

Audit, Governance and Standards Committee

Wednesday 11 September 2019

6.30 pm

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

Membership

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

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: 3 September 2019



Audit, Governance and Standards Committee

Wednesday 11 September 2019

6.30 pm

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

Order of Business

Item No.	Title	Page No.
	PART A - OPEN BUSINESS	
	<p>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.</p>	
1.	APOLOGIES FOR ABSENCE	
	To receive any apologies for absence.	
2.	CONFIRMATION OF VOTING MEMBERS	
	A representative of each political group will confirm the voting members of the committee.	
3.	NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT	
	In special circumstances, an item of business may be added to an agenda within five clear days of the meeting.	
4.	DISCLOSURE OF INTERESTS AND DISPENSATIONS	
	Members to declare any personal interests and dispensation in respect of any item of business to be considered at this meeting.	
5.	MINUTES	1 - 5
	To approve as a correct record the minutes of the meeting held on 16 July 2019.	

Item No.	Title	Page No.
6.	GOVERNANCE CONVERSATION: STRATEGIC DIRECTOR OF HOUSING & MODERNISATION	6 - 8
	Michael Scorer to bring a verbal update to the committee for discussion.	
7.	BDO INTERNAL AUDIT PROGRESS REPORT	9 - 67
8.	ANNUAL AUDIT LETTER FOR SOUTHWARK COUNCIL AND SOUTHWARK PENSION FUND 2018-19	68 - 84

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: 3 September 2019



Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Tuesday 16 July 2019 at 6.30 pm at Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

PRESENT: Councillor James McAsh (Chair)
Councillor Humaira Ali
Councillor Nick Dolezal
Councillor Andy Simmons
Councillor Dan Whitehead

OTHER MEMBERS PRESENT: Amrit Mangra, Independent person

OFFICER SUPPORT: Duncan Whitfield, strategic director of finance and governance
Kevin Fenton, strategic director of place and wellbeing
Jo Anson, head of financial and information governance
Rob Woollatt, departmental finance manager
Ciaran McLaughlin, Grant Thornton
Matt Dean, Grant Thornton
Greg Rubin, BDO
Nick Baker, BDO
Doreen Forrester-Brown, director of law and democracy
Virginia Wynn-Jones, constitutional team

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Dora Dixon-Fyle and Tom Flynn, and from Charles Wynn-Evans and Musa Change. Apologies for early departure were received from Councillor Nick Dolezal.

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 10: 2018-19 Statement of Accounts for Southwark Council and item 11: Audit findings report (ISA 260) - including pension fund as late and urgent.

4. **DISCLOSURE OF INTERESTS AND DISPENSATIONS**

There were none.

5. **MINUTES**

The minutes of the meeting of 5 June 2019 were agreed as a correct record and signed by the chair.

6. **GOVERNANCE CONVERSATION: STRATEGIC DIRECTOR OF PLACE AND WELLBEING**

Professor Kevin Fenton, strategic director of place and wellbeing, outlined the governance structures of the department to the committee. The committee had questions for the strategic director.

The strategic director confirmed that if members had further questions, he would welcome them by email to kevin.fenton@southwark.gov.uk.

7. **BDO INTERNAL AUDIT PROGRESS REPORT**

BDO presented the report. Members had questions of BDO.

Officers undertook to write on behalf of the audit, governance and standards committee to any managers whose audit responses are outstanding, asking for a briefing note for the committee on the reasons for the lateness of responses.

RESOLVED:

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

8. **BDO INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE**

BDO presented the report. Members had questions of BDO.

RESOLVED:

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

9. **ANNUAL GOVERNANCE STATEMENT 2018-19**

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

RESOLVED:

1. That the audit, governance and standards committee approved the annual governance statement 2018-19, as attached at Appendix 1 of the report.

10. 2018-19 STATEMENT OF ACCOUNTS FOR SOUTHWARK COUNCIL

This item was heard with item 11 Audit findings report (ISA 260) - including pension fund. Officers introduced the report. Members had questions of the officers.

Officers undertook to refer the educational healthcare plans/high needs budget issues to overview and scrutiny committee for their consideration.

Members noted that the strategic director of children's and adults' services is scheduled to attend the audit, governance and standards committee in February 2020, and that they will be able to raise the issue there.

The audit, governance and standards committee and Duncan Whitfield thanked Grant Thornton and their team for their support, help and challenge throughout the year.

RESOLVED:

1. That the audit, governance and standards committee:
 - a) considered the matters raised in Grant Thornton's audit findings report for 2018-19 (Appendix A of the report) before approval of the council's accounts
 - b) noted the adjustments to the accounts as set out on page 24 of the audit findings report
 - c) approved the council's letter of representation set out at Appendix B of the report
 - d) considered the matters raised in the pension fund audit findings report 2018-19 (Appendix C of the report) prior to approval of the pension fund statement of accounts
 - e) noted the adjustments to the pension fund statement of accounts as set out in page 12 of the audit findings report
 - f) approved the pension fund letter of representation set out at Appendix D of the report
 - g) approved the Statement of Accounts 2018-19 (Appendix E of the report), subject to any final changes required by the conclusion of the audit, being delegated to the Strategic Director of Finance and Governance in consultation with the chair of audit, governance and standards committee.

11. AUDIT FINDINGS REPORTS (ISA 260) - INCLUDING PENSION FUND)

This item was considered as part of item 10 2018-19 Statement of Accounts for Southwark

Council.

12. REVIEW OF LOCAL GOVERNMENT ETHICAL STANDARDS BY COMMITTEE ON STANDARDS

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

Officers agreed to bring back an update to the audit, governance and standards committee with the proposals for Southwark Council going forward.

RESOLVED:

That the committee:

1. Noted the issues outlined in the report.
2. Noted 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. Noted the council already practices many of the recommendations which do not require legislative changes as a matter of good practice.
4. Considered 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.

13. IN-YEAR REVIEW OF THE WORK PROGRAMME FOR 2019-20 - JULY

The report was discussed.

Officers undertook to ensure the audit, governance and standards committee are briefed on the following themes:

- Regeneration/Housing: September 2019
- Asset Management: September 2019
- ICT update: November 2019
- Schools performance and budgets: February 2020

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 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, agreed the work programme for 2019-20 set out in Appendix 2 of the report.

Meeting ended at 8.25 pm

CHAIR:

DATED:

Governance arrangements between Housing & Regeneration

There are three cross-council boards established to ensure clear governance between Housing and Regeneration and support the successful delivery of the council's ambitious housing commitments.

- The Housing Investment Board
- The New Homes Steering Group
- The Delivery Programme Board

Appendix #1 contains a diagram setting out the governance model in full.

1. Housing Investment Board

The Housing Investment Board was established to provide strategic-level financial direction for the council's Housing Investment Programme. This covers both spending on existing stock and the delivery of new homes.

The Board has two key objectives:

- Monitoring the overall financial picture of the Housing Investment Programme (balancing resources against expenditure); and
- Approving investment for specific projects on a scheme by scheme basis.

These decisions are made with regard to the council's Asset Management Strategy and Housing Revenue Account Business Plan, as well as the Southwark Plan and Housing Strategy.

The Board is co-chaired by the Strategic Director of Finance and Governance and the Strategic Director of Housing and Modernisation. It is attended by a number of Directors including the Directors of Asset Management, Planning and Regeneration.

2. New Homes Steering Group

The New Homes Steering Group is responsible for overseeing the successful delivery of the council's new build programme, including 2,500 new council homes by 2022 and 11,000 new council homes by 2043.

The Group considers the entire delivery programme, as opposed to specific projects. A standard agenda includes:

- High level summary of progress, identifying near and medium term decisions
- Programme risk and issue register
- Forecast of funding for the programme
- Summary of decisions taken by the Delivery Programme Board
- Issues or decisions escalated to the Board for strategic guidance

The Board is chaired by the Leader of the Council and attended by Members and senior managers across the council with either an operational or strategic role in the delivery of new homes.

3. Delivery Programme Board

The Delivery Programme Board reports to the New Homes Steering Group. It considers the overall delivery pipeline but has responsibility for supervising individual schemes. This includes considering options for high-investment needs estates, where the council may need to consider refurbishment or demolition and new build.

For individual projects, the Board approves key milestone reports allowing schemes to progress to the next stage, mitigates project risks and oversees engagement with the community, including the Future Steering Board. The Board also makes recommendations to cabinet on individual projects that are politically sensitive or of significant value or risk to the council.

The Board is chaired by the Strategic Director of Housing and Modernisation and attended by senior managers across the council that have a strategic or operational role in the delivery of new homes.

The Board has led to improved communication between Housing and Regeneration and as such, it has become an ideal forum to discuss cross-departmental issues and agree a mutually agreeable solution.

4. Challenges

Procurement process

Officers have identified the council's current procurement processes as a particular challenge in the delivery of the Housing Investment Programme.

It is fully understood that the current process has been implemented to ensure high quality procurement but there are now three separate Gateway reports and two Contract Review Boards (please note, the second contract review board is only for schemes over £15m).

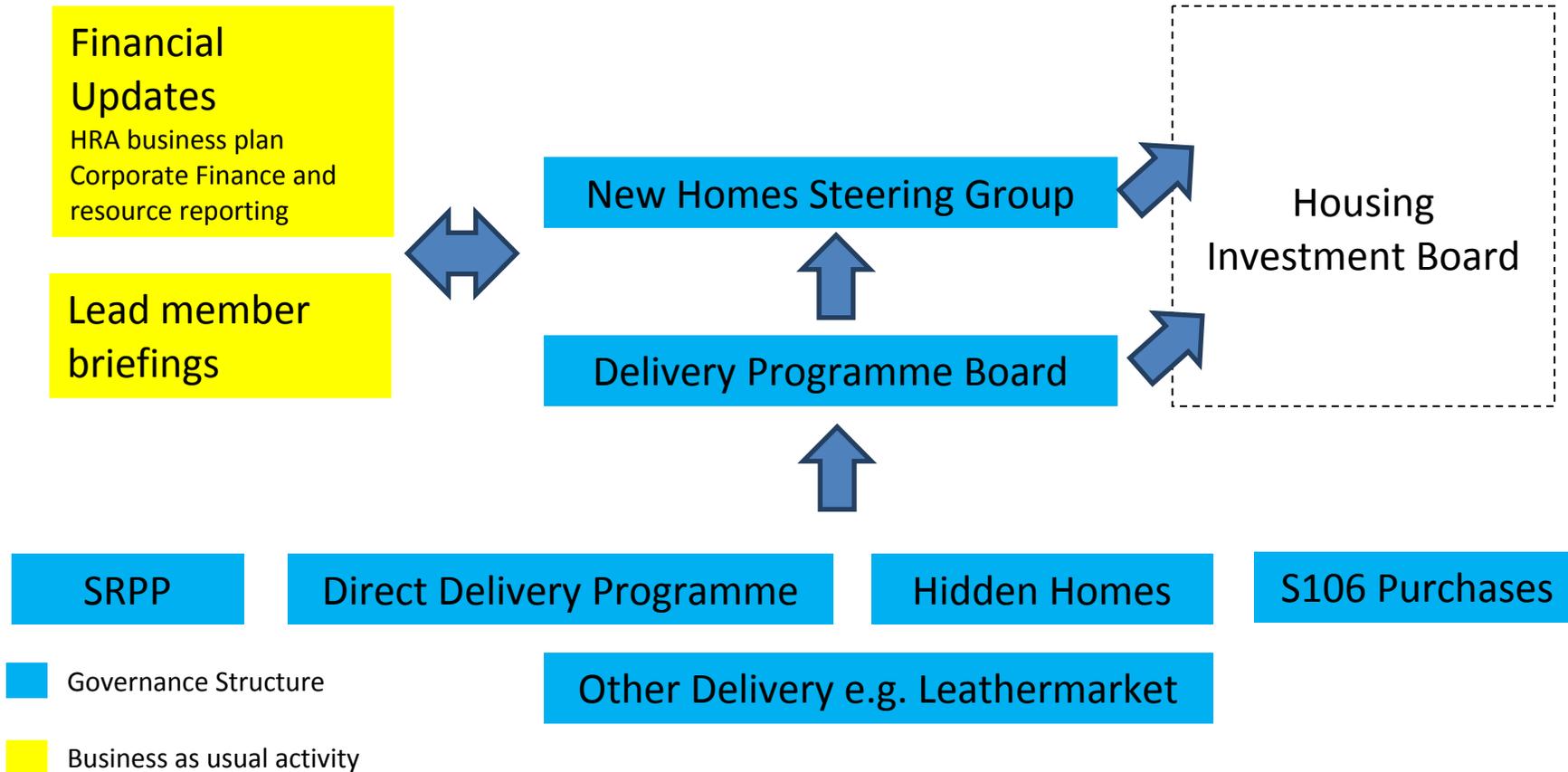
This creates a considerable amount of bureaucracy – arguably more so than in other local authorities – which can contribute to delays in the delivery of new homes and improvements to existing stock. It also uses a significant amount of senior officer time.

In general, it is felt that the current approach focuses too much on following a prescribed process, as opposed to ensuring high quality schemes that provide value for money. It may be preferable to consider streamlining the contract review board process and pass more responsibility to Managers, who could then be held accountable for the successful delivery of schemes.

Decision making

The Housing Investment Board is part of the council's formal decision making structure but the role of the Delivery Programme Board is not as clearly defined. The minutes from the Delivery Programme Board go to the Housing Investment Board but the relationship between the two Boards could be better delineated.

Appendix 1: Governance Model



Item No. 7.	Classification: Open	Date: 11 September 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 16 July 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

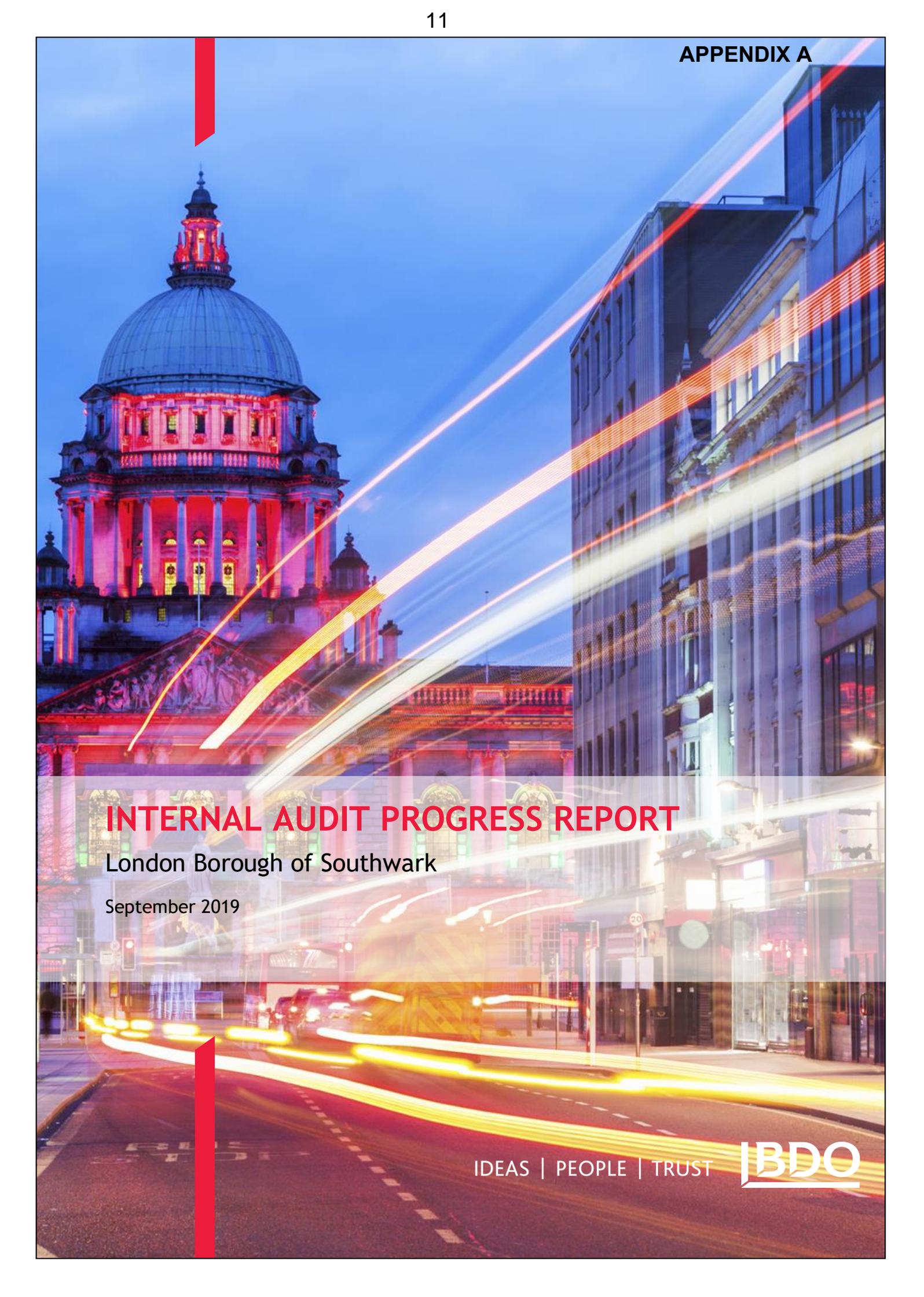
Background Papers	Held At	Contact
None		

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	3 September 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		3 September 2019



INTERNAL AUDIT PROGRESS REPORT

London Borough of Southwark

September 2019

IDEAS | PEOPLE | TRUST



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Appendix 2: Schools Annual Summary Report 2018-19	See separate report

1. SUMMARY OF INTERNAL AUDIT WORK

Internal Audit

This report is intended to inform the Audit, Governance and Standards Committee of progress made against the 2019-20 internal audit plan. It summarises the work we have undertaken, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards.

Internal audit methodology

We have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified. Our reporting 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 appendix 1 to this report.

Internal Audit Plan 2018-19

There are just two reports yet to be finalised relating to the 2018-19 internal audit plan, as set out on page 7 of this report.

The Fairer Futures Procurement Strategy Compliance audit has been finalised, the executive summary is included on pages 10 to 12 of this report.

Schools internal audit summary report 2018-19

We have summarised the opinions, recommendations and common themes arising from the internal audit of schools during 2018-19, attached at appendix 2 to this report.

Internal Audit Plan 2019-20

We are making good progress in the delivery of the 2019-20 audit plan. The status of the audits that have been commenced to date are summarised in section 3 of this report. Where audit reports have been finalised, the executive summaries are included in section 4 of this report.

Changes to the internal audit plan 2019-20

The following additional reviews have been requested by management, and work is underway:

- Direct Debits - this audit is being delivered as part of the internal audit plan
- CBS Leathermarket Grant Claims - this audit has been requested by management outside of the internal audit plan
- Transparency Reporting Support - this work is being delivered as part of the internal audit plan.

Non internal audit services provided by BDO

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

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 implementation date agreed by management.

2. INTERNAL AUDIT PLANNING CYCLE 2020-21

We would welcome the views of the audit, governance and standards committee on the areas that might be included in the internal audit plan for 2020-21.

The table below sets out our timetable of activities that we will be following to prepare the plan, which proposes that a formal discussion takes place at the audit, governance and standards committee at its meeting in November 2019.

Planning Activity	Timing
Desktop review of key documentation - including risk registers, budget monitoring reports, Council, Cabinet and Committee papers and previous results of internal audit work.	October and November 2019
Discussion at the audit, governance and standards committee on areas for inclusion	20 November 2019
Meetings with the chief executive and all strategic directors and their departmental management teams to consider risks and areas for inclusion specific to their departments.	November and December 2019
Attendance at the corporate governance panel to discuss the areas for inclusion and identify council-wide thematic reviews in particular.	December 2019
Draft internal audit plan discussed with the director of finance and governance	December 2019
Draft internal audit plan circulated to the chief officers team and directors forum for comment	January 2020
Draft internal audit plan presented to the audit, governance and standards committee for approval	10 February 2020

In addition, we would welcome the view of the committee on any areas where the internal audit service and particularly the reporting to audit committee can be improved.

3. 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 anti-fraud activities

The primary 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. Jobs will be advertised early September Interviews for Grades 6, 9 and 12 will take place from late September
- Once recruitment is complete the draft detailed work plan will start to be implemented. Part of the planned work will look to engage the team in proactively targeting certain higher risk areas, 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 London Counter Fraud Hub remains under discussion. No further developments are expected until October 2019.
- A detailed fraud response programme is in the drafting process and will provide details on the way the Council will look to deal with fraud, information for staff and public as to how to report fraud and who is responsible for investigating reported frauds. Once complete this will be the primary document to which all parties can refer. It is intended that it will be electronically accessible from the Council's internet and intranet sites and that these sites will also contain "summary" information for easy access.

4. REVIEW OF WORK 2019-20 WORK

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	QA / Reporting	Committee	Design	Operational Effectiveness
Internal Audit Plan 2018-19								
Procurement - Fairer Future Strategy Compliance	Strategic director finance and governance	25	✓	✓	✓ Final report	September 2019	Moderate	Moderate
Southwark Building Services	Director of environment	20	✓	✓	✓ Final report	September 2019	Moderate	Moderate
IT Shared Services Arrangements	Director of modernise	25	✓	✓	✓ Final report	September 2019	N/A - Advisory	
IR35	Corporate Governance Panel	20	✓	✓	✓ Draft report issued 160719	November 2019	This is an advisory piece of work, additional testing has been requested.	
Health and Safety	Director of modernise	20	✓	✓	✓ Draft report issued 160519	November 2019		
Internal Audit Plan 2019-20								
Troubled Families Grant	Director of Children's Services	20	Letter of Engagement agreed. A schedule of monthly audits is undertaken, on a sample of 10% of claims to be submitted			All	April to July 2019 completed. No exceptions	
Home Ownership - Garages	Director of exchequer services	15	✓	✓	✓ Final report	September 2019	Moderate	Limited
Major Works	Director of asset management	15	✓	✓	✓ Final report	September 2019	Substantial	Substantial

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	QA / Reporting	Committee	Design	Operational Effectiveness
Play Service	Director of environment	15	✓	✓	✓ Final report	September 2019	Moderate	Moderate
Volunteer Management	Director of environment / Director of leisure	15	✓	✓	✓ Draft report issued 120819	September 2019		
Home Ownership - Mortgages	Director of exchequer services	10	✓	✓	✓ Draft report issued 290819	November 2019		
Client Services	Director exchequer services	15	✓	✓	✓ Draft report issued 030918	November 2019		
Housing Solutions - Homelessness	Director of customer experience	20	✓	✓	✓	November 2019		
Leathermarket CBS Grant	Director of communities	10	✓	✓	✓	November 2019		
No recourse to public funds	Director of communities	15	✓	✓	✓	November 2019		
Major regeneration programmes and projects	Director of regeneration	20	✓	✓	✓	November 2019		
Community Equipment	Director of Commissioning	15	✓	✓		November 2019		
Public health - free healthy school meals (advisory)	Strategic director place and wellbeing	20	✓	✓		November 2019		
Barristers Framework	Director of law and democracy	10	✓	✓		November 2019		

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	QA / Reporting	Committee	Design	Operational Effectiveness
Cleaner, Greener, Safer Programme	Director of environment	15	✓	✓		November 2019		
Direct Debits	Strategic director finance and governance	10	✓	✓		November 2019		
Enforcement	Director of environment	15	✓	✓		November 2019		
Mental Health Services	Director of adult social care	15	✓	✓		November 2019		
Blue Badges and Freedom Passes	Director of customer experience	15	✓			February 2020		
Materials	Director of environment	10	✓			February 2020		

5. EXECUTIVE SUMMARIES

ADD06 PROCUREMENT - FAIRER FUTURE STRATEGY COMPLIANCE September 2019		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	1
		Moderate	Moderate	Medium	2
				Low	-
Purpose of audit	To provide assurance over the council's compliance with the values set out in the Southwark Fairer Future Procurement Strategy and Contract Standing Orders as far as they apply to these principles in respect of roles and responsibilities.			Added value - N/A	
<p>Background:</p> <p>An internal audit of the compliance against the council's Fairer Future Procurement Strategy (FFPS) was undertaken at the request of the Audit, Governance and Standards Committee. The strategy covers the council's Fairer Future values which relate to procurement, specifically:</p> <ol style="list-style-type: none"> 1. Spending money as if it were coming from our own pockets, meaning procurement arrangements are challenged and there is a balance between price and quality 2. Being open, honest and accountable, including protecting the workforce through paying the London Living Wage and complying with the Ethical Care Charter, addressing equality issues and community impact through compliance with Public Sector Equality Duties when undertaking Gateway zero and Gateway 1 assessments and reports, and the avoidance of blacklisting due to trade union membership. 3. Making Southwark a place to be proud of through the consideration of social value during the procurement process. <p>The aim of the strategy is to provide context and a framework to ensure that the council takes the right steps when identifying service needs and options for the ways in which these may be best delivered, procuring the supplies, services and works where contracting is the preferred option and managing and monitoring contracts that have been awarded.</p> <p>The strategy sets out how the council will use procurement to promote enhanced employment rights, ensure fair pay and terms and conditions, reduce inequality and encourage ethical corporate behaviour. These are set out in the strategy, the council's contract standing orders and procurement guidelines. The fairer future values and procurement strategy are designed to ensure that the council is only doing business with suppliers who meet minimum statutory and ethical standards. The strategy introduced the requirement for a strategic assessment, also known as gateway zero, for all services above £10m in value. This is to be undertaken by the service head to allow a full strategic options assessment in a timely manner that includes relevant factors, explores all options and makes the case for the preferred mode of delivery (e.g. in-house, private sector, voluntary or community sector, shared service). It also considers the broad methods by which a service is to be delivered (e.g. single provider/framework of providers etc.) along with possible social value. This assessment is for cabinet members (IDM) decision making.</p>					

Responsibility for procurement decisions is set out in the council's contract standing orders. A Lead Contract Officer should be identified for each procurement, who is responsible for ensuring that the procurement is carried out in accordance with the CSOs and wider fairer future principles, and seeking appropriate approvals, for example through the relevant strategic director or cabinet member (IDM) or cabinet after consideration by the departmental or corporate contract review board where appropriate.

At the time of writing this report, the FFPS was being reviewed and updated.

Scope of the audit:

We assessed whether there was:

1. Clear guidance relating to how the principles and values in the Southwark FFPS are to be applied and evaluated through the procurement process.
2. Awareness amongst key staff involved in the procurement process of the FFPS, how the values should be considered and how the FFPS is to be practically applied when undertaking procurement activities
3. Appropriate consideration and alignment of the FFPS values in the evaluation criteria used by officers in the procurement process, including balancing price, quality, evaluation of social values and transparency outlining how the weightings were determined.
4. Adequate checks undertaken and sufficient evidence to confirm that suppliers had met the ethical and statutory requirements outlined in the Strategy before being awarded contracts with the council.

Through discussions with staff and review of documentation for a sample of contracts awarded since April 2018, we considered the following aspects of the FFPS: Payment of London Living Wage, Trade Union blacklisting, gender pay gap and payment differential, compliance with Public Sector Equality Duties, Southwark Ethical Care Charter (in relation to care contracts), trade union recognition, use of Gateway zero strategic assessments and other social value commitments relating to the creation of apprenticeships, job creation and work placement opportunities.

Good practice:

We confirmed through review of documentation that the council has the following framework and controls in place to support compliance with FFPS:

- The strategy and guidance documentation for gateway reports is available for all staff on the intranet (The Source) - see Key Findings for the limitations of this.
- The electronic procurement system is now being used for all new contracts.
- Payment of London Living Wage was considered in the gateway reports for all contracts, as was compliance with equality and other social value considerations. All applicable contracts considered the Ethical Care Charter.

Key findings:

Based upon our discussions and review of procurement and contractual documentation, the following findings are included in our report:

- Documentary evidence of compliance is not always retained, and ongoing compliance with FFPS by successful contractors is not being monitored in a consistent way and effectively. Concerns were raised by all officers around the piecemeal nature of available guidance and that they felt it difficult to know when to incorporate elements into procurements. The council does not share practices across divisions and departments.

-
- Whilst the elements of the strategy were considered as part of the gateway reports, this does not translate to actually awarding the contracts to the contractors.
 - Key elements of the strategy are not specifically included within the evaluation criteria when procuring contracts due to their nature. Some, such as London Living Wage and compliance with legislation e.g. on gender pay gap or blacklisting and consideration of trade union recognition are part of contract terms that are part of pre-award compliance, without which a contract would not be awarded. Testing of five contracts confirmed that not all elements of the Strategy were documented. These areas are being addressed in the FFPS, which are currently being revised.

Conclusion:

Some elements of the FFPS are well embedded within Council procurement procedures, however there remains uncertainty amongst procurement officers regarding how (or when) to incorporate the remaining elements into its process so as to ensure full compliance.

Review of contract terms and procurement processes have revealed areas where these elements are incorporated but are not specifically part of the procurement process and evaluation criteria. This could be more clearly explained to those officers procuring contract.

Therefore we have concluded an opinion of moderate assurance with regards to both the design of the controls and to the operational effectiveness.

We have recommended that officers involved in procurement are provided with further training to ensure that they are not only aware of the FFPS, but how best to incorporate the requirements relating to social values into procurement practices and subsequently contract monitoring and management.

Follow up

We will follow up the management actions agreed in response to the audit in January 2020, when we complete the internal audit of FFPS compliance with regards to contract management.

ESR43 SOUTHWARK BUILDING SERVICES September 2019		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	-
		Moderate	Moderate	Medium	3
				Low	-
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.	Added Value	We spoke with key members of staff involved in the project to bring the SBS service in-house to identify good practice and lessons that could be learned across the council should a similar project be undertaken in the future. The general consensus was that this project was well managed, however improvements could be made with the way staff are communicated with throughout.		
<p>Background:</p> <p>A decision was taken by Cabinet in March 2018 to bring Southwark Building Services (SBS) in-house, effective from 1 October 2018. There were a number of driving factors behind this decision, including the previous arrangements failing in their performance, the need to remove a single point of failure due to the service being provided by one contract and financial incentives, including savings due to economies of scale. This resulted in the Transfer of Undertakings (Protection of Employment) (TUPE) of 65 staff members.</p> <p>As a result of a tendering exercise, SBS is now responsible for the communal repairs in the north of the borough, which is chargeable to leaseholders, as well as internal repairs for both the north and south of the borough. Bringing the service in-house also led to a review of recharging and financial management. Prior to this both internal and communal repairs were charged on a per job basis, with the cost based on a schedule of rates, however following the review the internal repairs will now be charged on a price per property basis.</p> <p>With the transition of the service in house being successfully completed on 1 October 2018, the service is currently in phase 2 of the project to determine specifics relating to service delivery and performance monitoring.</p> <p>Good practice:</p> <ul style="list-style-type: none"> • Business rules are set out in the service level agreement, which reconcile with the Cabinet decision paper and outline the SBS service performance requirements and key performance indicators to be monitored • The key performance indicators are monitored through core group meetings and project meetings • The in-house repairs service delivery team meets fortnightly to monitor performance and identify any issues • Actions logs are retained detailing any actions raised during meetings, the officer responsible for the implementation and dates for actions to be completed • Monthly performance reports are provided to the Cabinet Member for Housing. 					

Key findings:

- The complete set of price per property (PPP) codes have not been input into Northgate, resulting in charges being incorrectly applied (although the errors identified were very small), and all job types have not been defined within the service level agreement to clearly outline whether these are chargeable or not
- The PPP assumptions and associated costs have not been reviewed using the most up to date information (such as changes to the number of properties) and a value for money assessment of the new arrangement is required.
- Four of the 12 KPIs included in the Service Level Agreement have not been monitored, including meeting response times for queries and complaints, as IT system limitations meant data could not be generated on these areas.

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

Operational Effectiveness	Moderate	→ Substantial	<ul style="list-style-type: none">• Revise the ‘price per property’ approach to accurately reflect actual costs, and benchmark with similar organizations to identify whether value for money is being achieved• Supporting performance measures should be implemented to monitor performance for KPIs which are currently unmeasurable.• Update the service level agreement to include all job types• Update Northgate to include all PPP job codes.
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Follow up

A review of the actions taken since the internal audit review will be undertaken in April 2020.

IT09 IT SHARED SERVICES ARRANGEMENTS (ADVISORY) September 2019		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	3
				Medium	-
				Low	-
Purpose of audit	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. The review looked at the agreed service improvement plan, how progress is monitored and documented and the governance arrangements in place.				Added value - N/A
<p>Background:</p> <p>The council entered into a shared ICT (SICT) service arrangement with Brent Council and Lewisham Council, commencing on 1 November 2017. Under the new arrangements the council expected to achieve savings through increased efficiencies and economies of scale. The change saw the removal of a telephone helpdesk, with this being replaced by an online call logging system. The SICT service aligns with the IT component of the council’s modernisation strategy by bridging the gap between what people need and what the IT service can deliver. Whilst there was a smooth transition and staff generally experienced an acceptable level of service, the shared service was not been performing satisfactorily on strategic issues, including the sustainability of the programme, the procurement strategy and data security.</p> <p>This situation resulted in two separate reviews being undertaken (one by the council and an external review commissioned by Brent Council from METHODS company), to identify the reason for the failings and the actions to take as a result. A service improvement plan was created covering a range of the identified issues, including the need for a review of the key performance indicators (KPIs). Since 29 November 2018, an interim managing director has been in post.</p> <p>The approach to the improvement of SICTS has recently changed from a Service Improvement Plan (SIP) that would be implemented between September 2018 and May or June 2019 to a Continuous Service Improvement Plan (CSIP) based on the recommendations of the METHODS company that undertook the Brent Council commissioned review.</p> <p>According to the definition from SICTS: “Unlike the Service Improvement Plan (which focusses on a structured programme of change and is typically; complex, high-impact and requires communications, training, management, dedicated resource and budget) Continual Service Improvement is the process whereby we make small, incremental changes to our infrastructure, services and applications in order to maintain and improve service quality. The resource and budget to achieve CSIP is usually small, implementation is usually fast and the benefits near immediate. CSIP initiatives are best driven from the ground up by those best placed (service owner, users and support engineers) to understand; how services are used, what works well, what doesn't, where the pain points are and what improvements would deliver benefit”.</p> <p>As a result of the change in approach, the initial time-scale of September 2018 to June 2019 for implementing the SIP has now been changed to a two to three year horizon for the continuous improvements to be implemented.</p> <p>The assurance review originally planned for May 2019 has been deferred to April 2020, to allow the new arrangements to be implemented.</p>					

Good practice:

- The continuous service improvement (CSIP) plan has identified six themes of work to be delivered, with each theme identifying a number of projects expected to deliver Service Improvements. Each theme has an accountable owner responsible for monitoring project progress and reporting updates.
- The Interim Service Improvement manager has been receiving updates from the theme owners on a bi-weekly basis and updating a CSIP register with the project progress.
- The Joint Management Board received an update regarding the improvement plan, which explained the change from a SIP to a CSIP and what that meant and the projects that were completed from October to December 2018 and planned for January to March 2019.

Key findings arising at the time of the audit in March and April 2019:

- It was not evident how the change from a Service Improvement Plan to a Continuous Service Improvement Plan would 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 was 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 had not been formally agreed and documented. The reporting arrangements did not allow for adequate oversight and reporting of progress. The theme owners report to the Interim Service Improvement manager but there was no further reporting arrangements in place. The report to the Joint Management Board is a high level overview of projects completed and planned but did not provide 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.

Management Response to the advisory audit

The Shared ICT Service agrees with the findings in this report and as such the following action plan will be put in place to address the key findings.

1. The agreement to move to a CSI plan from the SIP plan and respective change in timelines were agreed with the Joint Management Board, this approach was taken in order to have a singular improvement plan which could be monitored and maintained, at this time all activities that were included on the service improvement plan were migrated to the CSI plan and continued to be worked on.
2. The current CSI plan will be updated and taken to the next Operational Management Board of the Shared ICT Services, this will include a new section for each partner organisation to indicate how the activity will address the key issues that they are facing. (September 2019)
3. The Operational Management Board will have the ability to jointly prioritise the activities that are included in the plan and to add additional activities on an ongoing basis to seek specific service improvements for their own areas. (September 2019)
4. The current CSI plan will be updated to include the additional data as highlighted by the audit, and will include activities for the short, medium and longer term to address concerns about the validity of the plan. (September 2019)

5. The Terms of Reference for the Operational Management Board will be updated to provide oversight for the plan and progress updates will be added to the agenda of the Joint Management Board as a routine agenda item. The Shared ICT Service will continue to report headline information to the Joint Committee on a 6 monthly basis in line with the current arrangements. (September 2019)

6. A number of improvements that were included in the CSI plan have been completed and communicated to members of the Operational Management board including but not limited to:-

- Increase in resource supporting the service desk functions.
- Review and modifications to the goods purchasing and stock management processes
- Review and modifications to the financial management reporting processes
- Review and instigation of revised governance model.
- Introduction of management information and reporting tools to provide more transparency to the services.
- Introduction of management reporting packs which is currently being iterated to provide greater clarity.
- Completion of 7 of 8 phases of the Core Network upgrade.
- Introduction of network, server and device monitoring tools.
- Removal of GCSX legacy secure email system.
- Introduction of additional security defense systems.
- Review of license management processes.
- Definition and approval of Target Operating Model.
- Creation of IT Strategy, pending distribution.
- Categorisation of incidents for greater trend and pattern detection.
- Implementation of time recording systems to allow for the charging of service based on actual consumption.

Further improvements are expected over the remainder of the year including:

- Introduction of new project management controls
- Introduction of new security incident management processes
- Introduction of new customer service portal.
- Introduction of automatic processes for triage and prioritization.
- Introduction of self-service password reset functionality.

Follow up

A review of the actions taken since the review will be undertaken in October 2019.

FG33 HOME OWNERSHIP- GARAGES September 2019		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	2
		Moderate	Limited	Medium	1
				Low	-
Purpose of audit	To provide assurance over the application process, awarding of garages, administration of garages and records, rent collection and monitoring and escalation for repossession.	Added value	We completed data analytics using data from the waiting list maintained by the Garages team. Out of a total of 2,017 applicants on the waiting list as of 16 May 2019, we identified a total of 27 unique applicants making a total of 55 duplicate entries on the list. We also identified that there were three applicants without having an entry in the 'name' column despite 'name' being a required field in the on-line application form.		
<p>Background:</p> <p>The council rents garages to both residents and non-residents for a weekly fee, payable in advance. The garages can be used for both general storage and storage of vehicles.</p> <p>There are the following types of fees, which have received Cabinet approval as part of the Housing Revenue Account (HRA) budget: standard fees, discounted fees for Southwark housing residents and private sector fees, which also include a VAT element. There are also additional fees for any amenities that come with the garage, such as the use of parking space or a gate for security purposes.</p> <p>A waiting list is maintained for those who have applied for a garage, with priority given firstly to Southwark residents and then those who have been on the list for the longest period of time, subject to any specific requests they may have about their garage type or location. There are circa. 3,000 applicants on the waiting list.</p> <p>Approximately 30-40 garages become available each month, with on average five recovered monthly through formal repossession proceedings as a result of rent arrears.</p> <p>The service has a formal process for repossession proceedings, with two letters being issued, a notice to quit and then serving the notice of the repossession date, if arrears are not cleared. A grace period of two weeks is currently in use should all debts be cleared after notice has been served.</p> <p>There are two teams involved in the letting and recovery of garages. One is responsible for managing the waiting list, letting the garages and arranging for any necessary refurbishment or repairs. The second team is responsible for managing payments, repossessions and arrears.</p> <p>Good practice:</p> <ul style="list-style-type: none"> Guidance on garage lettings including priority of allocation and escalation of arrears for current garage tenants is in place. These are retained on a shared drive, accessible to all relevant staff involved in the allocation process and in the management of arrears and repossessions. Write-offs of debt undertaken in February 2019 were in line with Southwark write-off corporate policy. 					

- Key performance indicators are maintained for the recovery of due debt from current and former garage tenants.
- A monthly performance report is presented to the exchequer services recording KPIs on income and debt collection across divisions and highlights the effectiveness of the complaint management process

Key findings:

- Application forms submitted by the applicants had not been retained centrally
- There was no documentation trail of changes made to the garages waiting list to ensure there had been no unauthorised amendment
- Supporting documentation such as garage tenancy agreements had not been retained
- Weekly rent charged per the iWorld were below revised fees approved by the Cabinet in two out of 20 sampled cases
- There is no formal procedure for debt recovery of former tenant accounts in arrears and in one case there had been no action taken in over 7 years
- Tenant account in arrears had not been actioned in a timely manner, in one case a first reminder letter was sent after 10 months.

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

Operational Effectiveness	Limited	→	<table border="0"> <tr> <td data-bbox="698 655 750 871">Substantial</td> <td data-bbox="750 655 2033 871"> <ul style="list-style-type: none"> • Ensure that supporting documentation such as signed agreements are uploaded onto information@work. • Ensure the revised fee approved by the Cabinet reconciles with the rent charged on iWorld. • Ensure tenant accounts in arrears are actioned on a timely basis. <p>Ensure the garage let form records the identification checks carried out and the officer who had performed the checks</p> </td> </tr> </table>	Substantial	<ul style="list-style-type: none"> • Ensure that supporting documentation such as signed agreements are uploaded onto information@work. • Ensure the revised fee approved by the Cabinet reconciles with the rent charged on iWorld. • Ensure tenant accounts in arrears are actioned on a timely basis. <p>Ensure the garage let form records the identification checks carried out and the officer who had performed the checks</p>
Substantial	<ul style="list-style-type: none"> • Ensure that supporting documentation such as signed agreements are uploaded onto information@work. • Ensure the revised fee approved by the Cabinet reconciles with the rent charged on iWorld. • Ensure tenant accounts in arrears are actioned on a timely basis. <p>Ensure the garage let form records the identification checks carried out and the officer who had performed the checks</p>				

Follow up

A review of the actions taken since the internal audit review will be undertaken in April 2020.

HM06 MAJOR WORKS August 2019		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	-
		Substantial	Substantial	Medium	1
				Low	1
Purpose of audit	To review the controls from identification and approval of major works schemes, project management and appointment of contractors and monitoring of delivery against expected timeframes, outputs and budget.				Added Value - N/A
<p>Background:</p> <p>The council has a 30 years asset management programme in place for the major works needed on their existing stock which was agreed by Cabinet in March 2016. The council are into their fourth year of this programme, with the works required for the initial 10 years of the programme already mapped out. A quarterly update on the programme is presented to the Repairs Core Group chaired by the Lead Cabinet member for Housing. An overall report and proposals for 2021/22 and 2022/23 will be presented September/October 2019.</p> <p>Major works on existing properties include: external works to blocks, kitchens, bathrooms and major fire safety works. Some major works are completed outside of this programme in exceptional cases, such as if an incident happens which means a property needs work earlier than expected. A range of procurement methods are used to select the contractor who will complete the works. The council has three partnering arrangements in place which cover major works in the south of the borough. A framework agreement is generally used for major works in the north of the borough, with the framework depending upon whether the cost of the works is above or below £3.1m, with a separate framework relating to heating. Regular monitoring meetings are held with the three partners, with key performance indicators used to assess the performance of the contractor, including resident satisfaction and completions on time. New performance monitoring arrangements were implemented in August 2019 with framework contractors, including the addition of key performance indicators. Previously performance monitoring is on a judgemental and informal basis without clear delivery metrics.</p> <p>Good practice:</p> <ul style="list-style-type: none"> • The major works programme and associated documents, e.g. Cabinet decisions and contractors, are published on the Council's website • Every project has a dedicated project manager • Monthly project management meetings take place with contractors undertaking works • Quarterly progress and performance reports are produced <p>Key findings:</p> <ul style="list-style-type: none"> • The key data to manage, monitor and report on major works is all contained in one large, complex MS Excel spreadsheet, which carries a risk of data corruption and it also has limitations for reporting purposes. An exercise to explore options for replacing the spreadsheet is to be undertaken by management. 					
<p>Follow up</p> <p>A review of the actions taken since the internal audit review will be undertaken in April 2020.</p>					

EL17 PLAY SERVICE August 2019		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	1
		Moderate	Moderate	Medium	4
				Low	-
Purpose of audit	To provide assurance over operational management controls including documentation covering contractual arrangements with activity providers, income management and safeguarding.	Added value	A review was undertaken of the two largest play sites, Peckham Rye and Mint Street, to confirm how they operate. It was noted that there were discrepancies in the documentation used by the sites, although the same processes were being followed. Mint Street was the more developed of the two sites as it had been recently renovated and they should be used as the exemplar for other sites to follow as far as is applicable.		
<p>Background:</p> <p>The play service, which operates within the parks and leisure team, aims to achieve a balance between operating for the benefit of the community in a sustainable manner whilst allowing the service to continue through the charging of Cabinet approved fees.</p> <p>The play service has outsourced a number of key activities to an external provider, Idverde, which is responsible for arranging bookings, collecting income and transferring this to the council.</p> <p>The play service has five playgrounds in operation: Fredericks, Ellen Brown Children’s Centre, Mint Street, Peckham Rye and Surrey Docks. Mint Street and Peckham Rye opened for bookings during the 2018-19 financial year. These sites are used in a number of ways, including service users renting the facilities at a cost, in line with the fees and charges agreed by Cabinet, and activity providers being commissioned by the service to offer set schemes which benefit the community.</p> <p>Whilst the service is not using volunteers at this time, they are using a mixture of permanent and agency staff to deliver the service. All staff are appropriately vetted by the council’s HR department.</p> <p>Good practice:</p> <ul style="list-style-type: none"> • We have confirmed through review of documentation that the council has appropriate fees and charges in place that have been approved by cabinet and are available on the public facing website. • Activity providers used are appropriate and are appropriately vetted before being allowed to undertake activities with the children using the sites. • A centralised list of staff and agency workers is maintained with contact details and their working week. <p>Key findings:</p> <ul style="list-style-type: none"> • No signed agreement is in place with Idverde (Quadron) detailing the roles and responsibilities and formalising the current working relationship in relation to managing bookings of the adventure playgrounds and sharing of income (high priority). 					

- Policy and procedure documentation has been drawn together, however documentation used across sites does not match. Staff were also not aware of the documentation that was available on the shared drive.
- A strategy has not been drafted which encapsulates the aims and goals of the service. This should include KPIs that match the council’s corporate plan.
- Service users had made bookings for 2019/20 that did not reflect the amended fees and charges, although the difference was only £45.
- Quarterly payments are made from Idverde (Quadron) but these are not formally reconciled with expected income and the deduction made by Idverde.

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

Operational Effectiveness	Moderate	 Substantial	<ul style="list-style-type: none"> • An agreement should be signed between Idverde and the council • Service users should be charged correct fees based on those approved by cabinet
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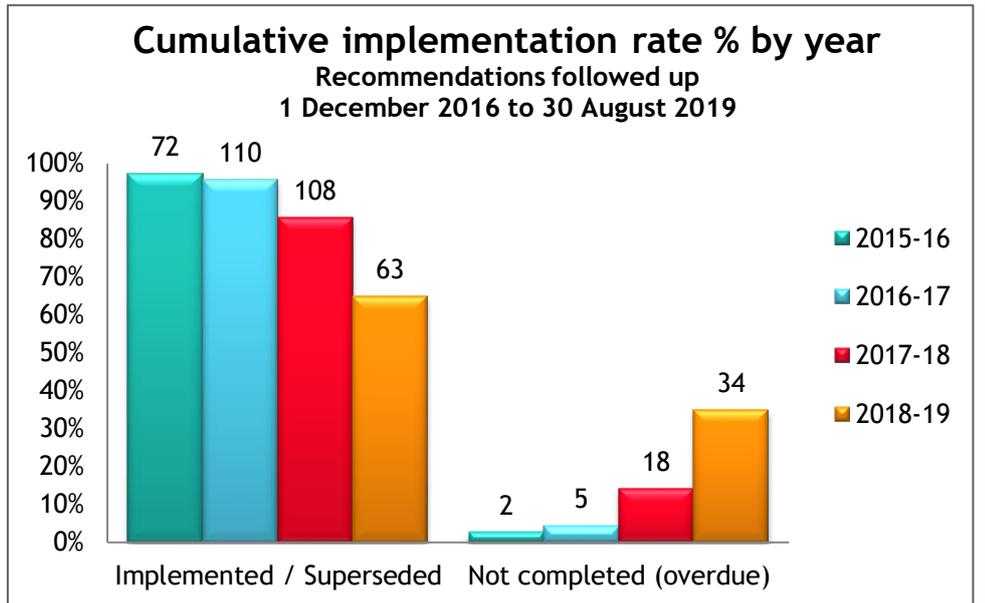
Follow up

A review of the actions taken since the internal audit review will be undertaken in April 2020.

6. SUMMARY OF RECOMMENDATIONS STATUS

The cumulative summary provided here relates to 412 high and medium recommendations followed up in the period when BDO was appointed as internal auditors to the council on 1 December 2016 to 30 August 2019.

We have confirmed with reference to evidence that 353 (86%) of the recommendations that have fallen due have been implemented.



The implementation status of each internal audit is summarised in the table overleaf. We are disappointed that no update and / or revised implementation dates for implementation have been received for eight recommendations. In addition, we are awaiting evidence for 15 recommendations to support management assurances that they have been implemented. The strategic director of finance and governance has reminded officers of the need to respond to internal audit requests on a timely basis.

Please note:

- *The table includes 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		
<u>2018-19</u>									
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 October 2019
Legal Fees	2	-	2	-	-	-	-	100%	January 2019 July 2019 August 2019
Residential Placements - Children in Care Services	4	1	2	-	1	-	-	75%	November 2018 February 2019 Awaiting evidence
Youth and Play Service	4	1	2	1	-	-	-	75%	June 2019 Awaiting evidence
Temporary accommodation	8	-	2	2	4	-	-	25%	December 2018 April 2019 June 2019 Awaiting evidence
Markets	4	-	2	-	2	-	-	50%	April 2019 August 2019 September 2019
Contact centre (SMART)	3	-	1	-	2	-	-	33%	April 2019 June 2019 Awaiting evidence
IT Change Management	3	-	2	-	1	-	-	67%	March 2019 May 2019 September 2019
Waste Contract PFI	1	1	-	-	-	-	-	100%	May 2019 August 2019
Business Continuity Planning	5	-	2	-	3	-	-	40%	July 2019 October 2019
Music Service	3	-	1	-	2	-	-	33%	July 2019 Awaiting evidence

	Total High & Medium recommendations raised by BDO due	Implemented		In progress at the follow up date		No update provided		% verified complete	Management Implementation dates
		H	M	H	M	H	M		
Commercial Waste	3	-	-	-	3	-	-	0%	July 2019 October 2019
CAS Budget Recovery Board Accountability Statements	1	-	1	-	-	-	-	100%	July 2019 September 2019
Adult Day Care Provision	3	-	-	-	-	-	3	0%	July 2019 Revised date to be advised
Safeguarding (Adults)	3	-	-	-	3	-	-	0%	July 2019 Awaiting evidence
<u>2017-18</u>									
Network Security	8	-	2	2	4	-	-	25%	December 2017 October 2018 June 2019
IT disaster recovery	6	2	-	1	3	-	-	33%	April 2019 June 2019 October 2019
Land Charges	5	-	2	1	2	-	-	40%	April 2019 December 2019
Corporate energy	2	-	-	-	2	-	-	0%	December 2017 October 2018 April 2020
Electoral Services	4	-	4	-	-	-	-	100%	April 2018 August 2019
Integration of customer based systems	2	-	2	-	-	-	-	100%	July 2018 November 2018 and January 2019 August 2019
Information Governance	9	2	6	-	1	-	-	88%	June 2018 March 2019 July 2019 August 2019
Access to Services	3	1	2	-	-	-	-	100%	August 2018 August 2019

	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		
<u>2016-17</u>									
Planning applications	5	-	-	-	-	-	5	0%	October 2016 April 2018 March 2019 June 2019 Revised date required
<u>2015-16</u>									
S106 Agreements	3	-	1	-	2	-	-	33%	October 2016 April 2018 June 2019 September 2019 and January 2020

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
2018/19 - Access to Restricted areas on Housing Estates		
<p>a) The council should undertake a formal tendering process in line with contract standing orders. A formal contract should be entered into.</p> <p>b) In the meantime, a service level agreement should be agreed with Callow Master Locksmiths. This should include information relating to how the patent will be stored, who has access to this, and who can request copies.</p> <p>c) Site visits should be undertaken on an intermittent basis to confirm that this has been complied with.</p> <p>d) Regular and routine usage reports should be requested (we would suggest quarterly as a minimum) to allow for a reconciliation against the council's records for which keys have been copied to confirm these reconcile. This reconciliation should be undertaken by an independent officer, documented and counter signed by a reviewer.</p> <p>High</p>	<p>Acting Head of Traded Services</p> <p>February 2019</p> <p>May 2019</p> <p>September 2019</p>	<p>Partially implemented</p> <p>A Gateway 1 Procurement Strategy (GW1) has been prepared and signed off by the Director.</p> <p>Procedures have been developed to guide managers and operatives on the correct procedures to follow for access and entry into restricted areas including process of ownership.</p> <p>A Gateway 2 Procurement Strategy (GW2) is being prepared for sign off in September 2019.</p>
2018/19 - Right to Buy and Ad-hoc sales		
<p>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.</p> <p>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.</p> <p>High</p>	<p>Director of customer experience</p> <p>April 2019</p> <p>October 2019</p>	<p>Partially implemented</p> <p>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 have contacted Asset Management team and have been informed that the audit recommendation relates to a much wider issue than just basic asset management in terms of works and repairs. This implementation of the recommendation will be discussed with the Head of Asset Management in September 2019.</p> <p>b) We have confirmed that this part of the recommendation has been implemented.</p>
2018/19 - Residential Placements - Children in Care Services		
<p>Evidence of the High Cost and Quality Panel's decision for each individual case should be recorded on the appropriate case notes. Management should undertake periodic quality checks to ensure that panel decisions are being recorded on the individuals' files correctly.</p> <p>Medium</p>	<p>Access to Resources - Service Manager</p> <p>November 2018</p> <p>February 2019</p> <p>July 2019</p>	<p>Management assurance received that the recommendations have been implemented, awaiting evidence.</p> <p>We are awaiting system screenshots as evidence to confirm that this recommendation has been implemented.</p>

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
2018/19 - Youth and Play Service		
<p>a) If the current practice not to collect a booking fee and deposit is considered appropriate, the procedures should be updated to reflect this.</p> <p>b) The youth service should work with the financial control and processing team to implement a process to allow the monthly monitoring of invoice payments. This should include any relevant training required and defining both team's responsibilities for payments which enter the suspense account and therefore are not being allocated against the service user. This should include a review of SAP by an independent officer to confirm that no invoice cancellation requests have been processed without appropriate authorisation.</p> <p>c) If payments are not received in advance, allowing for any delay in payments clearing, sessions should not be permitted to proceed and if there are any debts outstanding, no further bookings should be taken.</p> <p>d) The head of culture should approve cancellations, after receiving written confirmation of the request by the service user and ensuring this is in line with the agreed terms and conditions.</p> <p>e) The youth service should determine whether a grace period is allowed for setting up and clearing up purposes. It should then be ensured that groups adhere to the agreed times, and if additional time is required, this should be invoiced per the usual process. If services are allowed to use the centre for setting up as it is not already in use, this should be recorded to allow for tracking of whether the same groups are consistently using the service for longer than booked.</p> <p>f) The booking calendar should be kept up to date to allow for an accurate record of who was in the centre, to facilitate independent review and reconciliations, and reduce the likelihood of errors occurring and free sessions being granted.</p> <p>High</p>	<p>Youth operations and commissioning manager</p> <p>June 2019</p>	<p>Management assurance received that the recommendations have been implemented, awaiting evidence.</p> <p>Management has responded that recommendations 1 (a,c,d,e and f) have been implemented. However, we are awaiting evidence to confirm this.</p> <p>For recommendation 1(b), management has responded that payments are made at the time of the booking hence this is not relevant. We are awaiting a procedure/guidance note recording the updated process.</p>
2018/19 - Temporary Accommodation		
<p>Management should ensure that all staff involved in the process of collecting, checking and confirming invoices are required to update iWorld to match the</p>	<p>Placements Team Manager</p>	<p>Partially implemented</p>

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
<p>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.</p> <p>Longer term, the two systems should be integrated and information input in one system should automatically update in the other.</p> <p>High</p>	<p>November 2018</p> <p>July 2019</p> <p>April 2020</p>	<p>The Support Team has developed an early draft sign in register policy for the council that will be shared with partners. This clarifies under what circumstances an invoice will be processed without a sign in, deadlines, exceptions, who is responsible for each stage of the cancellation process when no response is received. A meeting was held with Housing Solutions, TA Income, and Northgate Support on 10 May 2019. Intention to reconcile Northgate data with SAP. The aim is initially to do this for TA types (e.g. nightly rate self-contained) and then possibly by provider. The current process is for all TA invoices to get checked against iWorld data before being authorised.</p> <p>A design improvement is to be made to reduce fraudulent activity risk in the 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.</p> <p>Finance are leading on a project to reconcile the two IT systems or provide a solution to the IT integration issues. We were advised that the revised implementation date for this is 1 April 2020.</p>
<p>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.</p> <p>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.</p> <p>High</p>	<p>Overall - Manager, Housing Solutions Support - Procurement Officers, Placement Officers; Visiting officer, Resettlement officers, Reviews officers</p> <p>January 2019</p> <p>July 2019</p>	<p>Partially implemented</p> <p>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. Further external advice is being sought.</p> <p>Management does not have data on the spot checks of 15% properties. They have recently updated the web inspections form to allow updating via tablet. As part of a review of the providers (Nightly paid to PSL), it has been identified that more inspections will be required.</p> <p>Legal services are supporting the service to establish agreements to allow the service to launch a tendering exercise. We were advised that there is no timeframe for this as the team is dependent on legal services obtaining external legal assistance.</p>

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
		A further follow up will be carried out in October 2019 to seek an update on this position.
<p>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.</p> <p>Medium</p>	<p>Overall - Group Services Manager, Housing Solutions</p> <p>Support - Project and change manager, Divisional accountant, Principal operations manager</p> <p>April 2019 and June 2019 July 2019 April 2020</p>	<p>Partially implemented</p> <p>As per above, Finance are leading on this matter to attempt to reconcile the two IT systems or provide a solution to the IT integration issues. We have informed that the revised implementation date for this is 1 April 2020.</p>
<p>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.</p> <p>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.</p> <p>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.</p> <p>d) Management should increase resilience of the service regarding the reconciliation of PSL</p>	<p>Business Support Manager</p> <p>January 2019 July 2019 October 2019</p>	<p>Partially implemented</p> <p>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.</p> <p>Legal services are supporting the service to establish agreements to allow the service to launch a tendering exercise. We were advised that there is no timeframe for this as the team is dependent on legal services obtaining external legal assistance.</p>

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
<p>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.</p> <p>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.</p> <p>Medium</p>		
<p>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.</p> <p>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.</p> <p>Medium</p>	<p>Business and Procurement Manager and Placements Team Manager</p> <p>February 2019</p> <p>July 2019</p> <p>October 2019</p>	<p>Management assurance received that the recommendations have been implemented, awaiting evidence.</p> <p>Management has advised that all officers have been trained and presented on all policies.</p>
<p>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.</p> <p>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.</p> <p>Medium</p>	<p>Business and Procurement Manager</p> <p>March 2019</p> <p>July 2019</p> <p>October 2019</p>	<p>Partially implemented</p> <p>As above, Legal services are supporting the service to establish agreements to allow the service to launch a tendering exercise. We were advised that there is no timeframe for this as the team is dependent on legal services obtaining external legal assistance.</p> <p>A further follow up will be carried out in October 2019 to seek an update on this position.</p>
2018/19 - Markets		
<p>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 documents are identified,</p>	<p>Markets Team Leader</p> <p>March 2019</p>	<p>Partially implemented</p> <p>Management has responded that FGL system implementation is scheduled to be completed by end of September 2019.</p>

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
<p>these should be requested prior to the permit being renewed.</p> <p>b) When undertaking walk-arounds 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.</p> <p>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.</p> <p>Medium</p>	<p>August 2019 September 2019</p>	
<p>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.</p> <p>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.</p> <p>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.</p> <p>Medium</p>	<p>Markets Team Leader February 2019 August 2019 September 2019</p>	<p>Partially implemented As stated above.</p>
<p>2018/19 - Contact Centre (SMART)</p>		
<p>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.</p> <p>b) The quality review should include enhanced scrutiny of each of the elements in isolation to</p>	<p>Contact centre operations manager Quality and training manager Contact centre team leader - SMART</p>	<p>Management assurance received that the recommendations have been implemented, awaiting evidence.</p> <p>a) We have confirmed that this recommendation has been implemented.</p> <p>b) Management has responded that a new improved Quality Monitoring sheet has been introduced to include live call monitoring that records the various elements of a call e.g. correct call type recorded and that relevant notes added to both Jontek and</p>

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
<p>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 specific areas which have recurring issues identified.</p> <p>Medium</p>	<p>Contact centre team leader</p> <p>December 2018</p> <p>June 2019</p>	<p>Mosaic. Management has recently introduced specific enhanced monitoring of calls made to the emergency services, overnight, as this is an area of some concern.</p> <p>We are awaiting evidence to confirm this.</p>
<p>a) The SMART exceptions reports should detail any common themes identified and how these will be addressed, for example through additional training for staff.</p> <p>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).</p> <p>Medium</p>	<p>Quality and training manager</p> <p>Contact centre team leader - SMART</p> <p>Performance and reporting manager</p> <p>March 2019</p> <p>June 2019</p>	<p>Management assurance received that the recommendations have been implemented, awaiting evidence.</p> <p>Management has responded that the whole reporting suite was reviewed recently. Daily, weekly and monthly performance summary reports for SMART are now provided to the management team and Director of Customer Experience.</p> <p>An extract from the report has been provided however we are awaiting evidence of the monthly performance summary reports.</p>
<p>2018/19 - IT Change Management</p>		
<p>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:</p> <ul style="list-style-type: none"> · Scope and objectives of the change management process · categorising (e.g., between infrastructures, operating systems, networks, application systems, purchased/package 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 <p>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</p>	<p>Shared ICT Service</p> <p>Head of IT & digital services</p> <p>March 2019</p> <p>May 2019</p> <p>September 2019</p>	<p>Partially implemented</p> <p>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 with engagement across partner councils and communications.</p> <p>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</p>

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
<p>applications and the departmental service applications across the council.</p> <p>Medium</p>		<p>Migration and given that incidents caused by application changes is far less of a problem.</p> <p>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.</p> <p>Since the recommendation is in progress, therefore a further follow-up will be carried out in October 2019 as agreed.</p>
<p>2018/19 - Business Continuity Management</p>		
<p>1. We recommend that the council sets a date for the approval of the overarching BCP</p> <p>The approved version of the overarching BCP should be made accessible to staff on the intranet, and hard copies stored in accessible locations</p> <p>The emergency planning team should carry out a review of information systems to establish system prioritisation with regards to business continuity.</p> <p>Medium</p>	<p>Overall - Emergency Planning & Resilience Manager</p> <p>June 2019 October 2019</p>	<p>Partially implemented</p> <p>Each department continues to work on developing their individual business continuity plans.</p> <p>If a critical function of a departmental is reliant on an IT application the business continuity plan should identify alternative means of delivering that service should the IT fail.</p> <p>The individual plans contain a prioritised list of departmental functions which give a description of each function and its importance together with the mitigation should the primary means of delivering the function be unavailable.</p> <p>Given the complexity of departmental structures and the comparatively new formation of the Place & Wellbeing department not all departments have completed and tested their BC plans although all now have a plan in place. Earlier in the year we (EP) facilitated a council wide BC exercise which is identified the benefit of exercising individual BC departmental plans and departments are</p>

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
		<p>being supported to deliver their own BC exercises.</p> <p>We will undertake a further follow up in October 2019 to determine the progress on testing BCPs.</p>
<p>2. All departments should have in place an up to date BCP and set a date for approval and ensure their BCP is approved via the relevant channel.</p> <p>All departmental BCPs should be subject to at least annual review and approval.</p> <p>All BCP leads should undertake a full review of their BCPs on an annual basis and have their BCPs approved by the strategic director. Named contacts and contact details should be reviewed and updated on a six monthly basis, as per the guidance within the BCPs. The emergency planning and resilience team should ensure that documentation kept in the BECC is also reviewed and replaced with hard copies of the up to date information.</p> <p>Medium</p>	<p>Overall - Emergency Planning & Resilience Manager</p> <p>June 2019 October 2019</p>	<p>As above</p>
<p>3. Contact details should be reviewed and if necessary updated at least once every six months, as per the guidance within the council's BCP.</p> <p>All departmental BCPs should be updated to include all relevant information, as per the template provided by the Emergency planning & business resilience team.</p>	<p>Overall - Emergency Planning & Resilience Manager</p> <p>June 2019 October 2019</p>	<p>As above</p>
<p>2018/19 - Music Service</p>		
<p>a) A full review of inventory held should be undertaken to confirm the accuracy of the inventory list.</p> <p>b) The inventory list should be updated to include the exact number of each instrument and the dates these were acquired. It is acknowledged that it may not be possible to determine the acquisition dates for historic purchases due to the lack of information currently held on the inventory list, so this part of the recommendation relates to future purchases only.</p> <p>c) On an annual basis schools should be asked to confirm the instruments they still hold on behalf on the service, with this confirmation check documented. If there are any discrepancies between what the service believes is held and what the school claim to have, this should be investigated.</p>	<p>Assistant head of Southwark music service</p> <p>July 2019 September 2019</p>	<p>Management assurance received that the recommendations have been implemented, awaiting evidence.</p> <p>Management has responded that the equipment inventory has been moved to an Excel based system and purchase dates added to all post audit acquisitions. This facilitates the tracking of instruments from storage and between schools. All instruments are now signed in and out of schools and documentation scanned and logged in the inventory. In July 2019, school based staff were required to submit a full inventory of Music Service equipment held on site. This task will be undertaken annually and allow the service to investigate any discrepancies moving forward. Additionally, a full review of the equipment</p>

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
<p>Medium</p>		<p>store inventory will take place in September when staff return from annual leave. This will further ensure greater accuracy of available instrument stock.</p> <p>We are awaiting for additional evidence and status of the full review of the equipment store inventory schedule for September 2019.</p> <p>We will seek an update on this position in October 2019.</p>
<p>a) Where equipment is held with third parties or schools, inventory checks should be undertaken on at least an annual basis to confirm no equipment has been lost, stolen or damaged and that the equipment is being held in suitable conditions.</p> <p>b) The insurance arrangements with the organisations holding equipment on behalf of the service should be reviewed to confirm whether these would cover the costs of the instruments should any incidents occur. If it is found these are not covered, the council should undertake a risk assessment of the cost to the council if an incident occurs compared with the cost savings and benefits of ease of access for using these providers, seeking alternative storage arrangements if necessary.</p> <p>c) Quotes should be obtained from storage providers every three years to confirm the appropriateness of the discount offered. The decision to offer the discount should be recorded and evidenced as approved, justifying why a discount higher than the cost of storage has been agreed.</p> <p>Medium</p>	<p>Assistant head of Southwark music service</p> <p>May 2019</p>	<p>Management assurance received that the recommendations have been implemented, awaiting evidence.</p> <p>Management has responded that a satisfactory inventory check on equipment held with third parties took place in May 2019. Sufficient insurance documentation was provided and confirmed that instrument costs would be covered should any incident occur. Also, as a council run internal service and part of Southwark Children's Services/Education, Southwark Council insurance cover applies to equipment held in store at Southwark Council schools. This position has been clarified by Southwark Corporate Risk & Insurance.</p> <p>Quotes from storage providers were obtained in March 2019 evidencing and justifying the decision to use a school for storage.</p> <p>We are awaiting evidence to confirm this.</p>
<p>2018/19 - Safeguarding (Adults)</p>		
<p>a) Before proceeding to the next stage of the enquiry and closure, the decision makers (manager/senior practitioner) managers should undertake spot checks to ensure there is sufficient information and evidence included within Mosaic at each stage within the workflow process, to confirm that all information is accurate and up to date.</p> <p>b) Where there is more than one concern form being raised for an individual case this should be cross-referenced to ensure appropriate actions have been taken to address the concern before proceeding onto the next stage within the workflow process. Develop guidance note for handling and recorded multiple concerns on the mosaic system.</p>	<p>Adult Safeguarding and DoLS Team Manager</p> <p>July 2019</p>	<p>Partially implemented</p> <p>a) We have confirmed that this part of the recommendation has been implemented</p> <p>b) Whilst a team meeting has been held to discuss this recommendation and agree processes to be followed, a formal guidance note has not been developed. We will follow-up this in October 2019.</p> <p>c) We have confirmed that this part of the recommendation has been implemented</p>

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
<p>c) The reasons for significant delays identified from our data analytics should be investigated, to determine if there are any common patterns or themes that need to be addressed, with appropriate support and awareness provided to practitioners.</p> <p>Medium</p>		
<p>(a) A reminder should be sent to staff on the importance of following the workflow process consistently at each stage. If there is a valid reason for the concern form being completed retrospectively then this should be recorded and evidenced within Mosaic.</p> <p>(b) Timescales for undertaking enquiries should be monitored and reported, with action taken to reduce any delays.</p> <p>Medium</p>	<p>Adult Safeguarding and DoLS Team Manager</p> <p>July 2019</p>	<p>Management assurance received that the recommendations have been implemented, awaiting evidence.</p> <p>a) We have confirmed that this recommendation has been addressed.</p> <p>b) Adult Safeguarding and DoLS Team Manager has responded that a meeting with the performance and quality lead was conducted and they are now having monthly meetings to discuss the safeguarding performance reports and analysing the reports in order identify areas of performance improvement.</p> <p>We are awaiting evidence of a report/analysis that had identified areas of performance improvement to confirm this.</p>
<p>a) Before proceeding to the next stage within the workflow process the individual completing the form must ensure it is reviewed by an independent decision maker to ensure there is an adequate segregation of duties and appropriate decisions and actions are taken.</p> <p>b) Spot checks should take place to ensure this happens.</p> <p>Medium</p>	<p>Adult Safeguarding and DoLS Team Manager</p> <p>July 2019</p> <p>September 2019</p>	<p>Partially implemented</p> <p>a) We have confirmed that this recommendation has been addressed.</p> <p>b) Management has responded that they are in the process of creating an adult safeguarding case file audit process and have not completed this. This is expected to be completed by end of September 2019. Therefore, we will seek an update on this position in October 2019.</p>
2017/18 - Network Security		
<p>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.</p> <p>High</p>	<p>Enterprise Architect - IT Shared Services.</p> <p>July 2017</p> <p>June 2019</p> <p>September 2020</p>	<p>Not implemented</p> <p>Management comment on progress</p> <p>This recommendation has been affected by a change freeze that was put in place until 15/01/18 due to the transition to the shared ICT service and SAP HANA.</p> <p>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.</p>

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
		<p>This activity will continue until the completion of the Southwark datacentre migration to the new datacentre.</p> <p>Management update August 2019</p> <p>This work has been affected by the failed Data Centre (DC) move. There are currently 118 Windows 2003 servers which need to be upgraded or decommissioned. There are a number of XP desktops in use in the council as there is no satisfactory solution on modern desktops to match the functionality.</p> <p>The 2003 servers will be picked up as part of the cloud migration project, Microsoft do not support 2003 in Azure so they will have to be upgraded or decommissioned.</p>
<p>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.</p> <p>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.</p> <p>High</p>	<p>Enterprise Architect - IT Shared Services.</p> <p>July 2017</p> <p>June 2019</p>	<p>Recommendation addressed</p> <p>Management comment on progress</p> <p>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.</p> <p>Management update August 2019</p> <p>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 now with the move to Azure.</p> <p>Firmware updates were not put in place as the plan was to move to the new DC's. There is a risk from applying firmware that the servers may become unresponsive.</p> <p>Ongoing program as there are new patches and firmware to apply.</p>
<p>Management should establish a complete record of the council's firewall rules, which includes but is not limited to:</p> <ul style="list-style-type: none"> The service that the firewall rule supports, including the owner of the service 	<p>Enterprise Architect - IT Shared Services.</p> <p>July 2017</p>	<p>Not implemented</p> <p>Management comment on progress</p> <p>As part of the data centre migration, firewall rules will be reviewed and vendors will be consulted to establish the required</p>

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
<ul style="list-style-type: none"> Whether the rule allows for inbound, outbound or both connections The expected levels of traffic for the rule. <p>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.</p> <p>Medium</p>	<p>June 2019 September 2020</p>	<p>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.</p> <p>Management update August 2019</p> <p>This work has also been affected by the failed DC move. As the services were not moved the review of rules did not take place. Funding has been sort to carry out a full review of firewall rules.</p> <p>During the move to Azure the firewall rules will have to be review and migrated as services are moved to Azure.</p>
<p>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.</p> <p>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.</p> <p>Medium</p>	<p>Enterprise Architect - IT Shared Services. October 2018 June 2019</p>	<p>In progress</p> <p>Management comment on progress</p> <p>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.</p> <p>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.</p> <p>Management update August 2019</p> <p>The Symantec Anti-virus pattern files are updated on a regular basis. Symantec licenses have been extended until November 2019.</p> <p>With the move to the Azure System Centre Endpoint Protection (SCEP) will be deployed and updated.</p> <p>Symantec reports are now available to show coverage.</p> <p>This work is ongoing as new pattern files come out daily.</p> <p>The Thin clients do not have any AV and it has been noted that the Citrix sessions have</p>

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
		not had any kind of AV installed. There are options for AV on Citrix but this could impact performance and require more Citrix infrastructure in the estate to cope with the impact.
<p>The council's IT network diagram should be reviewed in order to establish whether:</p> <ul style="list-style-type: none"> • Connections to external networks are secured • Appropriate redundancies exist within the IT network to prevent a loss of service. <p>Action should be taken to address any issues with the design and configuration of the IT network.</p> <p>Medium</p>	<p>Enterprise Architect - IT Shared Services.</p> <p>May 2017 June 2019</p>	<p>Recommendation addressed</p> <p>Management comment on progress</p> <p>Work on this remains in progress, delays caused by link issues between Spring and the new datacentre have delayed moves.</p> <p>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.</p> <p>Management update August 2019</p> <p>Further work has taken place to improve the link redundancy for Southwark with link an extra link commissioned at Tooley Street.</p> <p>No other network improvements are planned at this time.</p>
<p>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:</p> <ul style="list-style-type: none"> • 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. <p>Furthermore, management should establish a programme to review the efficacy of the network security controls that have been deployed.</p> <p>Medium</p>	<p>Enterprise Architect - IT Shared Services.</p> <p>October 2017 May 2019 September 2020</p>	<p>Recommendation not implemented</p> <p>Management comment on progress</p> <p>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 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.</p> <p>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.</p> <p>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.</p>

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
		<p>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.</p> <p>Management update August 2019</p> <p>A significant amount of the envisaged progress has been de-railed by the failed DC migration project.</p> <p>The majority of Servers and services remain in Spring Park and Cody park.</p> <p>A new project is being undertaken to move the Southwark servers to the Microsoft Azure Cloud for which a partner with experience is being procured to assist with the design and build of the cloud infrastructure following security best practices.</p> <p>There is therefore a significant amount of work to do, the new project is looking to be out of Cody and Spring park by September 2020.</p>
2017/18 - Land Charges		
<p>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.</p> <p>High</p>	<p>Planning support and land charges manager Group manager - validation and fast track Director of planning</p> <p>March 2019 May 2019 December 2019</p>	<p>Not implemented</p> <p>Management has responded that the budget and costs will be worked out with the Divisional finance manager to review the current charges in place since the last review in 2015, as the service has moved from legal to the planning division.</p> <p>It was advised that the team is currently working on a new planning system Uniform and the recommendation should be implemented by end of December 2019.</p>
<p>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. Alternatives should also be explored, such as offering the self-service at other council buildings and benchmarking against other councils to identify best practice.</p>	<p>Planning support and land charges manager Group manager - validation and fast track</p> <p>March 2019 May 2019 December 2019</p>	<p>Not implemented</p> <p>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.</p>

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
<p>The reasoning behind the decision should be documented and reviewed on a regular basis.</p> <p>Medium</p>		
<p>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.</p> <p>Medium</p>	<p>Planning support and land charges manager Group manager - validation and fast track</p> <p>March 2019 May 2019 December 2019</p>	<p>Not implemented</p> <p>The 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.</p>
2017/18 - Corporate Energy		
<p>For each of the council's buildings in the green building programme a performance target should be set for each key area and should be allocated to an officer who should monitor and report to senior management on performance to enable the council to evidence how it is reducing costs and its environmental impact.</p> <p>The energy team should further enhance communication with departments on how the green buildings programme is progressing and how staff across the council can play a role in achieving the council's targets.</p> <p>Medium</p>	<p>Sustainability & energy manager</p> <p>September 2018 March 2020</p>	<p>Superseded</p> <p>Management has responded that in March 2019 the council declared a Climate Emergency, stating it would do everything it could to accelerate its current carbon reduction programmes and become a carbon neutral borough by 2030.</p> <p>In light of this, a review of the council's entire approach to sustainability and carbon reduction is being carried out and a new programme developed. This has superseded the current green buildings programme and placed a hold on the capital programme.</p> <p>It is likely that elements of these programmes will be incorporated into the revised strategies and work streams, and new governance arrangements will be introduced. It is expected that a draft carbon reduction strategy will be produced in Q3-Q4 2019.</p> <p>We will follow-up the recommendations in light of the above in April 2020.</p>
<p>A formal programme and budget plan for use of the capital carbon fund should be developed to clearly show where funds have or are to be allocated. This can then be monitored along with the outcomes from the original proposal to ensure the fund was used appropriately.</p> <p>To support the above, the energy team should liaise with the appropriate forums to ensure council staff are aware of the capital funding for carbon</p>	<p>Sustainability & energy manager</p> <p>September 2018 March 2020</p>	<p>As above.</p>

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
<p>reduction and how proposals to obtain funding covering how the funding might be used.</p> <p>Medium</p>		
<p>2017/18 - Information Governance</p>		
<p>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.</p> <p>Any staff who miss the deadline should be reported to the relevant directors for investigations into the reasons for non-compliance. Staff should be made aware of any consequences of non-compliance.</p> <p>Medium</p>	<p>Information Governance Manager</p> <p>January 2018</p> <p>June 2019</p> <p>August 2019</p>	<p>Partially implemented</p> <p>Management has responded that there is a training material and a 'test' that the services has agreed with. However, due to Organisational Transformation officer's absence it has bene delayed and is now planned to go live later in August 2019.</p>
<p>2015/16 - S106 Agreements</p>		
<p>Section 106 Management should carry out an annual review of the following procedural guidance to ensure that they reflect current practice:</p> <ul style="list-style-type: none"> • The Supplementary Planning Document (SPD); • Process notes; and • Guidance recorded on the Southwark Source. <p>Annual review of these guidance sources should be recorded on file; with relevant sign off from an authorising officer.</p> <p>Medium</p>	<p>Planning Project Manager</p> <p>June 2019</p> <p>August 2019</p> <p>September 2019 and January 2020</p>	<p>Not implemented</p> <p>Management has responded that recruitment of S106/CIL team leader will include this responsibility within their job description and that post was recruited in January 2018. However, post-holder has transferred in other service and the HR is currently formalising the transfer. The post is expected to be recruited by end of September 2019.</p> <p>We were advised that ongoing review of sources - delay due to amount of data required to be uploaded into new Exacom system. Contractor was employed to June 2019 to complete this. However, extension to contract has been granted due to sheer volume of data to be migrated. This is estimated to be completed by January 2020.</p>
<p>The council should ensure that it monitors non-financial obligations arising from S106 agreements both during development and after the project has been completed if the developer has outstanding or on-going S106 obligations.</p> <p>Medium</p>	<p>Planning Project Manager</p> <p>June 2019</p> <p>August 2019</p> <p>September 2019 and January 2020</p>	<p>As above.</p>

7. KEY PERFORMANCE INDICATORS (as per Internal Audit Charter 2019-20)

Description / KPI for Internal Audit 2019-20	Actual and comment	RAG Rating
Audit Coverage		
Annual Audit Plan delivered in line with timetable	To be reported at 31 March 2020.	-
Actual days are in accordance with Annual Audit Plan - 1,030 days	To be reported at 31 March 2020.	-
Relationships and customer satisfaction		
Customer satisfaction reports - overall score at average of at least 3.5 / 5 for surveys issued at the end of each audit.	We have received three survey responses to date, providing a rating of 5 in one case and 4 out of 5 in two cases.	
Annual survey to Audit, Governance and Standards Committee to achieve score of at least 70%	Survey issued, awaiting further responses.	-
External audit can rely on the work undertaken by internal audit (where planned)	N/A to date	-
Staffing		
At least 60% input from qualified staff		
Audit Reporting		
Issuance of draft report within 3 weeks of fieldwork `closing` meeting	All draft reports issued to date were within 3 weeks of the closing meeting.	
Finalise internal audit report 1 week after management responses to report are received.	All final reports issued to date were within 1 week of receipt of the complete management responses.	
90% recommendations to be accepted by management	All final reports issued to date were within 1 week of receipt of the management responses.	
Information is presented in the format requested by the customer	We have agreed the reporting format with the director of finance and governance.	
Audit Quality		
High quality documents produced by the auditor that are clear and concise and contain all the information requested - measured within customer satisfaction surveys	We have received three survey responses to date, all providing a rating of 4 out of 5 with regards to the quality of our outputs.	
Positive result from any external review	No external review undertaken to date.	

Description / KPI for Council Management and Staff 2019-20	Actual and comment	RAG Rating
Response to terms of reference and reports		
Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within three weeks of receipt	With minor exceptions (usually due to leave commitments), council management have responded in a timely manner.	
Implementation of recommendations		
Audit sponsor to implement all audit recommendations within the agreed timeframe	Refer to section 5 of this report.	
Co-operation with internal audit		
<p>Internal audit to confirm to each meeting of the Audit, Governance and Standards Committee whether appropriate co-operation has been provided by management and staff:</p> <ul style="list-style-type: none"> a) providing unrestricted access to all of the Council's records, property, and personnel relevant to the performance of engagements b) responding to internal audit requests and reports within the agreed timeframe and in a professional manner c) being open to internal audit about risks and issues within the organisation d) not requesting any service from internal audit that would impair its independence or objectivity e) providing honest and constructive feedback on the performance of internal audit f) implementing agreed recommendations within the agreed timeframe. 	<p>We can confirm that to date the Council's management and staff have cooperated as per the commitments a) to e).</p> <p>In respect of commitment f), the implementation of agreed recommendations within agreed timeframes requires improvement, as reported in section 5 of this report. In addition, prompt provision of evidence to support the implementation of recommendations allows us to sign them off as complete in a timely manner.</p>	



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.

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LONDON BOROUGH OF SOUTHWARK

SCHOOLS ANNUAL INTERNAL AUDIT SUMMARY REPORT

2018-19

August 2019

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1. BACKGROUND AND SCOPE OF SCHOOLS INTERNAL AUDIT

This report summarises the results of the work undertaken in 2018-19 relating to the internal audit of local authority maintained schools within the London Borough of Southwark. The report includes previous years' comparative information.

All maintained schools within the London Borough of Southwark are subject to an internal audit review at least every four years. The frequency may be increased where emergent risks and issues are identified, for example if the school is in deficit, there has been a change in leadership or where limited assurance has been provided in previous year.

An annual planning meeting is held with the Director of Education and key contacts within the Council's school development HR and finance teams. The schools to be audited and the terms of reference for each audit are agreed with the Director of Education at the start of each year. We allow some contingency days should the risk profile of specific schools change or additional work is required, such as training and awareness on internal audit to head teachers or school business managers.

The internal audit programme of work is designed to assess the design and operational effectiveness of the controls in place at each school to mitigate the key risks in the areas below.

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

The scope of our work has the following limitations:

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

Our work complies with Public Sector Internal Audit Standards.

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.

2. SCHOOLS AUDITED IN 2018-19

The following schools were audited in the period 1 April 2018 to 31 March 2019.

- Ann Bernadt Nursery School
- Albion Primary School
- Bellenden Primary School
- Beormund Primary School
- Bessemer Grange Primary School
- Bethlem & Maudsley Hospital School
- Charles Dickens Primary School
- Cherry Garden School
- Dog Kennel Hill Primary School
- Dulwich Village Church of England Infants' School
- Dulwich Wood Nursery School
- English Martyrs' Catholic Primary School
- Highshore School
- John Ruskin Primary School
- Kintore Way Nursery School and Children's Centre
- Lyndhurst Primary School
- Michael Faraday Primary School
- Nell Gwynn Nursery School
- Notre Dame Roman Catholic Girls' School
- Oliver Goldsmith Primary School
- Spa School (pre Academy)
- St Anthony's Catholic Primary School
- St George's Church of England Primary School
- St James The Great Roman Catholic Primary School
- St Joseph's Roman Catholic Primary School - George Row
- St Jude's Church of England Primary School
- St Peter's Walworth Church of England Primary School

Of these 27 schools, the original internal audit plan included 24 to be audited during 2018-19. Three additional schools were added at the request of the director of education due to emergent risks and concerns about financial management and control.

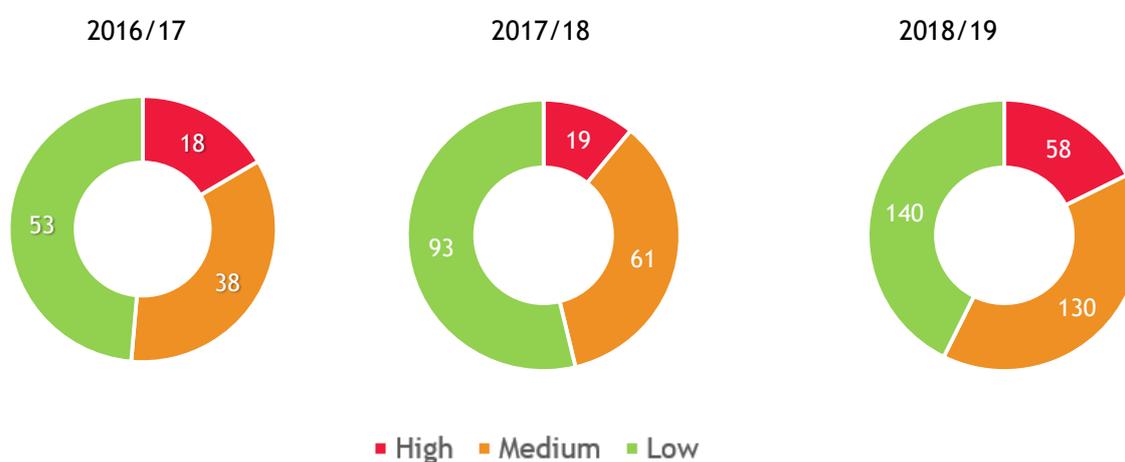
3. SUMMARY OF RECOMMENDATIONS AND LEVELS OF ASSURANCES PROVIDED

Number and category of recommendations

We raised a total of 328 recommendations across 27 schools in 2018-19, 173 recommendations across 20 schools in 2017-18 and 109 recommendations across 9 schools in 2016-17.

A total of 610 recommendations were raised across 56 schools audited in the past three years.

This calculates as an average of 11 recommendations raised per school across 2016-17, 2017-18 and 2018-19.



Assurance Opinions

We provide overall opinions to each school on the design of the controls in place and the operational effectiveness of those controls (see appendix 1 for the definitions).

The assurance levels provided during 2016-17, 2017-18 and 2018-19 are set out below. These results indicate that the year 2018-19 has seen a decline in the assurance levels when compared to the combined figures for 2016-17 and 2017-18.

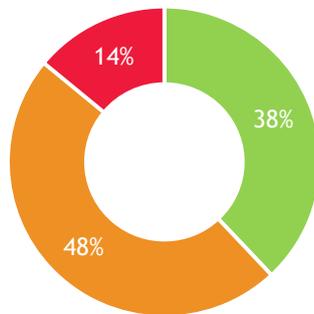
Overall, there has been a decrease in the levels of substantial assurance provided and an increase in the levels of limited assurance for both control design and effectiveness whereas there has been no significant change observed in the moderate assurance level.

In terms of this worsening position, it is important to note that a number of additional school audits were added during the year due to the council's concerns about areas such as financial performance, information within finance returns (or routinely late returns), change of leadership and other indicators around the school's internal control environment. Consequently, the results are slightly skewed towards a negative picture overall. This was coupled with the key change from the requirement to send in returns to finance from monthly to quarterly, which resulted in schools performing key tasks, such as bank reconciliations and accounting,

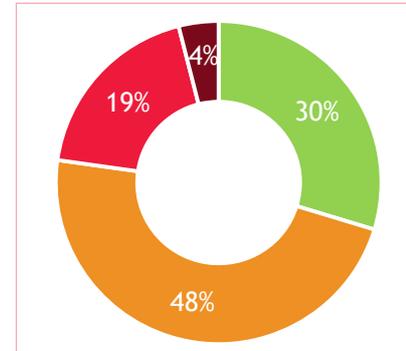
only on a quarterly rather than monthly basis. For those additional schools audited in 2018-19, cash collection seemed to be particularly poorly controlled.

Control Design

2016-17 and 2017-18

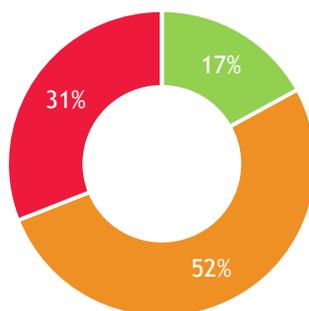


2018-19

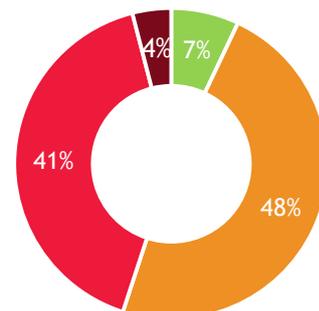


Operational Effectiveness

2016-17 and 2017-18



2018-19



■ Substantial ■ Moderate ■ Limited ■ No

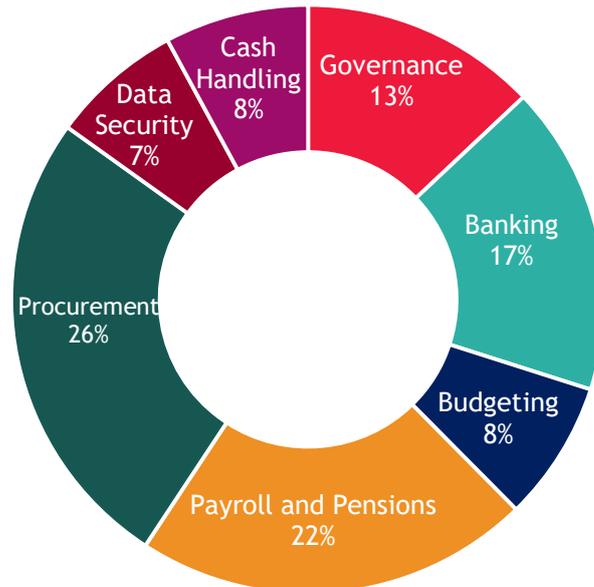
In respect of the school with no assurance, this audit was an additional request to the plan and followed suspicions about the absence of effective financial control. The director of finance, schools development and schools finance were involved in the planning and ongoing review of the issues raised as the audit progressed, including attendance at the closing meeting and subsequent follow up meeting with the head teacher and chair of governors. We have scheduled a further audit for October 2019.

One interesting point of note is that there does not appear to be a correlation between the strength of financial controls within a School and teaching standards. A review of the latest Ofsted reports for the schools in our plan last year identified that, with the exception of one school that requires improvement (and received Limited / Limited assurance), all other schools were rated as Good or Outstanding.

Summary of Findings by Risk Area 2016-17 to 2018-19

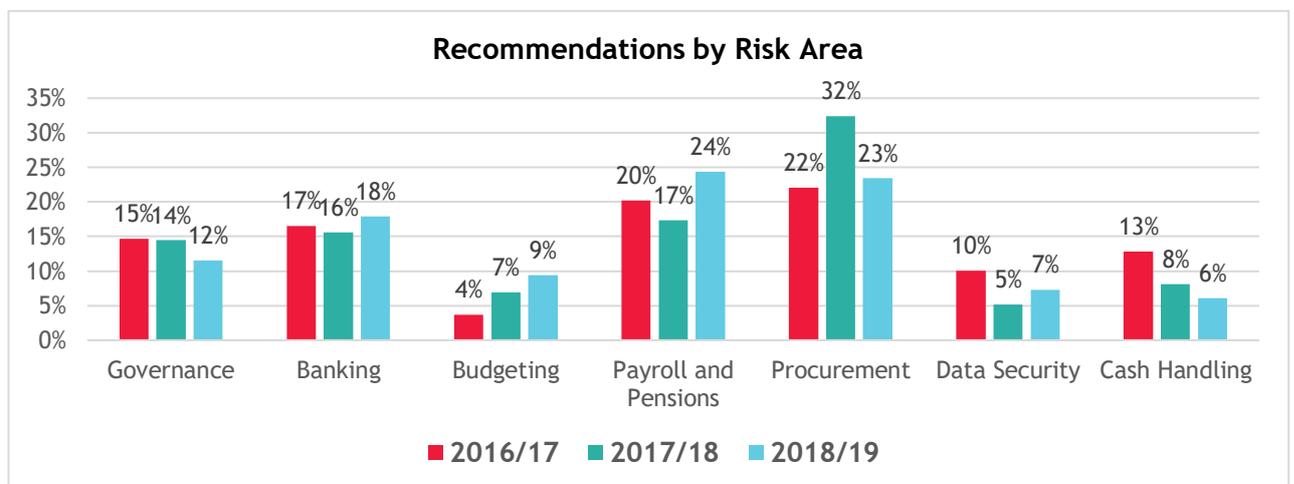
We have provided below charts that summarise the proportion of recommendations made across the risk areas reviewed over the last three years. In this time period, all of the maintained schools have been subject to an internal audit.

Taking the three years in totality, the key areas where schools do not have strong controls or do not comply with the council's expectations are procurement and payroll, making up 26% and 22% of recommendations overall. Banking and governance are the other main areas where the control frameworks within schools need to be strengthened, making up 17% and 13% of total recommendations across the three years.



Summary of Findings by Risk Area 2016-17 to 2018-19

The chart below shows the relative proportion of recommendations made in each risk area for the three years 2016-17, 2017-18 and 2018-19.



4. COMMON THEMES ARISING IN 2018-19

The table below summarises the key findings arising from our internal audit of schools during 2018-19, along with the total number of each category of recommendation made in each area.

Area	Recommendations and significance			Summary of Key Findings / Recommendations
	H	M	L	
Governance	2	7	29	<ul style="list-style-type: none"> Schemes of delegation and financial procedures are not always up to date and evidenced as approved by the governing body. The documents do not always agree with each other. Declaration of business interest forms are not up to date and have not been completed and signed by all governors. There is a lack of evidence of advanced circulation (at least one week) of papers to governing body and committee meetings.
Banking	8	20	31	<ul style="list-style-type: none"> Formal monthly bank reconciliations have not been completed. Direct debit mandates are not retained. Explanatory notes for significant variations are not always recorded on the quarterly returns to the council. Bank statements were being addressed to a former staff member.
Budgeting	12	9	10	<ul style="list-style-type: none"> The annual budget is not always available for review with lack of evidence that this has been approved by the governing body before the council's deadline. Budget virements are not always evidenced as approved per the scheme of delegation. Budget monitoring reports do not always include explanatory notes for significant variations. Limited scrutiny of overspends and underspends by the business managers and head teachers.
Payroll and Pensions	11	33	36	<ul style="list-style-type: none"> The payroll contract for the current year is not retained The draft and final payroll reports are not signed by the preparer or an independent reviewer. Up to date salary information is not retained on the staff personnel files Overtime claims forms are not always sufficiently detailed including the reason and the month of claim. Starter and leaver forms are not being authorised and retained on personnel files. Pension opt-out forms are not being retained.

Area	Recommendations and significance			Summary of Key Findings / Recommendations
	H	M	L	
Procurement	12	47	18	<ul style="list-style-type: none"> • Purchase orders are not being raised for all orders and not appropriately authorised evidencing lack of segregation of duties • Invoices are not being evidenced as approved for payment and not being paid within 30 days of the invoice date. • Commitment accounting is not being undertaken or lack of understanding around how details relating to committed orders can be generated from the financial management system. • Tendering for high value transactions including ICT back-up services is not being undertaken per the Financial Procedures. • Credit card statements are not being evidenced as reviewed by the cardholder and an independent reviewer.
Data Security	4	11	8	<ul style="list-style-type: none"> • Staff and Governors are not always DBS checked prior to commencement of employment. • Risk assessments are not evidenced where staff have started at the school prior to DBS clearance.
Cash Handling	9	3	8	<ul style="list-style-type: none"> • Inadequate cash handling procedures including a receipt book and safe log not being maintained, central record of collected cash is not in place, reconciliation between the receipt book, central record and bank statements is not undertaken.
TOTAL	58	130	140	A total of 328 recommendations were raised across 27 schools audited in the year 2018-19.

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Agenda Item 8

Item No: 8.	Classification: Open	Date: 11 September 2019	Meeting Name: Audit, Governance and Standards Committee
Report title:		Annual Audit Letter for Southwark Council and Southwark Pension Fund 2018-19	
Wards or Groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATIONS

1. That the audit, governance and standards committee note the final Annual Audit Letter for Southwark Council and Southwark Pension Fund, attached as Appendix A.

KEY ISSUES FOR CONSIDERATION

2. The Annual Audit Letter summarises the key findings arising from the work Grant Thornton, the council's external auditors, have carried out at Southwark Council for the year ended 31 March 2019.
3. Grant Thornton gave an unqualified opinion on the Council's financial statements and the Southwark Council Pension Fund accounts on 31 July 2019.
4. Grant Thornton are satisfied that the council has in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2019.

Community Impact Statement

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

Resource implications

6. An extension of the scope of the audit, principally relating to the impact of the McCloud ruling, led to additional work. The increased audit fee of £14,000 will be contained within existing budget provision.

Consultation

7. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

8. None required.

BACKGROUND DOCUMENTS

Background Papers	Held at	Contact
None		

APPENDICES

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

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Rob Woollatt, Interim Departmental Finance Manager	
Version	Final	
Version Date	3 September 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	N/A	N/A
Cabinet Member	N/A	N/A
Final Report Sent to Constitutional Team		3 September 2019

The Annual Audit Letter for Southwark Council

Year ended 31 March 2019

28 August 2019



Contents



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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Southwark Council (the Council) for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit, Governance and Standards Committee as those charged with governance in our Audit Findings Report on 16 July 2019

Our work

Respective responsibilities

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

Our key responsibilities are to:

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

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

Materiality	We determined materiality for the audit of the Council's financial statements to be £24,000,000, which is approximately 2% of the Council's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the Council's financial statements on 31 July 2019.
Whole of Government Accounts (WGA)	At the date of issuing our Annual Audit Letter, our work on the Council's Whole of Government Accounts Return is ongoing, however it will be completed by the mid-September deadline.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.

Executive Summary

Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 31 July 2019.
Certification of Grants	We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by the end of November 2019. We will report the results of this work to the Audit, Governance and Standards Committee separately.
Certificate	We are unable to certify that we have completed the audit of the financial statements of Southwark Council until we complete our work on the WGA Return, as mentioned on the previous page, along with our work on the Pension Fund Annual Report, for which the deadline is the end of November 2019.

Working with the Council

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

- An efficient audit – we delivered an efficient audit with you in July, delivering the financial statements before the deadline, releasing your finance team for other work.
- Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness. We also delivered a bespoke piece of work as part of our value for money conclusion to give you a more detailed insight into your financial standing.
- Sharing our insight – we provided regular Audit, Governance and Standards Committee updates covering best practice. We also shared our thought leadership reports
- Providing training – we provided your teams with training on financial statements and annual reporting

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

Grant Thornton UK LLP
August 2019

Audit of the Financial Statements

Our audit approach

Materiality

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

We determined materiality for the audit of the Council's financial statements to be £24,000,000, which is approximately 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

No specific other materiality levels were set during the course of our audit.

We set a lower threshold of £1,200,000, above which we reported errors to the Audit, Governance and Standards Committee in our Audit Findings Report.

The scope of our audit

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

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

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

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

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

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

Audit of the Financial Statements

Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management override of internal controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness evaluate the rationale for any changes in accounting policies or significant unusual transactions. 	<p>No issues were identified from the work performed in this area.</p>
<p>Valuation of land and buildings</p> <p>The Council revalues its land and buildings on an rolling five-year basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>As mentioned in the Audit Plan, the potential impact of Brexit may also have an impact on the valuations included within the Accounts, and the Council will need to work closely with their experts to ensure any impact is reflected within the Accounts.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; considered the competence, expertise and objectivity of any management experts used; discussed with the valuer the basis on which the valuation is carried out and challenge the key assumptions; reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding; tested revaluations made during the year to ensure they are input correctly into the Council's asset register; and evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. 	<p>No issues were identified from the work performed in this area.</p>

Audit of the Financial Statements

Significant Audit Risks - continued

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of Pension Fund net liability</p> <p>The Council's Pension Fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£640 million in the Council's Statement of Financial Position) and the sensitivity of the estimate to changes in key assumptions. Again Brexit could have an impact on the values included within the Accounts at year end so this will need to be factored into the considerations as well.</p> <p>We therefore identified valuation of the Council's Pension Fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Council's Pension Fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the assumptions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the Pension Fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. We have also ensured that Brexit has been considered when arriving at the values included within the Accounts. 	<p>The Court of Appeal ruled in December 2018 that there was age discrimination in the judges and firefighters pension schemes where there were transitional protections given to scheme members. The Government's application to the Supreme Court for permission to appeal was rejected in June 2019. The draft 31 May 2019 accounts were accurate in their treatment of defined benefit pension schemes. As a consequence of the ruling, which occurred during the audit period in June, the council were requested to review their accounting treatment for McCloud/GMP equalisation. It was at this point the council commissioned their actuary to provide revised IAS 19 figures. Subsequently, the council has amended their draft accounts to reflect the revised actuary report figures within the final statement of accounts</p> <p>The legal ruling around age discrimination also has implications for other pension schemes where they have implemented transitional arrangements on changing benefits, including the Local Government Pension Scheme (LGPS).</p> <p>In addition, the High Court ruled that defined benefit pension schemes must remove any discriminatory effect that guaranteed minimum pension entitlements have had on members benefits. GMPs must be equalised between men and women and past underpayments must be corrected. This will lead to increased costs for sponsors of defined benefit schemes (i.e. the LGPS) that were contracted out of the State Second Pension in the period from 17 May 1990 to 5 April 1997.</p> <p>Management have agreed to adjust the accounts based on the revised IAS19 valuation report from the Actuary, which we have ensured has been corrected in the Accounts.</p>

Audit of the Pension Fund Financial Statements

Pension Fund Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of level 3 investments</p> <p>The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£290 million) and the sensitivity of this estimate to changes in key assumptions</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2019.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> gained an understanding of the Authority's process for valuing Level 3 investments and evaluate the design of the associated controls; reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; undertaken consideration of the competence, expertise and objectivity of any management experts used; reviewed the qualifications of the expert used to value Level 3 investments at year end and gained an understanding of how the valuation of these investments has been reached; and tested the valuations by obtaining and reviewing audited accounts at the latest date for individual investments and agreeing these to the Authority fund manager reports at that date then rationalising those values to the values at 31 March 2019 with reference to known movements in the intervening period. 	<p>No issues were identified from the work performed in this area.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 31 July 2019.

Preparation of the financial statements

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

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit, Governance and Standards Committee on 16 July 2019. No other significant issues were identified from our audit aside from the McCloud/GMP Adjustment mentioned as part of the summary of our work on the Significant Risks earlier in the Letter.

Annual Governance Statement and Narrative Report

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

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

Pension fund accounts

We gave an unqualified opinion on the pension fund accounts of the Southwark Council Pension Fund on 31 July 2019 as well. We also reported the key issues from our audit of the pension fund accounts to the Council's Audit, Governance and Standards Committee on 16 July 2019.

Whole of Government Accounts (WGA)

At the date of issuing our Annual Audit Letter our work in this area is still outstanding, however this will be completed by the statutory deadline, which is in mid September.

Certificate of closure of the audit

We are unable to certify that we have completed the audit of the financial statements of Southwark Council until we complete our work on the WGA Return, as mentioned above, along with our work on the Pension Fund Annual Report, for which the deadline is the end of November 2019.

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Value for Money conclusion

Background

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

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

Key findings

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

The risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings Report agreed with the Council in July 2019, we agreed recommendations to address our findings, which are shown below, along with management's response to these.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

Action Plan

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1 X	Value for Money – future financial sustainability We recommended in the previous year that the Council needs to start looking ahead to 2020 onwards and ensure that both Officer and Members are on board with the challenges that the Council may potentially face from this period onwards	At the moment there is still work for the Council to do in this area, largely because of uncertainty over the 2019 spending review and proposed Local Government Funding reform. Therefore the Council needs to make sure that all of the interested parties are aware of the challenges the Council is facing and may continue to face depending on the outcome of the Funding Settlement.
2 X	Value for Money – Dedicated Schools Grant The Council encountered considerable challenges on spending normally covered via the Dedicated Schools Grant (DSG), due to challenges around those children with High Needs and Special Needs. These overspends are not sustainable over the Medium Term if spending in these areas cannot be brought back under control.	The Council overspent their DSG by over £7.4m in 2018-19, largely due to the demands on the High Needs Block, bringing the cumulative DSG Deficit to over £11.5m. Due to the challenges in this area, the Council has had to submit a recovery plan to the Department for Education, but is realistic as to how quickly this deficit can be recovered.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Ongoing financial performance</p> <p>The Council is continuing to face pressure on its Social Care Budgets, and other factors such as the demand for temporary accommodation and the impact of nil resource to public funds are putting the Council's finances under considerable strain. Therefore, the Council needs to manage its resources carefully to ensure a sustainable future for the Borough ahead of the 2020 Funding Settlement. Brexit will also potentially add another unknown to these challenges and the Council will need to monitor developments close as the end of March approaches.</p>	<p>As part of our work we have:</p> <ul style="list-style-type: none"> • reviewed the 2018-19 Outturn, including details of performance against both the Revenue and Capital Budgets; • reviewed progress against the 2019-20 financial plan up to the completion of our audit; and • obtained an update on the Council's Medium-Term Financial Strategy, including progress on identifying the savings required in coming years including discussions with Management on progress to date. <p>We have also considered the financial impact of any financial issues arising from Brexit. These may include changes in property values, adverse changes to investment and borrowing rates, changes to business rate income, and the impact on the Authority's workforce.</p>	<p>We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:</p> <ul style="list-style-type: none"> • The Council have managed to deliver a balanced budget in 2018-19, including the movement of £17.552m to General Fund Reserves to help strengthen the overall financial position of the Council. This is the second year in a row that the Council has made a significant contribution to this area, which is helping to strengthen reserves which had been depleted in recent years. • Continued improvements in respect of Social Care lead to this area delivering a £25k underspend, which is a significant improvement from the overspends which have been incurred in recent years. • However challenges in respect of the Dedicated Schools Grant (DSG) are continuing to increase, with a further overspend of £7.4m being incurred in-year, bringing the cumulative deficit in this area to £11.5m. • A balanced budget has been set for 2019-20, which includes the delivery of £19.615m of further efficiencies and income to balance the budget. Plans are in place for the delivery of this sum, which will need close monitoring during the course of the year. • The Council is continuing to adopt a one-year planning timeframe due to the level of uncertainty post-2021, which is something that will need to be tackled soon to ensure the Council is in a position to face the challenges. <p>Based on the work we performed to address the significant risk, we concluded that:</p> <ul style="list-style-type: none"> • the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. <p>However as mentioned on the previous page, we have raised a couple of recommendations for the Council to consider, and we will monitor the progress in these areas over the course of the next 12 months ahead of next year's VfM Work.</p>

A. Reports issued and fees

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

Reports issued

Report	Date issued
Audit Plan	11 February 2019
Audit Findings Report	16 July 2019
Annual Audit Letter	28 August 2019

Fees

	Planned fees £	Actual fees £	2017/18 fees £
Statutory audit	182,718	TBC	237,296
Audit of Pension Fund	16,170	TBC	21,000
Housing Benefit Grant Certification	17,717	TBC	17,717
Total fees	216,605	TBC	276,013

Audit fee variation

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £182,718 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Also given we only started our work on the Certification of the Council's Housing Benefit Return in August 2019, we are currently unable to confirm whether any additional fees will be charged in respect of this work

Additional Fees proposed

Area	Reason	Fee proposed
Assessing the impact of the McCloud ruling – Main Accounts	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements. As this impacted on both the main Accounts and Pension Fund there is an additional charge in respect of both audits.	£3k
Assessing the impact of the McCloud ruling – Pension Fund		£3k
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	£1.5k
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	£1.5k
Issues with GDPR	We encountered delays in obtaining data to sample from during our planned early testing visit due to GDPR issues. This resulted in lost time as the booked resource was unable to complete the work as planned.	£5k
Total		£14k

A. Reports issued and fees (continued)

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

Fees for non-audit services

Service	Fees £
Audit related services	
• Certification of Housing Capital Receipts Grant	5,000
• Certification of Teachers Pensions Return	6,000
• Financial Resilience Review	24,358
Non-Audit related services	
• CFO Insights Subscription	10,000

Non-audit services

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

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

Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a fully tailored audit approach

Our relationship with our clients– why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLACE, the Society of Municipal Treasurers, the Association of Directors of Adult Social Care and others.

New opportunities and challenges for your community

The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – Adult Social Care funding gaps and pressure on Education, Housing, Transport
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2019/20 through on-going discussions and invitations to our technical update workshops.

Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, housing delivery changes, Children services and Adult Social Care restructuring, partnership working with the NHS, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example accounting for unique assets, financial management, reporting and governance, and tax implications for the Cornwall Council companies
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

Grant Thornton in Local Government

Our client base and delivery



- We are the largest supplier of external audit services to local government
- We audit over 150 local government clients
- We signed 95% of our local government opinions in 2017/18 by 31 July
- In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of expertise.

Our connections



- We are well connected to MHCLG, the NAO and key local government networks
- We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice
- We have a strong presence across all parts of local government including blue light services
- We provide thought leadership, seminars and training to support our clients and to provide solutions

Our people



- We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists
- We provide technical and personal development training
- We employ over 80 Public Sector trainee accountants

Our quality



- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing
- We are fully compliant with ethical standards
- Your audit team has passed all quality inspections including QAD and AQRT

Our technical support



- We have specialist leads for Public Sector Audit quality and technical
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas
- Specialist audit software is used to deliver maximum efficiencies

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

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

COPIES**COUNCILLORS**

Councillor James McAsh (Chair)	1
Councillor Humaira Ali	By email
Councillor Dora Dixon-Fyle	By email
Councillor Nick Dolezal	1
Councillor Tom Flynn	By email
Councillor Andy Simmons	1
Councillor Dan Whitehead	By email

RESERVES

Councillor Sarah King	By email
Councillor Lorraine Lauder	By email
Councillor Hamish McCallum	By email
Councillor Jason Ochere	By email
Councillor Bill Williams	By email

OTHER COUNCILLORS

Councillor Victoria Mills	By email
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LAW AND DEMOCRACY

Norman Coombe	1
Doreen Forrester-Brown	1

COMMUNICATIONS

Louise Neilan	By email
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CONSTITUTIONAL TEAM

Virginia Wynn-Jones	5
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INDEPENDENT PERSONS

Mr Musa Chunga	By email
Ms Amrit Mangra	By email
Mr Charles Wynn-Evans	By email

FINANCE AND GOVERNANCE

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Jo Anson	1
Rob Woollatt	1

BDO (Internal Auditors) – Greg Rubins	By email
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List Updated: July 2019