appendix A	The Annual Audit Letter for Southwark Council

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Rob Woollatt, Interim Departmental Finance Manager	
Version	Final	
Version Date	30 August 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	30 August 2018	



Annual Audit Letter

Year ending 31 March 2018

Southwark Council

30 August 2018



Contents



Your key Grant Thornton team members are:

Paul Dossett

Engagement Lead

T: 020 7728 3180

E: paul.dossett@uk.gt.com

Matt Dean

Engagement Manager

T: 020 7728 3181

E: matthew.dean@uk.gt.com

Liulu Chen

In-Charge Accountant

T: 020 7865 2561

E: liulu.chen@uk.gt.com

Section

1. Executive Summary
2. Audit of the Accounts
3. Value for Money conclusion

Page

- 3
5
11

Appendices

- A Reports issued and fees

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Southwark Council (the Council) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit, Governance and Standards Committee as those charged with governance in our Audit Findings Report on 18 July 2018.

Our work

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Materiality	We determined materiality for the audit of the Council's financial statements to be £25,000,000, which is 2% of the Council's gross revenue expenditure. We determined materiality for the audit of the pension fund accounts administered by the Council to be £15,000,000, which is 0.98% of the pension fund's net assets.
Financial Statements opinion	We gave an unqualified opinion on the Council's financial statements on 31 July 2018. We gave an unqualified opinion on the pension fund accounts of the Southwark Council Pension Fund on 31 July 2018.
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.

Executive Summary

Value for Money arrangements

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 31 July 2018.

Certification of Grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2018. We will report the results of this work to the Audit, Governance and Standards Committee in our Annual Certification Letter.

Certificate

We certify that we have completed the audit of the accounts of Southwark Council in accordance with the requirements of the Code of Audit Practice.

Working with the Council

During the year we have delivered a number of successful outcomes with you:

- An efficient audit – we delivered an efficient audit with you in June and July, delivering the accounts in almost half the time we spent last year, in advance of the end of July deadline as well.
- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports with Management and the Audit, Governance and Standards Committee.
- Providing training – we provided your teams with training and support on the accounts throughout the course of the year.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
August 2018

Audit of the Accounts

Our audit approach

Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's accounts to be £25,000,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We set a lower threshold of £1,250,000, above which we reported errors to the Audit, Governance and Standards Committee in our Audit Findings Report.

Pension Fund Materiality

For the audit of the Southwark Council Pension Fund accounts, we determined materiality to be £15,000,000, which is 0.98% of the Fund's net assets. We used this benchmark, as in our view, users of the Pension Fund accounts are most interested in the value of assets available to fund pension benefits.

We set a threshold of £750,000 above which we reported errors to the Audit, Governance and Standards Committee.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts and the Annual Governance Statement published alongside the Statement of Accounts to check they are consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a  basis for our opinion.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Accounts

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Improper revenue recognition Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Southwark Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we did not consider this to be a significant risk for Southwark Council.</p> <p>However as Revenue is a material balance for the Council, we performed the following:</p> <ul style="list-style-type: none"> • reviewed and tested the Council's revenue recognition policies • performed testing on material revenue streams 	<p>Our audit work did not identify any issues in respect of improper revenue recognition.</p>
<p>Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>As part of our audit work we completed the following:</p> <ul style="list-style-type: none"> • gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness; • obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness; and • evaluated the rationale for any changes in accounting policies or significant unusual transactions. 	<p>Our audit work did not identify any issues in respect of management override of controls.</p>

Audit of the Accounts

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of property, plant and equipment The Council revalues its land and buildings on a quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>As part of our audit work we completed the following:</p> <ul style="list-style-type: none"> • reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • considered the competence, expertise and objectivity of any management experts used; • discussed with the valuer the basis on which the valuation is carried out and challenge the key assumptions; • reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding; • tested revaluations made during the year to ensure they are input correctly into the Council's asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. 	<p>Our audit work identified that when testing the allocation of PPE Revaluations, the Council identified that whilst the net impact on the CIES was correct, the movements up and down were incorrect. These were subsequently revisited by the Council, and adjusted within the revised Accounts.</p>
<p>Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represents a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>As part of our audit work we completed the following:</p> <ul style="list-style-type: none"> • identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We have also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement; • evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation; • gained an understanding of the basis on which the valuation is carried out; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made; and • checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>Our audit work did not identify any issues in respect of the valuation of the pension fund net liability in the Accounts.</p>

Audit of the Accounts – Pension Fund

Pension Fund Significant Audit Risks

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the pension fund.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Improper revenue recognition</p> <p>Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Southwark Council Pension Fund, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Southwark Council Pension Fund, mean that all forms of fraud are seen as unacceptable <p>Therefore we did not consider this to be a significant risk for Southwark Council Pension Fund.</p>	<p>Our audit work did not identify any issues in respect of improper revenue recognition.</p>
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>As part of our audit work we completed the following:</p> <ul style="list-style-type: none"> • gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness • evaluated the rationale for any changes in accounting policies or significant unusual transactions. 	<p>Our audit work did not identify any issues in respect of management override of controls.</p>

Audit of the Accounts – Pension Fund

Pension Fund Significant Audit Risks

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the pension fund.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>The valuation of Level 3 (Hard to Value) investments is incorrect</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>We identified the valuation of level 3 investments as a risk requiring special audit consideration.</p> <p>NB: for Southwark Pension Fund, its Level 3 Investments are Freehold and Leasehold Properties.</p>	<p>As part of our audit work we completed the following:</p> <ul style="list-style-type: none"> gained an understanding of the Fund’s process for valuing level 3 investments and evaluated the design of the associated controls reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments consideration of the competence, expertise and objectivity of any management experts used reviewed the qualifications of the Fund Managers to value Level 3 investments at year end and gained an understanding of how the valuation of these investments has been reached for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. We also reconciled those values to the values at 31 March 2018 with reference to known movements in the intervening period 	<p>Our audit work did not identify any issues in respect of the valuation of the Level 3 Investments in the Accounts.</p>

Audit of the Accounts

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 31 July 2018, in line with the national deadline.

Preparation of the accounts

The Council presented us with draft accounts in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit to the Council's Audit, Governance and Standards Committee on 18 July 2018.

We identified two adjustments to the core Financial Statements, along with a number of presentation and disclosure amendments, all of which were processed by the Council within the final set of Accounts.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website alongside the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work on the Council's Data Collection Tool in line with instructions provided by the NAO. We issued an assurance statement which did not identify any issues for the group auditor to consider on 22 August 2018.

Pension fund accounts

We gave an unqualified opinion on the pension fund accounts of the Southwark Council Pension Fund on 31 July 2018.

We also reported the key issues from our audit of the pension fund accounts to the Council's Audit, Governance and Standards Committee on 18 July 2018.

Certificate of closure of the audit

We are also required to certify that we have completed the audit of the accounts of Southwark Council in accordance with the requirements of the Code of Audit Practice. We certified the Council's audit as closed on the 30th of August 2018, following the completion of our work on the Council's Whole of Government Accounts Return as mentioned below.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

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

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risk we identified and the work we performed is set out overleaf.

As part of our Audit Findings Report agreed with the Council in July 2018, we agreed recommendations to address our findings, which are shown below, along with Management's Response to these

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.

Action plan

Assessment	Issue and risk	Recommendations
<p>①</p> <p>●</p> <p>Amber</p>	<p>Value for Money – future financial sustainability</p> <p>The Council needs to start looking ahead to 2020 onwards and ensure that both Officer and Members are on board with the challenges that the Council may potentially face from this period onwards</p>	<p>The Council needs to start undertaking work to consider the environment post-2020 so it will be able to deal with the challenges that may be faced from this date.</p> <p>Management response</p> <p>Agreed – however, the considerable uncertainty regarding the future funding of local authorities beyond 2020 (Comprehensive Spending Review, Fair Funding Review, Business Rates Retention and future funding of Adult Social Care) makes strategic financial planning particularly challenging.</p>
<p>②</p> <p>●</p> <p>Amber</p>	<p>Value for Money – Dedicated Schools Grant</p> <p>The Council encountered considerable challenges on spending normally covered via the Dedicated Schools Grant, due to challenges around those children with High Needs and Special Needs. These overspends are not sustainable over the Medium Term if spending in these areas cannot be brought back under control.</p>	<p>The Council needs to continue with the work in this area to ensure that budgets are closely managed and overspends challenged and dealt with to ensure this doesn't continue to have an adverse impact on the Council's overall financial position.</p> <p>Management response</p> <p>Agreed – the 2017-18 revenue outturn position evidenced the Council's robust financial management arrangements, including the work of the budget recovery board. This rigour will continue to be applied to ensure that spending pressures are managed and budgets are sustainable.</p>

Value for Money conclusion

Key Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Ongoing Financial Performance</p> <p>The Council is continuing to face pressure on its Social Care Budgets, and other factors such as the demand for temporary accommodation and the impact of nil resource to public funds are putting the Council's finances under considerable strain.</p> <p>Therefore the Council needs to manage its resources carefully to ensure a sustainable future for the Borough ahead of the 2020 Funding Settlement.</p>	<p>As part of our work we completed the following:</p> <ul style="list-style-type: none"> • reviewed the 2017-18 Outturn, and progress against the 2018-19 financial plan up to the completion of our audit; and • obtained an update on the Council's Medium Term Financial Strategy, including progress on identifying the savings required in coming years including discussions with Management on progress to date. 	<p>Our work in this area identified the following:</p> <ul style="list-style-type: none"> • The Council delivered a balanced budget in 2017-18, which included the movement of £10.799m to General Fund Reserves to help strengthen the overall financial position of the Council. This helps to offset some of the £27.4m draw on reserves that took place in 2016-17, which was largely due to the challenges on Social Care, both in Adults and Children's. Other areas which continue to pose challenges for the Council include the demands on Nil Recourse to Public Funds, and Temporary Accommodations, although the Council is not alone in facing these challenges. • Significant improvements have been made in respect of Social Care, with the total overspend in this area arriving at £2.4m at the end of 2017-18, of which £2.042m related to Children's. This is clearly an area which the Council is going to need to continue to work on during 2018-19 and beyond, with a plan already in place to recoup the 2017-18 overspend in 2018-19. • A balanced budget has been set for 2018-19, which includes the delivery of £18.209m of further efficiencies and income to offset the shortfall in the budget. Plans are in place for the delivery of this sum, which will need close monitoring during the course of the year. • The Council is continuing to adopt a one-year planning timeframe due to the level of uncertainty post-2020, which is something that will need to be tackled soon to ensure the Council is in a position to face the challenges. Whilst we understand why the Council is taking this approach, it does leave them at risk if the new Local Government Funding Settlement does not deliver a positive outcome for the Council from 2020 onwards. • We also considered the Council's Reserves Positions, and noted that whilst the Council was in the middle of the pack on several metrics, it did perform poorly when considering the level of General Fund Reserves as a percentage of Gross Revenue Expenditure. This is something that the Council needs to continue to work to strengthen over the coming years so it is better placed to face the challenges ahead. <p>Based on the work we performed to address the significant risk, we concluded that:</p> <ul style="list-style-type: none"> • the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. <p>However as mentioned on the previous page, we have raised a couple of recommendations for the Council to consider, and we will monitor the progress in these areas over the course of the next 12 months ahead of next year's VfM Work.</p>

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services as follows:

Reports issued

Report	Date issued
Audit Plan	19 February 2018
Audit Findings Report	18 July 2018
Annual Audit Letter	30 August 2018

Fees

	Planned £	Actual fees £	2016/17 fees £
Statutory Council audit	237,296	237,296	237,296
Audit of Pension Fund	21,000	21,000	21,000
Housing Benefit Grant Certification	17,717	TBC	17,717
Total fees	276,013	[xx]	276,013

The planned fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). We will be unable to confirm our final fee for our Housing Benefit Work until we have completed the work ahead of the November 2018 deadline.

Fees for non-audit services

Service	Fees £
Audit related services:	
• Certification of Housing Capital Receipts Grant	5,000
• Certification of Teachers Pensions Return	5,000
Non-audit services:	
• CFO Insights Subscription	10,000

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

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



© 2018 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Agenda Item 8

Item No. 8.	Classification: Open	Date: 12 September 2018	Meeting Name: Audit, governance and standards committee
Report title:		Grant Thornton progress report and update for year ended 31 March 2018	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee note Grant Thornton's progress report and update for year ended 31 March 2018, as attached at Appendix A.

BACKGROUND INFORMATION

2. The purpose of the report is to inform the committee of the progress made by Grant Thornton in delivering their responsibilities as the council's external auditors. The full report is given in Appendix A.

Policy implications

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

Community impact statement

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

Resource implications

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

Consultation

6. Consultation has not been undertaken.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

7. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix A	Grant Thornton Progress Report and Update for year ended 31 March 2018

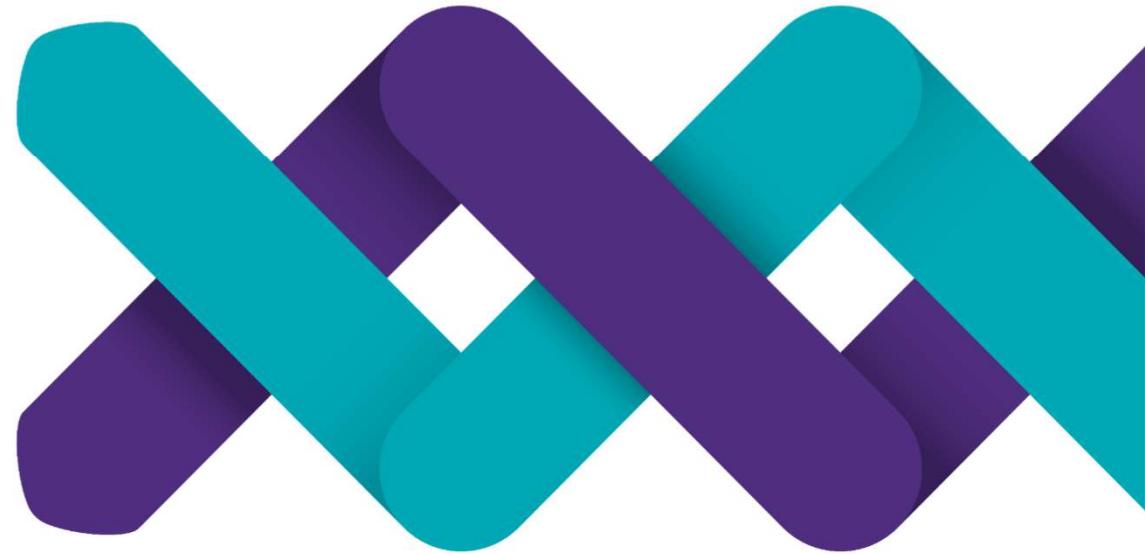
AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Virginia Wynn-Jones, Principal Constitutional Officer	
Version	Final	
Dated	3 September 2018	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Strategic Director of Finance and Governance	No	N/A
Director of Law and Democracy	No	N/A
Cabinet Member	No	No
Date final report sent to Constitutional Team	3 September 2018	

Audit Progress Report and Sector Update

Southwark Council
Year ending 31 March 2018

12 September 2018



Contents

Section	Page
Introduction	3
Progress at September 2018	4
Audit Deliverables	5
Sector Update	6
Links	9

Introduction



Paul Dossett

Engagement Lead

T 020 7728 3180
M 07919 025 198
E paul.dossett@uk.gt.com



Matt Dean

Engagement Manager

T 020 7728 3181
M 07867 150 991
E matthew.dean@uk.gt.com

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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit, Governance and Standards Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk.

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

Progress at September 2018

Financial Statements Audit

We are due to imminently start planning for the 2018/19 financial statements audit and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2018/19 financial statements. This audit plan will be issued in February 2019.

Our interim work will cover the following:

- an updated review of the Council's control environment
- an updated understanding of financial systems
- a review of Internal Audit reports on core financial systems
- early work on emerging accounting issues
- early substantive testing

Our early substantive testing will take place in February and March 2019 and will again reduce the level of work required in June and July 2019 for the Final Accounts Visit. At the current stage our plan is for a similar approach to our Final Accounts Visit in June and July 2019, ahead of the July 2019 deadline.

An initial timeline of our planned work and deliverables can be seen on the following page.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We will report our initial risk assessment to determine our approach in our Audit Plan in February 2019, and we will issue our Value For Money Conclusion ahead of the July 2019 deadline.

We have agreed with the Council some additional work to support the Value for Money Conclusion, which we are currently working through with Management to agree the scope of the work. This work will be performed between September to November, and we will share our findings with Management and the Committee.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2018/19 claim will be concluded by November 2018.

The results of the certification work are reported to you in our certification letter.

Meetings

We met with Finance Officers in July 2018 as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive in June 2018 to discuss the Council's strategic priorities and plans.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit, Governance and Standards Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	February 2019	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	February 2019	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Audit, Governance and Standards Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statement, Annual Governance Statement and Value for Money Conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work as part of our contract with the Council.	December 2019	Not yet due

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

The Vibrant Economy Index

a new way to measure success

Our Vibrant Economy Index uses data to provide a robust, independent framework to help everyone understand the challenges and opportunities in their local areas. We want to start a debate about what type of economy we want to build in the UK and spark collaboration between citizens, businesses and place-shapers to make their places thrive.

Places are complex and have an intrinsic impact on the people and businesses within them. Economic growth doesn't influence all of the elements that are important to people's lives – so we shouldn't use GDP to measure success. We set out to create another measure for understanding what makes a place successful.

In total, we look at 324 English local authority areas, taking into account not only economic prosperity but health and happiness, inclusion and equality, environmental resilience, community and dynamism and opportunity. Highlights of the index include:

- Traditional measures of success – gross value added (GVA), average workplace earning and employment do not correlate in any significant way with the other baskets. This is particularly apparent in cities, which despite significant economic strengths are often characterised by substantial deprivation and low aspiration, high numbers of long-term unemployment and high numbers of benefit claimants
- The importance of the relationships between different places and the subsequent role of infrastructure in connecting places and facilitating choice. The reality is that patterns of travel for work, study and leisure don't reflect administrative boundaries. Patterns emerge where prosperous and dynamic areas are surrounded by more inclusive and healthy and happy places, as people choose where they live and travel to work in prosperous areas.
- The challenges facing leaders across the public, private and third sector in how to support those places that perform less well. No one organisation can address this on their own. Collaboration is key.

Visit our website (www.granthornton.co.uk) to explore the interactive map, read case studies and opinion pieces, and download our report **Vibrant Economy Index: Building a better economy**.

Vibrant Economy app

To support local collaboration, we have also developed a Vibrant Economy app. It's been designed to help broaden understanding of the elements of a vibrant economy and encourage the sharing of new ideas for – and existing stories of – local vibrancy.

We've developed the app to help people and organisations:

- see how their place performs against the index and the views of others through an interactive quiz
- post ideas and share examples of local activities that make places more vibrant
- access insights from Grant Thornton on a vibrant economy.

We're inviting councils to share it with their employees and the wider community to download. We can provide supporting collateral for internal communications on launch and anonymised reporting of your employees' views to contribute to your thinking and response.

To download the app visit your app store and search 'Vibrant Economy'

- Fill in your details to sign up, and wait for the verification email (check your spam folder if you don't see it)
- Explore the app and take the quiz
- Go to the Vibrant Ideas section to share your picture and story or idea



Financial sustainability of local authorities 2018

This National Audit Office report reviews financial sustainability across Local Government and examines whether the MHCLG, along with other departments with responsibility for local services, understands the impact of funding reductions on the financial and service sustainability of local authorities.

The report concludes that current pattern of growing overspends on services and dwindling reserves exhibited by an increasing number of authorities is not sustainable over the medium term. The financial future for many authorities is less certain than in 2014, when the NAO last looked at financial sustainability. It also notes that the financial uncertainty created by delayed reform to the local government financial system risks longer-term value for money.

The NAO's view is that the sector has done well to manage substantial funding reductions since 2010-11, but financial pressure has increased markedly since the 2014 review.. Services other than adult social care are continuing to face reducing funding despite anticipated increases in council tax. Local authorities face a range of new demand and cost pressures while their statutory obligations have not been reduced. Non-social-care budgets have already been reduced substantially, so many authorities have less room for manoeuvre in finding further savings. The scope for local discretion in service provision is also eroding even as local authorities strive to generate alternative income streams.

Key findings include:

Financial resilience varies between authorities, with some having substantially lower reserves levels than others. Levels of total reserves in social care authorities as a whole are higher now than in 2010-11. However, there is variation in individual authorities' ability to build up their reserves and differences in the rate at which they have begun to draw them down. Some 10.6% of single-tier and county councils would have the equivalent of less than three years' worth of total reserves (earmarked and unallocated combined) left if they continued to use their reserves at the rate they did in 2016-17.

A section 114 notice has been issued at one authority, which indicates that it is at risk of failing to balance its books in this financial year. In February 2018, the statutory financial officer for Northamptonshire County Council issued a section 114 notice, indicating that it was at risk of spending more in the financial year than the resources it has available, which would be unlawful.

MHCLG's work to assess the sector's funding requirements as part of the 2015 Spending Review was better than the work it undertook for the 2013 Spending Review. The Department's advice to ministers in 2015 drew on a more comprehensive evidence base, including data returns from 12 departments.

The government has announced multiple short-term funding initiatives in recent years and does not have a long-term funding plan for local authorities. In 2016-17, the Department offered a four-year settlement to all authorities to enable better financial planning. However, there have been many changes to funding streams outside this core offer. The funding landscape following the 2015 Spending Review has been characterised by one-off and short-term funding initiatives.

There is also uncertainty over the long-term financial plan for the sector. The absolute scale of future funding is unknown until the completion of the next Spending Review. The government has confirmed its intention to implement the results of the Fair Funding Review in 2020-21 and to allow local authorities to retain 75% of business rates. However, the implications of these changes are not yet clear.

There is a lack of ongoing coordinated monitoring of the impact of funding reductions across the full range of local authority services.



Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

National Audit Office link

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/>

Item No. 11.	Classification: Open	Date: 12 September 2018	Meeting Name: Audit, governance and standards committee
Report title:		In year review of work programme 2018-19: September 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 July 2018, the committee considered and agreed a work programme for 2018-19 and recommended developing the governance topic of procurement, 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.
4. Following updates from officers, items listed in the work programme have been updated; the member induction and training update will come to November 2018, and will include information on the digital democracy work stream (paperless meetings, electronic summonses, livestreaming of meetings and MySouthwark for members).
5. Following the presentation of an item on the Ledbury Estate - Management response to recommendations of the independent review of the Ledbury to overview and scrutiny committee on 23 July 2018, the audit, governance and standards committee is asked to consider whether it would be minded to follow up on this at one of the meetings this year.

KEY ISSUES FOR CONSIDERATION

6. 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.

7. 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.
8. 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.
9. 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.
10. 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.
11. 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.
12. 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.
13. 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

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

Community impact statement

15. 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

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

Consultation

17. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

18. 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	3 September 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		3 September 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 plan and strategy for internal audit					✓		Proposed internal audit programme for future years – Strategic Director of Finance and Governance
Annual report and opinion on internal audit		✓					Including review of effectiveness of system of internal audit and Strategic Director of Finance and Governance’s opinion on system of internal control and report on internal audit contractor and Strategic Director of Finance and Governance (chief audit executive) performance – Strategic Director of Finance and Governance
Annual report on anti-fraud		✓					Annual progress report on the anti fraud services and special investigations team - Fraud manager
Progress report on the work of internal audit and anti-fraud	✓		✓	✓	✓	✓	Issues raised and progress on implementation of recommendations, including approval of

37

Item	Meeting date						Commentary
	June 2018	July 2018	September 2018	November 2018	Feb 2019	June 2019	
							any significant additional advisory services – Strategic Director of Finance and Governance
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
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

Item	Meeting date						Commentary
	June 2018	July 2018	September 2018	November 2018	Feb 2019	June 2019	
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 – Strategic Director of Finance and Governance
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) – Strategic Director of Finance and Governance
Outcomes of the whistleblowing policy				✓			Annual report to consider outcomes of the whistleblowing policy – Director of Law and Democracy
Review of complaints made under Code of Conduct					✓		Annual report on complaints made under Code of Conduct – Head of Corporate Team
Report on operational use of Regulation of Investigatory Powers Act 2000					✓		Annual report on use of powers under RIPA – Head of Corporate Team
Review of member and officer protocol and communications protocol				✓			Annual review of protocols, with recommendations for changes as needed – Head of Corporate Team
Establishment of sub-		✓					Report to establish sub-committees in line

30

Item	Meeting date						Commentary
	June 2018	July 2018	September 2018	November 2018	Feb 2019	June 2019	
committees for 2018-19							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
Independent review of Ledbury repairs history				?	?	?	Follow up on OSC report 23 July 2018 - Ferenc Morath, Head of Investment
Accounts							
Statement of accounts	✓	✓					2017-18 statement of accounts for consideration and approval – Strategic Director of Finance and Governance
Treasury Management							
Review of the policy and strategy				✓			Review of treasury management policy and strategy – Strategic Director of Finance and Governance

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.

This page is intentionally blank.

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 Victoria Mills	By email
---------------------------	----------

LAW AND DEMOCRACY

Norman Coombe	1
Doreen Forrester-Brown	1

COMMUNICATIONS

Louise Neilan	By email
---------------	----------

CONSTITUTIONAL TEAM

Virginia Wynn-Jones	6
---------------------	---

INDEPENDENT PERSONS

Mr Charles Wynn-Evans	By email
-----------------------	----------

FINANCE AND GOVERNANCE

Duncan Whitfield	1
Jo Anson	1
Rob Woollatt	1

BDO (Internal Auditors) – Greg Rubins	By email
--	----------

GRANT THORNTON

Paul Dossett	1
Grant Thornton	
5th Floor, Grant Thornton House	
Melton Street	
Euston Square	
London NW1 2EP	

Matthew Dean	1
Grant Thornton	
5th Floor, Grant Thornton House	
Melton Street	
Euston Square	
London NW1 2EP	

Total Print Run:	15
-------------------------	-----------