Open Agenda

Southwark
Council
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Audit, Governance and Standards Committee

Tuesday 16 July 2019
6.30 pm
Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

Membership

Councillor James McAsh (Chair)
Councillor Humaira Ali
Councillor Dora Dixon-Fyle MBE
Councillor Nick Dolezal
Councillor Tom Flynn
Councillor Andy Simmons
Councillor Dan Whitehead

Reserves

Councillor Sarah King
Councillor Hamish McCallum
Councillor Bill Williams
Councillor Lorraine Lauder MBE
Councillor Jason Ochere

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: 8 July 2019

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Audit, Governance and Standards Committee

Tuesday 16 July 2019
6.30 pm
Ground Floor Meeting Room G01A - 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 - 4

To approve as a correct record the minutes of the open section of the meeting held on 5 June 2019.

Item No.	Title	Page No.

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: 8 July 2019

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Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Wednesday 5 June 2019 at 7.00 pm at Ground Floor Meeting Room G02A - 160 Tooley Street, London SE1 2QH

PRESENT:	Councillor James McAsh (Chair)
	Councillor Humaira Ali
	Councillor Dora Dixon-Fyle MBE
	Councillor Nick Dolezal
	Councillor Andy Simmons
	Councillor Dan Whitehead
	Councillor Bill Williams (Reserve)
OFFICER SUPPORT:	Duncan Whitfield, Strategic Director of Finance and Governance
	Rob Woollatt, Departmental Finance Manager
	Matthew Dean, Grant Thornton
	Ciaran McLaughlin, Grant Thornton
	Angela Mason-Bell, BDO
	Virginia Wynn-Jones, Constitutional Team

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Tom Flynn. Councillor Bill Williams attended as a reserve.

Apologies for absence were received from Charles Wynn-Evans and Musa Chunge.

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 8, Draft Statement of Accounts, as late and urgent.

Audit, Governance and Standards Committee - Wednesday 5 June 2019

4. **DISCLOSURE OF INTERESTS AND DISPENSATIONS**

    There were none.

5. **MINUTES**

    The minutes of the 11 February 2019 were agreed as a correct record and signed by the chair.

6. **BDO INTERNAL AUDIT PROGRESS REPORT**

    BDO presented the report. Members had questions for BDO.

    RESOLVED:

    1. That the audit, governance and standards committee noted BDO's internal audit progress report, as attached at Appendix A of the report.

7. **DRAFT ANNUAL GOVERNANCE STATEMENT 2018-19**

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

    Duncan Whitfield confirmed that all members of the audit, governance and standards committee are encouraged to send him any queries or feedback they have on this via email to duncan.whitfield@southwark.gov.uk.

    RESOLVED:

    2. That the audit, governance and standards committee noted the draft Annual Governance Statement 2018-19 as attached at Appendix 1 of the report.

8. **DRAFT STATEMENT OF ACCOUNTS**

    This item was accepted as late and urgent by the chair. As the deadline for the final draft accounts was 31 May 2019, this was after the dispatch of the audit, governance and standards committee agenda.

    The audit, governance and standards committee are presented with the draft statement of accounts at the earliest possible date, in order that they can have as long as possible to review them before the final statement of accounts are presented to them in July 2019 for agreement. This is the only meeting able to accept the draft statement of accounts.

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

    Duncan Whitfield confirmed that all members of the audit, governance and standards committee are encouraged to send him any queries or feedback they have on this via email to duncan.whitfield@southwark.gov.uk.

Audit, Governance and Standards Committee - Wednesday 5 June 2019

RESOLVED:

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

2. That the audit, governance and standards committee considered the draft statement of accounts for 2018-19 (appendix 2 of the report).

9. **FORMATION OF AUDIT, GOVERNANCE AND STANDARDS SUB-COMMITTEES FOR 2019-20**

   RESOLVED:

   The membership for the audit, governance and standards (civic awards) sub-committee was agreed as:

   Chair: Councillor Dora Dixon-Fyle
   Councillor Humaira Ali
   Councillor Tom Flynn
   Councillor Andy Simmons

   The membership for the audit, governance and standards (standards) sub-committee was agreed as:

   Chair: Councillor Dora Dixon-Fyle
   Councillor James McAsh
   Councillor Dan Whitehead

10. **DRAFT WORK PROGRAMME FOR 2019-20**

    Duncan Whitfield undertook to meet with the chair of the committee to create a short list of questions which will be provided to strategic directors before they attend meetings, to help frame the discussion on corporate governance.

    RESOLVED:

    1. That the audit, governance and standards committee considered the proposed draft work programme for 2019-20 and whether they would wish to make amendments to arrangements as set out in paragraphs 8 and 9 of the report, or in respect of any other matters.

       The committee agreed that reports and items relating to the governance of the below issues be added to the committee's work plan:

       • Strategic directors on departmental governance (each meeting)
       • Brexit risk management (July 2019)
       • Regeneration/Housing (date to be confirmed)

Audit, Governance and Standards Committee - Wednesday 5 June 2019

- Asset Management (date to be confirmed)
- Schools performance and budgets (date to be confirmed)
- ICT update (date to be confirmed)
- Going concerns (February 2020).

2. That the audit, governance and standards committee, subject to the requested changes, agreed the work programme for 2019-20 set out in Appendix 2 of the report.

Meeting ended at 8.30 pm

CHAIR:

DATED:

Audit, Governance and Standards Committee - Wednesday 5 June 2019

Item No. 7.	Classification: Open	Date: 16 July 2019	Meeting Name: Audit, governance and standards committee
Report title:		BDO Internal audit progress report	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee note BDO's internal audit progress report, as attached at Appendix A.

BACKGROUND INFORMATION

2. The purpose of the report is to inform Southwark Council's audit, governance and standards committee of the status of work undertaken by BDO in respect of 2019-20 since the last meeting of the committee on 6 June 2019. 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	Internal audit progress report

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Virginia Wynn-Jones, Principal Constitutional Officer	
Version	Final	
Dated	8 July 2019	
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		8 July 2019

London Borough of Southwark

INTERNAL AUDIT PROGRESS REPORT

Presented to the Audit, Governance and Standards Committee 16 July 2019

BDO

CONTENTS

1. SUMMARY OF WORK SINCE THE LAST MEETING

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 in 2018-19 and 2019-20 since the last meeting of the committee on 5 June 2019. Where audit reports have been finalised, the executive summaries are included in this report.

Internal audit approach and methodology

As part of our audit approach, we agree terms of reference for each piece of work with management, identifying the key risks that are to be covered by the audit. 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.

Follow up

As part of finalising each audit report, we agree with management the actions that will be taken in response to each finding and recommendation. Within their response, management include the date by which the actions will be completed.

Internal audit routinely follows up all high and medium recommendations made, in the month after the management implementation date.

Changes to the internal audit plan 2019-20

No changes have been made to the internal audit plan 2019-20.

Non internal audit services provided by BDO

Since the last meeting of the committee, no additional non-internal audit work has been commissioned.

2. ANTI-FRAUD UPDATE

BDO has been engaged to provide management support and strategic advice to the anti-fraud team at the council. The lead for this work is Nick Baker (FCCA, ACFS), an accredited counter fraud senior manager and forensic accountant within BDO forensic services.

Current activities

The key activities undertaken by the council's anti-fraud team with support from BDO, since the last meeting of the audit, governance and standards committee are:

- Recruitment to the corporate anti-fraud team has now been approved and the team will increase by three staff members during 2019.

- Once staff are in place then detailed work plan will be implemented which will look to pro-actively target certain higher risk areas which we have identified in conjunction with internal audit and Southwark's Risk Champions.

- The current caseload is being kept under review and is fully allocated to the team.

- The council's involvement in the in the London Counter Fraud Hub is under discussion.

3. REVIEW OF WORK UNDERTAKEN IN 2018-19

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	Reporting	Committee	Design	Operational Effectiveness
Access to secure housing estates	Director of asset management	10	✔	✔	✔	July 2018	No	Limited
Better care fund	Directors of adult social care and commissioning	15	✔	✔	✔	November 2018	Substantial	Moderate
CCTV	Director of environment	15	✔	✔	✔	July 2018	Substantial	Moderate
CHAPS	Strategic director finance and governance	10	✔	✔	✔	November 2018	Moderate	Moderate
Chargebacks	Director of finance	10	✔	✔	✔	November 2018	Moderate	Moderate
Legal fees	Director of law and democracy	15	✔	✔	✔	November 2018	Moderate	Moderate
Members allowances	Director of law and democracy	10	✔	✔	✔	November 2018	Substantial	Substantial
Parking management	Director of environment	15	✔	✔	✔	November 2018	Moderate	Moderate
Placements – children in care service	Director children's social care	20	✔	✔	✔	November 2018	Moderate	Limited
Right to buy, & Ad hoc sales	Director of customer experience	20	✔	✔	✔	November 2018	Moderate / Limited	Moderate / Limited
Sheltered housing	Director of resident services	15	✔	✔	✔	November 2018	Substantial	Moderate

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	Reporting	Committee	Design	Operational Effectiveness
Tenancy management organisation – Two Towers	Director of communities	25	✔	✔	✔	November 2018	Limited	Moderate
Tenancy management organisation - Haddenhall	Director of communities	25	✔	✔	✔	November 2018	Limited	Moderate
Tenancy management organisation - Browning	Director of communities	25	✔	✔	✔	February 2019	Moderate	Moderate
Community Council manual cheque payments (new request by management)	Strategic director finance and governance	8	✔	✔	✔	February 2019	Limited	Limited
Community support and engagement	Director of communities	15	✔	✔	✔	February 2019	Substantial	Substantial
Contact centre	Director of customer experience	15	✔	✔	✔	February 2019	Moderate	Moderate
Housing solutions – applications and allocations	Director of customer experience	15	✔	✔	✔	February 2019	Moderate	Moderate
Housing benefits and universal credit	Director of exchequer	15	✔	✔	✔	February 2019	Moderate	Moderate
IT change controls	Director of modernise	15	✔	✔	✔	February 2019	Moderate	Limited
Markets	Director of environment	15	✔	✔	✔	February 2019	Moderate	Moderate
Youth service	Director of leisure	15	✔	✔	✔	February 2019	Moderate	Limited

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	Reporting	Committee	Design	Operational Effectiveness
Customer services channel shift	Director of customer experience	15	✔	✔	✔	June 2019	Moderate	Moderate
Waste contract/ PFI	Director of environment	15	✔	✔	✔	June 2019	Moderate	Moderate
National non-domestic rates	Director of exchequer	15	✔	✔	✔	June 2019	Moderate	Moderate
Estates cleaning and grounds maintenance	Director of environment	10	✔	✔	✔	June 2019	Limited	Limited
Adult learning service	Director of education	15	✔	✔	✔	June 2019	Substantial	Substantial
Business continuity planning	Head of chief executive's department	25	✔	✔	✔	June 2019	Moderate	Limited
Music service	Director of education	10	✔	✔	✔	June 2019	Moderate	Moderate
Accounts payable (Healthcheck)	Director of exchequer	10	✔	✔	✔	June 2019	Moderate	Moderate
Safeguarding – adults	Director of adult social care	15	✔	✔	✔	June 2019	Substantial	Moderate
Public health – health in all policies	Director of health and wellbeing	20	✔	✔	✔	June 2019	Moderate	Moderate
Mosaic operational audit/payments	Directors of adult social care and children's social care	20	✔	✔	✔	June 2019	Moderate	Limited

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	Reporting	Committee	Design	Operational Effectiveness
Data protection / GDPR	Head of financial & information governance	20	✔	✔	✔	June 2019	Substantial	Moderate
Modernise programme	Director of modernise	20	✔	✔	✔	June 2019	N/A - Advisory	N/A - Advisory
Budget recovery board - accountability statements	Strategic director of children's and adults' services	15	✔	✔	✔	July 2019	Substantial	Moderate
Commercial waste	Director of environment	15	✔	✔	✔	July 2019	Moderate	Moderate
Adult day care provision	Director adult social care	15	✔	✔	✔	July 2019	Moderate	Moderate
Commissioning of social care	Director of commissioning	15	✔	✔	✔	July 2019	Substantial	Moderate
General ledger	Director of exchequer services	15	✔	✔	✔	July 2019	Substantial	Moderate
Payroll	Director of exchequer services	20	✔	✔	✔	July 2019	Substantial	Moderate
Repairs and maintenance	Director of asset management	20	✔	✔	✔	July 2019	Moderate	Moderate
Housing Rents and universal credit	Director of exchequer	15	✔	✔	✔	July 2019	Moderate	Moderate
Health and safety	Director of modernise	20	✔	✔	✔ Draft report	September 2019		
Southwark building services	Director of environment	20	✔	✔	✔ Draft report	September 2019		

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Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	Reporting	Committee	Design	Operational Effectiveness
Procurement – fairer future strategy compliance	Strategic director finance and governance	25	✔	✔	✔ Draft report	September 2019		
IR35	Corporate Governance Panel	20	✔	✔	✔ Draft report	September 2019		
IT shared services arrangements	Director of modernise	25	✔	✔	✔ Draft report	September 2019	N/A – Advisory	N/A – Advisory

Schools internal audit plan 2018-19

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 where a final report has been issued are as follows:

School	Status	Design	Operational Effectiveness
Ann Bernadt Nursery School	Final Report	Limited	Limited
Dulwich Wood Nursery	Final Report	Moderate	Moderate
John Ruskin Primary School	Final Report	Moderate	Moderate
English Martyrs' Catholic Primary School	Final Report	Substantial	Moderate
Highshore School	Final Report	Moderate	Moderate
Dog Kennel Hill Primary School	Final Report	Moderate	Moderate
Bellenden Primary School	Final Report	Limited	Moderate
Beormund Primary School	Final Report	Substantial	Moderate
Bethlem & Maudsley Hospital School	Final Report	Substantial	Substantial
St James the Great Roman Catholic Primary School	Final Report	Substantial	Moderate
Nell Gwynn Nursery School	Final Report	Moderate	Limited

School	Status	Design	Operational Effectiveness
Cherry Garden School	Final Report	Moderate	Limited
St Anthony's Catholic Primary School	Final Report	Substantial	Substantial
Albion Primary School	Final Report	Moderate	Moderate
Bessemer Grange	Draft Report	No	No
Kintore Way Nursery School and Children's Centre	Final Report	Moderate	Moderate
Notre Dame Roman Catholic Girls School	Final Report	Substantial	Moderate
Lyndhurst Primary School	Final Report	Moderate	Limited
St George's Church of England Primary School	Final Report	Limited	Limited
Charles Dickens School	Final Report	Moderate	Limited
Dulwich Village Church of England Infants' School	Final Report	Substantial	Moderate
Michael Faraday	Final Report	Moderate	Limited
Oliver Goldsmiths	Draft Report		
St Peter's Walworth Church of England Primary School	Draft Report		
St Joseph's Roman Catholic Primary School	Draft Report		
St Jude's Church of England Primary School	Draft Report		

4. INTERNAL AUDIT PLAN 2019-20

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	Reporting	Committee	Design	Operational Effectiveness
Troubled Families Grant	Director of Children's Services	20	Letter of Engagement agreed. Schedule of monthly audits to be undertaken, on a sample of 10% of claims to be submitted			All	April, May and June 2019 – no exceptions	
Home Ownership – Garages	Director of exchequer services	15	✔	✔	✔ Draft report	Sept 2019		
Play Service	Director of environment	15	✔	✔	✔	Sept 2019		
Volunteer Management	Director of environment / Director of leisure	15	✔	✔	✔	Sept 2019		
Housing Solutions – Homelessness	Director of customer experience	20	✔	✔	✔	Sept 2019		
Major Works	Director of asset management	15	✔	✔		Sept 2019		
Leathermarket CBS Grant	Director of communities	10	✔	✔		July 2019		
Home Ownership - Mortgages	Director of exchequer services	10	✔	✔		Sept 2019		
No recourse to public funds	Director of communities	15	✔	✔		Sept 2019		
Major regeneration programmes and projects	Director of regeneration	20	✔	✔		Sept 2019		
Public health – free healthy school meals (advisory)	Strategic director place and wellbeing	20	✔	✔		Sept 2019		
Community Equipment	Director of Commissioning	15	✔			Sept 2019		

5. SUMMARY OF RECOMMENDATIONS STATUS

The cumulative summary provided here relates to 386 high and medium recommendations followed up in the period when BDO was appointed as internal auditors to the council on 1 December 2016 to 3 July 2019.

We have confirmed with reference to evidence that 339 (88%) of the recommendations that have fallen due have been implemented within agreed timeframes.

Cumulative implementation rate % by year
Recommendations followed up
1 December 2016 to 3 July 2019
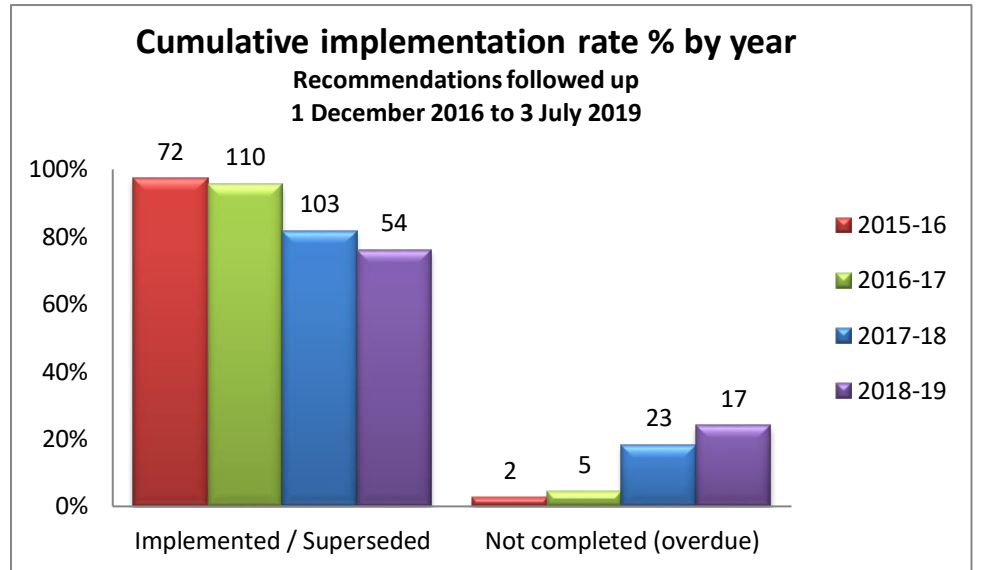
The implementation status of each internal audit is summarised in the table overleaf.

- *The table incudes only those audits previously reported to the committee where the recommendations have fallen due and have not been implemented, and have not been previously reported.*

- *Where management assurance has been provided that the recommendations have been implemented but where evidence is yet to be provided, these are classified as in progress, and stated as such.*

- *The table does not include audits that will be followed up as part of another audit during the year (for example in respect of key financial systems).*

RECOMMENDATION IMPLEMENTATION RATES BY AUDIT

	Total High & Medium recommendations raised by BDO due for implementation	Implemented		In progress at the follow up date		No update provided		% verified complete	Management Implementation dates
		H	M	H	M	H	M		
2018-19									
Access to Restricted areas on Housing Estates	8	3	4	1	-	-	-	88%	~~November 2018~~ ~~February 2019~~ ~~May 2019~~ September 2019
Right to Buy and Ad-hoc Sales	2	1	-	-	1	-	-	50%	~~April 2019~~ Awaiting evidence
Legal Fees	2	-	1	-	1	-	-	50%	~~January 2019~~ July 2019
Residential Placements - Children in Care Services	4	-	2	1	1	-	-	50%	~~November 2018~~ ~~February 2019~~ Awaiting evidence
CHAPS	4	1	3	-	-	-	-	100%	~~April 2019~~ June 2019
Temporary accommodation	8	-	2	2	4	-	-	25%	~~December 2018~~ ~~April 2019~~ ~~June 2019~~ August 2019
Markets	4	-	2	-	2	-	-	50%	~~April 2019~~ August 2019
Contact centre (SMART)	3	-	-	-	3	-	-	0%	~~April 2019~~ July 2019
IT Change Management	3	-	2	-	1	-	-	67%	~~March 2019~~ ~~May 2019~~ September 2019
Waste Contract PFI	1	-	-	-	-	1	-	0%	~~May 2019~~ Revised date requested
2017-18									
Network Security	8	-	2	2	4	-	-	25%	~~December 2017~~ ~~October 2018~~ July 2019
IT disaster recovery	6	-	-	2	-	1	3	0%	~~April 2019~~ June 2019 and Revised dates requested

	Total High & Medium recommendations raised by BDO due for implementation	Implemented		In progress at the follow up date		No update provided		% verified complete	Management Implementation dates
		H	M	H	M	H	M		
Children with disabilities service	5	2	3	-	-	-	-	100%	~~September 2018~~ June 2019
Land Charges	5	-	2	1	2	-	-	40%	~~April 2019~~ December 2019
Corporate energy	2	-	-	-	-	-	2	0%	~~December 2017~~ ~~October 2018~~ Revised date requested
Information Governance	9	2	6	-	1	-	-	88%	~~June 2018~~ ~~March 2019~~ July 2019
Electoral Services	4	-	3	-	1	-	-	75%	~~April 2018~~ August 2019
Integration of customer based systems	2	-	1	-	-	-	1	50%	~~July 2018~~ ~~November 2018 and January 2019~~ Revised date requested
Access to Services	3	-	-	-	-	1	2	0%	~~August 2018~~ Revised date requested.
2016-17									
Planning applications	5	-	-	-	-	-	5	0%	~~October 2016~~ ~~April 2018~~ ~~March 2019~~ ~~June 2019~~ Revised date requested
2015-16									
S106 Agreements	3	-	1	-	-	-	2	33%	~~October 2016~~ ~~April 2018~~ June 2019

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
2018/19 – Right to Buy and Ad-hoc sales		
a) An asset list should be maintained with a potential book value recorded. This should be updated when a sale is completed and as necessary. b) The Sales and Acquisitions Manager need to consult with all departments involved in the ad hoc sales process and agree a formal process for identifying and selling available assets. Responsibilities for the different stages should be formally agreed for each team. High	Director of customer experience April 2019	a) Management has responded that this system would be managed by Asset Management. We were advised that there is a system that records the asset list, however, it does not set any value to each individual asset. We are waiting to confirm who would be best placed in Asset Management for the follow-up. b) Management has responded that they held several meetings with the stakeholders involved in the Ad-Hoc application process. The meetings have clarified the roles and responsibilities of each team/department. They have also set clearer guidance on when an asset would be suitable for sale, and agreed the timeframe for each step in the application process. They advised that these are now being implemented as part of the ad-hoc application process. Management is currently amending guidance notes to reflect these changes as well as drafting a final report to the stakeholders and had expected to complete it by end of April 2019. We are awaiting evidence to confirm this.
a) Once the formal process has been agreed for the properties in the ad-hoc sales, as highlighted in recommendation 1b, key performance indicators for all the stages should be agreed between the different teams to ensure that each stage is owned and managed by each team. b) The KPIs should be monitored by the RCC team and reported to senior management, to ensure sales are made on a timely basis and any potential delays are identified as early as possible. Medium	Director of customer experience April 2019	a) Management stated that several project meetings have been conducted and performance indicators have been re-affirmed or established where no KPI was set previously. This is being set out in the final report and application guidance notes. b) Management stated that per the current process the RCC team will continue to monitor the current and new KPIs for the application process and report issues to senior management so that potential issues are identified early. We are awaiting evidence to confirm this.
2018/19 – Legal Fees		
a) The children's service should liaise with the legal service to confirm who should have access to Visualfiles reports. It should be emphasised that the legal service should be informed of any staffing changes if these staff have access to reports so another nominated person can be granted access and the non-current staff member removed. b) Estimate reports should be made available through Visualfiles. The legal team should liaise with the children's service to discuss the various other report options available so a decision can be reached regarding which will be most useful and ensure children's services have access to all relevant information. These	Head of safeguarding and community services, business manager and head of service permanence January 2019	Management stated that they are waiting to liaise with the children's service for the list of names and feedback on amended report that now includes the current estimate.

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
reports should then be used to assist in the budget setting process, where appropriate. Medium		
2018/19 – Temporary Accommodation		
Management should ensure that all staff involve in the process of collecting, checking and confirming invoices are required to update iWorld to match the data in the financial system (SAP). Reconciliation of the two systems should then happen at regular intervals to ensure that the information contained in one matches the other. Any inconsistencies should be followed up and resolved and the reasons for recurring inconsistencies should be investigated and addressed. Longer term, the two systems should be integrated and information input in one system should automatically update in the other. High	Chioma Okwunodulu Placements Team Manager November 2018	Management has responded that the Business Support Team has developed an early draft sign in register policy for Southwark Council that will be shared with partners. Feedback will be sought in future meetings on this policy, but want to clarify under what circumstances an invoice will be processed without a sign in, deadlines around this, exceptions, who is responsible for stages of the cancellation process when no response received. A meeting was held with Housing Solutions, TA Income, and Northgate Support on 10 May 2019. Intention to reconcile Northgate data with SAP. Aim initially to do this for TA types (e.g. nightly rate self-contained) and then possibly by provider. Current process is for all TA invoices to get checked against iWorld data before being authorised. Design improvement: to reduce fraudulent activity risk in Business Support Team by annually rotating which TA providers' invoices are assigned for checking for each BSO. At present the BSO is assigned certain providers and these are not rotated. A further follow up will be carried out before the next audit, governance and standards committee.
a) Management should have formal agreements with landlords and agents that state the standards expected by providers of private properties. The council is currently in the process of deciding on a suitable property procurement framework in collaboration with the legal department (discussed in finding 8). The requirement for a formal agreement can be discussed and the best course of action decided upon as part of any new procurement process. The council then needs to determine a cost effective way of verifying the standards provided. b) Management should review the procedure for the incentive payments to landlords and ensure there is a formal policy and agreement with the providers regarding the council's right to claw back payments. The criteria and recourse specifics for such action should be clear to landlords. Staff should also be informed to be able to implement the policy consistently. This can also form part of the current discussions regarding the procurement framework.	Overall – Ian Swift, Group Services Manager Housing Solutions Support - Procurement Officers, Placement Officers; Visiting officer NFNO, Resettlement officers, Reviews Officers; Mitzi Myrie January 2019	Management has responded that they are in the process of drawing up a generic agreement which will be formulated with all providers. This will include the standards expected to adhere to. They have met with legal on several occasions with the last meeting taking place on 10 May 2019. They will be getting further external council in to provide further advice alongside drafting up the agreement. Inspections: The management do not have data on the spot checks of 15% properties. They have recently had the web inspections form completed. This will require all inspection officers to have a tablet. As part of a review of the providers (Nightly paid to PSL), a lot more inspections will be required to be carried out. This is a task that is ongoing and can be achieved with all officers who carry out inspections and home visits additional investment in officer equipment i.e. iPads will be required in order to ensure accurate data is recorded and in a timely manner.

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
High		A further follow up will be carried out before the next audit, governance and standards committee.
A reconciliation needs to be completed on a monthly basis to reconcile the data held on iWorld and SAP for the length of stay by clients at a property and the amounts being charged to ensure the correct information is being recorded in each system. Medium	Overall – Ian Swift, Group Services Manager, Housing Solutions Support – Alexander Skerten – Project and change manager Neill Moore – Divisional accountant Paul Senior – Principal operations manager April 2019 and June 2019	Management has responded that a meeting is arranged for 17 May 2019 to add costs codes to separate out incentive payments to improve reconciliation process and accuracy. Recommendation reviewed, but main blocker is still that SAP records total payment to provider and does not provide line by line breakdown of payments on each property. A further follow up will be carried out before the next audit, governance and standards committee.
a) Management should ensure that staff implement the payment controls in place, such as the daily register reconciliation with invoices received for nightly lets. There should be periodic reviews of the process by appropriately senior staff to confirm the control has been implemented consistently and a record of the review should be kept. Any instances identified where the control has not been implemented should be followed up with the staff member responsible. b) Management should also ensure that payment reconciliation of nightly lets are reviewed by the Business Support Manager before they are sent to finance for payment. A record of the review should be kept and senior management should periodically review the record to ensure the control is implemented. Any instances identified where the control has not been implemented should be followed up with the staff member responsible. c) The Business Support Manager should review the reconciliation of payments for private sector leases before they are sent to finance to ensure any unusual payments are identified and investigated. To manage the work load this control may bring about, the review can happen for amounts over a certain limit. A record of the review should be kept. The Procurement Manager should communicate any reviews they might have performed themselves to avoid duplication. d) Management should increase resilience of the service regarding the reconciliation of PSL	Sola Oduntan Business Support Manager January 2019	Management has responded that the restructuring within the service has halted the implementation of agreed future procedures. There is no longer a Business Support Manager within the current structure and work is under way to find a replacement. All Nightly paid cases are however recorded and this is listed on the system. This figure is monitored on a weekly basis and reported to senior management. A further follow up will be carried out before the next audit, governance and standards committee.

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
payments, by ensuring that other members of staff are able to perform the reconciliation. The business support team, whose duties include the reconciliation of invoices to tenancy records, should be able to understand the process and perform the task when necessary for PSLs as well as for the nightly lets. The Procurement Assistant currently responsible should also create detailed guidance notes for the process. e) The reconciliation of invoices can be streamlined and made more efficient if providers are required to send their invoices on standard templates that will allow staff to quickly and easily identify the information they need. The prospect should be examined as part of the current rethinking of processes and procurement framework. Medium		
a) Management should ensure they disseminate policies and procedures to staff and offer training and support when introducing new policies. They should monitor implementation and test staff at regular intervals or offer refresher training to ensure the policies are followed, are clear to all and address shifts to practice or technology. b) Management should ensure that during the review and update of policies and procedures, they include the essential controls and authorisation processes to ensure all staff are aware of them when performing their duties. Medium	Mitzi Myrie New Business and Procurement Manager and Chioma Okwunodulu Placements Team Manager February 2019	Management has responded that Housing Solutions Service Action Plan includes item to update and unite all team procedures in one folder. Audit recommendations on testing staff/refresher training etc. to be communicated to officers. A further follow up will be carried out before the next audit, governance and standards committee.
a) Management should ensure that a formal decision on the exemption from using the Contract Standing Orders is approved and recorded as well as the reasons for the exemption. b) They should also record any discussions, decisions and reasons for the frameworks to be used instead and any other ways they ensure value for money in the procurement of properties. Their meetings with the Legal team and Corporate Procurement should provide direction and advice on what is the best course of action around this issue. Medium	Mitzi Myrie, New Business and Procurement Manager March 2019	Management has responded that a meeting was conducted on 10 May 2019 and it was agreed that further legal advice will be provided to assist in establishing all the relevant procurement procedures are followed as well as drawing up agreements between the client and the Council as well as between the providers and Council. A further follow up will be carried out before the next audit, governance and standards committee.
2018/19 – Markets		
a) When the annual renewal process is undertaken for the upcoming financial year, a review of all ongoing traders' files should be undertaken to ensure that all supporting documentation has been provided. If any missing	Hannah Lilley Markets Team Leader March 2019 August 2019	Management has responded that FGL system implementation is still on track and scheduled for first phase to start June/July 2019 We will seek an update of this position in August 2019.

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
documents are identified, these should be requested prior to the permit being renewed. b) When undertaking walk-around at the markets, it should be confirmed that current pitch plates are displayed by all traders. Any non-compliance should be recorded to identify any traders consistently not displaying their pitch plates. c) When confirming registration with the food hygiene team, the registration number should be recorded on the application form to evidence this check has been undertaken. The expectation regarding food hygiene certificates should be clarified to ensure consistent documentation is provided by traders. This should then be requested and ensure it is retained for all relevant traders during the 2019-20 renewal process. Medium		
a) Trading licences should record the location the trader is permitted to trade from to ensure the correct fee is paid and the trader does not unknowingly receive a discount. b) Invoices should only be accepted from temporary traders for the correct value for that day. If an incorrect invoice is presented, it should be explained that this can be used at a later date, however a correct paid invoice must be presented to allow trading for that day. c) Invoices for application and renewal should be held in traders' files, recording the purpose of the invoice clearly. Prior to renewal licences being issued, it should be confirmed that these invoices have been paid, with the officer undertaking the check signing the invoice as confirmation the payment has been received. Medium	Hannah Lilley Markets Team Leader February 2019 August 2019	As stated above.
2018/19 – Contact Centre (SMART)		
a) The guidance available to staff should be expanded to clarify some of the instances when there is more discretion in the approach taken by staff. Staff should then document on Answerlink the reason a certain approach was taken if this was not in line with guidance. The quality reviews undertaken on a sample of cases should scrutinise the level of detail recorded on Answerlink and whether this sufficiently captures the key details from the call. b) The quality review should include enhanced scrutiny of each of the elements in isolation to ensure sufficient information is recorded on all systems to reflect the key details of the case. An enhanced sample check, in addition to the current review, should be conducted focusing on	Sean Conway Contact centre operations manager Samir Ramani Quality and training manager Rohan Jayasena – contact centre team leader – SMART Janice Jones-Alleyne	Management has responded that the a new staff guidance manual is currently being updated to make clear where there is scope for discretion, in the course of action taken, within agreed parameters. Examples will be provided. Staff must always explain why a particular course of action was taken, in a clear and concise manner. A move to more 'live' call monitoring will help ensure this is carried out in a consistent manner. The Answerlink & Mosaic systems will be checked to ensure that notes are relevant, complete and consistent across the 2 systems.10 cases will checked daily (24 hours) by the Quality Officer. These checks will be documented. Reoccurring issues identified:

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
specific areas which have recurring issues identified. Medium	Contact centre team leader December 2018 June 2019	Refresher training to be provided to group/ individuals and documented. We will seek an update in July 2019.
a) The SMART exceptions reports should detail any common themes identified and how these will be addressed, for example through additional training for staff. b) Higher level reports should be produced on a set periodic basis (we would suggest quarterly as a minimum) and provided to senior management, including the director of customer experience. The information to be included in these reports should be confirmed to ensure this is sufficient but not excessive for monitoring and decision making purposes. These reports should also include any significant or recurring issues identified in the SMART exceptions report (per part a). Medium	Samir Ramani Quality and training manager Rohan Jayasena Contact centre team leader – SMART Jerry Aina Performance and reporting manager March 2019 June 2019	As stated above.
a) The guidance should be updated to include additional information relating to when the SMART team may need to contact the adults' service and the documentation that should be saved to Answerlink to evidence this correspondence. This guidance should be a framework including the main areas which the team may come across, such as inappropriate equipment or deteriorating needs, and who should be contacted in these instances, as well as who should be contacted within the SMART service for any other areas not covered or which they are unsure of. b) Staff should be reminded of the need to review Mosaic each time they answer a call to ensure they have the most up to date information available and to then update Mosaic after the call with any relevant information, in line with the guidance. This should form part of the enhanced spot checks, per recommendation 1b. Medium	Samir Ramani Quality and training manager Rohan Jayasena Contact centre team leader – SMART Janice Jones-Alleyne Contact centre team leader February 2019 June 2019	Management has responded that the new guidance manual will include clear guidance on the circumstances when the SMART staff should contact the Adult Social Care team. This will cover; Identifying client needs, who to contact and evidencing actions taken. The manual will also cover the requirement for call handlers to review Mosaic every time they receive a call so they are aware of all the relevant facts in relation to their client. Moreover, to update both Mosaic and Answerlink after the call. This will be subject to the scrutiny checks as outlined as stated above. We will seek an update in July 2019.
2018/19 – IT Change Management		
The Shared ICT Service should develop a Change management policy to document standardized methods and procedures to meet the change management requirements supporting the Council's operations. It should include but not be limited to: · Scope and objectives of the change management process · categorising (e.g., between infrastructures, operating systems, networks, application	Chris Anderson-Interim Service Delivery Lead, Shared ICT Service Mark Compton-James- Head of IT & digital services March 2019	Management responded that Change management on the infrastructure side rests with SICTS and it is right that this is the focus for the implementation at the moment given the large number of P1 and Major Incidents resulting from poorly executed Infrastructure change. There has been improvement in recent months, but this is still very much WIP with significant challenges remaining particularly

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
systems, purchased/packaged application software) · prioritising changes based on predefined criteria (e.g., business and technical needs for the change and legal, regulatory and contractual requirements) · segregation of duties · analysing risks and impact on infrastructure, systems and applications. · Considering security, legal, contractual and compliance implications in the assessment process for the requested change and that business owners are involved. · requiring each requested change to be formally approved by the business owners of the process and IT technical stakeholders · tracking overall project status The policy should be ratified and communicated to all stakeholders. Furthermore, there should be a standardised change management process identified to manage all the changes requested by the LBS applications and the departmental service applications across the council. Medium	May 2019 September 2019	with engagement across partner councils and communications. There has been some work with the Southwark application team to share the Change Management processes and tools designed by SICTS and we have begun to use for some priority areas such as Election software. In addition the whole applications team has now been trained on ITIL best practice, which includes change management. Beyond this, rolling out Change Management to the Applications team has not been a priority for rapid implementation due to focus on the DC Migration and given that incidents caused by application changes is far less of a problem. Going forward, better collaboration between Southwark IT&DS and SICTS is needed, as many changes involve both infrastructure and application aspects. As Southwark (and SICTS) make fuller use of Cloud and Managed Hosting solutions, it will be important that supplier adherence to change management is part of the assessment that is made during procurement. In addition there is a significant risk with those applications where the technical management sits outside IT&DS as there will be potentially risky IT activity outside SICTS or IT&DS control and it is not clear what plans there are for these areas to follow change management. A further follow-up will be carried out in September 2019.
2017/18 – Land Charges		
All costs associated with the provision of the land charges service should be determined for a one year period, including both direct and indirect costs. This information should be collated and compared to the total number of searches provided over a one year period to determine an approximate cost per search. This should be compared to previous years to determine how the level of requests will impact on the expenditure to determine the fixed and variable costs, to allow for the costs to be extrapolated to ensure that they are in line with projections for future requests. The information should be reviewed annually to ensure it remains a true reflection of costs. High	Planning support and land charges manager Group manager – validation and fast track Director of planning March 2019	Management has responded that the budget and costs will be worked out with our Divisional finance manager to review the current charges in place since the last review in 2015 sometime this year, as the service has moved from legal to planning division. A further follow up will be carried out before the next audit, governance and standards committee.
A review should be undertaken to identify the benefits, costs and risks associated with offering a personal search service undertaken by council officers. This review should include the costs to the service and the possible implications should incorrect data be supplied, as well as whether the decision is in line with council objectives.	Planning support and land charges manager Group manager – validation and fast track	Management has responded that they have to provide a personal search service, however when the planned move of the land charges register to HM land registry then there will be no cost to the council as agents will use HM land registry direct to get a copy of the register for free with them.

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
Alternatives should also be explored, such as offering the self-service at other council buildings and benchmarking against other councils to identify best practice. The reasoning behind the decision should be documented and reviewed on a regular basis. Medium	March 2019	A further follow up will be carried out before the next audit, governance and standards committee.
The council should undertake a review to confirm the anticipated financial loss as a result of the transition of local land charges to Land Registry. Appropriate steps should be taken to determine how this loss will be offset by the council, to ensure appropriate cost-savings measures will be implemented in a timely manner. Medium	Planning support and land charges manager Group manager – validation and fast track December 2018	Management has responded that they will work out the loss of the LLC1 search cost to HM land registry when there are clear proposals to transfer the register of local land charges, this cost can be done at the time later this year and work out costs of the service with Finance. A further follow up will be carried out before the next audit, governance and standards committee.
2017/18 – Information Governance		
A firm, but realistic, deadline should be set for staff to complete the mandatory e-learning information governance training course. This should be communicated through various means across the council, such as by email and a post on 'The Source'. Progress towards council-wide completion of the course should be monitored close to the deadline and reminders issued to those (and possibly their line managers) yet to complete. Any staff who miss the deadline should be reported to the relevant directors for investigations into the reasons for non-compliance. Medium	Information Governance Manager January 2018 June 2019	Management has responded that there have been technical glitches in terms of access to training material by the staff and maintaining a record of who actually has completed the training. This should be resolved by end of June 2019 as advised by the Head of Financial and Information Governance. We will follow-up in July 2019.
2017/18 – Electoral Services		
The council should undertake a review to confirm the anticipated financial loss as a result of the transition of local land charges to Land Registry. Appropriate steps should be taken to determine how this loss will be offset by the council, to ensure appropriate cost-savings measures will be implemented in a timely manner. Medium	Planning support and land charges manager Group manager – validation and fast track December 2018	We have not received an update from management on this, therefore a further follow up will be carried out before the next audit, governance and standards committee.
2017/18 – Network Security		
All devices that are running unsupported operating systems should be upgraded to operating systems that are supported by the developer. Where it is not possible to upgrade the operating system of a device, it must be isolated from the council's IT network and appropriate security controls should be implemented. High	Jason Carney Enterprise Architect – IT Shared Services. July 2017 June 2019	This recommendation has been affected by a change freeze that was put in place until 15 January 18 due to the transition to the shared ICT service and SAP HANA. Evidence was provided of the road map to upgrades, with non-compliant servers being addressed by September 2018 for the transition to shared ICT service servers. Due to ongoing issues with the link between Spring Park and the new Datacentres, the migration from the 2003 has

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
		been delayed. This activity will continue until the completion of the Southwark datacentre migration to the new datacentre.
Management must apply all missing operating system and firmware patches to the council's IT estate. Where an operating system or firmware patch cannot be applied to a device the council should implement appropriate security arrangements. Furthermore, there should be a defined and consistent procedure in place for applying operating system and firmware patches as and when they are made available. High	Jason Carney Enterprise Architect – IT Shared Services. July 2017 June 2019	A review has been undertaken to apply patches. A risk-based approach is being taken to ensure continuity of systems. Processes were explained and provided for testing and applying patches. This procedure will be put in place as part of the data migration project to ensure that shared ICT service servers run with only appropriate patches. Ongoing System Centre Config. Manager (SCCM) is being used to deploy updates, windows 2003 servers which can't be patched are part of the project to upgrade during the datacentre moves.
Management should establish a complete record of the council's firewall rules, which includes but is not limited to: • The service that the firewall rule supports, including the owner of the service • Whether the rule allows for inbound, outbound or both connections • The expected levels of traffic for the rule. Furthermore, a full review of the Council's internal and external firewall rules should be performed and, where necessary, insecure or redundant rules should be removed. Medium	Jason Carney Enterprise Architect – IT Shared Services. July 2017 June 2019	As part of the data centre migration, firewall rules will be reviewed and vendors will be consulted to establish the required rules for their products. The shared ICT service has elected to not copy and paste the rules across due to the risks associated. Evidence was shown of the security management policy which addresses the recommendation and will be put in place. During the move to the new datacentre new Firewall rules will be created and documented. This will allow for the removal of obsolete firewall rules as only active rules will be migrated across.
The anti-malware signatures for all council IT assets should be updated with the most recent anti-malware signature. Devices that cannot be updated should be isolated from the council's IT network. Furthermore, Capita should be required to provide assurance that the devices running the Microsoft Endpoint anti-malware solution have up to date anti-malware signatures. Medium	Jason Carney Enterprise Architect – IT Shared Services. October 2018 June 2019	A review of antivirus and anti-malware issues will be undertaken as part of the data centre migration. Evidence was provided of the antivirus procedures that will be put in place. The Symantec Anti-virus pattern files are updated on a regular basis. Symantec licenses have been extended until November 2019. With the move to the new datacentre System Centre Endpoint Protection (SCEP) will be deployed and updated. Symantec reports are now available to show coverage.
The council's IT network diagram should be reviewed in order to establish whether: • Connections to external networks are secured • Appropriate redundancies exist within the IT network to prevent a loss of service. Action should be taken to address any issues with the design and configuration of the IT network. Medium	Jason Carney Enterprise Architect – IT Shared Services. May 2017 June 2019	Work on this remains in progress, delays caused by link issues between Spring and the new datacentre have delayed moves. An audit has been carried out by Fordway of all the links in to the old datacentres. Virtual Private Network (VPN) links are secure. During the move of services which should be in the demilitarized zone (DMZ) will be placed within the DMZ in the new network infrastructure being deployed by Fordway and Axiom.
Network activity should be baselined and pro-actively monitored in order to identify unusual or suspicious activity. This monitoring should include, but not be limited to:	Jason Carney Enterprise Architect – IT Shared Services.	When the council transitioned from Capita, Capita retained the configuration of the System Centre Operations Manager (SCOM) monitoring system as intellectual property. As part of the data migration project, the shared ICT service

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
• A record of the balance of network activity and external traffic • A record of all open and closed ports and where these have been changed • A record of standard network activity for any given time, which includes known peaks. Furthermore, management should establish a programme to review the efficacy of the network security controls that have been deployed. Medium	October 2017 May 2019	will review the monitoring requirements and reconfigure SCOM to address this recommendation. This security design has now been implemented. A server plan has been provided that shows that this process is underway. As the servers are moved to the new network infrastructure, the new Juniper infrastructure has some Intrusion Detection built in. This will log anomalies to the monitoring infrastructure. The monitoring solution (Splunk) is in place and being configured. The new network is scheduled for completion in early 2019 with all the servers being moved on to it as part of the moves from Spring\Cody and Tooley street. A record of open and closed ports is kept within the firewall rules. These are checked during the IT Health check. Copies of the rule sets will be copied to a file share on a monthly basis to check for changes.

6. KEY PERFORMANCE INDICATORS

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%	74% This reflects 4 audits where the reporting has been delayed due to staff absence at BDO, 6 audits where management responses were not received by the committee reporting deadline and 2 audits where council staff asked for deferral of fieldwork due to staff availability.	🟠
% of high and medium rated recommendations implemented by the agreed management implementation date	75%	85% As reported in section 5 of this report.	🟢
% of recommendations in draft report accepted by audit sponsor / owner	90%	95%	🟢
% of draft reports issued within 15 working days of the audit closure meeting.	90%	91%	🟢
% of returned audit satisfaction survey forms achieving a score of 4 or 5 out of 5	75%	100% In respect of the audit reports finalised for 2018-19, we have received three completed surveys, two of which rated us as 4 and one which rated us as 5 out of 5.	🟢
Annual chief officer and audit, governance and standards satisfaction survey results	Average of 75% and above	The annual survey will be issued in June 2019	⚫
% of audits from the plan completed to draft report stage by 31 March 2019	100%	85% This relates to audits commenced in quarter 4, where fieldwork was ongoing during March and April. This wad due to timing and staff availability at BDO and within the council	🟠

APPENDIX 1 – EXECUTIVE SUMMARIES (NOT PREVIOUSLY REPORTED)

CAS64 **Budget Recovery Board** July 2019	LEVEL OF ASSURANCE			SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness		High	-
				Medium	1
	Substantial	Moderate		Low	-
Purpose of audit	To provide assurance over the effectiveness of the accountability statements introduced to support the budget recovery board in relation to the improvement of the departments overall and individual services financial performance, and the robustness of the information presented to the board.	Added Value	N/A		

Background:

Budget monitoring is reported to the Children's and Adults' Board on a monthly basis and to provide additional financial control over children's and adults' services financial position, a Budget Recovery Board was established in Autumn 2016. The purpose of the board was to provide oversight over the significant budget reductions required and ongoing demand pressures and to review management action to ensure that spend was reduced but consistent with expected service delivery and client safety. The children's and adults' department also introduced accountability statements initially in adult social care, from the financial year 2017-18, which outline the budget for a service on SAP, current staffing and vacancies known. These statements are reviewed by the head of service and any changes discussed with finance and the director of the service, agreed and updated to reflect the financial position. The head of service signs the statement to take responsibility for delivering the service for the budget stated. The statement is in turn reviewed and approved by the director of the service and finally the strategic director.

Good practice:

- Templates are in place for staff to use when producing accountability statements.
- Accountability statements had been completed for all services.
- Action plans were presented to the board in advance of meetings.
- Virements have been completed and approved for amendments made to budgets throughout the year.
- Actions raised in previous meetings were followed up at subsequent meetings through to completion.
- Financial information supplied to the children's and adults' board reconciled with the information supplied to the budget recovery board.

Key findings:			
• Accountability statements were not signed by those completing them.			
Looking forward: supporting the council's journey from moderate to substantial assurance			
Operational Effectiveness	Moderate ⟶	Substantial	• Ensure accountability statements are signed by the budget holder or service manager
Follow up			
A review of the actions taken since the audit will be undertaken in August 2019.			

ESR51 Commercial Waste June 2019	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	1
			Medium	2
	Moderate	Moderate	Low	-

Purpose of audit	To provide assurance over the commercial waste service, including whether objectives are being delivered, costs are being suitably managed and the soundness of the basis for charging in order to generate a surplus.	Added value	We compared the offering from Southwark Council compared to other similar local authorities, including the fees charged and services provided. This identified that the council is generally charging lower fees than other local authorities and publicly offers a more limited range of services. The service also does not appear to be acting in a commercial manner, informing service users of alternative commercial waste providers rather solely promoting their own business as other local authorities have done.

Background:

The council's commercial waste service has been a fully in-house service since January 2018. Prior to this in June 2017, the council had set up a joint venture company, London Waste and Business Recycling, which should have been responsible for the operation of the service and covered a number of other councils. However in September 2017, the London Waste and Recycling Board made the decision to no longer go ahead with the joint venture, meaning Southwark Council became responsible for the full operation of the service. As a result, two sales staff transferred to the council under TUPE and are paid on a commission basis, based on contract sales. At the time of the audit the service had a vacancy for a business services manager to assist in the management of the team. An officer from the cleaning team is currently covering the accounts of the team in addition to his usual role and the officer responsible for the administration and co-ordination of contracts is on secondment to the waste management team. One agency staff member is in place to support both officers. Overtime is paid to operatives who are undertaking commercial waste collection in addition to their existing roles within the waste and cleaning department. This means there is a requirement for recharges to be undertaken, however without a manager in post, an analysis of time spent on commercial waste rather than pre-existing roles was yet to be undertaken to allow an accurate calculation of the recharge. Commercial organisations are charged for their waste collection in line with the approved fees and charges. These are flexible meaning discounts can be offered under limited circumstances. The council currently offers black bag (refuse) and dry mixed recycling as part of their standard service, however food waste can also be collected if required as part of the contract. The council must dispose of the waste collected and this is generally done through the integrated waste management facility. This is managed by Veolia who operate the council's household waste service, with commercial waste falling outside of the scope of this contract. This means the costs associated with the treatment and disposal of recyclables is variable in line with markets, and there has been a large increase in disposal costs due to recent announcements that China will no longer accept certain types of recyclables, making the fee setting process particularly challenging.

Good practice:

- The service was expected to significantly exceed its income target for the year.
- Budget monitoring was undertaken by the senior finance manager on a regular basis.

• A calculation had been prepared by the head of waste and cleaning to determine the cost to be charged to the partner, prior to the withdrawal.				
• A number of costs were being recharged to the service.				
• Detailed calculations were undertaken to confirm the cost of the service, prior to the move in-house.				

Key findings:

- Budget monitoring was not undertaken by the service on a monthly basis, and quarterly monitoring undertaken by the senior finance manager is not being shared with the service regularly.
- The mark up that was originally agreed with the partner and passed on to customers had not been recalculated to confirm the additional charge planned is still appropriate and covers the costs of the service
- Not all costs associated with the management of the commercial waste service had been recharged to the service, including an estimated £120,000 of cleaning costs, meaning the true profitability of the service is not known.
- A detailed review of the discounts offered had not been undertaken, meaning it cannot be confirmed whether these are set at appropriate levels.

Looking forward: supporting the council's journey from moderate to substantial assurance			
Design	Moderate → Substantial		• Implement variance thresholds for escalating budget monitoring issues identified • Undertake a review of all costs incurred by the service to ensure these are all included within budget monitoring
Operational Effectiveness	Moderate → Substantial		• Undertake a review of the discount offered and the mark-up percentage applied to costs to cover admin charges to ensure these are set at appropriate levels. .

Follow up
A review of the actions taken since the audit will be undertaken in August 2019.

35

CAS01 **Adult Day Care Provision** July 2019	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	-
			Medium	3
	Moderate	Moderate	Low	-

Purpose of audit	To provide a post implementation review following the decision to reduce provision from seven days to five, to assess the outcome against the original business case and identify any lessons to be learned for future decision making.	Added value	We determined the costs per client for the provision of the Fred Francis Day Centre post project implementation, reviewed whether the centre is being used efficiently in terms of the capacity, and benchmarked with other London authorities to identify whether they are currently providing a service to self-funders and the cost charged. Our key findings were: • The cost per client was £204 in the period April 2018 to January 2019. If the centre was to run at full capacity, the cost per client would drop to £106 (inclusive of transportation). • The centre's capacity has not been fully utilised and as at February 2018, the utilisation was 50%. • Based on the information on council websites, we were able to identify five London authorities that provide a self-funder service. The cost charged ranged from £36 to £185 depending on the needs of the self-funder. This suggests that the centre could potentially increase capacity by offering services to self-funders.

Background:

Fred Francis Day Centre specialises in the provision of day care for adults with dementia. Historically the centre had been opened seven days a week, however 12 months ago the council implemented their decision to reduce this provision to Monday to Friday only. This change in provision was one aspect of the council's wider budget recovery process within children's and adults' services and a reduction in baseline costs. Approximately 15% of service users had previously attended the day centre on a weekend, meaning it was not cost effective for the service to remain open on these days. The change was expected to provide savings of £100k made up mainly of staffing costs. The service has advised that there has not been any notable increase in the costs of care packages as a result of additional weekend care now needing to be provided to those individuals who previously attended the Centre at weekends. The Centre has 22 regular users. The contribution to the provision of the service from the service users varies dependent upon their financial assessment, which is undertaken in line with the council's Fairer Charging Policy. The Policy determines the abilities of the client to contribute towards the costs of the service received. The day centre does not currently provide a service to self-funded individuals who have not met the requirements to be eligible for the service but would be willing and able to pay for the service provision. The budgeted cost for the service for 2018-19 is 855k. The Centre is expected to move into a new day care facility on Cater Street during 2020-21, where it will operate alongside a voluntary sector service. It is therefore important that the costs of the service provision are known prior to the move to assess the efficiency and effectiveness of the service and ensure value for money is being achieved.

Good practice:

Good practice:
- The business case submitted to the council proposing to change the model of operations at the Fred Francis centre from seven days a week to a five day working week, included clear and measurable outcomes.
- A staffing budget monitoring spreadsheet is prepared on a monthly basis by the centre manager, in order to ensure the centre does not go over the allocated budget and the appropriate cost savings are realised.

Key findings:
- The progress of the project had not been monitored consistently against the anticipated outcomes outlined in the business case since April 2018
- The current staffing structure does not agree or meet the criteria outlined in the original proposal. Current staffing numbers are higher, although due to vacancies there is underspend against budget.
- No supporting documentation has been retained to suggest that lessons learn have been captured and shared with the relevant members of senior management within Adult Social Care Services.

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

Design	Moderate	→ Substantial	• Discussion between senior management and the project manager on project implementation and progress should be formally documented.
Operational Effectiveness	Moderate	→ Substantial	• As the current staffing structure differs from the structure outlined in the project proposal, it should be reviewed for appropriateness in order to ensure that a maximum level of savings is achieved. • The progress of the project, including an assessment against original outcomes, should be discussed on a monthly basis during the supervision meetings.

Follow up
A review of the actions taken since the audit will be undertaken in August 2019.

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CAS30 **Commissioning** July 2019		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	-
				Medium	2
		Substantial	Moderate	Low	-
Purpose of audit	To provide assurance over the procurement, contract management and decision making with regards to social care contracts, as explored in a recent internal audit of Commissioning.	Added value		We conducted benchmarking to compare the council's procurement model with other local authorities. We confirmed the council has a dedicated department committed to children and adults as well as a joint strategy commissioning strategy, known as Southwark's Five Year Forward view, with the NHS Southwark CCG. This structure is consistent with other London borough councils.	
				We completed data analytics to compare the contractual values with expenditure to date. We confirmed that all expenditure incurred to date was within the pre-agreed limits. We extrapolated current expenditure to estimate the total expenditure that will be incurred until the end of the contract. In six cases it is anticipated that expenditure will exceed the contractual value therefore these contracts require more frequent monitoring. We noted that three of these contracts are currently managed by Education and are being considered for transfer to Commissioning.	

Background:

The commissioning service within the children's and adults' department commissions services for people of all ages who are vulnerable, have learning disabilities and/or physical disabilities and carers. The commissioning service is made up of two business units: partnership commissioning and adults, children and families. The partnership commissioning team was established in 2016 with Southwark CCG for children and young people, mental health and wellbeing, and older people. The children, adults and families commissioning team commissions services for people with learning disabilities, education services, including SEND, supported housing, information, advice and guidance services, contract management for the whole department, and the systems and support team. Whilst undertaking procurement activities, the council's contract standing orders (CSOs) must be followed. CSOs apply to any procurement of goods, services or works, but not contracts of employment, land transactions and grants. The CSOs outlines the procurement process based upon the estimated value of the contract, including obtaining approval of the procurement strategy (gateway 1), approval to award a contract (gateway 2) and decisions to allow variations to the contract (gateway 3). The Children and Adults Board (CAB) is responsible for reviewing all gateway reports before they are presented to the chief officer (strategic director children's and adults) for agreement if they are to be approved by the individual decision maker, strategic director finance and governance or cabinet. The children and adults board also reviews monitoring reports for high value contracts. The threshold for reviewing contract monitoring is yet to be set, however as a minimum those contracts with an annual value exceeding £400,000 are expected to be reviewed by the CAB. The contract monitoring process is documented with the use of

written contract reviews. The Director of Commissioning confirmed the thresholds will be set as part of a review of the commissioning and contracting program and the outcome of the external review which has been undertaken.

Good practice:

- We confirmed that the commissioning process, actions and decisions in relation to contracts that were due to expire within the next six months had been undertaken in advance of the contract renewal date.

- We confirmed that contract expenditure is being monitored by individual departments through SAP reports and that expenditure has not yet exceeded the pre-agreed contractual value.

- The council's contract standing orders had been followed or contracts reviewed and appropriate approval from the children and adults board has been obtained.

We acknowledge that senior management had identified that contract monitoring needed to be transformed into contract management. A review was commissioned that identified areas for development that are being addressed.

Key findings:

- Contract monitoring is not consistently being undertaken (in one of four contracts reviewed there had been no monitoring) and inadequate procedures are in place in some cases to monitor and manage contract performance of the services being provided.

- C • Contractual agreements have not been retained and evidenced by the children's and adults department or legal division of the council.

In comparison to the review undertaken in 2016/17, there has been a clear improvement in relation to management reviewing contracts prior to expiring and renewals have been undertaken in a timely manner. In addition, the contracts register has been updated and appropriate approvals have been sought in line with the contract standing order procedures.

Looking forward: supporting the council's journey from moderate to substantial assurance			
Operational Effectiveness	Moderate →	Substantial	• Implement contract monitoring procedures to ensure contract performance is effectively monitored with the providers and issues are being addressed and managed. • Actions logs from contract monitoring meetings should be updated and followed-up during each meeting. • Retain evidence of contractual agreements.
Follow up A review of the actions taken since the audit will be undertaken in November 2019 and April 2020.			

MA06	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
General Ledger July 2019	Design	Operational effectiveness	High	-
			Medium	2
	Substantial	Moderate	Low	3
Purpose of audit	To provide assurance over the controls in place regarding the council's general ledger, taking into account the upgrade to SAP.	Added value	N/A	

Background:

The SAP General Ledger holds data on the financial position, assets, liabilities, income and expenditure of the Council, including the data from subsidiary feeder systems. This financial information is used as the basis for the production of the budget monitoring reports throughout the year and the financial statements at year end. Income transactions received by the Council which cannot be automatically allocated to the appropriate electronic account are rerouted to an Unallocated Income suspense account. Initial reviews will then reallocate identified income to a feeder system suspense account, such as Council Tax. The responsibility for reviewing the suspense accounts transactions and identifying the correct account is with the appropriate teams. Revenues and Benefits, which covers Council Tax, NNDR and Housing Benefits has centralised this aspect with the Support Services Team having the responsibility. When the income has been identified to the relevant account it is allocated using journal entries which are appropriately authorised. If the income cannot be identified within 3 months of being placed in the feeder system suspense account it is returned to the Unallocated Income suspense account.

Good practice:

- Council bank accounts were found to have been reconciled and reviewed on a regular basis by an appropriate officer. Reconciling items were appropriately explained and had been approved by a senior member of the finance team in all cases.
- Bank authorised signatories were appropriately set up. Review of the council's bank mandate found no exceptions and confirmed that appropriate individuals were listed for the main operational account.
- Only authorised signatories are able to sign off on bank account transactions. Sample testing of 5 out of 38 foreign transaction, confirmed that a payment form was completed for all transactions and appropriately authorised. The only other bank transaction was a direct debit, which was set up during 2018-19. The direct debt mandate for the transaction had been appropriately signed off.
- Transactions to the general ledger were supported by a fully completed journal transfer form, including an adequate explanation and appropriate approval. Review of 25 journals processed through Northgate confirmed that these were supported by journal transfer forms which were prepared and authorised by separate individuals for an appropriate business reason.
- Budget monitoring by the appropriate budget holder takes place on a monthly basis and any variances or miscodings were identified, investigated and corrected in timely manner. A list of journals raised between April 2018 to February 2019 was reviewed, which confirmed that 4% of all journals were for correction of coding error, which was not significant.
- Suspense and control account balances were found to have been regularly monitored, reconciled and formally documented. Monthly performance

meetings are held to track the outstanding amount on each suspense account. For general ledger suspense accounts, monthly meetings are held between head of financial control and process, director of exchequer and head of payment and assessment. For Northgate suspense accounts, monthly performance meetings are held between head of financial control and process, head of payment and assessment, head of income operations and head of support services. Performance trackers were obtained from which we confirmed that accurate positions were reported.

Key findings:

- For suspense accounts on Northgate, it was noted that the system does not allow a two tier authorisation when processing a transfer from suspense account. To compensate for this absence of system control, a weekly 25% retrospective check for cleared suspense is undertaken to confirm that transfers are valid. Sample testing of five transactions from four different suspense accounts, cleared during April 2018 to February 2019, found one exception where the amount was transferred to an incorrect account. The error was corrected during audit fieldwork.

- We reviewed five suspense account transactions on SAP and noted one exception. When an amount cannot be cleared down from suspense automatically and a manual transfer is required, an ACR form should be completed and authorised. The individual who prepared the journal should retained the evidence of the form and the authorisation. This did not happen for one of the sample as we were not able to locate the form nor evidence of authorisation.

Looking forward: supporting the council's journey from moderate to substantial assurance			
Operational Effectiveness	Moderate	Substantial	• The council should introduce management checks across all Northgate suspense and respective team managers should check the suspense entry of the past 12 months retrospectively. • The council should carry out retrospective checks of the suspense transfer in the housing rent account prior to the introduction of the weekly management review • Regular reviews of clearing entries in suspense account should be undertaken to ensure only appropriate people are carrying out the reallocation of suspense entries.

Follow up
A review of the actions taken since the audit will be undertaken in quarter three as part of the annual reviews of key financial systems.

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MA05 **Payroll** July 2019	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
			High	-
	Design	Operational effectiveness	Medium	4
	Substantial	Moderate	Low	3

| Purpose of audit | To provide assurance on 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 performed data analytics on all payroll transactions in the period April to December 2018, detailed information on the results can be found in Appendices I and II. The results have also been distributed to both the HR and payroll teams). We identified no exceptions across the majority of areas. Our key findings were:

• We identified 46 cases whereby leavers have remained on payroll after their leaving date, resulting in a delay in post-employment payments to leavers. Council procedures are not sufficiently clear on the timing of payments made to leavers. Five of these cases related to temporary staff, 26 of these cases related to the nursery team redundancies and the remaining 15 are due to later payment of untaken annual leave. This did not result in any overpayments.

• From a review of overtime paid we identified the top 25 employees received a sum of £529,984.78. As a percentage of overtime paid against their basic salary, the highest earner received 428%. Additionally, the top 25 overtime hours claimed by employees ranged between 1137.39 and 2271 hours and 15 employees received overtime payments in excess of £20,000 within the current year. |

Background:

Southwark Council processes the payroll for 4,600 staff each month. 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 two payroll teams. Within the Modernise Division of the Housing and Modernisation Department, the council has a HR service, which includes the head of HR and two HR operational teams. Council managers work with the HR operational teams with regards to new starters/leavers/variations for the staff that 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. There are some services that are not on ESS such as Southwark Cleaning where managers issue payroll with excel documents of time to be compensated which is then processed.

New systems and procedures have been implemented during 2017 to strengthen controls around the processing of HR and payroll transactions, clarity of roles and responsibilities of the respective teams and management checks and review of the sufficiency and retention of evidence to support

decisions made on pay, amendments and other transactions. The primary data base for storing employee information and files is SAP whereas the Casework system is utilised to process requests from managers that are not enabled in SAP.

Good practice:

- There are adequate written policies and procedures in place which are up to date for both new starters and the removal of leavers.
- Staff with access to the SAP HR system had appropriate access requirements in relation to their role at the council.
- Parameters relating to tax bands and percentages have been accurately set up within SAP, and testing confirmed that tax and national insurance contributions are correct and in line with HMRC legislation.
- Reconciliations between SAP payroll and the general ledger are undertaken on a monthly basis.
- There are effective procedures for undertaking and completing payroll runs and payments.

Key findings:

- There is insufficient documentation held on SAP and documentation is not being uploaded by the HR team within a timely manner when processing new starters.
- Key documentation relating to leavers has not been uploaded onto the HR system (Casework) within a timely manner, there is insufficient documentation held on SAP and a lack of timely actions by department managers has resulted in some overpayments.
- Leavers access has not been disabled from ESS within a timely manner of their leaving dates.
- In relation to amendments and variations to contracts we identified there is insufficient information held on SAP and Casework references have not been entered.
- Receipts for expense claims have not been retained or evidenced by management.

Overall, we found an adequately designed control framework over the processing of HR and payroll data to ensure the accuracy of payments processed to staff, with roles and responsibilities clearly set out. In comparison to the 2017/18 payroll review undertaken we have identified a clear improvement in compliance with key payroll processes and procedures in relation to the approvals for starters and leavers are consistently being retained. Additionally, there has been a clear improvement in completing changes to personal data (bank details) request forms and confirmation is provided to the requester.

Looking forward: supporting the council's journey from moderate to substantial assurance			
Operational Effectiveness	Moderate	Substantial	• Ensure all documentation is uploaded on to SAP within a timely manner. • Management should be reminded they are responsible for retaining receipts for expenses which they have approved. • Where admin-related issues have been identified, consider implementing additional training requirements for staff. • Investigate and undertake an analysis of overpayments to identify the root causes of the issues.

Follow up
A review of the actions taken since the audit will be undertaken in quarter three as part of the annual reviews of key financial systems.

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HM09 **Repairs and Maintenance** July 2019	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	-
			Medium	4
	Moderate	Moderate	Low	-

Purpose of audit	To provide assurance over the controls over expenditure on the housing repairs and maintenance service and assurance that service objectives are being met and performance issues addressed.	Added value	We reviewed the council's arrangements with SBS against best practice contract management.

Background:

The council's repairs and maintenance service manages the council's contracts for the delivery of day to day provision. The main contract is with Southwark Building Services (SBS) for internal repairs on the north and south of the borough. This contract totals £16m per year, which represents approximately 84% of the total repairs budget. This budget is fixed regardless of the level of work. It is paid to SBS evenly across 12 months. A zero-rated schedule of rates is used to raise orders. Internal repairs are demand led meaning these are completed as a response to a tenant's request. The remaining 16% of the budget is made up of seven smaller contracts, totalling up to £3m: Communal repairs (north) – SBS, Communal repairs (south) – Build Trust, Metal works – Southwark Council's street metal team, Fire protection works (south) – PRB, Fire protection works (north) – CLC, Roofing (north) – Bridgewater and Roofing (south) – A & E Elkins. Charges incurred under these contracts are demand led based upon the number of repairs and charged in accordance with a fixed schedule of rates. A pre-list is provided to the council detailing all completed jobs, which will be reviewed and a sample reviewed by both QS and technical officers, before a payment value is agreed upon. Key performance indicators (KPIs) are in place across all contracts with regular monitoring meetings being held to address performance issues. The service must also report on their performance and provide KPI reports to the senior management team (SMT) and the asset management group.

Good practice:

- Key Performance Indicator monitoring reports are produced on a monthly basis and are reported to senior management on a quarterly basis during meetings.
- Other chargeable repairs purchase orders, payments and invoices have been authorised and approved in line with the council's scheme of management.
- Service KPIs have been clearly defined and are reported to the director of asset management and are discussed during quarterly progress meetings with the service provider (SBS).

Key findings:

- SBS internal repairs post-inspection failures and issues do not include details of the corrective actions. Additionally, the post-inspection 5% target stipulated in the service level agreement has not been met by the service provider (performance was below 4% for the 3 months we reviewed) and an analysis of trends has not been undertaken to identify the root cause of problems

• Spot checks of the pre-listing have not been evidenced prior to making payments to contractors. Additionally photo evidence of repairs completed have not always been evidenced or retained. • Key performance indicators (KPI's) are not defined fully and data is not collected to measure resident satisfaction. • Actions arising from meetings with the service provider do not record progress and target dates for implementation.			
Looking forward: supporting the council's journey from moderate to substantial assurance			
Design	Moderate →	Substantial	• Revise the key performance indicators to ensure they are measureable and clearly defined. • Investigate and monitor why the required target set out in the service level agreement for post-inspections checks are not being met by the Service.
Operational Effectiveness	Moderate →	Substantial	• Undertake an analysis of post-inspections to identify the root cause of issues and management should ensure post inspection fails are being addressed. • Spot checks of the pre-listing and photo evidence of jobs being completed should be evidenced and retained. • Actions from meetings should include target implementation dates, date completed and progress recorded.
Follow up A review of the actions taken since the audit will be undertaken in September 2019.			

MA03 **Housing Rents** July 2019	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	1
			Medium	6
	Moderate	Moderate	Low	3

Purpose of audit	To provide assurance on the controls in place to accurately collect and allocate rental income.	Added value	A review of the accounts held showing significant credits balances has been carried out to help identify if there have been significant overpayments by individuals and subsequent claims for refunds which could indicate potential money laundering issues or if there are potential internal errors, for example in the case of Void properties. A finding has been raised in relation to this work.

Background:

The council's housing rents team collect approximately £185m in rent per annum from circa 33,000 properties. This includes an additional £21m due to the introduction of Universal Credit and payments being made direct to claimants. Tenants may pay rents due by PayPal, rent card, bank transfer, standing order or direct debit. Following the restructure in January 2017, the responsibility for the housing rents team transferred to the Director of exchequer services. The pilot of the software 'Rent Sense' has been completed and due to the positive impact is now part of the risk based approach to debt management, placing a greater emphasis on the customer experience and increased engagement to reduce the risk of payments being missed. The service continues to promote automated payments to increase the number of tenants using direct debit options, which now make up around 10% of all rents, with the aim to more efficiently manage staff time..

Good practice:

- A monthly reconciliation is undertaken between AIM, SAP and iWorld and timely action taken to address any issues identified
- A monthly reconciliation of housing stock against internal records is undertaken to confirm the accuracy of data held
- The parameters within 'Rent Sense' have been correctly configured.

Key findings:

- Tenancy agreements were not dated by the tenant and retained
- Rents are not allocated prior to the start of tenancy
- Supporting documentation for refunds and write off was not saved on information@work
- Arrears are not reviewed and actioned regularly (High priority recommendation)
- There are a large number of Northgate users with ability to amend rent value and/or remove property. Our testing also found that leavers' user accounts are not being removed from Northgate

• The council is not actively contacting account holders with significant credit balances to arrange refund.			
Looking forward: supporting the council's journey from moderate / limited to substantial assurance			
Design	Moderate →	Substantial	• Uploading all documentation on completion • Leavers are communicated so Northgate users can be removed • Centralise property removal arrangements • Contact account holder with credit balance for refund • Introduce a checking control after rental value has been amended.
Operational Effectiveness	Moderate →	Substantial	• Improve staff awareness for the removal of access rights if they are no longer required • Record sufficient detail in Northgate over debt recovery actions.
Follow up A review of the actions taken since the audit will be undertaken in quarter 3, 2019-20, as part of the annual internal audit of the system and controls.			

APPENDIX 2

OPINION SIGNIFICANCE DEFINITION

Level of Assurance	Design Opinion	Findings from review	Effectiveness Opinion	Findings from review
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.

FOR MORE INFORMATION:

Greg Rubins, Engagement Partner and Chief Audit Executive
Greg.Rubins@BDO.co.uk

Angela Mason-Bell, Manager
Angela.Mason-Bell@BDO.co.uk

Agenda Item 8

Item No. 8.	Classification: Open	Date: 16 July 2019	Meeting Name: Audit, governance and standards committee
Report title:		BDO Internal Audit Annual Report and Annual Statement of Assurance	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee note BDO's internal audit annual report and annual statement of assurance report, as attached at Appendix A.

BACKGROUND INFORMATION

2. The purpose of the report is to inform Southwark Council's audit, governance and standards committee of the status of work undertaken by BDO in respect of the year 2018-19, and provide an overview of the effectiveness of the controls in place for the full year. 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	Internal audit annual report and annual statement

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance
Report Author	Virginia Wynn-Jones, Principal Constitutional Officer
Version	Final
Dated	8 July 2019
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		8 July 2019

London Borough of Southwark

INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE

2018/19

BDO

CONTENTS

SUMMARY OF 2018-19 WORK

Internal Audit 2018-19

This report details the work undertaken by internal audit for London Borough of Southwark and provides an overview of the effectiveness of the controls in place for the full year. The following reports have been issued for this financial year:

- Access to secure housing estates
- Accounts payable (health check)
- Adult day care provision
- Adult learning service
- Better care funding
- Budget recovery board - children's and adults department accountability statements
- Business continuity planning
- CCTV
- CHAPS
- Chargebacks
- Commercial waste
- Commissioning of social care
- Community council manual cheque payments
- Community support and engagement
- Contact centre
- Customer services channel shift
- Data protection / GDPR
- Estates cleaning and grounds maintenance
- General ledger
- Health and safety (draft report)
- Housing benefits and universal credit
- Housing Rents and universal credit
- Housing solutions – applications and allocations
- IT change controls
- IT shared services arrangements (draft report)
- Legal fees
- Markets
- Members allowances
- Modernisation programme
- Music service
- National non-domestic rates
- Parking management
- Payroll
- Procurement – fairer future strategy compliance (draft report)
- Public health – health in all policies
- Repairs and maintenance
- Right to buy and ad hoc sales
- Safeguarding – adults
- Sheltered housing
- Southwark building services (draft report)
- Tenancy management organisation - Browning
- Tenancy management organisation - Haddenhall
- Tenancy management organisation – Two Towers
- Waste contract/ PFI

We have also completed internal audit reviews on behalf of the Director of Education for twenty six schools.

We have included the purpose of each audit, assurance opinions and a summary of the high priority findings on pages 6 to 18.

We have included a summary of the school opinions provided on page 32. A full summary report for 2018-19 of key issues identified and common themes will be prepared ahead of the school year 2019-20 once all reports have bene finalised. This will be presented to the Audit, Governance and Standards Committee in September 2019.

Our internal audit work for the 12 month period from 1 April 2018 to 31 March 2019 was carried out in accordance with the internal audit plan approved by management and the Audit, Governance and Standards Committee, with the exceptions listed below (the reasons for these changes have been reported through the year in the internal audit and ant-fraud progress reports):

- Additional audits at the request of management or the audit, governance and standards committee:
    - Access to secure housing estates
    - Chargebacks
    - Community council manual cheque payments
    - Fairer future procurement strategy compliance
    - Troubled families grant claim submission monthly audits

- Deferral of audits to 2019-20 at the request of management:
    - Building control
    - Housing solutions – homelessness
    - HR policies and procedures
    - Public health priority area review
    - Sickness absence management
    - Special education needs
    - Supported accommodation hostels

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.

Non internal audit services provided by BDO

The following non audit services have been provided by BDO during 2018-19:

- Assurance on development and payments due to the Council with regards to Berkeley Homes and the One Tower Bridge development.

- Audit of the Teachers' Pensions End of Year Certificate for the year ended 31 March 2017.

- Independent verification of the validity of historical costs relating to the Canada Water development.

- Refinancing advice - to support the council's assessment of the refinancing gain arising and the proposed sale of equity for a schools PFI by Amber infrastructure.

- Tax advice - on the tax issues arising from the dissolution of the One Tower Bridge Partnership (for the Regeneration Division of the Place and Wellbeing Department).

The work listed above is delivered by teams separate to the public sector internal audit team that provides internal audit services to the council. We do not consider the work undertaken to pose a threat to our independence or objectivity. We also provide support to the council on risk management and counter fraud, as part of the internal audit contract.

Head of Internal Audit Opinion

The role of internal audit is to provide an opinion to the council, through the Audit, Governance and Standards Committee, on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the council'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.

The basis for forming my opinion is as follows:

- An assessment of the design and operation of the underpinning assurance framework and supporting processes;

- An assessment of the range of individual opinions arising from risk based audit assignments contained within internal audit risk based plans that have been reported throughout the year;

- This assessment has taken account of the relative materiality of these areas and   managements progress in respect of addressing control weaknesses; and

- Any reliance that is being placed upon third party assurances.

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 performed broadly in line with budget regarding financial performance, with the outturn report for 2018-19 presenting a balanced outturn position for 2018-19, after movements to and from reserves, which the council was able to increase in closing the 2018-19 accounts.

- In respect of the design of the controls, an opinion of moderate assurance was provided for 27 out of the 46 assurance audits where reports have been issued, substantial assurance was provided in 12 areas. These opinions show a year on year improvement since 2016-17.

- In respect of the operational effectiveness of the controls, an opinion of moderate assurance was provided for 31 of the 46 assurance audits where reports have been issued, substantial assurance was provided in 3 areas, limited assurance in 12 areas and no assurance in one area. Whilst the number of substantial assurance opinions has decreased, there is overall year on year improvement since 2016-17, particularly with regards to the reduction in limited opinions.

- Management has responded positively to reports issued and action plans have been developed to address the recommendations raised

- We have confirmed that 88% of recommendations due for implementation by the date of reporting had been completed. However, some recommendations have been outstanding for significant periods of time and the implementation date put back several times (as reported in the internal audit and anti-fraud progress reports during the year).

Our annual report and head of internal audit opinion has been prepared based on the audit work undertaken during the year.

REVIEW OF 2018/19 WORK

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Purpose of Audit and High Priority Findings
	H	M	L	Design	Operational Effectiveness	
Access to secure housing estates	4	4	-	No Assurance	Limited	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. High priority findings: • No written contract with the company being used by the council for copying the keys to secure areas and holding the patent. • The key register did not include all keys issued by the council, spare keys were being held in an unsecure location with no records, keys had not been returned when staff left the council and keys issued with a finite life had not been returned or could not be tracked through to keys held. • A record of current contractors is not maintained to allow for scrutiny over whether these keys are held with non-current contractors. • 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.
Accounts payable	1	2	-	Moderate	Moderate	Purpose of audit: to provide assurance on the arrangements to manage creditor payments processed via SAP (both by the Financial Control and Processing team and other departments) to ensure that they are promptly and effectively brought into use. High priority finding: • A number of variations between SAP authorisation limits and the schemes of management were identified. A review of staff who had an unlimited authorisation level on SAP but did not on the relevant Departmental Scheme of Management identified 29 occasions where Purchase Orders,

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Purpose of Audit and High Priority Findings
	H	M	L	Design	Operational Effectiveness	
						totalling £118m, were authorised above their authority.
Adult day care provision	-	3	-	Moderate	Moderate	Purpose of audit: to provide a post implementation review following the decision to reduce provision from seven days to five, to assess the outcome against the original business case and identify any lessons to be learned for future decision making.
Adult learning service	-	-	2	Substantial	Substantial	Purpose of audit: to provide assurance over compliance with the control framework in place, including retention of documentation to support eligibility for ESFA funding and the collection of payments when the eligibility criteria have not been met.
Better care funding	-	1	1	Substantial	Moderate	Purpose of audit: to provide assurance over the control framework in place for ensuring that only expenditure which meets the agreed BCF plan is allocated to this budget and evidence is retained for reporting to the NHS as required.
Budget recovery board – children's and adults department accountability statements	-	1	-	Substantial	Moderate	Purpose of audit: to provide assurance over the effectiveness of the budget recovery board in relation to the improvement of the departments overall and individual services financial performance, and the robustness of the information presented to the board. Key finding
Business continuity planning	-	7	-	Moderate	Limited	Purpose of audit: to review the robustness of business continuity planning arrangements across the council, including plans, roles and responsibilities, communication, scenario planning and testing and lessons learned.
CCTV	-	2	-	Substantial	Moderate	Purpose of audit: to provide assurance that the control framework in place for the CCTV service is effective and compliant with legislation.
CHAPS payments	1	3	1	Moderate	Moderate	Purpose of this audit: to review the control framework for making urgent or emergency payments using CHAPS and provide assurance that payments made are valid, necessary, have full supporting evidence requests and are authorized in accordance with the council's authorization schemes.

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Purpose of Audit and High Priority Findings
	H	M	L	Design	Operational Effectiveness	
						High priority finding: • There was insufficient documentation held with the CHAPS request forms in 9/25 transactions tested and a lack of appropriate authorisation in line with the scheme of management for 6/25 cases tested.
Chargebacks	-	3	2	Moderate	Moderate	Purpose of audit: to carry out an assessment of the design and operational effectiveness of the council's chargeback policy and procedures concerning housing rents.
Commercial waste	1	2	-	Moderate	Moderate	Purpose of audit: to provide assurance over the commercial waste service, including whether objectives are being delivered, costs are being suitably managed and the soundness of the basis for charging in order to generate a surplus. High priority finding: • The mark up that was originally agreed with the partner and passed on to customers had not been recalculated to confirm the additional charge planned is still appropriate and covers the costs of the service. Not all costs associated with the management of the commercial waste service had been recharged to the service, including an estimated £120,000 of cleaning costs, meaning the true profitability of the service is not known.
Commissioning of social care	-	2	-	Substantial	Moderate	Purpose of audit: to provide assurance over the procurement, contract management and decision making with regards to social care contracts, as explored in a recent internal audit of commissioning.
Community council manual cheques	1	3	1	Limited	Limited	Purpose of audit: to provide assurance over the processes in place for manual cheque payments made by the community council. High priority finding: • One cheque had been authorised without a date being recorded, and was also authorised despite the value in words and figures not reconciling and the recipient being recorded as a generic '1 2 3 current account'. The issuing of cheques without a date was a common practice as the

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Purpose of Audit and High Priority Findings
	H	M	L	Design	Operational Effectiveness	
				(red)	(red)	councillors sign the cheques in bulk at the start of the year and the community council officers may then retain the cheques for a long period of time until the groups provide the required supporting documentation.
Community support and engagement	-	-	1	Substantial	Substantial	Purpose of audit: to review the current process and controls on placing children in residential care, including commissioning, approval and financial monitoring and reporting.
Contact centre	-	3	1	Moderate	Moderate	Purpose of audit: to provide assurance over the Southwark Monitoring and Alarm Response Team (SMART) service, including whether responses are timely and appropriate, as well as providing guidance on opportunities available to the council for expanding this service. Key findings: • The guidance in place did not provide sufficient detail in some areas, including the need to liaise with the adults' service, scenarios outlining when to contact the Local Ambulance Service and the instances when the action to be taken is discretionary and how this should be documented • The training matrix did not clearly record the training to be undertaken by each role and the staff members who had completed / were yet to complete the training • The exceptions performance monitoring reports did not detail the action to be taken to address non-conformance.
Customer services channel shift	1	-	-	Moderate	Moderate	Purpose of audit: to review the progress of the customer access strategy and ensure controls are in place to develop the five- point plan, monitor progress and delivery of services and to ensure potential savings are being realised. High priority finding: • Council-wide resource plans were not in place to ensure the availability of staff within the transitioning services as well as the digital delivery team. The digital road map (channel shift action plan) did not accurately reflect the priorities of the council as a whole. There was no analysis of online feedback currently undertaken to identify poor service that may impact on customers' choice of contact methods.

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Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Purpose of Audit and High Priority Findings
	H	M	L	Design	Operational Effectiveness	
Data protection / GDPR	-	1	-	Substantial	Moderate	Purpose of audit: to provide assurance over the compliance with the new regulations across the council's departments, with a focus on data owners' responsibilities.
Estates cleaning and grounds maintenance	2	2	1	Limited	Limited	The purpose of this audit was to provide assurance over the operational effectiveness of the estates cleaning and grounds maintenance service, including whether they are achieving their objectives and have suitable monitoring arrangements in place. High priority findings: • The service level agreement was out of date, it covered the period from 1 April 2013 to 31 March 2014. Both integrated cleaning and grounds maintenance service (ICC) and the housing department were in agreement that the SLA needs to be updated. • Service specifications were repetitive and not aligned to appropriate and measurable performance targets, meaning performance cannot and has not been effectively monitored. The evidence provided relating to the monitoring of the SLA was inadequate and there was a lack of response by the housing department to the complaints raised and services requested, by the housing department. The SLA delegated the overarching responsibility of contract monitoring to the council's housing department.
General Ledger	-	2	3	Substantial	Moderate	Purpose of audit: to provide assurance over the controls in place regarding the council's general ledger, taking into account the upgrade to SAP.
Health and safety (draft report)	2	1	-	Limited	Limited	Purpose of audit: to review the council's compliance with best practice with regards to health and safety inspections on fire risks across the council property portfolio (including offices, libraries, porta cabins, schools, anchor care homes, supported living properties.) High priority findings: • The property listing did not clearly outline which properties the council would not be responsible for, such as voluntary aided schools and academies. For those properties which the council is landlord, the

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Purpose of Audit and High Priority Findings
	H	M	L	Design	Operational Effectiveness	
						responsibilities based upon the lease agreements were not documented in a central database. This means responsibilities could only be determined through the review of individual agreements. • Fire risk assessments were not undertaken within agreed timeframes and there was no documented risk rating for those properties managed by departments, to determine the frequency with which fire risk assessments should be completed. There was an inconsistent approach to fire safety inspections being undertaken, how these were documented and how issues were reported, escalated and followed up.
Housing benefits and universal credit	-	2	5	Moderate	Moderate	Purpose of audit: to provide assurance on the continuing adequacy of the design and operational effectiveness of internal controls, processes and records in place to mitigate the identified risks relating to housing benefit and universal credit.
Housing rents and universal credit	1	6	3	Moderate	Moderate	Purpose of audit: to provide assurance on the controls in place to accurately collect and allocate rental income. High priority finding: • Arrears were not reviewed and actioned regularly.
Housing solutions- applications and allocations	-	3	-	Moderate	Moderate	Purpose of audit: to provide assurance over the allocation of housing, including the application of the council's allocation policy and waiting list management.
IT change controls	-	3	-	Moderate	Limited	Purpose of audit: to assess the adequacy of the design and effectiveness of the controls in place for IT change management for all activities within the scope of the SICTS delivered to and on behalf of Southwark and those managed by the LBS applications function.
IT shared services (draft report)	3	-	-	N/A - Advisory		Purpose of review: to consider whether sufficient progress has been made, or actions are in train, to address the strategic issues identified in the reviews as captured in the service improvement plan. High priority findings:

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Purpose of Audit and High Priority Findings
	H	M	L	Design	Operational Effectiveness	
						• It is not evident how the change from a Service Improvement Plan to a Continuous Service Improvement Plan will address the key issues and failings of the Shared Services in a timely manner. The IT heads and service departments did not have an input in the change in approach and prioritisation of projects and there has been inadequate communication of the plan and its progress by SICTS • We did not receive a plan documenting projects for the short, medium and long term. The documentation we received did not list any projects planned for beyond March 2019. There is insufficient documentation of the project owners, target dates and metrics and of the short, medium and long term planned projects and expected outcomes • Governance arrangements for the CSIP have not been formally agreed and documented. The current reporting arrangements do not allow for adequate oversight and reporting of progress. The theme owners report to the Interim Service Improvement manager but there is no further reporting arrangements in place. The report to the Joint Management Board is a high level overview of projects completed and planned but gives no context on progress against initial target dates, on projects that have been delayed and the issues and problems they might have faced, actions taken and revised deadlines.
Legal fees	-	2	-	Moderate	Moderate	Purpose of audit: to provide assurance on the control framework in place for managing and recharging legal fees for children's services legal cases.
Markets	-	4	1	Moderate	Moderate	Purpose of audit: to provide assurance over the controls in place for the management of markets, particularly relating to income collection.
Members' allowances	-	-	3	Substantial	Substantial	Purpose of audit: to review the current controls over the payment of allowances and claims to ensure they are in line with the member's allowances scheme for the relevant year and that budget monitoring is being undertaken as part of the financial controls.
Modernisation programme	1	4	-	N/A – Advisory Review		Purpose of review: to provide advice over the governance and operational management of the programme, including consideration of the extent to which the programme is delivering against its objectives.

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Purpose of Audit and High Priority Findings
	H	M	L	Design	Operational Effectiveness	
						High priority finding: • The project benefits were not distinct from objectives and they are not articulated in a way that assists with their measurement and evaluation. No clear plans were in place about how realised benefit will be measured and evaluated against the initial plans.
Mosaic operational audit / payments	1	1	-	Moderate	Limited	Purpose of audit: to provide assurance over arrangements for recording, approving and processing social care packages within Mosaic, such that only valid and accurate amounts are generated for processing and payment. High priority finding: • The workflow report highlighted several inconsistencies in the sampled client records including incomplete workflows and key information missing, such as workflow approvals, service start and end dates, workflow task IDs and evidence of annual review. • Testing identified: o 29/50 client records had workflow approvals missing o 2/50 client records had no workflow information available o 6/50 care plans were not on Mosaic o 6/50 care plans had not been subject to an annual review o 6/50 financial assessment had not been subject to an annual review. • The Mosaic systems and support team advised that the missing approvals would either be an e-mail from a team manager or on a paper version of a panel sheet, and that they would have been loaded in the CareStore document management system. The only way to verify these records would be to check the care store for each individual case or contact the relevant social worker to check for e-mails if they have not been loaded into CareStore. As the primary database for social care records, Mosaic does not hold all pertinent records for current cases.

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Purpose of Audit and High Priority Findings
	H	M	L	Design	Operational Effectiveness	
Music service	-	4	2	Moderate	Moderate	Purpose of audit: to provide assurance over how effectively the music service is operating, including the use of grant funding and the recording of equipment.
National non-domestic rates	1	3	1	Moderate	Moderate	Purpose of audit: to provide assurance on the continuing adequacy of the design and operational effectiveness of internal controls, processes and records in place to mitigate the identified risks relating to the collection of national non domestic rates. High priority finding: • When awarding relief and exemption to rates, there was no evidence of application forms, charity registration, inspections, and approval for some of the cases reviewed, where this is a requirement according to the Council's guidance.
Parking management	-	3	3	Moderate	Moderate	Purpose of audit: to provide assurance over the control framework for the management of the collection of car parking fees and debt management.
Payroll	-	4	3	Substantial	Moderate	Purpose of audit: to provide assurance on the adequacy and operational effectiveness of the key controls in place to manage the identified risks in respect of the payroll and expenses.
Placements - children in care service	1	3	-	Moderate	Limited	Purpose of audit: to review the current process and controls on placing children in residential care, including commissioning, approval and financial monitoring and reporting. Key findings: • Insufficient evidence to confirm that the Brokerage Team always attempts to negotiate lower package costs consistently, and anomalies were identified between negotiated costs and actual costs being paid. In two cases of ten tested, the council was paying costs greater than those negotiated and in one of these cases the variance was £1000 a week.
Public health – health in all policies	-	3	-	Moderate	Moderate	Purpose of audit: to provide assurance over the adequacy and effectiveness of the new delivery mechanisms in this area via the integration of health and wellbeing policies.

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Purpose of Audit and High Priority Findings
	H	M	L	Design	Operational Effectiveness	
Right to buy &	-	-	4	Moderate	Moderate	Purpose of audit: to provide assurance over the control framework in place for processing Right to Buy applications and ad-hoc sales to ensure there is effective administration of operational and financial processes. High priority finding:
Ad hoc sales	1	1	-	Limited	Limited	• Regarding the ad-hoc sales, no record of available-for-sale assets could be provided and there was a lack of clarity around which team would have the responsibility to maintain and update this record. This has contributed to significant delays in the sale of assets by the council.
Repairs and maintenance	-	4	-	Moderate	Moderate	Purpose of audit: to provide assurance over the controls over expenditure on the housing repairs and maintenance service and assurance that service objectives are being met and performance issues addressed.
Safeguarding - adults	-	3	1	Substantial	Moderate	Purpose of audit: to provide assurance over the controls in place to ensure that adults who are entitled to statutory safeguarding provisions are properly safeguarded and statutory requirements are met.
Sheltered Housing	-	1	4	Substantial	Moderate	Purpose of audit: to assess whether the control framework and governance structure relating to sheltered housing is effective and efficient. The review also considered whether the current process for calculating service charges is effective and ensures the council is recouping all income due to fund the service.
Southwark building services (draft report)	-	3	-	Moderate	Moderate	Purpose of audit: to provide assurance relating to the transfer back in house of the maintenance service for the council, including confirming whether all actions per the project plan have been implemented and that the new control framework is adequate and effective.

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Purpose of Audit and High Priority Findings
	H	M	L	Design	Operational Effectiveness	
Tenancy management organisation - Browning	-	4	1	Moderate	Moderate	Purpose of TMO audits: to provide assurance over the control framework in place at the TMO to ensure there is effective administration of operational and financial processes.
Tenancy management organisation – Haddenhall	2	5	5	Limited	Moderate	High priority findings: • Purchases were being made by officers who do not have an authorised purchase limit, purchases are not approved and purchase orders are not used. The financial regulations did not include clear guidelines for higher value purchases and the tender process. • The TMO did not have evidence of direct debit mandates or who has set them up, and transactions have been made on old/expired cards.
Tenancy management organisation – Two Towers	2	6	5	Limited	Limited	High priority findings: • Budget monitoring was not carried out sufficiently or discussed within committee meetings. • Purchase orders were not raised and repair orders did not identify who has raised the repair, therefore orders may be raised by those who are not authorised to place orders/repairs. Orders were also not approved.
Waste contract/ PFI	1	-	2	Moderate	Moderate	Purpose of audit: to provide assurance over the contract and financial management arrangements on the PFI. High priority finding: • Errors were identified in the invoice checking spreadsheet relating to royalties and performance deductions, however it was determined that these were immaterial in respect of the contract as a whole. The incidents report could not be reconciled to the monthly performance deductions due to checks not being documented.
Youth and Play	2	2	0	Moderate	Limited	Purpose of audit: to provide assurance over the operational management controls in place within the youth and play services. High priority findings:

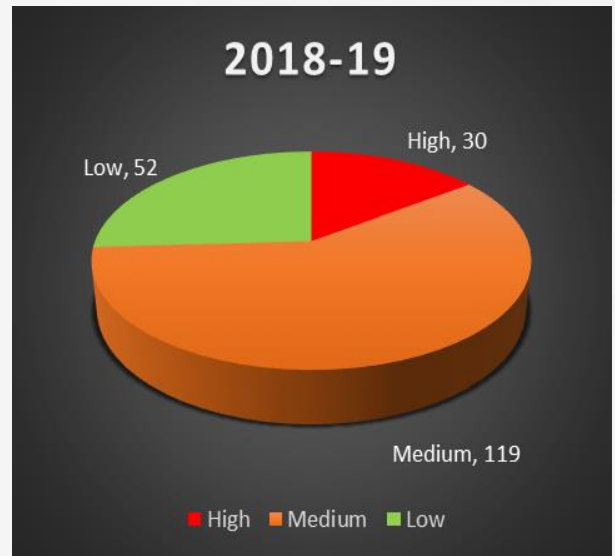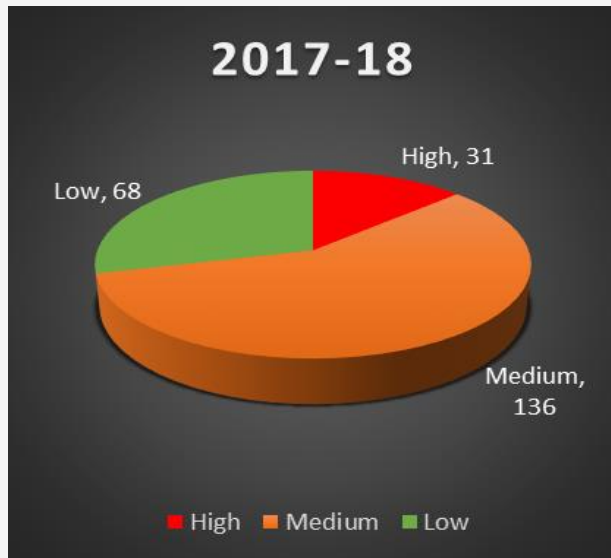| Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Purpose of Audit and High Priority Findings
	H	M	L	Design	Operational Effectiveness	
						• VAT was inconsistently charged and there was a lack of clarity regarding the expected VAT treatment on invoices to service users • Errors were identified in the bookings log, payments were not collected in a timely manner and sessions for the hiring of facilities were cancelled without appropriate authorisation

REVIEW OF 2018/19 SCHOOLS AUDITS

School	Status	Design	Operational Effectiveness
Ann Bernadt Nursery School	Final Report	Limited	Limited
Dulwich Wood Nursery	Final Report	Moderate	Moderate
John Ruskin Primary School	Final Report	Moderate	Moderate
English Martyrs' Catholic Primary School	Final Report	Substantial	Moderate
Highshore School	Final Report	Moderate	Moderate
Dog Kennel Hill Primary School	Final Report	Moderate	Moderate
Bellenden Primary School	Final Report	Limited	Moderate
Beormund Primary School	Final Report	Substantial	Moderate
Bethlem & Maudsley Hospital School	Final Report	Substantial	Substantial
St James the Great Roman Catholic Primary School	Final Report	Substantial	Moderate
Nell Gwynn Nursery School	Final Report	Moderate	Limited
Cherry Garden School	Final Report	Moderate	Limited
St Anthony's Catholic Primary School	Final Report	Substantial	Substantial
Albion Primary School	Final Report	Moderate	Moderate

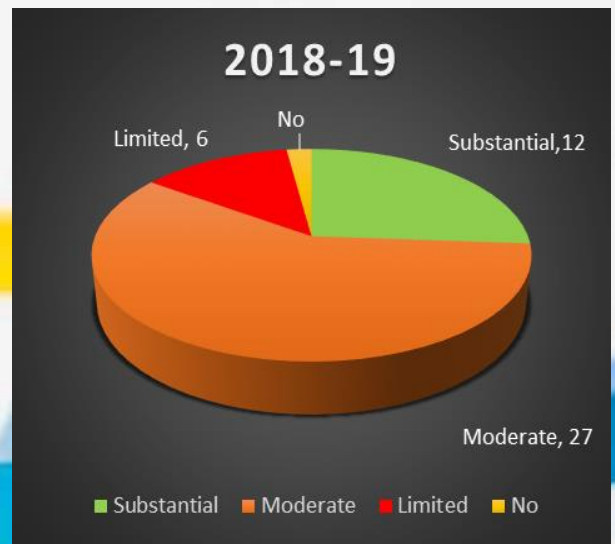| School	Status	Design	Operational Effectiveness
Bessemer Grange	Draft Report	No	No
Kintore Way Nursery School and Children's Centre	Final Report	Moderate	Moderate
Notre Dame Roman Catholic Girls School	Final Report	Substantial	Moderate
Lyndhurst Primary School	Final Report	Moderate	Limited
St George's Church of England Primary School	Final Report	Limited	Limited
Charles Dickens School	Final Report	Moderate	Limited
Dulwich Village Church of England Infants' School	Final Report	Substantial	Moderate
Michael Faraday	Final Report	Moderate	Limited
Oliver Goldsmiths	Draft Report	Moderate	Moderate
St Peter's Walworth Church of England Primary School	Draft Report	Moderate	Limited
St Joseph's Roman Catholic Primary School	Draft Report	Moderate	Limited
St Jude's Church of England Primary School	Draft Report	Limited	Limited

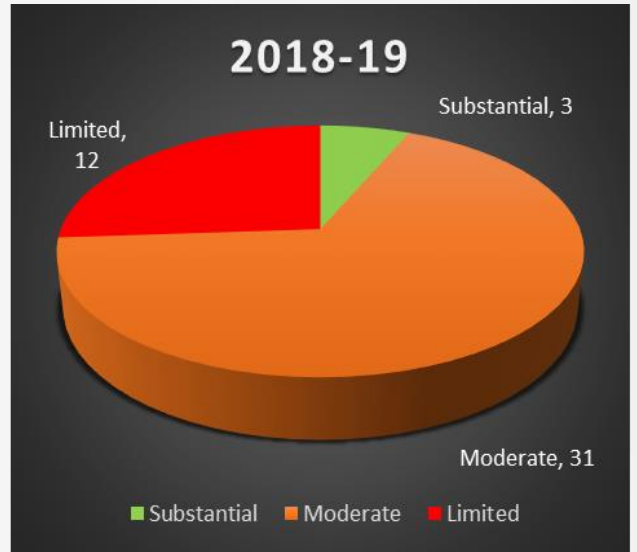# SUMMARY OF FINDINGS

RECOMMENDATIONS AND ASSURANCE DASHBOARD

Recommendations and Significance

Control Design

Operational Effectiveness

2017-18

Limited, 19

Substantial, 8

Moderate, 18

Substantial | Moderate | Limited

2018-19

Limited, 12

Substantial, 3

Moderate, 31

Substantial | Moderate | Limited

COMMON THEMES

PEOPLE
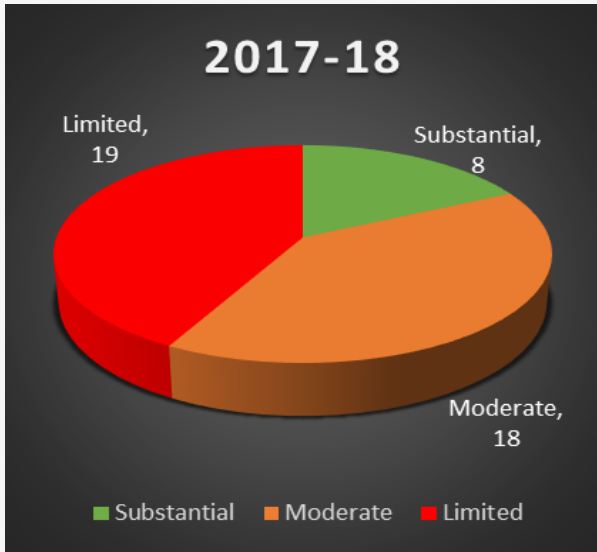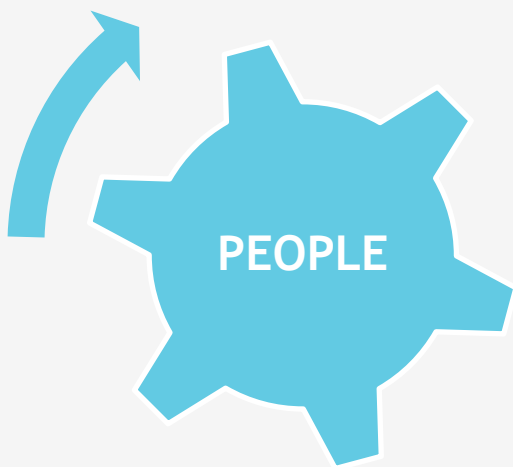
- Whilst clarity of roles and responsibilities was evident in the majority of areas reviewed, sufficient guidance detailing the Council's expectations from its staff was missing in some areas, e.g. Access To Secure Housing Estates, BCP, Contact Centre, Estates Cleaning And Grounds Maintenance.
- Although policies and procedures were in place for most of the activities reviewed, they were either absent or out of date in some cases, e.g. BCP, Housing Solutions-Applications and Allocations.
- Trainings to help staff perform their duties effectively were not provided/ managed effectively in all cases, e.g. Community Council Manual Cheques (lack of training on cheque payment process), Estates Cleaning (lack of training on monthly inspections) and Contact Centre (lack of a training matrix).
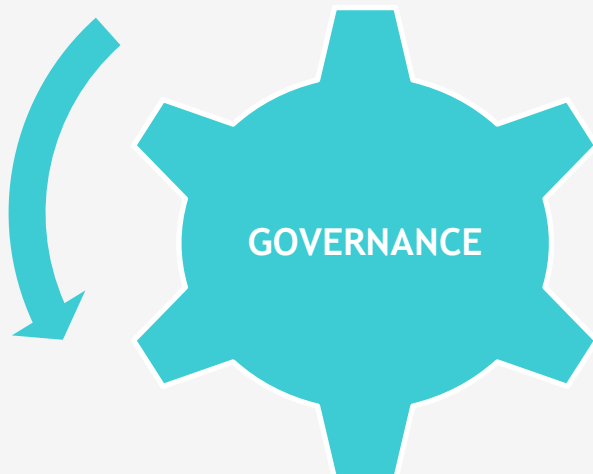
GOVERNANCE

- Governance and reporting requirements were found to be well defined and understood through our audits, however, there were gaps within some areas, e.g. Right to Buy & Ad Hoc Sales, Tenancy Management Organisations
- Monitoring of the progress of projects and activities could be enhanced by ensuring that complete information is recorded and reported to decision-makers, such as in case Adult Day Care Provision, Estates Cleaning and Grounds Maintenance and Parking Management.

SYSTEMS AND PROCESSSES

- Although guidance documents were in place for most of the processes to be followed, they were missing for some of the activities covered under areas audited, e.g. Access to Secure Housing Estates, BCP and Markets.
- Whilst in the main we found the control framework to be well-designed, however, inconsistent application of controls was evidenced in some areas, e.g. Accounts Payable, CHAPS Payments, Commercial Waste.

ADDED VALUE

USE OF SPECIALISTS
We continued to use our IT specialists to deliver the IT audit plan.

RESPONSIVENESS
We have been able to be flexible with the plan to respond to emerging risks and concerns (e.g. access to housing estates, CHAPS and procurement).

BENCHMARKING AND BEST PRACTICE
We undertook benchmarking in 14 audits to compare the council's practices with other London boroughs (e.g. adult day care provision, commercial waste, health and safety, housing applications and allocations, members' allowances and public health).

We identified where the council could potentially be more commercial (e.g. adult day care, waste contract PFI and youth service)

Best practice comparions were undertaken (e.g. business continuity and data protection / GDPR)

Staff surveys were used in five audits (e.g. business continuty planning and customer services channel shift).
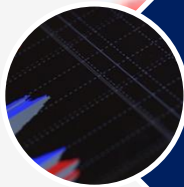
INNOVATION
We utilised data analytics in nine audits, includng key financial systems e.g. accounts payable, housing benefits, non domestic rates and payroll), ad hoc requests for work (e.g. CHAPS and chargebacks) and operational areas (e.g. commissioning for social care and safeguarding).

We have developed process maps in audits to highlight key risks and highlight control weaknesses (e.g. CHAPS, sheltered housing)

BACKGROUND TO ANNUAL OPINION

Introduction

Our role as internal auditors to London Borough of Southwark is to provide the Audit, Governance and Standards Committee, and the Director with an opinion on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation'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.

Our internal audit work for the 12 month period from 1 April 2018 to 31 March 2019 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.

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

We have reviewed the control policies and procedures employed London Borough of Southwark to manage risks in business areas identified by management set out in the 2018-19 Internal Audit Annual Plan approved by the Audit, Governance and Standards Committee 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 London Borough of Southwark 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.

Audit Opinion

The opinion provided on page 4 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.

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 the Audit, Governance and Standards Committee meetings.

Management actions on our recommendations

Management have generally been conscientious in reviewing and commenting on our reports. For the reports which have been finalised, management have responded positively. The responses indicate that appropriate steps to implement our recommendations are expected.

Recommendations 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. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment.

Relationship with external audit

Summaries of all our final reports are available to the external auditors through the Audit, Governance and Standards Committee papers and full reports 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 London Borough of Southwark we are required to provide the Audit, Governance and Standards Committee, and the Chief Officers Team 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 London Borough of Southwark with Moderate Assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2018-19. 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 2018-19

- 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.

KEY PERFORMANCE INDICATORS

Description	Target	Actual and comment	RAG Rating
Key Performance Indicators agreed in the Internal Audit Charter for 2018-19			
% 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%	74% This reflects 4 audits where the reporting has been delayed due to staff absence at BDO, 6 audits where management responses were not received by the committee reporting deadline and 2 audits where council staff asked for deferral of fieldwork due to staff availability.	🟠
% of high and medium rated recommendations implemented by the agreed management implementation date	75%	85% As reported in section 5 of this report.	🟢
% of recommendations in draft report accepted by audit sponsor / owner	90%	95%	🟢
% of draft reports issued within 15 working days of the audit closure meeting.	90%	91%	🟢
% of returned audit satisfaction survey forms achieving a score of 4 or 5 out of 5	75%	100% In respect of the audit reports finalised for 2018-19, we have received three completed surveys, two of which rated us as 4 and one which rated us as 5 out of 5.	🟢
Annual chief officer and audit, governance and standards satisfaction survey results	Average of 75% and above	The annual survey will be issued in July 2019	⚫
% of audits from the plan completed to draft report stage by 31 March 2019	100%	85% This relates to audits commenced in quarter 4, where fieldwork was ongoing during March and April. This wad due to timing and staff availability at BDO and within the council	🟠

Professional standards and results of the peer review undertaken in 2018-19

We undertake to comply with the Public Sector Internal Audit Standards (PSIAS).

Standard 1312 of states that "External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation... External assessments may be accomplished through a full external assessment, or a self-assessment with independent external validation."

In London, The London Audit Group has organised a system of peer review, with 32 of the 33 London Boroughs agreeing to take part. It has been agreed that self-assessments will be carried out and that these will be validated by suitably qualified individuals or teams from other members of the group across a 5 year cycle.

A peer review of the internal audit service provided to the council against the PSIAS has been undertaken during 2018-19 by the Head of Assurance and an Audit Manager from OneSource (who work on behalf of the London Borough of Bexley).

The review was based on the self-assessment conducted by the Engagement Partner and Chief Audit Executive, with evidence provided to support its conclusions. In addition, interviews were conducted with

some of internal audit's key stakeholders: The Director of Finance (CFO and S151 Officer and the BDO Engagement Partner. Also available were the results and analysis of customer questionnaires.

Their report concluded that:

- Based on the work carried out it can be confirmed that the internal audit function at the London Borough of Southwark generally conforms to the UK Public Sector Internal Audit Standards.

- As required, the outcome is reflected here in the Chief Audit Executive's annual opinion report for the year 2018-19.

  The definition of generally conforms is "The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.

- The IT provision at the London Borough of Southwark is a shared service, with Brent and Lewisham. Internal audit, across the three authorities, are in discussion with management and the ICT provider to determine and plan the ICT audits going forward, including audit allocation, cross cutting audit reviews and how assurance will provided to members.

- Some minor observations were made relating to: audit Execution – improved consistency of numbering of working papers on the electronic system, audit review points – consistency of the location of key sign offs through the quality assurance process and clarity over the final version of the test schedule on the file

- The conclusion reached from the customer questionnaires was that the Standing and Reputation of Internal Audit is generally positive. There were some best practice improvements suggested by some survey responses in the areas of ensuring recommendations are commercial and practical, ensuring adequacy of resources and skills, and demonstrating Internal Audit's influence on the organisation, which the Chief Audit Executive has agreed to consider.

APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

Level of Assurance	Design Opinion	Findings from review	Effectiveness Opinion	Findings from review
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.

FOR MORE INFORMATION:

Greg Rubins
Partner, Public Sector

Greg.Rubins@bdo.co.uk

Item No. 9.	Classification: Open	Date: 16 July 2019	Meeting Name: Audit, Governance and Standards Committee
Report title:		Annual Governance Statement 2018-19	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1.   That the audit, governance and standards committee approves the annual governance statement 2018-19, 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 2018-19 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 2018-19

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance
Report Author	Rob Woollatt, Interim Departmental Finance Manager
Version	Final
Dated	5 July 2019
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		5 July 2019

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APPENDIX 1

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Annual Governance Statement 2018-19

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

Demonstrate transparency and accountability

Engage with stakeholders

Develop capacity, capability & leadership

Behave with integrity

Define outcomes

Manage risks and performance effectively

Ensure planned outcomes are achieved
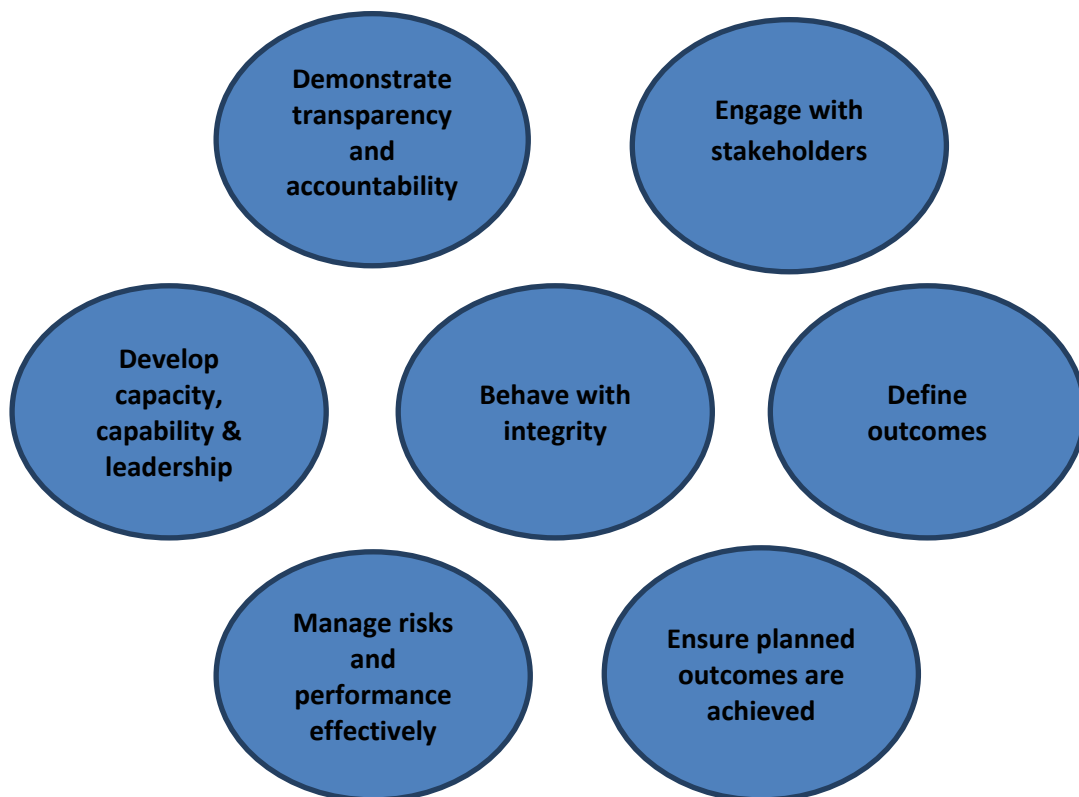
Annex 1 sets out in more detail how the council is meeting these seven requirements in practice.

Key elements of the council's governance arrangements

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 2019 and up to the date of the approval for the statement of accounts.

Table 2 – Overview of the council's governance framework

Council, Cabinet and Leader	Scrutiny and review
➢ 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	➢ Scrutiny commissions review council policy and can challenge decisions ➢ Audit, Governance and Standards Committee reviews governance and promotes and maintains high standards of conduct by councillors
Decision making	**Risk Management**
➢ All decisions made in compliance with law and council constitution ➢ All meetings are held in public ➢ Decisions are recorded on the council website	➢ Risk management strategy ensures proper management of risks ➢ Risk registers identify both strategic and operational risks

Chief Officers Team

➢ 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 scrutiny commissions 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. A new council plan for the period to 2022 was approved by Council Assembly in November 2018. 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 to 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. For example, the work done to prepare for the implementation of the General Data Protection Regulation in May 2018 ensured that the council continued to meet its statutory requirements and a new fairer future procurement framework was developed, which was approved by Cabinet in June 2019.

Focus will be placed on the following significant governance issues during 2019-20:

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 continues to be of paramount importance.

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 and environmental improvement. We need to continue to ensure that expected practice is followed in all instances and objectives of the strategy are delivered.

4. The council needs to continue to ensure that the highest standards of health and safety advice, support and guidance are provided consistently across all services, including the protection of staff from abuse.

5. The council must remain vigilant and ensure business continuity plans are robust, particularly in the event of contractor failure.

6. The overriding scale, complexity and challenge of the council's regeneration programme demands management rigour in ensuring continuous, strong and effective governance.

7. Continued management rigour in ensuring strong and effective governance of the council's ambitious housing delivery programmes.

Areas of significant change

The council also faces a number of areas of significant change that will require consideration and action as appropriate in 2019-20 and the medium-term. Significant issues identified include:

- The continued financial uncertainty regarding government funding of local government beyond 2019-20 creates a significant challenge in terms of budget setting and medium-term financial planning;

- Uncertainty over any transition to the 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;

- There is a high level of uncertainty about the implications of Britain leaving the European Union. At this time there are a number of possible scenarios for how and when the country will depart (a Brexit Risk reserve has been created).

- Increased dependency in funding on locally generated resources, i.e. council tax and business rates, as a proportion of total funding increases risk;

- 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 increasing need for and cost of demand led services such as social care, social housing, temporary accommodation and no recourse to public funds creates significant pressures on budgets. These pressures are anticipated to continue through 2019-20 and beyond and will continue to need close monitoring and robust management action;

- 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

- 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   **Peter John**
Chief Executive   **Leader of the Council**
Date: **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 were 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.
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
The council has a risk management process to support the management of key risks facing the council. The risk management process is supported by the council's risk management strategy. 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 £250 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.

Agenda Item 12

Item No. 12.	Classification: Open	Date: 16 July 2019	Meeting Name: Audit Governance and Standards Committee
Report title:		Review of Local Government Ethical Standards by Committee on Standards	
Ward(s) or groups affected:		All	
From:		Director of Law and Democracy	

RECOMMENDATION

1. That the committee note the issues outlined in this report.

2. To note the 26 recommendations made by the Review of Local Government Ethical Standards by the Committee on Standards in Public Life (CSPL) and the 15 best practice points.

3. To note the council already practices many of the recommendations which do not require legislative changes as a matter of good practice.

4. To consider what further changes could be made to the Council's Code of Conduct and Arrangements for dealing with complaints alleging a breach of the Members' Code of Conduct, which would not require legislative changes.

BACKGROUND INFORMATION

5. On 29 January 2018 CSPL launched a consultation on Local Government Ethical Standards. The terms of reference for the review were to examine the structures, processes and practices in local government in England for:

    *   maintaining codes of conduct for local councillors
    *   investigating alleged breaches fairly and with due process
    *   enforcing codes and imposing sanctions for misconduct
    *   declaring interests and managing conflicts of interest; and
    *   whistleblowing.

6. The CSPL published its report on 30 January 2019. The report proposes a range of measures which it mainly recommends to Government but also to the Local Authorities, including Parish Councils.

7. The report reinforces the high standards of conduct required in local government to protect the integrity of decision-making, maintain public confidence and safeguard local democracy.

KEY ISSUES FOR CONSIDERATION

8. The report is divided into 8 chapters. This report does not refer to all chapters but instead aims to summarise some of the key issues relevant for Southwark. The key findings the committee is asked to note are as follows:

- Whilst it is recommended that there should be an updated model code of conduct, the review recognised that there are benefits to councils being able to adopt their own codes depending on its own culture and the specific issues it may face.
- The report highlights that areas such as gifts and hospitality, social media use, and bullying and harassment have all increased but are not regularly reflected in the codes of conduct recommended by the Government and the Local Government Association.
- Bullying/ harassment: In particular, codes do not have specific behaviours that would amount to bullying. The Committee can consider whether it would be helpful for the Council's code to include a definition of bullying/ harassment. There is no statutory definition of bullying but the report refers to a definition used by ACAS (Advisory, Conciliation and Arbitration Service). Harassment is defined in the Equality Act 2010.
- Social Media: The report states that, at the moment, codes of conduct can only apply when Councillors is acting in their capacity as a Councillor. The report recognises how the use of social media presents a challenge in determining whether a code of conduct applies to instances of behaviour. One of the recommendations is that Councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly accessible social media. This will require a change in legislation to permit local authorities to presume so when deciding upon code of conduct breaches. However, at its meeting on 6 December 2018 the Committee considered and approved a guide to Members on the use of social media. The Committee suggested that a list of "do's and don'ts" be circulated on the Members bulletin on a regular basis, to publicise and remind members regarding use of social media.
- Gifts and hospitality: The report refers to gift value of £50 to £100. The report highlights that there are three broad principles surrounding gifts and hospitality that should guide whether an individual should accept gifts or hospitality, namely purpose, proportionality, avoiding conflicts of interest to safeguard the principle of integrity. Southwark Councils code requires Members to register gifts and hospitality with a value in excess of £50. The Monitoring Officer suggests that the Code could be updated to include the reference to "purpose and proportionality" in addition to avoiding conflict of interest.
- Investigations and Safeguards: The report recognises that there has to be an effective, fair, impartial and transparent procedure, in which Councillors and the public can have confidence. The report considers the role of the Independent Person (IP) and how this role could be strengthened and clarified. The review makes a number of recommendations in relation to the role of the IP, some of which the Council already has in place. There is, for example, recommendation that IPs are consulted by the Monitoring Officer when considering whether a complaint should be investigated or not. This is already contained in the Arrangements. It is recommended that the views of the IP are included in any investigation report. This could be added to the Arrangements.
- Sanctions: The report states that the current sanctions available to local authorities are insufficient and that a lack of robust sanctions damage public confidence in the standards system and that there is no means of addressing serious or repeated misconduct. The report recommends that local authorities should be given the power to suspend councillors without allowances for up to six months and any Councillors who are suspended should be given the right to appeal to the Local Government Ombudsman. This change will require legislation.

9. On 15 March 2019 the Ministry of Housing, Communities and Local Government hosted a Round Table for monitoring officers which included the CSPL review. Their notes are included as part of Appendix B.

Community impact statement

10. Clear arrangements concerning the accountability of members are very important for promoting high standards of conduct. In addition it is important in aiding the decision-making process and helping to boost public confidence in the council. These arrangements ensure that members of the public are aware of the process in place to ensure that high standards of conduct are maintained within the council.

APPENDICES

No.	Title
A	Local Government Ethical Standards, published 30 January 2019 (circulated separately)
B	26 Recommendations

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Code of Conduct for Members	Legal Services, Southwark Council, 160 Tooley Street, London SE1 2QH	Norman Coombe 020 7525 7678 Allan Wells 020 7525 2130

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown, Director of Law and Democracy		
Report Author	Norman Coombe, Head of Corporate Team, Legal Services		
Version	Final		
Dated	11 June 2019		
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		No	No
Cabinet Member		**No**	**No**
Date final report sent to Constitutional Team			11 June 2019

Consideration of CSPL Local Government Ethical Standards Recommendations and Best Practice Recommendations

Name: …….

List of recommendations

No	Recommendation	Responsible Body	Comments – please indicate response and note any inter-relationship with your own or other known policy area(s)
1	The Local Government Association should create an updated model code of conduct, in consultation with representative bodies of councillors and officers of all tiers of local government.	Local Government Association	
2	The government should ensure that candidates standing for or accepting public offices are not required publicly to disclose their home address. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to clarify that a councillor does not need to register their home address on an authority's register of interests.	Government	
3	Councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly-accessible social media. Section 27(2) of the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches.	Government	
4	Section 27(2) of the Localism Act 2011 should be amended to state that a local authority's code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority.	Government	
5	The Relevant Authorities (Disclosable Pecuniary Interests)	Government	

	Regulations 2012 should be amended to include: unpaid directorships; trusteeships; management roles in a charity or a body of a public nature; and membership of any organisations that seek to influence opinion or public policy		
6	Local authorities should be required to establish a register of gifts and hospitality, with councillors required to record gifts and hospitality received over a value of £50 or totalling £100 over a year from a single source. This requirement should be included in an updated model code of conduct.	Government	
7	Section 31 of the Localism Act 2011 should be repealed, and replaced with a requirement that councils include in their code of conduct that a councillor must not participate in a discussion or vote in a matter to be considered at a meeting if they have any interest, whether registered or not, "if a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your consideration or decision-making in relation to the matter".	Government	
8	The Localism Act 2011 should be amended to require the Independent Persons are appointed for a fixed term of two years, renewable once.	Government	
9	The Local Government Transparency Code should be updated to provide that the view of the Independent Person in relation to a decision on which they are consulted should be formally recorded in any decision notice or minutes.	Government	
10	A local authority should only be able to suspend a councillor where the authority's Independent Person agrees both with the finding or a breach and that suspending the councillor would be a proportionate sanction.	Government	
11	Local authorities should provide legal indemnity to Independent Persons if their views or advice are disclosed. The government should require this through secondary legislation if needed.	Government/ all local authorities	

12	Local authorities should be given the discretionary power to establish a decision-making standards committee with voting independent members and voting members from dependent parishes, to decide on allegations and impose sanctions.	Government	
13	Councillors should be given the right to appeal to the Local Government Ombudsman if their local authority imposes a period of suspension for breaching the code of conduct.	Government	
14	The Local Government Ombudsman should be given the power to investigate and decide upon an allegation of a code of conduct breach by a councillor, and the appropriate sanction, an appeal by a councillor who has had a suspension imposed. The Ombudsman's decision should be binding on the local authority.	Government	
15	The Local Government Transparency Code should be updated to require councils to publish annually; the number of code of conduct complaints they receive; what the complaints broadly relate to (e.g. bullying; conflict of interest); the outcome of those complaints, including if they are rejected as trivial or vexatious; and any sanctions applied.	Government	
16	Local authorities should be given the power to suspend councillors, without allowances, for up to six months.	Government	
17	The government should clarify if councils may lawfully bar councillors from council premises or withdraw facilities as sanctions. These powers should be put beyond doubt in legislation if necessary.	Government	
18	The criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished.	Government	
19	Parish council clerks should hold an appropriate qualification, such as those provided by the Society of Local Council Clerks.	Parish Councils	
20	Section 27(3) of the Localism Act 2011 should be amended to state that parish councils must adopt the code of conduct of their principal authority, with the necessary amendments, or the new model code.	Government	

21	Section 28 (11) of the Localism Act 2011 should be amended to state that any sanction imposed on a parish councillor following the finding of a breach is to be determined by the relevant principal authority.	Government	
22	The Local Authorities (Standing Orders)(England) (Amendment) Regulations 2015 should be amended to provide that disciplinary protections for statutory officers extend to all disciplinary action, not just dismissal.	Government	
23	The Local Government Transparency Code should be updated to provide that local authorities must ensure that their whistleblowing policy specifies a named contact for the external auditor alongside their contact details, which should be available on the authority's website.	Government	
24	Councillors should be listed as 'prescribed persons' for the purposes of the Public Interest Disclosure Act 1998.	Government	
25	Councillors should be required to attend formal induction training by their political groups. National parties should add such a requirement to their model group rules.	Political groups National political parties	
26	Local Government Association corporate peer reviews should also include consideration of a local authority's processes for maintaining ethical standards.	Local Government Association	

Item No. 13.	Classification: Open	Date: 16 July 2019	Meeting Name: Audit, governance and standards committee
Report title:		In-year review of the work programme for 2019-20 - July	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATIONS

1. That the audit, governance and standards committee consider the proposed draft work programme for 2019-20 and whether they would wish to make amendments to arrangements as set out in paragraph 4 of this report, or in respect of any other matters.

2. That the audit, governance and standards committee, subject to any requested changes, agree the work programme for 2019-20 set out in Appendix 2.

BACKGROUND INFORMATION

3. At their meeting in June 2019, the committee considered and agreed a work programme for 2019-20 and recommended a series of governance conversations with the strategic directors. These have been scheduled for 2019-20 as follows:

    • 16 July 2019 – Kevin Fenton, strategic director of place and wellbeing
    • 11 September 2019 – Michael Scorer, strategic director of housing and modernisation
    • 20 November 2019 – Caroline Bruce, strategic director of environment and leisure
    • 10 February 2020 – David Quirke-Thornton, strategic director of children's and adults' services.

4. Following discussion, the following items were proposed to be added to the work programme.

    • Strategic directors on departmental governance (each meeting)
    • Brexit risk management (July 2019 - email briefing circulated)
    • Regeneration/Housing (**date to be confirmed**)
    • Asset Management (**date to be confirmed**)
    • Schools performance and budgets (**date to be confirmed**)
    • ICT update (**date to be confirmed**)
    • Going concerns (February 2020).

KEY ISSUES FOR CONSIDERATION

5. In considering items for inclusion, it may be helpful to do this within the framework of the committee's purpose, as set out in the constitution. This is set out in the constitution to be:

    • Independent assurance of the adequacy of the council's governance

arrangements, including the risk management framework and the associated control environment

- Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment
- Oversight of the financial reporting process
- Scrutiny of the treasury management strategy and policies
- A framework to promote and maintain high standards of conduct by councillors, co-opted members and church and parent governor representatives.

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

7. The agreed work programme for 2019-20 has been included at Appendix 2 for the committee's consideration. Items shown in brackets are standing items which will be brought forward as they arise.

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 actions taken. The draft programme therefore includes a standing item relating to review of the committee's work plan.

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 draft work programme reflects its priorities for the next year or whether there are other amendments which it would wish to see included.

Policy implications

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	Extract from the constitution – Part 3K Audit and governance
Appendix 2	Work programme for 2019-20

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Virginia Wynn-Jones, Principal Constitutional Officer	
Version	Final	
Dated	8 July 2019	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	**Comments sought**	**Comments included**
Director of Law and Democracy	No	No
Strategic Director of Finance and Governance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team		8 July 2019

APPENDIX 1

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

ROLE AND FUNCTIONS

Introduction

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

1. Independent assurance of the adequacy of the council's governance arrangements, including its standards regime, the risk management framework and the associated control environment.

2. Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.

3. Oversight of the financial reporting process.

4. Scrutiny of the treasury management strategy and policies.

5. A framework to promote and maintain high standards of conduct by councillors, co-opted members and church and parent governor representatives.

Audit activity

6. To approve the internal audit charter

7. To approve the risk based internal audit plan, including resource requirements.

8. To approve any significant proposed advisory services, additional to those included in the audit plan.

9. To receive information on the appointment, departure, resignation or change in chief audit executive.

10. To receive in-year summaries of internal audit and anti-fraud activity and the internal audit annual report and opinion and to consider the level of assurance it can give over the council's corporate governance arrangements.

11. To receive reports dealing with the management and performance of the provider of internal audit services, including the performance of the chief audit executive.

12. To receive reports from internal audit on agreed recommendations not implemented within a reasonable timescale.

13. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.

14. To consider specific reports as agreed with the external auditor.

15. To comment on the scope and depth of external audit work and to ensure it gives value for money.

16. To have oversight over the appointment of the external auditor.

17. To commission work from internal and external audit.

Accounts

18. To review and approve the annual statement of accounts and specifically to consider compliance with appropriate accounting policies and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.

19. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Treasury management

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

Governance activity

21. To review any issue referred to it by the chief executive or a strategic director, or any council body.

22. To monitor the effective development and operation of risk management in the council.

23. To monitor the effective development and operation of corporate governance in the council and to agree actions necessary to ensure compliance with best practice.

24. To monitor council policies on 'whistle-blowing', the 'corporate anti-fraud strategy' and the council's complaints processes.

25. To receive reports from the statutory officers under the council's whistle blowing policy.

26. To provide strategic oversight on the use of the powers regulated by the Regulation of Investigatory Powers Act 2000 and to receive in-year reports on operational use.

27. To oversee the production of and agree the council's annual governance statement.

28. To review the council's compliance with its own and other published standards and controls.

29. To receive reports on retrospective contract related decisions as set out in contract standing orders.

30. To receive reports from the monitoring officer on any serious breach of the contract standing orders or procurement guidelines.

Standards activity

31. To advise the council on the adoption or revision of the members' code of conduct, the member and officer protocol and the communication protocol.

32. To monitor the operation of the members' code of conduct, the member and officer protocol and the communication protocol.

33. To monitor and advise on training provided for councillors, co-opted members and church and parent governor representatives.

34. To deal with any standards related complaints referred to it and any report from the monitoring officer on any matter which is referred to him or her.

35. To receive reports from the monitoring officer on unlawful expenditure and probity issues.

36. To consider the withholding of allowances from individual members (including elected members and co-opted members) in whole or in part for non-attendance at meetings, or, for elected members only, for failure to attend required training.

37. To establish the following sub-committees:

   - to consider complaints of misconduct against elected councillors and co-opted members
   - to consider civic awards.

Annual report

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

MATTERS RESERVED FOR DECISION

Matters reserved for decision by the main committee

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

Matters reserved for decision by the conduct sub-committee

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

Matters reserved for decision by the civic awards sub-committee

41. To grant civic awards.

42. To consider the process by which the decisions with respect to civic awards applications are to be taken and to make recommendations to the standards committee.

43. To appoint non-voting co-opted members of the civic awards sub-committee.

Draft Work Programme for 2019-20

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

Item	Meeting date						Commentary
	June 2019	July 2019	September 2019	November 2019	Feb 2020	June 2020	
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

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Item	Meeting date						Commentary
	June 2019	July 2019	September 2019	November 2019	Feb 2020	June 2020	
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 – 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

Item	Meeting date						Commentary
	June 2019	July 2019	September 2019	November 2019	Feb 2020	June 2020	
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	✓	✓					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 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 February – 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

Item	Meeting date						Commentary
	June 2019	**July 2019**	**September 2019**	**November 2019**	**Feb 2020**	**June 2020**	
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 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		(✓)	(✓)	(✓)	(✓)		- July: Kevin Fenton, strategic director of place and wellbeing - September: Michael Scorer, strategic director of housing and modernisation - November: Caroline Bruce, strategic director of environment and leisure - February: David Quirke-Thornton, strategic director of children's and adults' services
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 – Strategic

Item	Meeting date						Commentary
	June 2019	July 2019	September 2019	November 2019	Feb 2020	June 2020	
							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

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		MUNICIPAL YEAR 2019-20	

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		**FINANCE AND GOVERNANCE**	
Councillor James McAsh (Chair)	1	Duncan Whitfield	1
Councillor Humaira Ali	By email	Jo Anson	1
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Councillor Nick Dolezal	1		
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Councillor Andy Simmons	1		
Councillor Dan Whitehead	By email	**BDO** (Internal Auditors) **–** Greg Rubins	By email
RESERVES			
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Councillor Hamish McCallum	By email	Ciaran McLaughlin	1
Councillor Jason Ochere	By email	Grant Thornton	
Councillor Bill Williams	By email	5th Floor, Grant Thornton House	
		Melton Street	
OTHER COUNCILLORS		Euston Square	
Councillor Victoria Mills	By email	London NW1 2EP	
LAW AND DEMOCRACY		Matthew Dean	1
Norman Coombe	1	Grant Thornton	
Doreen Forrester-Brown	1	5th Floor, Grant Thornton House	
		Melton Street	
COMMUNICATIONS		Euston Square	
Louise Neilan	By email	London NW1 2EP	
CONSTITUTIONAL TEAM			
Virginia Wynn-Jones	5	**Total Print Run:**	**15**
INDEPENDENT PERSONS			
Mr Musa Chunge	By email		
Ms Amrit Mangra	By email		
Mr Charles Wynn-Evans	By email		

List Updated: May 2019