

Audit, Governance and Standards Committee

Monday 18 July 2022

7.00 pm

Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

Membership

Councillor Barrie Hargrove (Chair)
Councillor Graham Neale (Vice-Chair)
Councillor Gavin Edwards
Councillor Sarah King
Councillor Andy Simmons
Councillor Michael Situ
Councillor Emily Tester

Reserves

Councillor John Batteson
Councillor Laura Johnson
Councillor Vikki Mills
Councillor Cleo Soanes
Councillor David Watson

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

Althea Loderick
Chief Executive
Date: 8 July 2022



Audit, Governance and Standards Committee

Monday 18 July 2022

7.00 pm

Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

Order of Business

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PART A - OPEN BUSINESS

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

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. CONFIRMATION OF VOTING MEMBERS

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

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

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

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

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

5. MINUTES

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To approve as a correct record the minutes of the meetings held on 17 March 2022 and 21 May 2022.

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6.	GOVERNANCE CONVERSATION: CAROLINE BRUCE	5 - 8
	Caroline Bruce, the Strategic Director of Environment and Leisure, to discuss departmental governance.	
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ANY OTHER OPEN BUSINESS AS NOTIFIED AT THE START OF THE MEETING AND ACCEPTED BY THE CHAIR AS URGENT

EXCLUSION OF PRESS AND PUBLIC

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

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

PART B - CLOSED BUSINESS

Date: 8 July 2022



Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Thursday 17 March 2022 at 6.30 pm at Online/virtual

PRESENT: Councillor James McAsh (Chair)
Councillor Humaira Ali
Councillor Dora Dixon-Fyle MBE
Councillor Tom Flynn
Councillor Andy Simmons
Councillor Michael Situ

OFFICER SUPPORT: David Quirke-Thornton, strategic director of children's and adults' services
Duncan Whitfield, strategic director of finance and governance
Virginia Wynn-Jones, constitutional team

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Graham Neale, and from Caroline Bruce.

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

There were none.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

5. MINUTES

The minutes of the meeting of 7 February 2022 were agreed as a correct record.

6. GOVERNANCE CONVERSATION: DAVID QUIRKE-THORNTON

David Quirke-Thornton, strategic director of children's and adults' services, presented the governance structures of the department. Members had questions for the strategic director.

Members thanked the strategic director for his attendance.

7. GOVERNANCE UPDATE: CAROLINE BRUCE

Caroline Bruce, strategic director of environment and leisure, sent her apologies, and committed to attend the next audit, governance and standards committee available to discuss the governance structures of the department.

Meeting ended at 8.00 pm

CHAIR:

DATED:



Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Saturday 21 May 2022 at 11.30 am at Southwark Cathedral, London Bridge, SE1 9DA

PRESENT: Councillor Barrie Hargrove (Chair)
Councillor Gavin Edwards
Councillor Sarah King
Councillor Graham Neale
Councillor Andy Simmons
Councillor Michael Situ
Councillor Emily Tester

OFFICER SUPPORT: Virginia Wynn-Jones, constitutional team

1. APOLOGIES FOR ABSENCE

There were none.

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

There were none.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

5. FORMATION OF AUDIT, GOVERNANCE AND STANDARDS SUB-COMMITTEES FOR 2022-23

RESOLVED:

1. That the committee appointed Councillor Michael Situ as chair of the audit, governance and standards (conduct) sub-committee.
2. That the committee appointed Councillor Barrie Hargrove as chair of the audit, governance and standards (civic awards) sub-committee.
3. All further recommendations were deferred to the next meeting of the audit, governance and standards committee.

Meeting ended at 1.05 pm

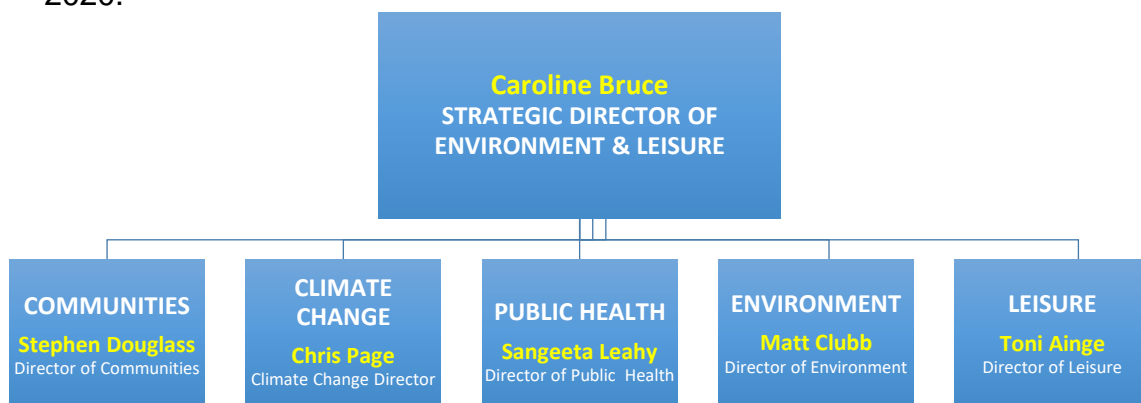
CHAIR:

DATED:

Item No: 6.	Classification: Open	Date: 18 July 2022	Meeting Name: Audit, Governance and Standards Committee
Report title:		Governance Conversation – Caroline Bruce	
Ward(s) or groups affected:		All	
From:		Strategic Director of Environment and Leisure	

Introduction to the Department

1. The Environment and Leisure department delivers services that make a real difference to the lives of all residents and visitors - many of our universal services are those that our residents are most familiar with: managing waste, improving our parks and open spaces, running libraries and leisure centres. But this is just some of what we do, and services delivered by Environment and Leisure include parking and highways, bereavement services, culture and events, sexual health services, violence and community harm reduction, civic services and private housing standards, to name but a few. We are also leading the borough's response to tackling the climate emergency, and a very significant proportion of the previous and emerging borough plan commitments are delivered by the department.
2. The Environment and Leisure Department is made up of five divisions:
 - Environment
 - Leisure
 - Public Health
 - Climate Change
 - Communities.
3. Public Health became part of the department in April 2019 and Communities in August 2020. A new Climate Change division, incorporating our business and sustainability team, was established in January 2020. The management team is set out below and has been in place since April 2021 following the recruitment of the three directors for Public Health, Environment and Leisure in the autumn of 2020.



The Department in numbers

4. The gross expenditure budget for Environment and Leisure in 2022-23 is £205m with an income budget of £113m from grants, fees and charges. The biggest single source of external funding is the Public Health grant and the rest is determined through the annual review of fees and charges with this income covering discretionary charges (burial fees, parking charges, sport pitch charges for example) and statutory charges for elements of regulatory services.

Directorate	Gross Expenditure	Income	Net Expenditure Budgets
	£'000	£'000	£'000
Communities	17,269	-5,195	12,074
Environment	123,676	-70,477	53,199
Leisure	33,070	-6,804	26,266
Sustainability / Climate Change	1,382	-1,140	242
Public Health	29,597	-29,597	0
TOTAL E&L	204,994	-113,213	91,781

5. The department also has a 10-year Capital Programme budget for 2022-23 of £135m.
6. The department is fully compliant with the agreed corporate practices in all financial systems, financial management arrangements, financial governance arrangements and financial practices. The budget monitoring system adopted in Southwark requires each chief officer to produce a budget monitoring report monthly (with a four monthly report to Cabinet) in accordance with the corporate timetable.
7. The department has a bottom-up monthly budget monitoring process (from budget holders reviews right through to chief officer) with rigorous challenges at each step of the process. This ensures that all projections are robust, sound and clearly owned by service managers in line with council objectives. The rigorous challenge process results in a complete, timely and accurate record of the use of resources and gives the assurance of reliable financial information for the council.
8. The department's proposals for achieving savings required as part of the annual budget setting process follows budget principles and the priorities of the Council by focusing on the core provision of quality services, efficiency savings, smarter procurement and robust contract management. The department also seeks to maximise income through fees and charges for discretionary services.

Our workforce

9. Almost 1500 colleagues work in Environment and Leisure.
10. In contrast to the (almost) 50:50 ratio of men and women across the council, the department has a 75:25 ratio, and women are underrepresented in our front-line, depot based services. The department also has a significantly larger number of

staff in grades 1 to 6 compared with the rest of the council, and more of our staff are in the age ranges 16 to 24 and over 55 when compared with the rest of the council.

Departmental Governance Arrangements

Risk Management/Registers

11. Following the Council elections in May and the confirmation of Lead Member portfolios and priorities, the departmental risk register, associated controls and mitigations are being updated in line with corporate requirements. These will be fully redrafted during the second quarter of 2022/23 and monitored regularly going forward.

Assurance Statements

12. Departmental Assurance Statements are completed on an annual basis. The latest version is attached at Appendix 1.

Scheme of Management

13. The Scheme of Management was updated in March 2022 to reflect corporate updates, changes to SAP authorisation levels and recruitment of new permanent Divisional Directors into the department.

Regular Governance Meetings

14. Departmental Liaison Committee (DLC) meetings are held quarterly, and follow divisional and directorate DLCs, attended by:
 - Strategic Director (chair)
 - Departmental Management Team
 - HR Strategic Business Partner
 - Union Representatives
15. Health and Safety Committee meetings are held quarterly, attended by:
 - Strategic Director (chair)
 - Health and Safety Manager
 - Departmental Management Team
 - Union Representatives
16. Departmental Contract Review Boards are held monthly, attended by:
 - Strategic Director (chair)
 - Departmental Management Team
 - Legal, Procurement and Finance colleagues
 - Report Authors
17. Departmental Management Team meetings are held weekly, attended by:
 - Strategic Director (chair)
 - Divisional Directors
 - Strategic HR Business Partner (as appropriate)
 - Departmental Finance Manager (as appropriate)

18. Regular Standing Agenda Items include Departmental and Corporate Forward Plans, Financial Monitors and Contract Registers.
19. The Department's Senior Management Team is held bi-monthly with attendance as above plus heads of service from across the department.

Current Governance Issues

Covid

20. As with all council departments, Covid was the most significant governance event for the department in 2020-21 and for 2021-22.
21. In order to protect Southwark's residents, Public Health established strong outbreak prevention control measures such as local testing facilities including targeted 'surge' testing for Variants of Concerns, local contact tracing, a response centre for outbreaks and incident management and community prevention schemes such as community health ambassadors.
22. As a result of Covid, and its impact, some urgent actions were required to extend contracts that were due to expire or where values needed to be increased, and other contracts have been extended where previously re-tendering may have been a preferred option, for example where market conditions had changed. All were in accordance with the council's contract standing orders, financial regulations and scheme of management. In a very small number of cases the gateway processes were used to formalise actions that had been taken under emergency powers.

Key projects

23. There are a number of projects and programmes, which are being delivered by the department and are significant for the council. These require active management, and political oversight through regular lead member briefings, to ensure that they deliver the desired outcomes. Non exhaustive examples include:
 - Insourcing the leisure service;
 - The Youth New Deal;
 - Delivering the climate change strategy and action plan;
 - Continuing the improvements to the tree service;
 - Private sector licensing schemes and the resultant application to the Secretary of State, subject to the outcome of the current pilot;
 - Community Harm and Exploitation Hub – reducing youth violence;
 - Air Quality Action Plan
 - Recommissioning the services for victims of domestic abuse;
 - Waste and cleansing review;
 - Borough plan commitments;
 - Projects and programmes which form part of Southwark Stands Together. The responsibility for co-ordinating, monitoring and reviewing this programme has moved to the department as remains a key programme whilst embedded into the wider work on equalities, diversity and inclusion.

Item No. 7.	Classification: Open	Date: 18 July 2022	Meeting Name: Audit, governance and standards committee
Report title:		Informing the audit risk assessment for London Borough of Southwark and Pension Fund 2021/22	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATIONS

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

BACKGROUND INFORMATION

2. The purpose of this report is to contribute towards the effective two-way communication between London Borough of Southwark Council's external auditors and audit, governance and standards committee ('AGS', as 'those charged with governance'. The report at Appendix A covers some important areas of the auditor risk assessment where the auditors are required to make inquiries of the committee under auditing standards.

Policy implications

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

Community, equalities (including socio-economic) and health impacts

Community impact statement

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

Equalities (including socio-economic) impact statement

5. This report is not considered to contain any proposals that would have a significant equalities impact.

Health impact statement

6. This report is not considered to contain any proposals that would have a significant health impact.

Climate change implications

7. This report is not considered to contain any proposals that would have a significant impact on climate change.

Resource implications

8. If there are direct resource implications in this report, such as the payment of fees, these will be met from existing budget provision.

Consultation

9. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

10. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix A	Informing the audit risk assessment for London Borough of Southwark and Pension Fund 2021/22

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Ciaran McLaughlin, Matt Dean; Grant Thornton UK LLP	
Version	Final	
Dated	8 July 2022	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Director of Law and Governance	No	N/A
Strategic Director of Finance and Governance	No	N/A
Cabinet Member	No	No
Date final report sent to Constitutional Team		8 July 2022

Informing the audit risk assessment for London Borough of Southwark and Pension Fund 2021/22

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between London Borough of Southwark Council's external auditors and Audit, Governance and Standards ('AGS, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the AGS Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit, Governance and Standards (AGS) Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the AGS Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the AGS Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the AGS Committee and supports the AGS Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council and Pension Fund oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from London Borough of Southwark Council ('the Council') and Pension Fund's management. The AGS Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	For 2021-22 council's final accounts and Pension Fund, the key event impacting the financial statements is the ongoing Covid-19 pandemic and the Council's response. The Government has provided significant financial support to the council and businesses through the pandemic. This has resulted in increases in the volume of government grants transactions.
2. Have you considered the appropriateness of the accounting policies adopted by the Council and Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	The accounting policies are reviewed for their appropriateness for both the council's and Pension Fund on an annual basis and have been for the 2021-22 final accounts. No.
3. Is there any use of financial instruments, including derivatives? If so, please explain	<p>Council Accounts</p> <p>There are no new financial instruments and no derivatives. Please refer to in notes 38, 39 and 40 for the classes of financial instruments used. This note will be updated for the position as at 31 March 2022.</p> <p>Pension Fund</p> <p>Investment balances are set out in the Pension Fund accounts and this may include some incidental use of derivatives related to forward currency contracts.</p>
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	The council's response to the ongoing Covid-19 pandemic and the associated government financial support received. Similar to 2020-21, there has been increased activity in relation to the receipt of government grants for payment to businesses during 2021-22.

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No. Subject to the valuer's final review.
6. Are you aware of any guarantee contracts? If so, please provide further details	No.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No material items. Please refer to legal's response for contingencies.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Council and Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Most legal work for the council is dealt with by the in house team. Where the in house team does not have capacity or specialist external expertise is required an external firm may be engaged either directly by officers in the relevant council department or by the council's in house team through a solicitors framework agreement.

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General Enquiries of Management

Question	Management response
9. Have any of the Council and Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Details provided to Grant Thornton
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Ongoing work

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Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the AGS Committee and management. Management, with the oversight of the AGS Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the AGS Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As London Borough of Southwark Council and Pension Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the AGS Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the AGS Committee oversees the above processes. We are also required to make inquiries of both management and the AGS Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses London Borough of Southwark Council and Pension Fund's management.

Fraud risk assessment

Question	Management response
<p>1. a) Has London Borough of Southwark Council and Pension Fund's assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>b) How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>c) How do the London Borough of Southwark Council and Pension Fund's risk management processes link to financial reporting?</p>	<p>a) Yes, the risk of material misstatement has been assessed.</p> <p>b) Yes, please refer to risk register supplied as part of the planning audit visit.</p> <p>c) Risk assessment covers the whole council which includes financial reporting.</p> <p>Regular updates to the Audit, Governance and Standards Committee.</p> <p>The council is required to manage its affairs to secure the economic, efficient and effective use of resources as reported in its financial statements and to safeguard its assets. It has appointed the strategic director of finance and governance as the officer responsible for proper administration of its financial affairs (the S.151 officer).</p> <p>As part of his responsibilities, he is required to prepare the statement of accounts and in order to do this, he has taken reasonable and appropriate steps to prevent, detect and mitigate the risk of fraud. Assessment of this risk is therefore considered as part of the overall internal audit and anti-fraud proactive planning processes.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Fraud risk assessments are undertaken by the anti-fraud team supported by internal audit (BDO). These risks are considered as part of the internal audit and anti-fraud proactive planning processes and discussed with management.</p> <p>Management are ultimately responsible for managing the risks, but internal audit consider the control environment and provide challenge where appropriate.</p> <p>Significant control weaknesses, or those which remain unaddressed would be reported to the Audit, Governance and Standards (AGS) committee via the internal audit and anti fraud progress reports.</p> <p>Business rates reliefs and the Covid-19 business support grants have been identified as risk areas.</p>

Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within London Borough of Southwark Council and Pension Fund's as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p><u>Internal Audit</u></p> <p>As in other years. Internal audit has identified various control weakness and compliance issues as part of their audit engagements. These have been reported to the Audit, Governance and Standards committee (AGS) and recommendations are routinely followed up to address issues identified.</p> <p>Internal audit has not identified any instances of actual, suspected or alleged fraud, errors or other irregularities within the Council and Pension Fund as a whole based upon work reported since April 2021 to date (6 April 2022).</p> <p>Risk issues (including anti-fraud) are communicated through reports to AGS committee.</p>

Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Regular reports on risk issues (including anti-fraud) are communicated to Audit, Governance and Standards committee (AGS).
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within London Borough of Southwark Council and Pension Fund's where fraud is more likely to occur?</p>	<p><u>Internal Audit</u> Internal audit considers the risk of fraud routinely when scoping individual audits, and the risks covered reflect this as and when appropriate. Recent audit areas where risk of fraud is inherent in the system would include for example procurement, payments processes and direct payments. Specific concerns of fraud being evident have not be identified in recent audits.</p> <p>National Fraud Initiative data matching exercises look for anomalies within the Council and Pension Fund activities.</p>
6. What processes do London Borough of Southwark Council and Pension Fund's have in place to identify and respond to risks of fraud?	The annual internal audit plan and anti-fraud proactive plan are reported to the AGS committee, highlighting potential areas of risk. The internal audit progress reports also identify any control weaknesses. The progress report also includes outcomes from fraud investigations. The AGS committee also receive an annual report on whistle blowing outcomes, and the format of these reports has been reviewed against other local authority reporting to provide more information to the committee.

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for London Borough of Southwark Council and Pension Fund's including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p><u>Internal Audit</u></p> <p>As one source of assurance on the control environment, individual audits completed routinely consider both the adequacy of the design of the framework of internal audit control and the operational effectiveness of the controls in place. This routinely considers segregation of duties of e.g. preparation, approval and input, alongside IT systems access.</p> <p>All internal audit reports provide two opinions for the design and effectiveness of the control framework, and this information along with the significance and number of recommendations made feeds into the annual head of internal audit opinion and assurance statement.</p> <p>Where internal controls are found not to be in place or not working effectively, the council agreed action to address the issues found and recommendations made. All actions have a named 'responsible officer' and agreed timeframe for implementation.</p> <p>Internal audit follows up and reports to senior management and the Audit, Governance and Standards committee on the implementation rates and recommendations outstanding as part of its routine progress report.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p><u>Internal Audit</u></p> <p>As in any large organisation, the fact that responsibilities are delegated down requires the need for strong review and oversight of what is reported. Generally we have found that reporting is accurate and based upon evidence.</p>

Fraud risk assessment

Question	Management response
<p>9. How does London Borough of Southwark Council and Pension Fund's communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The council has an induction programme, and a fraud and bribery response plan. Information and relevant documents are communicated via the intranet site and the council also offers training and awareness on anti-fraud which includes ethical behaviour. The staff code of conduct requires reporting of gifts and hospitality. Staff and any external advisors involved in procurements are also required to complete declarations of interest. The process of declaring interests has been subject to a recent audit review and recommendations arising will be implemented. The council's rules on gifts and hospitality are set out in the code of conduct, and relevant staff (including those involved in contracting) complete a declaration of interests. The Fairer Future Procurement Strategy and other council policies have encouraged ethical behaviour by contractors in areas such as the London Living Wage, anti-blacklisting and tax compliance. The Investment Strategy Statement for the Pension Fund stipulates that the Fund will seek to engage with and vote company shareholdings in accordance with high ethical standards. The council continues to maintain a high profile anti-fraud stance and to vigorously pursue those who attempt to defraud the council of the public funds which it administers. Once investigations have been completed, they are reported to the AGS committee. Any significant issues will be subject to an internal audit and the findings reported to the AGS committee. Where appropriate the council will publicise anti-fraud prosecutions.</p>

Fraud risk assessment

Question	Management response
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Identification of high-risk posts – officers with ability to authorise payments and receive income are potential risk areas for consideration.</p> <p>The scheme of delegation and segregation of duties, dual authorities for authorised signatories are reviewed on a proactive planning basis by the anti-fraud team.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No. Declarations of interest requested at committee meetings for councillors would identify any related party transactions. Formal disclosure of related parties through the statement of accounts annual work.</p> <p>To mitigate against the risk of fraud there are governance arrangements in existence to deter fraud for example as stated above.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the AGS Committee?</p> <p>How does the AGS Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p><u>Internal Audit</u></p> <p>An internal audit (and anti-fraud) progress report is presented to every AGS Committee. This includes a summary of the results of all internal audit work completed (finalised) since the previous meeting. The minutes of these meetings record actions arising (e.g. follow up work by management).</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>The council has a whistleblowing policy, which encourages staff and other concerned parties to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment. There are a small number of whistleblowing complaints each year but few have resulted in further action being taken.</p> <p>There is an annual report to Audit, Governance and Standards Committee.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>None</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the AGS Committee, is responsible for ensuring that London Borough of Southwark Council and Pension Fund's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and AGS Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does London Borough of Southwark Council and Pension Fund's have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the London Borough of Southwark Council and Pension Fund's regulatory environment that may have a significant impact on the London Borough of Southwark Council and Pension Fund's financial statements?</p>	<p>The Council's constitution sets the legal framework for council business, including standing orders, financial regulations, schemes of delegation etc. The constitution is reviewed annually.</p> <ul style="list-style-type: none"> • Attendance of S151 Officer and Monitoring Officer at Council meetings. • Reports to Full Council/Cabinet/Committees have legal implications considered by appropriate lawyers. • Liaison between lawyers and officers when considering decisions with possible legal implications. • The commissioning of internal audits. External reviews from external auditors, and other regulatory organisations. • Reference to the council's Risk Register <p>No.</p>
<p>2. How is the AGS Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<ul style="list-style-type: none"> • Annual Governance Statement provides assurance through the annual review process. • Further assurance is provided through internal and external audit work. • S151 Officer and Monitoring Officer attend Audit, Governance and Standards Committee. • All strategic directors are required to attend AGS committee to discuss and to be held accountable governance within their service areas. • Regular audit of Services across the Council with attendance of relevant Directors. • Reviews of unimplemented Audits. Also, see question 1 above.
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>No.</p>

Impact of laws and regulations

Question	Management response
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	No.
5. What arrangements does London Borough of Southwark Council and Pension Fund's have in place to identify, evaluate and account for litigation or claims?	<p>Liaison between relevant Services and lawyers. Legal have input in all Cabinet / Council Assembly reports.</p> <p>Legal maintain an Exception Risk Register where they record, monitor and review any litigation or cases which are of significant financial risk to the council, an appeal to the Supreme Court or could lead to damage to the reputation of the Council.</p> <p>The legal department has a risk management procedure in its office procedure manual to identify and monitor risk in relation to legal cases. The exceptional risk register is reviewed quarterly by the Senior Management Team in Law and Governance.</p>
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No. To be confirmed.

Related Parties

Matters in relation to Related Parties

London Borough of Southwark Council and Pension Fund's are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by [London Borough of Southwark Council and Pension Fund's:
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the London Borough of Southwark Council and Pension Fund's
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the London Borough of Southwark Council and Pension Fund's, or of any body that is a related party of the London Borough of Southwark Council and Pension Fund's

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the London Borough of Southwark Council and Pension Fund's must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in London Borough of Southwark Council and Pension Fund's 2020/21 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and London Borough of Southwark Council and Pension Fund's whether London Borough of Southwark Council and Pension Fund's has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>No additions to related parties anticipated but the review of related parties for 2021-22 accounts is not complete. Anticipated the work will be completed for the draft set of accounts 2021-22.</p>
<p>2. What controls does London Borough of Southwark Council and Pension Fund's have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> Maintenance of a register of interests for Members requiring disclosure of related party transactions. Annual return from the chief officer team requiring confirmation that they have read and understood the declaration requirements and stating details of any known related party interests.
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Not applicable.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Not applicable.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by London Borough of Southwark Council and Pension Fund's will no longer continue?	<p>Annual medium term financial forecasting, in year budget monitoring and year end reporting processes support the identification of continuation or discontinuation of statutory services.</p> <p>Monitoring of the council's usable reserves and cashflow forecasting.</p>
2. Are management aware of any factors which may mean for London Borough of Southwark Council and Pension Fund's that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No – 2021-22 year of account
3. With regard to the statutory services currently provided by London Borough of Southwark Council and Pension Fund's does London Borough of Southwark Council and Pension Fund's expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for London Borough of Southwark Council and Pension Fund's to cease to exist?	Yes – 2021-22 year of account
4. Are management satisfied that the financial reporting framework permits London Borough of Southwark Council and Pension Fund's to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes – 2021-22 year of account

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	The key ongoing event is Covid-19.
2. How does the London Borough of Southwark Council and Pension Fund's risk management process identify and address risks relating to accounting estimates?	Risk register identifies key risks.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Professionally qualified staff such as RICS Qualified Valuers are employed to identify methods and assumptions which are based on a fresh look at 2021-22 in addition to historical reviews.
4. How do management review the outcomes of previous accounting estimates?	Review previous years un/audited accounts.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	<p>Greater focus placed on estimation processes and potential impact on accounts. Auditing Standard ISA 540 – auditing accounting estimates and related disclosures, has been enhanced to place increasing demands on auditors to understand and assess an entity's internal controls over accounting estimates.</p> <p>Key changes include a requirement to:</p> <ul style="list-style-type: none"> • Consider evolving risks associated with more complex estimates with high estimation uncertainty • Adopt a more independent and challenging sceptical mindset • Improve dialogue between auditors and those charged with governance (committee members) about complex accounting estimates and those with high estimation uncertainty or subjectivity.

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	For the Pension Fund, Aon Hewitt is an external advisor. For the council no external advisors apart from CIPFA and adhoc interim consultant use.
7. How does the London Borough of Southwark Council and Pension Fund's determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Please refer to responses to the GT letter dated 31 March 2022, covering detailed subject responses.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Please refer to responses to the GT letter dated 31 March 2022, covering detailed subject responses.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	Please refer to responses to the GT letter dated 31 March 2022, covering detailed subject responses.

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	Please refer to responses to the GT letter dated 31 March 2022, covering detailed subject responses.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Please refer to responses to the GT letter dated 31 March 2022, covering detailed subject responses.
12. How is the AGS Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Please refer to responses to the GT letter dated 31 March 2022, covering detailed subject responses.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Refer to detailed valuation reports	Review of inputs and outputs	In-house RICS qualified	Refer to detailed valuation reports	No
Council dwelling valuations	Refer to detailed valuation reports	Review of inputs and outputs	In-house RICS qualified	Refer to detailed valuation reports	No
Investment property valuations	Refer to detailed valuation reports	Review of inputs and outputs	In-house RICS qualified	Refer to detailed valuation reports	No
Depreciation	RAM calculates depreciation based on asset lives and opening fixed asset register balances	Review of inputs and outputs	No	No change in assumptions.	No

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	Actuarial models and assumptions provided by Aon Hewitt	Review of estimates and assumptions provided by actuary based on local knowledge and expertise.	Yes	See assumptions paper produced with valuation report	No
Level 2 investments	As provided by experts	Review and challenge of advice and reports received.	Yes	Based on observable data	No
Level 3 investments	Advice and assumptions by valuers	Review and challenge of advice and reports.	Yes	Review of sensitivity	No
Fair value estimates	As provided by Treasury Adviser	Review and challenge of advice and reports.	Yes	Low level of uncertainty	No

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
NNDR appeals provisions	Council NDR provisions forecast model	Review of inputs and outputs	No	Consideration of increasing provision for check, challenges and appeals	No
Significant accruals (i.e. Annual Leave accruals)	Accruals method	Review of inputs and outputs	No	Accuracy of data source is SAP and employee data entry / record keeping	No
Credit loss and impairment allowances	Service credit loss and impairment allowances methodologies may be service specific	Review of inputs and outputs	No	Service credit loss and impairment allowances methodologies may be service specific	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
PFI Liabilities	PFI Model	Annual review	No	Standard model and assumptions	No



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Item No. 10.	Classification: Open	Date: 18 July 2022	Meeting Name: Audit, governance and standards committee
Report title:		Internal audit annual report and annual statement of assurance 2021-22	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATIONS

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

BACKGROUND INFORMATION

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

Policy implications

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

Community, equalities (including socio-economic) and health impacts

Community impact statement

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

Equalities (including socio-economic) impact statement

5. This report is not considered to contain any proposals that would have a significant equalities impact.

Health impact statement

6. This report is not considered to contain any proposals that would have a significant health impact.

Climate change implications

7. This report is not considered to contain any proposals that would have a significant impact on climate change.

Resource implications

8. If there are direct resource implications in this report, such as the payment of fees, these will be met from existing budget provision.

Consultation

9. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

10. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix A	Internal audit annual report and annual statement of assurance 2021-22

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Greg Rubins, Angela Mason-Bell; BDO	
Version	Final	
Dated	8 July 2022	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Director of Law and Governance	No	N/A
Strategic Director of Finance and Governance	No	N/A
Cabinet Member	No	No
Date final report sent to Constitutional Team	8 July 2022	



London Borough of Southwark

**INTERNAL AUDIT ANNUAL REPORT AND ANNUAL
STATEMENT OF ASSURANCE 2021-22**

For presentation to the Audit, Governance and Standards Committee

18 July 2022



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SUMMARY OF 2021-22 WORK

Internal Audit 2021-22

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

All work relating to the internal audit plan for 2021-22 has been completed to at least draft report stage, and we are working with the Council to issue all final reports by the end of July 2022.

The reports that have been issued and which form the basis of the annual report for 2021-22 are listed below.

Chief Executive's Department

- Commercial Property Portfolio
- Covid-19 Expenditure
- Emergency Planning

Children and Adults Services

- Adoption Service
- All Age Disability Service (0 to 24 Years)
- Continuing Healthcare
- Contract Mobilisation
- Departmental Response to Schools in Financial Difficulties
- Older People's Services (draft)
- Youth Offending Service and Youth Violence

Environment and Leisure

- Highways Maintenance
- Leisure Services
- Library Service (draft)
- Licensing
- TMO - Cooper Close
- TMO - JMB Leathermarket

Finance and Governance

- Electoral Register and Elections
- Housing Revenue Account
- Insurance
- Member / Officer Protocol (draft)
- Objections Review (draft)
- Pensions Administration

Financial Systems

- Accounts Payable
- Council Tax
- Housing Benefits
- Non-Domestic Rates
- Payroll and HR (draft)
- Suspense Account Management (draft)

Housing and Modernisation

- Customer Access Strategy (draft)
- Facilities Management
- Health and Safety
- Housing Tenancy Management - Successions
- Major Works
- Southwark Building Services (draft)

IT Audits

- Disaster Recovery
- Hornbill Service Desk

Thematic and Cross Council Reviews

- Contracts Register (draft)
- Data Protection
- Fairer Future Procurement Framework (draft)
- Financial Planning
- Fraud Protocols
- Risk Management

The opinions for each audit and key findings are summarised on pages seven to 36.

The internal audit team has also completed the following work in 2021-22:

- Supporting Families Grant - quarterly audit of the Council's claims. A separate letter of engagement and management reports covered this work.
- Transparency Reporting - advisory work to support the Council in ensuring the accuracy of its publicly reported data.
- URBACT Thriving Streets EU funded project - First Level Control (FLC) grant claims verification for the period 1 April 2021 to 7 August 2022. A separate letter of engagement and management report covered this work.

There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

The following audits were deferred from 2021-22 to 2022-23:

- APEX Asset Management (draft)
- Borough Plan Delivery
- Children's Quality Assurance Unit
- Cloud Computing
- General Ledger
- Home to School Transport
- Private Sector Licensing Right to Buy
- Temporary Accommodation

The internal audit programme for schools recommenced in April 2021. For six schools we focussed upon budget and financial strategy governance and controls and have subsequently resumed our cyclical standard compliance audits.

Budget and Financial Strategy audits:

- Cobourg Primary School
- Comber Grove Primary School
- Dog Kennel Hill Primary School
- Rotherhithe Primary School
- St Francesca Cabrini Primary School
- St Joseph's Catholic Infants School

Cyclical compliance audits:

- Charlotte Sharman Primary
- Southwark Inclusive Learning Service

The opinions for each school and a summary of key findings are included on pages 37 to 40.

Non internal audit services provided by BDO

The following non audit services have been provided by BDO during 2021-22:

- Risk management support
- Counter fraud support

The counter fraud work is delivered by our forensics team, which is separate to the public sector internal audit team that provides internal audit and risk management services to the Council.

We do not consider the work undertaken above to pose a threat to our independence or objectivity in delivering the internal audit services.

HEAD OF INTERNAL AUDIT OPINION 2021-22

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

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

The basis for forming my opinion is:

- An assessment of the design and operation of the underpinning assurance framework and supporting processes.
- An assessment of the range of individual opinions arising from risk-based audit assignments contained within internal audit risk-based plans that have been reported throughout the year - this assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.
- Any reliance that is being placed upon third party assurances.

Overall, we can provide **Moderate Assurance** that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently, the same opinion as in 2019-20 and 2020-21. We continue to consider this to be a positive result given the ongoing impact of Covid-19, increased demands on services and funding challenges faced.

Our annual report and head of internal audit opinion has been prepared based on the audit work undertaken during the year. In forming my view, I have taken into account that:

- In respect of the design of the controls, an opinion of moderate assurance was provided for 21 out of the 39 assurance audits, substantial assurance was provided in 15 areas and limited assurance opinions in three areas. Overall, the Council has maintained its control environment during 2021-22. The relative proportion of substantial assurance opinions provided for the design of the Council's controls has improved from 24% in 2020-21 to 38% in 2021-22.
- In respect of the operational effectiveness of the controls, an opinion of moderate assurance was provided for 26 of the 39 assurance audits, substantial assurance was provided in six areas and limited assurance in seven areas. The relative proportion of substantial assurance opinions provided for the operational effectiveness of the Council's controls has improved from 6% in 2020-21 to 15% in 2021-22, which continues the overall previous year on year improvement since 2016-17.
- Management has continued to respond positively to reports issued and action plans have been developed to address the recommendations raised.
- In respect of school audits and ongoing financial pressures, the Council is taking proactive steps to manage these and our programme of audits has been aimed at prioritising schools with high levels of risk.
- We have confirmed with reference to evidence that 87% of recommendations due for implementation by the date of reporting had been completed. This represents an increase

from an implementation rate of 76% in 2020-21, due to the continued impact on the implementation of recommendations due to Covid-19 and the adjustment of priorities and redeployment of staff. The current rate of implementation is at pre-pandemic levels.

- In terms of financial performance, for the financial year 2021-22, the overall original budget was exceeded by £8m and further planned movements in reserve were completed resulting in an overall overspend of £12.9m. Covid-19 funding support was also received and utilised to mitigate against some of this overspend and our internal audit of Covid-19 expenditure confirmed that related costs were being identified, recorded and reported to Government on a timely basis. However, there was still an overall overspend of £1.9m which is to be met from reserves. The Council has unallocated general fund reserves of £21m and net earmarked reserves of £205m. We recognise that the financial position continues to be complex as the Council reconciles the additional costs and lost income with the funding support received from government and looks to prioritise resources for further recovery.

REVIEW OF 2021-22 WORK

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
Chief Executive's Department						
Commercial Property Portfolio	-	-	-	Substantial	Substantial	<p>Purpose: to provide assurance over the design and operational effectiveness of the control framework for managing the Council's commercial property portfolio. We also considered the controls and information flows for the management of debtors and arrears.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The Council has appropriate controls and processes in place to properly manage its commercial property portfolio. We found each control is well designed and operating as expected. We also found the information flows for the management of debtors and arrears to be sufficient.
Covid-19 Expenditure	-	-	1	Substantial	Substantial	<p>Purpose: to provide assurance over the design and operational effectiveness on the controls relating to the governance and reporting of Covid-19 related expenditure.</p> <p>Key findings:</p> <ul style="list-style-type: none"> We provided assurance that the process was robust, consistent and had the necessary oversight and governance and in line with MHCLG guidance. We were of the opinion that it would have been appropriate to have a more formal procedure around the preparation of the MHCLG returns and Covid-19 expenditure. However, this has not affected our rating for the design of the framework, which is substantial assurance.
Emergency Planning	-	2	2	Substantial	Moderate	<p>Purpose: to provide assurance over the design and operational effectiveness of the controls relating to the emergency planning response and arrangements at the Council. The audit included a review of whether roles and responsibilities are clear across the Council and with other</p>

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>agencies, along with the impact of the response to Covid-19 on working practices and resilience.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • Departmental business continuity plans were not being prepared in a consistent manner, with some departments not including key contacts in their plan, some having contacts that are not current employees of the Council and others that have not been reviewed regularly. • Business Continuity Steering Group meetings understandably took on a different role through the Pandemic. Minutes were also not prepared in the regular template, which did not include a list on attendees, a section for actions and action owners. There has since been a return to business as usual.
Children and Adults Services						
Adoption Service	2	1	1	Moderate	Limited	<p>Purpose: to review the adequacy and effectiveness of the controls in place over payments made to adopters, to confirm accuracy of payments derived from documentation and appropriate approvals.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • Due to Covid-19, annual reviews were not taking place. In all 10 cases sampled, annual reviews were meant to take place between July 2019 and January 2021. However, the dates of the latest reviews provided for our sample were dated between July 2018 and January 2020. • The policies and procedures handbook had not been updated since April 2019 and still referred to the National Minimum Standards for Adoption 2011 when these standards were revised in 2014. • From our testing of a sample of 15 adoption payments we found that in three instances, a signed purchase order could not be evidenced. For the 12 cases where a purchase order could be evidenced, we found that in all cases, the purchase order was not signed by the individual making the requisition, and in one instance, there was no evidence of

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						<p>who authorised the purchase order.</p> <ul style="list-style-type: none"> The form for financial assessments did not clearly stipulate the thresholds for when approval is required from either the Team Manager or Service Manager.
All Age Disability Service (0 to 24 Years)	-	3	1	Moderate	Moderate	<p>Purpose: to review the adequacy and operational effectiveness of the control framework in place for the identification and documentation of care needs and the associated approval, allocation, and monitoring of funding.</p> <p>Key Findings:</p> <ul style="list-style-type: none"> From a sample of ten payments made to care providers for the ages 18 - 25, we found four discrepancies between the funding approved and payments to providers. For a sample of five care packages approved for the ages 18 - 25, we found one case where the initial assessment was not completed within the required deadline of 28 days. From a sample of ten care packages for the ages 0 - under 18, we found that on one occasion, the initial assessment for ensuring that only eligible children and young people are assigned a care plan was not completed within the required 45 days. From a sample of ten care plans across the ages 0-25 that had been in place for longer than 12 months, we found that on two occasions, the care package had been adjusted following a review, but this did not go to panel for approval.
Continuing Healthcare	-	3	-	Moderate	Moderate	<p>Purpose: to provide assurance that the Council's adult support governance arrangements align with its responsibilities under the national framework for NHS continuing healthcare (CHC) and NHS funded Nursing Care (FNC). We analysed whether the Council has worked collaboratively with the CCGs when reviewing applications and related processes, verifying that robust quality and monitoring mechanisms were in place. Our review included an</p>

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						<p>evaluation of performance management, risk escalation, quality, and monitoring mechanisms. We reviewed the framework that supports relationship management and collaboration between the Council and CCGs.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The Council’s record of CHC and FNC applications did not consistently retain a final decision rationale, line manager Decision Support Tool (DST) approval or key milestone dates within the process. Defined monitoring mechanisms were not in place to verify that the CHC and FNC application lifecycle aligns to the prescribed processing timelines within the Council’s official policy. The Council did not systematically perform periodic quality assurance checks on negative checklists, DSTs, and Healthcare Panel decisions. The Council did not have an official local CHC Dispute resolution policy in place. The length of time case disputes remain open and progress updates were not being reviewed systematically to ensure they were being completed within specified timescales.
Contract Mobilisation	-	4	-	Moderate	Moderate	<p>Purpose: to provide assurance over the adequacy of the design and operational effectiveness of the mobilisation process regarding contract management for contracts within Children’s and Adults’ Services (CAS). This included whether an effective transition process from the contract award stage to business as usual was in place. We also considered if the recently published contract management handbook and, where necessary, operational procedures incorporate lessons learned from previous mobilisation.</p> <p>Key findings:</p> <ul style="list-style-type: none"> While there are overall effective procurement policies and procedures in place, there were no documented governance protocols underpinning the processes related specifically to the mobilisation stage. There were no defined or documented decision tree or workflow illustrating the mobilisation procedures or related responsibilities that

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						<p>should be followed in various scenarios.</p> <ul style="list-style-type: none"> There was not a standardised set of mobilisation monitoring requirements across each project. Key Performance Indicators focused on the mobilisation stage were not utilised to ensure the process remains on schedule or progresses in an effective manner. There was not a defined list of key stakeholders or senior managers who should be included in the mobilisation stage to approve changes or assist with decision making. There was inconsistency in the level of engagement between external and internal stakeholders during the mobilisation phase. Standardised change control and contract variation documentation was not used within the mobilisation stage of the Adult Advocacy contract.
Departmental Response to Schools in Financial Difficulties	-	4	1	Moderate	Moderate	<p>Purpose: to provide assurance over the adequacy of the design and operational effectiveness of the Council's approach to identifying, supporting, and agreeing action with regards to schools in financial difficulty, heading towards deficit, and supporting deficit recovery plans.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Seven schools (9.5% of Council supported school population) had outstanding loans, five schools of which had made no repayments towards their balance within 2020-21 or at the time of the audit in 2022-22. There were no defined process map outlining how the various school supporting stakeholders / teams within the Council should collaborate and assist each other in managing schools in financial difficulty, in addition the school supporting teams' individual responsibilities were not defined. There were inconsistent practices in the frequency of reporting, and internal collaboration meetings taking place between Finance, the

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						<p>Education service, HR, and other relevant stakeholders to discuss the status of schools in financial difficulty.</p> <ul style="list-style-type: none"> The Council did not have a compiled list and / or a risk register containing common reasons schools are falling into financial difficulties to aid their effective management.
Older Peoples Services <i>Draft Report</i>	-	1	1	Substantial	Moderate	<p>Purpose: to provide assurance over the adequacy of the design of the controls and operational effectiveness relating to the operational management.</p> <p>Key findings:</p> <ul style="list-style-type: none"> We found well documented policies and procedures to be in place for the and operating as intended with reference to evidence. In respect of the process from an initial referral to panel approval. We also confirmed that supervisory meetings are being held periodically with unqualified staff, social workers, and occupational therapists to address concerns around continuous professional development, health and safety and wellbeing. From a sample of 15 care packages on two occasions we were unable to verify the number of hours approved by panel agreed to the purchase order as the value input was '1 day a week' and '1 unit'. The oversight process on the timeliness of annual reviews could be commenced sooner to identify potential delays and backlogs
Youth Offending Service and Youth Violence	-	3	1	Moderate	Moderate	<p>Purpose: to provide assurance over the design and operational effectiveness of the YOS's organisational delivery of service. To confirm that the current framework aligns with Domain, one of Her Majesty's Inspectorate of Probation's rules and guidance, in preparation for the inspection.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The YOS policies and procedures reviewed as part of the audit had not been reviewed and updated since 2015. Staff we spoke to did not

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						<p>definitively know where they could access all YOS policies or if certain ones existed.</p> <ul style="list-style-type: none"> Not all Youth Crime Management Board (YCMB) members are appropriately engaged at meetings or knowledgeable about YOS operations. The December 2020 and March 2021 YCMB minutes indicated that 10 members were absent at consecutive meetings. The YOS team risk register did not align to the Council's methodology for assessing risks and the process that should be followed to ensure that risks are appropriately mitigated. Risks are not described in detail and are not provided with root causes, action owners or expected resolution dates. The YOS had no documented career pathway for staff, detailing routes they can take for promotion or sideways routes.
Environment and Leisure						
Highways Maintenance	-	1	1	Substantial	Substantial	<p>Purpose: to provide assurance over the adequacy and effectiveness of the controls and processes the Council has in place for its Highways Maintenance Services (minor works). The audit considered the extent to which the highways maintenance processes, deliverables and key performance indicators are being met.</p> <p>Key findings:</p> <ul style="list-style-type: none"> There was no systematic percentage of Lot A jobs which should be audited each month, impacting the consistency of KPI data comparison throughout the year. Operational policies did not contain standardised guidance stating the exact requirements and reporting parameters for the K2 audits or the circumstances when an on-site K2 audit should take place.
Leisure Services	-	1	-	Substantial	Moderate	<p>Purpose: to provide assurance over the design and operational effectiveness of the controls relating to contract management and oversight of leisure facilities in the borough. The audit included the</p>

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						<p>assessment of the impact of Covid-19 on income levels and whether it has been reflected in longer-term financial plans.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Basic controls are in place to address risks faced by the Council, including a contract variation agreement detailing the revised terms and conditions and information on the financial support offered by the Council. In addition to this, the Council conducts contract management meetings with SLM on a weekly basis and SLM presents quarterly reports where information on the KPIs is included. However, we identified that the minutes of the weekly contract meetings do not always include all the required information such as officer responsible for action, target implementation date, date of completion where an action is complete or reasons for any delays.
Library Services <i>Draft Report</i>	-	4	2	Moderate	Moderate	<p>Purpose: to provide assurance over the design and operational effectiveness of the controls relating to the operational management arrangements over the library service, including roles and responsibilities, budget management and income management.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The Council's Library Operations Manual was last reviewed in February 2019, and did not clearly define roles and responsibilities, the escalation process for service-related issues, reporting and monitoring arrangements. Actions within the Library and Heritage Strategy action plan were not specific and did not clearly state how the actions would be achieved. The Council did not have a specific process for the management of library arrears and recovery of outstanding debt. There were no formal improvement plans in place to address the underperformance identified in the annual and monthly performance statistics reports.

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						<ul style="list-style-type: none"> From a sample of five cash breakdown slips, in one instance, we were unable to confirm that the amount deposited matched the amount recorded centrally on the SAP system, as the cash was not deposited by the Council's cash collection agent to the bank. Cash had not been collected from Brandon Library since January 2020.
Licensing	-	2	-	Moderate	Moderate	<p>Purpose: to provide assurance over the adequacy of the design and operational effectiveness of the internal controls in place relating to licensing, including granting and ongoing review of licences, collection of fee income and monitoring to ensure compliance with legislative and regulatory requirements.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Licensing fees are not always collected or suspended on a timely basis and there were £490k of unpaid license fees at the time of audit. Performance management reports were not being produced and reported to senior management to ensure underperformance is identified, monitored, and addressed.
Tenancy Management Organisation - Cooper Close	-	4	1	Moderate	Moderate	<p>Purpose: to provide assurance over the adequacy of the design of controls and operational effectiveness relating to the TMO's operational and financial processes, such as financial management, procurement, and statutory compliance, including health and safety, fire risk assessment and asbestos.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The reasons behind budget variances could have been better documented. Some key documents, such as the Cooper Close Rules (which include the Management Committee's terms of reference) and the staff handbook required review. There was no standalone performance management framework, so arrangements were not in line with TMI expectations.

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						<ul style="list-style-type: none"> Record keeping of procurement information could be improved to better demonstrate compliance with procurement rules.
Tenancy Management Organisation - JMB Leathermarket	1	1	-	Moderate	Moderate	<p>Purpose: to provide assurance over the adequacy of the design of controls and operational effectiveness relating to the TMO's operational and financial processes, such as financial management, procurement, and statutory compliance, including health and safety, fire risk assessment and asbestos. We also sought to determine whether the current controls are in line with the provisions of the Modular Management Agreement (MMA) signed in 2013.</p> <p>Key findings:</p> <ul style="list-style-type: none"> There were nine fire safety actions from the most recent fire risk assessments across the six blocks that had not been completed. Of these actions, seven were medium priority (two low priority) and implementation targets dated back to August 2020. The service charge arrangements did not reflect those documented in the MMA. The agreement also referred to the need for a 30-year major works plan, however in practice the plans are for a shorter period. The document therefore required revision to reflect current arrangements.
Finance and Governance						
Electoral Register and Elections	-	2	1	Moderate	Substantial	<p>Purpose: to provide assurance over the core processes relating to the design controls and effectiveness relating to election management, to ensure that they are well documented, subject to appropriate approval and lessons learned.</p> <p>Key findings:</p> <ul style="list-style-type: none"> A project plan was not in place for the elections carried out in 2021 outlining specific actions with timelines to ensure all actions were complete and reviewed prior to the election taking place Procedure notes on processing applications and canvassing for the electoral services had not been reviewed since 2020. In addition, a

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						<p>succession plan was not in place to reduce the dependency on the Head of Service</p> <ul style="list-style-type: none"> Support from the finance team is not offered to members of the Electoral Service Teams when submitting election claims for reimbursement of allowable election expenses therefore the claims are being completed by an office that has limited finance experience, leading to potentially lower claims.
Housing Revenue Account	-	1	-	Substantial	Substantial	<p>Purpose: to provide assurance that the Council has robust management controls and governance systems in place over the processes around the recording of Housing Revenue Account income and expenditure.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Robust management controls and governance systems were found to be in place over the processes around the recording of Housing Revenue Account (HRA) income and expenditure. Through our testing, we were able to confirm that the controls that are in place over the HRA budget setting and monitoring processes are being consistently applied. Our review of SAP finance and accounting system users' security report dated December 2021, identified 80 current users' identifications not logging into SAP in the previous 90 days, and four users' last password changes that were between 2017 and 2020.
Insurance	-	2	1	Substantial	Moderate	<p>Purpose: to provide assurance that the Council has robust management controls and governance systems in place to ensure appropriate cover of insurance risks faced by the Council.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The Council has in place a contract for insurance brokering and advisory services which is used to source insurance. The Council has sufficient coverage for the main areas of work completed, and on an annual basis to complete the insurance renewals, claims monitoring is completed on a regular basis to identify progress and the amount spent

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						<p>on claims. Recharges and charging for insurance coverage is completed on an annual basis across the Council.</p> <ul style="list-style-type: none"> The Council is in the process of sourcing cyber security insurance, however, has not been able to complete this due to requiring further information from the IT shared service. The Council does not hold insurance relating to climate change. Trend analysis of claims received is not routinely completed but noted on an ad hoc basis where several claims are received in a specific area.
Member / Officer Protocol <i>Draft Report</i>	1	2	-	Limited	Limited	<p>Purpose: to provide assurance that the member/officer protocol reflects good practice and that it is being operated in practice and cases where it is not working effectively are identified and addressed.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Our review of the training programme an absence of specific governance related training and low completion rates of training provided by senior officers regularly consulting with members. A focussed survey of members and officers found consistent messages that training on the Member/Officer Protocol was not sufficient. From reviewing all complaints that were raised between April 2021 and January 2022, we were able to confirm that complaints were dealt with and reported on in an appropriate manner. However, the complaints log was not complete and did not record key dates such as when the complaint was received to ensure they are dealt with in a timely manner and progress on complaints. The Member/Officer Protocol was last reviewed and published in February 2020. The Protocol covers key information such as the roles and responsibilities of Officers and Members and declarations that should be made such as relationships between a Member and Officer. However, it does not provide any information on conflict resolution and who they should report to in case a conflict does arise.

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						A revised training programme was introduced for new members appointed at the May 2022 elections. We have not provided assurance on the contents of the programme as this was provided outside the audit period for 2021-22, however we have agreed with the Director of Legal and Governance to undertake the audit again as part of the 2023/24 internal audit plan.
Objection Review <i>Draft Report</i>	5	-	-	Advisory Review		<p>Purpose: to review the contractual relationship between the Council and one of its contractors. The request followed an objection made to the Council's External Auditors by a member of the public to the Council's statutory accounts for 2019-20. The objection suggests there have been inappropriate procurement practices in the award of contracts.</p> <p>The key lines of enquiry followed in our review were: procurement strategy, contracts and record keeping, compliance with contract standing orders (CSOs), insurances held by the contractor, contract monitoring and approved list, and how the Council ensures relationships between the Council and its contractors are and remain appropriate, and leasing agreements with the contractor.</p> <p>Key findings:</p> <ul style="list-style-type: none"> We found no direct evidence of fraud or impropriety, however our review identified significant gaps in the control framework relating to the governance and procurement arrangements for the use of the contractor. We identified deficiencies and weaknesses in the current system of control in relation to the financial and operational management, compliance with the Council's CSO's and Employee Code of Conducts, specifically the completion of declarations of interest. We further identified an absence of regular due diligence other than the assessments undertaken annually by Alcumus, to continuously: <ul style="list-style-type: none"> review the appointment of the contractor in line with the CSO's determine the appropriateness of the continuing appointment of the contractor.

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						<ul style="list-style-type: none"> Our overriding recommendation (actioned) was that the Council pause the use of the contractor until a decision has been made around the tendering requirements for such works, the extent to which the inhouse team should be carrying out these activities and full due diligence, including declarations of interest, have been completed. We also recommended that a joint decision-making group is formed to determine future arrangements, comprising senior officers from the Housing and Modernisation department, Finance team and Legal Services / Procurement team. <p>The findings and recommendations arising from our review have been agreed and a cross service action is being finalised.</p>
Pensions Administration	-	-	2	Substantial	Moderate	<p>Purpose: to provide assurance over the administration of the LGPS, such that contributions and any payments made are valid and accurate, and that management of members is correct based on policies and procedures.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Whilst a robust set of procedure documentation is available, late returns of retirement forms suggest that some employers were not fully aware of pensions regulations and processes. Whilst the sample selected were satisfactory, in relation to flexible retirements late returns from employers suggest that some employers are not aware of their responsibility to ensure the process is completed.
Financial Systems						
Accounts Payable	-	2	2	Substantial	Moderate	<p>Purpose: to provide continuing assurance on the adequacy of the design and operational effectiveness of internal controls in managing accounts payable processed via SAP, to ensure that they are promptly and effectively brought into use. We also reviewed the effectiveness of the processes relating to supplier set up and amendments, raising and approval of purchase orders, payment processing and approvals.</p>

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						<p>Key findings:</p> <ul style="list-style-type: none"> Whilst no payment errors have been identified, our review identified some non-compliance with the Council's required procedures. For a sample of 20 vendor payment transactions from 1 April 2020, we found the following exceptions: <ul style="list-style-type: none"> On five occasions, the purchase order was raised after the invoice was received. On one occasion, the invoice was not attached against the transaction on SAP. On six occasions, payments were not made within 30 days. On three occasions, the authoriser of the purchase orders was not listed on the scheme of management. The issues concerning the scheme of management and the timely raising of purchase orders were identified in the last three audits.
Council Tax	-	1	2	Substantial	Moderate	<p>Purpose: to provide assurance on the continuing adequacy of the design and operational effectiveness of internal controls, processes, and records in place to mitigate the identified risks relating to the collection of Council Tax.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The control framework is well designed to address the risks to the Council considered in our audit. The Council has detailed work notes on policies which are clear, concise, and easy to follow. However, we noted that some of the policies had not been reviewed on a regular basis. We found operational control weaknesses which included write offs not being reviewed and approved in line with the policies and procedures, and review dates for assessing discounts awarded not consistently recorded on Northgate.

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Housing Benefits	-	1	2	Moderate	Moderate	<p>Purpose: to provide assurance on the continuing adequacy of the design and operational effectiveness of internal controls, processes, and records in place to mitigate the identified risks relating to housing benefit and universal credit.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • Our review of a sample of users with access to the Northgate system identified one case where an officer who had access to manually adjust housing benefits claims was incorrectly set-up as a 'Pupil Tracking and Licensing Manager' where it should have been 'Benefits Officer'. • For a sample of ten write-offs, we identified that a debt of £7585.31 had not been approved in accordance with the delegation thresholds in the scheme of management. • Our review of a sample of monthly reconciliations between the AIM, SAP and Northgate systems identified that the reconciliation files were not signed or dated when performed.
Non-Domestic Rates	-	1	1	Moderate	Substantial	<p>Purpose: to provide assurance on the continuing adequacy of the design and operational effectiveness of internal controls, processes, and records in place to mitigate the identified risks relating to the collection of NDR. We also provided assurance that controls adequately mitigate the risk of fraud.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • Based upon the work performed, our review of the controls relating to National Non-Domestic Rates found several good practices in place, however, there are some areas where improvements to the controls framework can be made. For instance, segregation of duties does not exist between evaluating and approving exemption/relief.
Payroll and HR <i>Draft Report</i>	1	-	1	Substantial	Moderate	<p>Purpose: to provide assurance on the adequacy and operational effectiveness of the key controls in place to manage the identified risks in respect of payroll and HR. We also provided assurance on the</p>

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						<p>implementation of the recommendations made in the Payroll and HR audit undertaken in 2020-21 financial year.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The control framework is overall well designed with clear roles and responsibilities, timeframes and approval mechanisms clearly defined. From testing a sample of payroll overpayments, we identified that a consistent approach was not followed in the recovery of the debt. Sufficient action was not taken to recover the debt in three out of five instances, with no action taken for months in these cases. A review of the recovery process is being undertaken. Two recommendations made in 2021-22 had not been implemented. These related to the advance notification of starters and leavers to HR, to ensure the timeliness and accuracy of final salary payments. We noted that notifications to Payroll of starters and leavers are also delayed due to the way the system functions, and the Council is working with the software provider to fix the associated reporting error.
Suspense Account Management <i>Draft Report</i>	-	2	1	Substantial	Moderate	<p>Purpose: to review controls and administration of the Council's suspense accounts to provide assurance that staff are following the policies and procedures, access levels to suspense accounts are set appropriately, the number of transactions routed to the suspense accounts is minimized and transactions are authorised, cleared, and transferred to the correct account on a timely basis.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Basic controls are in place to address risks faced by the Council, including the Suspense Account Operational Policy being in place and adequate documentation supporting the transfers out of the suspense. However, we identified that suspense account items are not allocated to the correct account within a reasonable timeframe and spot checks

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						<p>are not undertaken on Housing Benefit transactions to evidence adequate segregation of duties.</p> <ul style="list-style-type: none"> We also identified that a list of users who can access/amend the suspense account transactions is not in place for all funds and their approval to access the system could not be evidenced.
Housing and Modernisation						
Customer Access Strategy <i>Draft Report</i>	-	3	-	Advisory Review		<p>Purpose: We undertook an advisory review of the approved Customer Access Strategy, considering the appropriateness of the implementation timeframe, resourcing, roles and responsibilities, governance, and monitoring.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The Council has a Customer Access Strategy which sets out the four key strategic outcomes. We found that the strategy has been categorised into five workstreams, which include actions, and identifies owners for each action. While there is a draft governance structure in place, we found no formal documentation to support the governance arrangements, for example terms of reference, roles, and responsibilities and KPIs are not in place. The Customer Experience Team has created a draft governance framework which also sets out the resources and budgetary requirements to implement the Customer Access Strategy. Our review found that the proposal does not consider the formalised action plan or set out the approval process. We also noted that resourcing was not formally agreed when the CAS was approved in December 2020. We reviewed the CAS workstream scoping action plan and found that it does not include any specific action completion dates, responsible officers have not been assigned to each action, and the risks identified have not been recorded in a risk register.

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Facilities Management	-	2	-	Substantial	Moderate	<p>Purpose: to provide assurance over the adequacy and effectiveness of the monitoring processes the Council has in place relating to their facilities management (FM) Contract. The audit considered the extent to which the contract objectives, deliverables and key performance indicators are being met.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The Corporate Facilities Management team has demonstrated routine oversight and monitoring of the current provider Mitie's performance. KPIs are consistently being reported on and reviewed and collaboration related to ongoing delivery issues is prompt. Senior managers are actively engaged in performance discussions and the last three months have demonstrated a decrease in work jobs which remain open. The FM Contractor did not perform at a consistent standard over the last five years. This can be attributed to several issues, including internal restructuring, the impact of the Covid-19 pandemic on the ability to mobilise, supply chain issues and Brexit. However, the design of the Council's control framework was strong and was generally being adhered to. The Council has issued noncritical default notices where necessary, which have resulted in action plans to remedy performance issues identified. Risks related to overall FM Contractor failure are captured in the risk register. Whilst mitigating controls and actions are in place, they are currently vague and do not include detailed measures and tasks which are required be taken in each event.
Health and Safety	-	3	-	Moderate	Moderate	<p>Purpose: to provide assurance over the adequacy and effectiveness of the monitoring processes the Council has in place relating to their facilities management (FM) Contract. The audit considered the extent to which the contract objectives, deliverables and key performance indicators are being met.</p> <p>Key findings:</p>

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> The Corporate Facilities Management team has demonstrated routine oversight and monitoring of the current provider Mitie's performance. KPIs are consistently being reported on and reviewed and collaboration related to ongoing delivery issues is prompt. Senior managers are actively engaged in performance discussions and the last three months have demonstrated a decrease in work jobs which remain open. The FM Contractor did not perform at a consistent standard over the last five years. This can be attributed to several issues, including internal restructuring, the impact of the Covid-19 pandemic on the ability to mobilise, supply chain issues and Brexit. However, the design of the Council's control framework was strong and was generally being adhered to. The Council has issued noncritical default notices where necessary, which have resulted in action plans to remedy performance issues identified. <p>Risks related to overall FM Contractor failure are captured in the risk register. Whilst mitigating controls and actions are in place, they are currently vague and do not include detailed measures and tasks which are required be taken in each event.</p>
Housing Tenancy Management (Successions)	-	2	3	Moderate	Moderate	<p>Purpose: to provide assurance over the adequacy and effectiveness of the housing tenancy processes the Council has in place relating to their succession case management. The audit considered the extent to which the succession legislation, processes, deliverables, and key performance indicators are being met.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Based upon our review of succession files, we identified several cases where all supporting documentation had not been retained, including one case where there was insufficient proof of eligibility for succession, missing application forms, joint tenancy agreements and letters of confirmation. In two cases there was no evidence of the decision being approved and

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>in two out of five cases the documentation to support the reason for the rejected application was not available.</p> <ul style="list-style-type: none"> • There were no set timeframes for issuing correspondence, therefore we identified inconsistencies in when confirmation letters were issued. • The current succession procedures were last reviewed in 2016 and we found some minor differences between these and current practice. A new policy and procedures document has been created, with the draft version dated April 2021. • During our testing we identified that there are notices of seeking possession which are not indexed on the system.
Major Works	2	1	-	Limited	Moderate	<p>Purpose: to provide assurance over the design and operational effectiveness of the controls relating to the delivery of the major works programme, including planning, procurement, monitoring quality, timeliness, and budgets.</p> <p>Key findings</p> <ul style="list-style-type: none"> • We identified anomalies between the company names on the partnering agreements originally signed for the delivery of the major building works and the current names registered at Companies House. This presented a risk to the Council over the legally enforceable nature of the partnership arrangement. • The Council's asset management database, Apex is the primary source of data for over 50,000 property units. However, there was an absence of data quality policy documents, standards, and documented procedures to ensure the quality and consistency of the data input by project managers, and other departmental officers within the investment team. Performance monitoring reports and a report of users' access privileges to the Apex system could not be provided. • There are specific KPIs in the major works contracts in the areas of time, cost, and quality. Performance on the contracts is monitored by the Head of Investment and Asset Management. However, our review

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						identified there are insufficient performance monitoring arrangements for the Contract Framework for major works, or evidence of such monitoring occurring, as the Partner Contract KPI report for 2021-22 provided was incomplete, KPI monitoring results for Lot 1 for contracts under £3.5m were incomplete. The three most recent minutes of meetings and cash flow forecasts could not be provided in all contracts subject to audit.
Southwark Building Services <i>Draft Report</i>	1	4	-	Moderate	Limited	<p>Purpose: to provide an end-to-end review of the internal repairs process, to include organisational management, performance against KPIs and clarity of cost and charging structures including what work is being completed to prevent overspends.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • Procedure documentation does not contain sufficient detail in relation to the Key Performance Indicators expected quality assurance processes or process to be followed when using contractors. • From a sample of 20 repairs, eleven were completed later than the expected date of completion (longest delay was 34 days). • Whilst complete and accurate KPI reporting was available, this did not identify the root causes for the delays. • The out of hours rota forms completed by operatives does not record sufficient detail to ensure the timings of jobs are correct and that this had been approved by a manager. • Cashflow forecasting was completed monthly, however the data is not cumulative and is being overwritten each month.
IT Audits						
IT Disaster Recovery	2	3	-	Limited	Limited	<p>Purpose: to provide assurance that the Council would be able to continue to offer its critical services in the event of a disruption or disaster.</p> <p>Key findings:</p>

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> The Council does not have Council-wide IT disaster response, recovery, and management plan in place. The Council's inhouse IT team does not centrally manage the recovery and continuity plans for the systems hosted by third party suppliers, as required by NCSC and best practice guidance. There are no documented procedures in place to identify and add any new business critical systems hosted by Council's IT services or third parties. Our sample testing of third party hosted systems identified that no assurances have been received from suppliers by the system owners relating to business and continuity protocols, for four out of six sampled systems i.e., Acolaid, Tribal, EPJS, and Mosaic. Additionally, one system "Tallis" has been replaced by "Civica Spydus". An informal business continuity statement from the supplier was provided which does not provide assurance how the supplier will ensure the continuation of services to the Council in event of a disaster or whether these arrangements have been tested in recent 12 months. (High finding) The Council does not have an IT business continuity plan in place, outlining the Council's risk appetite, business impact analysis (BIA) and risk assessments. As a result, organisational priorities and continuity and recovery thresholds are not clear. No Business Impact Analysis (BIA) or risk assessments have been conducted to identify the critical systems within Council's IT infrastructure and to prioritize them as part of disaster recovery planning activities.
Hornbill Service Desk	-	2	1	Moderate	Moderate	<p>Purpose: to provide assurance over the design and operational effectiveness of the Council's IT Service desk (Hornbill) operations, only including a review of IT security related tickets raised through the service desk.</p> <p>Key findings:</p>

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> We found that the Shared Technology Services (STS) has adequate and documented systems of internal control in place. Our review of controls confirmed that these have been designed in line with the performance targets specified within the agreed SLA. The SLA service specifications have been recently revised in July 2021 to ensure they are in line with industry best practices. However, a small level of non-compliance has been identified such as the Processes Manual is due a review and some errors in the monthly performance reported, most of which under-reported performance. Our review of performance has been limited to P3 and P4 targets and our opinion reflects that these are being under-reported. A review of other targets may have resulted in a different opinion.
Thematic and Cross Council Reviews						
Contracts Register <i>Draft Report</i>	1	1	-	Moderate	Limited	<p>Purpose: to review the adequacy of the design and operational effectiveness of the controls relating to the completeness and accuracy of the Council's contract register, including the extent to which contract leads are keeping information up to date so that the version published via the London Tenders Portal is accurate and complete. We also reviewed the expenditure incurred against the contracts to confirm that the original contract value has not exceeded the planned costs, or an approved variation agreement is in place where the actual costs have exceeded the budgeted costs.</p> <p>Key findings:</p> <ul style="list-style-type: none"> We reviewed the published monthly spending reports for the year 2021-22 and selected a sample of 15 items of expenditure over £5,000. We interviewed the Lead Contract Officers (LCOs) to assess whether the Council's guidance on publishing details on the contract register is complete, adequately understood and followed. We identified the following exceptions:

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> - In three cases, the LCO was either not aware of their responsibility of updating the register or believed it to be a procurement function - In three cases, the LCO advised that the guidance is adequate, however is not provided directly to the teams who undertake this work and that there is scope for further training - In two cases, the LCO advised that, when the contract is finalised, they do not tend to re-visit the system to publish the data on the register - In one case, the LCO advised that the guidance is useful, however could be updated and processes laid out more clearly. • We reviewed the Council’s contract register for May 2021 from the London Tenders Portal to assess whether the sampled contracts were listed on the register and the details were complete. We identified that three contracts were not included on the register • We assessed whether the Council’s contract register is periodically reviewed by the LCOs to ensure up to date information is maintained on the register. We identified in 12 cases that the LCOs do not review the contracts register periodically. The primary reason given for this was lack of clarity on their responsibilities. <p>Internal audit is to work with Departmental Senior Management teams to identify solutions to the issues raised (alongside those identified in the internal audit of Fairer Future Procurement Framework.</p>
Data Protection	-	4	1	Moderate	Moderate	<p>Purpose: to assess the Council’s compliance with Data Protection regulations and standards, including the requirements of the GDPR, that these have been applied in practice and that sufficient training has been completed by all officers.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • Freedom of Information/Subject Access Request response rates are

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>consistently below target. Overall, 22%-38% of cases were dealt with late.</p> <ul style="list-style-type: none"> • Dissolution of the Information Governance & Security Group has left a void that should be filled by alternative data governance arrangements • Although user education/security awareness has been provided to staff, this is not done on a regular basis. Ideally, Data Protection and Information Security training should be provided at least on an annual basis, and not only during the initial New Starter induction process. This is particularly important due to staff working from remote locations. • The Council's Data Classification plans, which would help to manage data appropriately, have been stalled and not progressed to completion.
Fairer Future Procurement Framework <i>Draft Report</i>	-	5	-	Moderate	Limited	<p>Purpose: to complete a review of departmental compliance with the Fairer Future Procurement Framework (FFPF), focusing on post award contract monitoring, reporting and governance.</p> <p>Key findings:</p> <p>Our sample testing of 15 contracts identified the following areas of non-compliance:</p> <ul style="list-style-type: none"> • Record maintenance - in three cases, records were not provided. • Inclusion of FFPF requirements in the contract - for three contracts insufficient documentation was provided to confirm the contract included the FFPF requirements. • Contract monitoring including FFPF requirements - In five cases, there was inadequate monitoring against the fairer future requirements. For one contract this was in mobilisation but no KPIs were agreed despite the contract being awarded. • Annual Reporting - for four contracts a report was not provided to confirm that an annual report had been made to the relevant board.

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>For one contract a report had been drafted but there was no evidence to confirm it had been passed to the relevant board.</p> <p>Internal audit is to work with Departmental Senior Management teams to identify solutions to the issues raised (alongside those identified in the internal audit of the Contracts Register).</p>
Financial Planning	-	-	1	Substantial	Moderate	<p>Purpose: to review the monitoring and reporting of budgeted income and savings and the extent to which they will be realised.</p> <p>Key findings:</p> <ul style="list-style-type: none"> For both the 2020-21 and 2021-22 financial years, budgets were submitted and approved by both Cabinet and Council Assembly in the February prior to each financial year commencing in accordance with the Corporate Timetable. In between the Cabinet reporting, forecasting was completed within departments based on Strategic Director and Chief Officer Team requirements. This was based on a risk-based approach and monthly reporting was completed on higher risk areas. Budgets were subject to the Council's monthly budgetary control process and areas of pressure identified through the year. This included the establishment of a Budget Recovery Board for Temporary Accommodation. For the financial year 2021-22, the overall original budget was exceeded by £8m, with housing and modernisation being the largest overspend area of £8m, alongside chief executives and finance and governance both overspending by £3m each. However, this was balanced by underspends and adult social care and strategic finance of almost £2m, and environment and leisure of almost £5m. Further planned movements in reserve were completed resulting in an overspend of £12.9, Covid-19 funding support was also received and utilised to mitigate against some of this overspend and our internal audit of Covid-19 expenditure confirmed that related costs were being identified, recorded, and reported to Government on a timely basis.

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>However, there was still an overall overspend of £1.9m. The Council has unallocated general fund reserves of £21m and net earmarked reserves of £205m.</p> <ul style="list-style-type: none"> • Due to the overall overspend and the need for the Council to use reserves, we provided an internal audit opinion of moderate assurance for the operational effectiveness of controls.
Fraud Protocols	-	5	-	Moderate	Limited	<p>Purpose: to review whether Council staff are aware of the fraud protocols, the extent to which Council departments are using the new fraud protocols and the timeliness of the decision-making process for how concerns should be pursued and whether reporting on the KPIs is in place.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • The Corporate Anti-Fraud Strategy was dated March 2012 to last until the 2015-16 financial year and had not been subsequently reviewed. • Responses received to a survey sent out to staff identified that none had received communications in relation to the fraud protocol, no training had been received in relation to the fraud protocol and one respondent advised they were unsure of the correct route to follow when reporting a fraud. • Two cases from the sample of 20 were not opened within the required three working days timescale. For 18 cases from the sample of 20, the s.151 and Monitoring Officer were not notified about the case by the fraud team case officer following initial assessment, in accordance with the fraud protocols. For seven cases there were delays of 31 days between action being taken and case notes being updated of any subsequent progress. • Details of bespoke training delivered to the housing, social care, and parking teams between October 2020 and March 2021, was provided however this did not include references to the fraud protocol. • A completion rate of the corporate mandatory fraud training was identified as 47% within the 12 months in the period March 2020 to

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings																		
	H	M	L	Design	Operational Effectiveness																			
						<p>April 2021. Reports were previously issued of those who had not completed the training, but this has not been recently undertaken.</p> <ul style="list-style-type: none"> Case reviews were undertaken monthly. However, these were not always fully documented based on discussions held, and these did not cover the timescales recorded in the officer work plans. 																		
Risk Maturity Assessment	17 advisory recommendations have been made across the five areas reviewed.			Advisory Review		<p>Purpose: to help ensure that an effective risk management culture becomes embedded across the Council, by highlighting areas where processes could be improved. As a primarily advisory piece of work, the assessment will not generate an assurance opinion. This review assessed how Southwark is managing risk and benchmarked the Council's approach against other authorities and made recommendations for improvement.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The current and target maturity levels for the five areas assessed, based on our work performed and a realistic trajectory of progress for the Council, are summarised below: <table border="1"> <thead> <tr> <th></th> <th>Risk Governance</th> <th>Risk Assessment</th> <th>Risk Mitigation</th> <th>Reporting and Review</th> <th>Continuous Improvement</th> </tr> </thead> <tbody> <tr> <td>Current</td> <td>Aware</td> <td>Aware</td> <td>Aware</td> <td>Naïve</td> <td>Naïve</td> </tr> <tr> <td>Target</td> <td>Managed</td> <td>Managed</td> <td>Managed</td> <td>Defined</td> <td>Defined</td> </tr> </tbody> </table> <ul style="list-style-type: none"> We found that the Council is performing in line with other Councils around governance and risk assessment. However, the Council has two naïve areas in reporting and continuous improvement when compared to other Councils. The Corporate and departmental risk registers have not been formally linked to the objectives set out in the Borough Plan 2020-2022. We found no evidence that the Risk Management Policy Statement and 		Risk Governance	Risk Assessment	Risk Mitigation	Reporting and Review	Continuous Improvement	Current	Aware	Aware	Aware	Naïve	Naïve	Target	Managed	Managed	Managed	Defined	Defined
	Risk Governance	Risk Assessment	Risk Mitigation	Reporting and Review	Continuous Improvement																			
Current	Aware	Aware	Aware	Naïve	Naïve																			
Target	Managed	Managed	Managed	Defined	Defined																			

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>Strategy has been approved by the Cabinet or the Audit, Governance and Standards Committee and it has not been updated since July 2018. Three out of the four Risk Champions we interviewed were not aware of the existence of the Council’s Risk Management policy or how to access it.</p> <ul style="list-style-type: none"> • Our interviews with four Risk Champions also highlighted that training had not been provided to them in this role. Furthermore, their performance as Risk Champion for their department is not formally covered and reviewed as part of their annual appraisal and continuing professional development • We found that there is no regular reporting on risk to the Chief Officer’s Team (COT) or to the departmental senior management teams; the CRR is not presented to any further groups for review and the local risk registers are not presented to any of the Council’s committees. • The Audit, Governance and Standards Committee review the Corporate Risk Register once a year as part of the annual report on corporate risk and insurance. More regular review would improve the oversight provided on the management of the risks facing the Council and the adequacy of the steps that have been taken to mitigate and manage risk. • There is inconsistency in the approaches to managing, identifying, or monitoring risk or risk registers across departments. <p>A detailed improvement plan has been developed in response to the assessment, which is to be delivered during 2022-23.</p>

REVIEW OF 2021-22 SCHOOLS INTERNAL AUDIT PROGRAMME

Budget and Financial Strategy Audits

The purpose of these audits was to review the adequacy and effectiveness of each school's financial management strategy and controls, and the extent to which the expectations set out in the Schools Financial Value Standards for School Strategy and Setting the Annual Budget were being met.

The results of the first tranche of school audits have been previously as part of the Internal Audit Progress Report presented to the Audit, Governance and Standards Committee at its meeting on 20 September 2021.

The individual school's internal audit opinions and assurance ratings against the School Financial Value Standards are summarised in the table below:

SCHOOL INTERNAL AUDIT SUMMARY	COBOURG PRIMARY	DOG KENNEL HILL PRIMARY	ROTHERHITHE PRIMARY	COMBER GROVE PRIMARY	ST FRANCESCA PRIMARY SCHOOL	ST JOSEPH'S CATHOLIC INFANTS
Internal Audit Assurance Opinion - Control Design	Moderate	Limited	Limited	Moderate	Moderate	Moderate
Internal Audit Assurance Opinion - Operational Effectiveness	Substantial	Limited	Limited	Moderate	Moderate	Substantial
Does the school have a realistic, sustainable, and flexible financial strategy in place for at least the next 3 years, based on realistic assumptions about future funding, pupil numbers and pressures?	Green	Amber	Amber	Green	Green	Green
Is the financial strategy integrated with the school's strategy for raising standards and attainment?	Green	Amber	Amber	Green	Green	Green
Does the school set a well-informed and balanced budget each year (with an agreed and timed plan for eliminating any deficit)?	Amber	Red	Red	Amber	Amber	Green

SCHOOL INTERNAL AUDIT SUMMARY	COBOURG PRIMARY	DOG KENNEL HILL PRIMARY	ROTHERHITHE PRIMARY	COMBER GROVE PRIMARY	ST FRANCESCA PRIMARY SCHOOL	ST JOSEPH'S CATHOLIC INFANTS
Does the budget setting process allow sufficient time for the governing body to scrutinise and challenge the information provided?	Green	Amber	Amber	Green	Green	Green
Is the school realistic in its pupil number projections and can it move quickly to recast the budget if the projections and the reality are materially different?	Green	Amber	Amber	Green	Green	Green
Is end year outturn in line with budget projections, or if not, is the governing body alerted to significant variations in a timely manner, and do such variations result from explicitly planned changes or from genuinely unforeseeable circumstances?	Green	Red	Red	Amber	Green	Green
Are balances at a reasonable level and does the school have a clear plan for using the money it plans to hold in balance at the end of each year?	No closing Balance due to deficit	No closing Balance due to deficit	No closing Balance due to deficit	No closing Balance due to deficit	No closing Balance due to deficit	Green

Cyclical Compliance Audits

The purpose of a compliance audit is to assess whether the school has adequate controls to help prevent financial management weaknesses that could result in budget overspend or inappropriate decision making and expenditure.

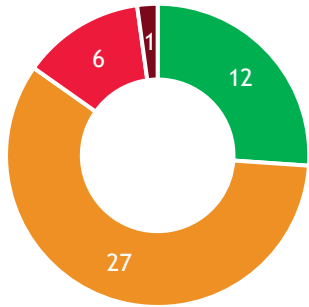
We completed two compliance reviews during 2021-22, a summary of the internal audit opinions, number of recommendations and key findings is provided below:

Report issued			Number of recommendations			Internal Audit Assurance Opinions		Key Findings
			H	M	L	Design	Operational Effectiveness	
Charlotte Sharman Primary	8	15	4	Moderate	Limited		<ul style="list-style-type: none"> The school is in deficit but did not have a recovery plan that had been approved by the Council. The financial procedures covered all key processes and roles and responsibilities, however the document used was dated November 2017. The bank mandate included a former governor and as per the Scheme of Delegation, a governor is not one of the stipulated signatories. Record keeping was limited in some areas. For example, direct debit mandates could only be found for two of our five sample and there were no central contracts register. The school's 2021-22 budget was not approved prior to 31 May (approved on 13 July 2021). Two actions regarding the budget were discussed at the May 2021 Resources Committee meeting but were not reported back at the subsequent meeting in October 2021. The payroll contract was dated 2014-16 and there was no record of the school testing the market to confirm value for money. Three of five salary payments were inaccurate; the gross salary in the January 2022 payroll report did not match the apportioned amount as per the September 2021 salary statement. Two were significant roles at the school - one was paid an amount higher than expected, another was paid an amount lower than expected. Purchase orders were not in operation at the school, there was no evidence of goods receipting and significant delays in invoice payment. The named holder of the school's credit card was the school's previous Head Teacher. 	

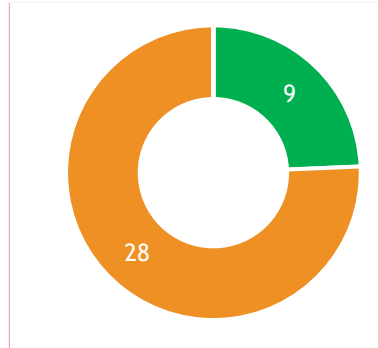
Report issued	Number of recommendations			Internal Audit Assurance Opinions		Key Findings
	H	M	L	Design	Operational Effectiveness	
Southwark Inclusive Learning Service	2	3	5	Moderate	Moderate	<ul style="list-style-type: none"> • Purchase orders were not appropriately raised, and goods received notes are not completed, goods received notes are not being recorded and payments to suppliers are not always made in a timely manner. • Cashflow forecasting was not completed by the school. • The payroll contract had not been updated to cover the current period of April 2021 to March 2022 and has not been retendered for since 2014. • Signed contracts for all employees are not retained. Declarations of interest were not completed by all governors.

ASSURANCE OPINIONS AND RECOMMENDATIONS DASHBOARD

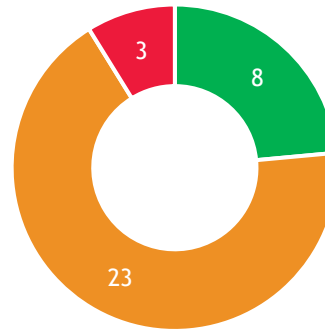
2018-19
Control Design



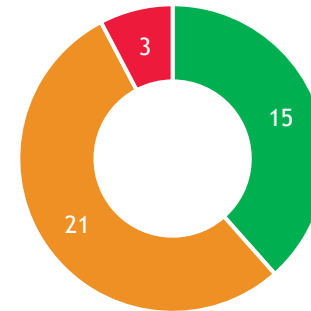
2019-20



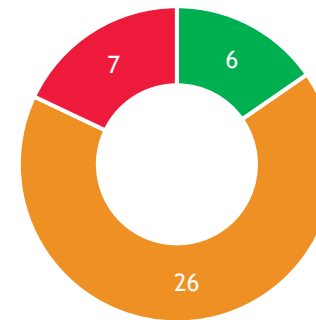
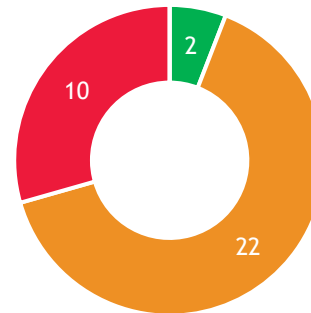
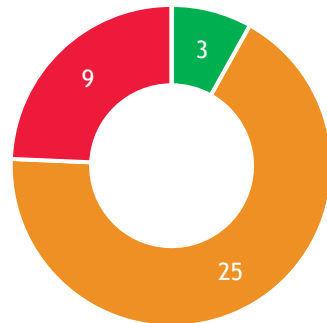
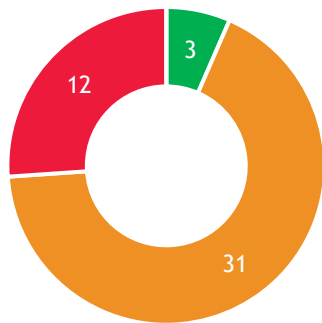
2020-21



2021-22

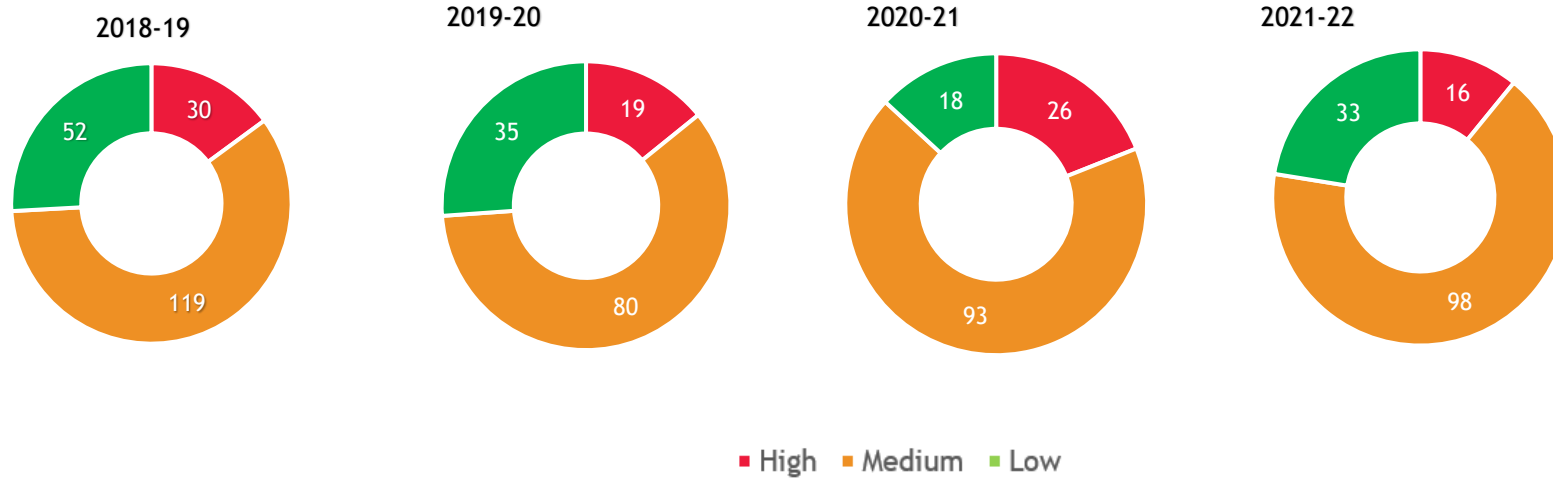


Operational Effectiveness



■ Substantial ■ Moderate ■ Limited ■ No

Recommendations



ADDED VALUE



USE OF SPECIALISTS

We continued to use our IT specialists to deliver the IT audit plan, and for the Data Protection audit.



RESPONSIVENESS

We have continued to be flexible with the audit plan in light of the continuing impact of Covid-19, undertaking detailed reviews at relative short notice, including grant certifications.



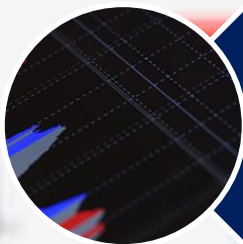
BENCHMARKING AND BEST PRACTICE

We have continued to add value in the majority of our audits, agreeing the areas of focus as part of scoping meetings.

We undertook benchmarking to compare the Council's practices with other London boroughs.

We identified areas where the Council can improve performance and create efficiencies e.g. risk management, contract and partnership management.

Best practice comparisons were undertaken (e.g. emergency planning, continuing healthcare, tenancy succession management and insurance)



INNOVATION

We utilised data analytics in audits where appropriate (e.g. accounts payable, payroll, housing benefits).

KEY THEMES



PEOPLE

Overall, there were clear roles and responsibilities within the areas reviewed. There have been changes in senior management responsibilities and reliance on key individuals is more apparent as funding and resources tighten further. The impact of Covid-19 continues and the challenge of developing hybrid ways of working and return to the office. The need to revisit training provided was also identified in some areas, including Member/Officer protocols, data protection and Mosaic systems.



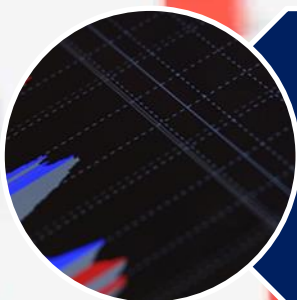
SYSTEMS & PROCESSES

There are policies and procedures in place for the majority of systems. However, we continued to identify non-compliance with these within some key areas such as Accounts Payable, Processing of social care payments in Mosaic, procurement and contract management and fraud protocols.



POLICES & PROCEDURES

There are insufficient policies and procedures in the following areas reviewed: Demolition Process (MSHO), Substance Misuse Rehabilitation Service (SMRT), New Homes Programme and IT Software Asset Management



GOVERNANCE & FOLLOW UP

Overall there are sound Governance and effective monitoring arrangements in place across the Council. The Risk Maturity assessment identified areas where oversight and reportign could be enhanced.

Recommendation implementation rates have improved and returned to pre-Covid19 levels.

BACKGROUND TO ANNUAL OPINION

Introduction

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

Our internal audit work for the 12-month period from 1 April 2021 to 31 March 2022 was carried out in accordance with the internal audit plan approved by management and the Audit, Governance and Standards Committee, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

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

Scope and Approach

Audit Approach

We have reviewed the control policies and procedures employed by London Borough of Southwark to manage risks in business areas identified by management set out in the 2021-22 Internal Audit Annual Plan approved by the Audit, Governance and Standards Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with London Borough of Southwark management for each review, by:

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

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

Reporting Mechanisms and Practices

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

Our method of operating with the Audit, Governance and Standards Committee is to agree reports with management and then present and discuss the matters arising at the Audit, Governance and Standards Committee meetings.

Management actions on our recommendations

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

Recommendations follow-up

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

The implementation rate for previous recommendations is currently 87%. This rate is an improvement from 2020-21 and is commensurate to pre-Covid-19 levels.

Relationship with external audit

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

Report by BDO LLP to London Borough of Southwark

As the internal auditors of London Borough of Southwark, we are required to provide the Audit, Governance and Standards Committee, and the Directors with an opinion on the adequacy and effectiveness of risk management, governance, and internal control processes, as well as arrangements to promote value for money.










In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides London Borough of Southwark with Moderate assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2021-22. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.





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

- All internal audits undertaken by BDO LLP during 2021-22
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to London borough of Southwark
- Any limitations which may have been placed on the scope of internal audit - no restrictions were placed on our work.



KEY PERFORMANCE INDICATORS

Description / KPI for Internal Audit 2021-22	Actual and comment	RAG Rating
Audit Coverage		
Annual Audit Plan for 2021-22 delivered in line with timetable	All internal audit work agreed with senior management for completion during the year has been completed. Some audits as detailed in this report have been deferred to 2022-23.	
Actual days are in accordance with Annual Audit Plan - 1,030 days	We delivered 1,089 days of internal audit work the internal audit plan, the additional days related to work carried forward from 2020-21 and audits not in the original plan.	
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 seven survey responses relating to 2021-22 audits, providing an overall rating of 5 in four cases and 4 out of 5 in three cases.	
Annual survey to Audit, Governance and Standards Committee to achieve score of at least 70%.	A survey will be issued during the year.	-
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	KPI has been met for the year.	
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	Recommendations are largely accepted by management following the closing meeting.	
Information is presented in the format requested by the customer	We have agreed the reporting format with the Strategic 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 seven survey responses as at the end of the year, four providing a rating of 5 and three providing a rating of 4 out of five with regards to the quality of our outputs.	





<p>Positive result from any external review</p>	<p>In June 2021 an External Quality Assessment by the Institute of Internal Auditors reported that BDO LLP's Public Sector Internal Audit Team 'generally conforms' with the International Professional Practices Framework (IPPF) and the Public Sector Internal Audit Standards (PSIAS).</p> <p>This is the highest of the three ratings categories.</p>		
<p>Description / KPI for Council Management and Staff 2021-22</p>			
<p><i>Response to terms of reference and reports</i></p>		<p>Actual and comment</p>	<p>RAG Rating</p>
<p>Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within three weeks of receipt</p>	<p>With minor exceptions (usually due to leave commitments), Council management have responded in a timely manner.</p>		
<p><i>Implementation of recommendations</i></p>			
<p>Audit sponsor to implement all audit recommendations within the agreed timeframe</p>	<p>At the end of the year 87% of recommendations due had been implemented.</p>		
<p><i>Co-operation with internal audit</i></p>			
<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 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 	<p>We can confirm that to date the Council's management and staff have cooperated as per the commitments a) to e).</p>		

APPENDIX I

ANNUAL OPINION DEFINITION

Substantial - Fully meets expectations	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is only a small risk of failure or non-compliance.
Moderate - Significantly meets expectations	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is some risk of failure or non-compliance.
Limited - Partly meets expectations	Our audit work provides assurance that the arrangements will deliver only some of the key objectives and risk management aims of the organisation in the areas under review. There is a significant risk of failure or non-compliance.
No - Does not meet expectations	Our audit work provides little assurance. The arrangements will not deliver the key objectives and risk management aims of the organisation in the areas under review. There is an almost certain risk of failure or non-compliance.

REPORT OPINION SIGNIFICANCE DEFINITION

Level of Assurance	Design Opinion	Findings	Effectiveness Opinion	Findings
 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 noncompliance with some controls that may put some of the system objectives at risk.
 Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
 No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non-compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE DEFINITION

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

FOR MORE INFORMATION:**Greg Rubins**

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Item No. 11.	Classification: Open	Date: 18 July 2022	Meeting Name: Audit, Governance and Standards Committee
Report title:		Draft Annual Governance Statement 2021-22	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee note the draft Annual Governance Statement (AGS) 2021-22 as attached at Appendix 1.

BACKGROUND INFORMATION

2. The Accounts and Audit Regulations 2015 require that the annual governance statement be presented to and approved by an appropriate committee of the council. Under the constitution, the audit, governance and standards committee is the body that formally receives the annual governance statement.
3. The 2015 Regulations require the annual governance statement to accompany the signed and dated accounts and to be approved at the same time as the statement of accounts. It is currently expected that the accounts will be completed by the end of September, with the accounts and annual governance statement presented to the committee for approval in November.
4. Following this approval, the annual governance statement should be signed by the most senior member of the council and most senior officer, who are the leader of the council and the chief executive.

KEY ISSUES FOR CONSIDERATION

5. Every year, each local authority is required by law to conduct a review of the effectiveness of its system of internal control and to publish a statement reporting on the review, the annual governance statement, with its financial statements. The draft statement, this year, has included consideration of the impact on council services of the coronavirus pandemic.
6. The annual governance statement is therefore a mandatory statement that recognises, records and publishes the council's governance arrangements as defined in the CIPFA/SOLACE framework for good governance in local authorities. It reflects how the council conducts its business, both internally and in its dealings with others. Its objective is to provide assurance on the effectiveness of the corporate governance

arrangements and to identify significant governance issues requiring management action.

7. The statement is produced following a review of the council's governance arrangements and system of internal control. The review consists of an evaluation of the council's governance arrangements against the best practice described in the CIPFA guidelines. This includes an assessment of the systems and processes for:
 - establishing the council's principal statutory obligations and organisational objectives and applying the six CIPFA/SOLACE core principles of good governance
 - identifying the principal risks to the achievement of the council's objectives
 - identifying and evaluating key controls to manage the council's principal risks
 - obtaining assurances on the effectiveness of key controls.
8. The assurances on the effectiveness of key controls are obtained throughout the year in the form of internal and external audit and inspection reports, risk management and performance activities. The draft statement has been circulated to the strategic directors for comment.
9. The corporate governance panel (CGP) is responsible for evaluating assurances and the supporting evidence, and agreeing the final draft of the AGS. In agreeing the final draft AGS, the CGP will consider issues that are of significance and comment on the final draft AGS as appropriate. Issues that are considered 'significant' are those that meet the following criteria:
 - The issue has seriously prejudiced or prevented achievement of a principal objective;
 - The issue has resulted in a need to seek additional funding to allow it to be resolved or has resulted in significant diversion of resources from another aspect of the business;
 - The issue has led to a material impact on the accounts;
 - The audit, governance and standards committee has advised that it should be considered significant for this purpose;
 - The chief audit executive has reported on it as significant in the annual opinion on the internal control environment;
 - The issue, or its impact, has attracted significant public interest or seriously damaged the reputation of the organisation; the issue has resulted in formal action being taken by the section 151 officer and/or monitoring officer.
10. The draft AGS (Appendix 1) is presented to the audit, governance and standards committee for review. It will be brought back to a future audit, governance and standards committee for further consideration and final approval. Subject to this approval, it will need to be signed by the leader

of the council and the chief executive.

Community, equalities (including socio-economic) and health impacts

Community impact statement

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

Equalities (including socio-economic) impact statement

12. This report is not considered to contain any proposals that would have a significant equalities impact.

Health impact statement

13. This report is not considered to contain any proposals that would have a significant health impact.

Climate change implications

14. This report is not considered to contain any proposals that would have a significant impact on climate change.

Resource implications

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

Consultation

16. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

17. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Financial and Information Governance files	Finance and Governance, Second Floor, Tooley Street	Tim Jones

APPENDICES

No.	Title
Appendix 1	Draft Annual Governance Statement 2021-22

Audit Trail

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Geraldine Chadwick, Interim technical accountant	
Version	Final	
Dated	4 July 2022	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Governance	No	N/A
Strategic Director of Finance and Governance	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		4 July 2022

Appendix 1

Annual Governance Statement 2021-22

Introduction and acknowledgement of responsibility

1.1 Southwark Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. To achieve this the council has to ensure that they have a governance framework that supports a culture of transparent decision making.

1.2 The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Amendment) Regulations 2021, require the council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

The principles of good governance

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

Table 1 – Core principles of the CIPFA/SoLACE framework



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

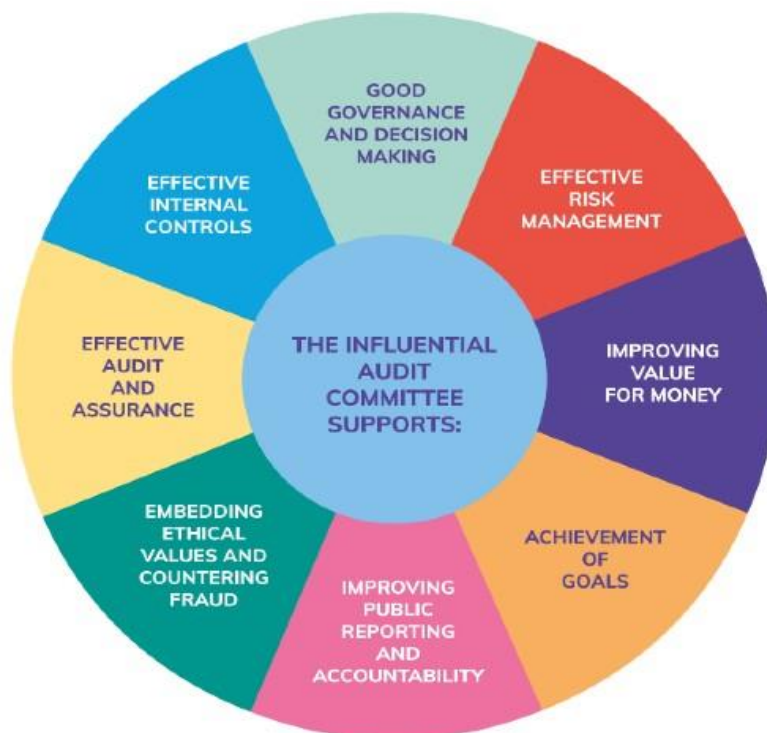
Key elements of the council's governance arrangements

3.1 The governance framework at Southwark Council comprises the systems and processes, culture and values which the council has adopted in order to deliver on the above principles. The council has a separate code of governance, which is consistent with the principles of the CIPFA/SoLACE framework (2016). This is updated each year and evidence actively collated and assessed for compliance. Compliance with the code will be reported to the audit governance and standards committee in September 2022.

3.2 The CIPFA Advisory Note 'Understanding the Challenge to Local Authority Governance' (March 2022) restates the importance of increasing awareness and strengthening of governance arrangements following the significant and high profile failures in some local authorities. These concerns were reaffirmed by the Department for Levelling Up, Housing and Communities (DLUHC) in their 2020 report 'Addressing cultural and governance failings in local authorities: lessons from recent interventions'.

3.3 For good governance to function well, the CIPFA Advisory Note, highlighted the need for organisations to encourage and facilitate a high level of robust internal challenge through strengthening audit committees and internal challenge.

3.4 The diagram below highlights the value an audit committee can add across an organisation.



Source: *Audit Committees: Practical Guidance for Local Authorities and Police* (CIPFA, 2018)

3.5 'The CIPFA Financial Management Code 2019 (FM Code) was introduced during 2020-21, to improve the financial resilience of organisations by embedding enhanced standards of financial management. Although the implementation of the FM Code was mandatory only from 2021-22, the

council assessed compliance with the Code a year before this, in 2020-21, to ensure full compliance in 2021-22.

3.6 The governance framework incorporated into this Annual Governance Statement has been in place at Southwark Council for the year ended 31 March 2022 and up to the date of the approval for the statement of accounts. Table 2 outlines the governance framework.

Table 2 – Overview of the council’s governance framework

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

Constitution and Committees

3.7. The [Council Assembly](#) is responsible for approving the budget, developing policies, making constitutional decisions and deciding local legislation. The council assembly elects the leader for a term of four years, and the leader appoints a cabinet of up to ten councillors (including him/herself), each holding a special portfolio of responsibility. The council leader, Councillor Kieron Williams was appointed in September 2020.

3.8 The Council's constitution is updated throughout the year and sets out how the council operates. It states what matters are reserved for decision by the whole council, the responsibilities of the cabinet and the matters reserved for collective and individual decision, and the powers delegated to panels, committees and community councils. Decision-making powers not reserved for councillors are delegated to chief officers and heads of service. The monitoring officer ensures that all decisions made are legal and supports the audit, governance and standards committee in promoting high standards of conduct amongst members.

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

3.10 The cabinet has developed a fairer future vision for Southwark, which is published on the council's website. It is reviewed and updated according to changing statutory requirements, the evolving social and economic situation, analyses of needs and the performance of the council against its priorities

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

Borough Plan

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

3.13 The Borough Plan is a key reference tool for the Fairer Future medium term financial strategy 2022-23 to 2026-27 which enables the council to make best use of financial resources available and to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders. The Borough Plan for the period to May 2022 was approved by council assembly in November 2020. A new Borough Plan to 2030 will be developed over 2022-23. In addition, a Council Delivery Plan to 2026, setting out specifically what the Council will deliver, is expected to be agreed in September 2022.

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

Performance, Policies, Risk and Financial Arrangements

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

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

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

3.18 The council's financial management arrangements conform to the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" (2016). The chief financial officer is the Strategic Director of Finance and Governance, who has statutory responsibility for the proper management of the council's finances and is a key member of the chief officer team. He formally devolves the management of the council's finances within departments to strategic directors through the Scheme of Delegation for Financial Authority and Accountability. Strategic directors further devolve decision making through departmental schemes of management. The Strategic Director of Finance and Governance also provides detailed finance protocols, financial regulations, procedures, guidance and finance training for managers and staff.

3.19 The council's assurance arrangements conform to the governance requirements of the CIPFA "Statement on the Role of the Head of Internal Audit in Public Service Organisations" (2019). The chief audit executive reports functionally to the audit, governance and standards committee, which approves the audit plan and strategy and receives reports throughout the year on audit and anti-fraud activity, as well as the annual report and opinion on the internal control framework.

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

Review of effectiveness

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

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

4.3 The key elements of the review of effectiveness are:

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

4.3.2 An annual self-assessment and management assurance statement signed by strategic directors, confirming that the Code of Conduct, Financial Standing Orders and Financial Regulations and other corporate governance processes have operated as intended within their directorates throughout the year.

4.3.3 The audit executive opinion to members on the adequacy and effectiveness of the internal control system, the council's risk management and governance process. Due to the Covid-19 pandemic, audits that were delayed in 2020-21 were rescheduled so that the plan could be rolled forward to the first quarter of 2021-22. All work relating to the 2020-21 plan has been completed and was reported to the audit governance and standards committee in November 2022.

4.3.4 The opinion based on the draft annual audit report 2021-22 provides an overall assurance of moderate. This denotes that the overall audit work conducted significantly meets expectations and provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review.

4.3.5 Internal audits have strengthened local and corporate wide arrangements. The council's improvement plan has been further embedded to enhance the risk management arrangements.

4.3.6 The work of the corporate governance panel (CGP) to ensure that the council continues to have appropriate and fit for purpose governance arrangements that are recognised and applied across the council.

4.3.7 The audit, governance and standards (AGS) committee is independent and separate from the scrutiny function delivery through the Oversight and Scrutiny Committee and from the decision making committees. The audit committee provides an oversight on a range of core governance and accountability arrangements.

4.3.8 The annual report on the corporate risk register and risk management arrangements which were presented to the 7 February 2022, audit, governance and standards committee for discussion. The council's corporate risk register is prepared following joint assessment by officers of all departmental risks. Each department reviews their risk registers on a quarterly basis. Each risk is accompanied by a mitigation setting out the controls in place to manage risk. The total number of risks has seen a very slight decrease since 2020-21. The top risks are those that have been assessed as 'amber' or 'red' and appear in more than one department and often require most proactive management actions to control and mitigate these risks. The high level risks highlighted in January 2022 were:

- Post pandemic recovery
- Cyber security, IT, Data Information management
- Acute socio- economic factors
- Welfare reform
- Medium term financial planning
- Transformation and major projects
- Legal and regulatory- Government policy
- Unforeseen Major event
- Asset management
- Failure of key provider
- Climate emergency
- Fraud
- Health and Safety

4.3.9 The AGS committee formal review of their performance. The February 2022 meeting concluded that the work programme in place had enabled the committee to carry out its functions effectively. The committee had continued to ask questions and raise issues on matters before it, in a challenging yet constructive way. In some cases, this has resulted in further information being provided to the committee to provide the assurance sought; in others, it had resulted in increased focus on the implementation of action plans. In particular, through the 2021-22 work programme, Members were able to be assured that:-

- (i) the council's system of risk management was adequate to identify risk and to allow the council to understand the appropriate management of those risks;
- (ii) there were no areas of significant duplication or omission in the systems of governance in the council that have come to the committee's attention and not been adequately resolved.

- 4.3.10 Departmental governance conversations. In 21-22, the AGS committee invited Strategic Directors and the Chief Executive to discuss their departments' governance arrangements. These 'governance discussions' have provided details of departmental governance arrangements, departmental risk registers, associated controls and mitigations and allowed Members to discuss and challenge particular governance issues.
- 4.3.11 Review of governance issues in other councils. In June 2021, the committee received a report on the 'public interest reports' which brought to their attention the grant Thornton report 'lessons from recent Public Interest reports' which summarised the findings from the Public Interest reports (PIRs) at Nottingham City Council, LB Croydon, and Northampton Borough Council. The report suggested that in all cases there was a lack of challenge and scrutiny and recommended a establishing a healthy management culture. which can be achieved by compliance with the CIPFA FM code and have a clear strategy of maintaining adequate reserves
- 4.3.12 The review of compliance with the CIPFA FM Code 2021-22. The purpose of the code is to provide a strong foundation to manage financial resilience, to meet unforeseen demands on services and to manage unexpected shocks in financial circumstances. Although implementation was not compulsory in 2020-21, the council reviewed compliance a year early, as the impact of the Covid-19 pandemic provided an example of an unexpected financial shock that tested the financial resilience of the council.
- 4.3.13 Review of the council's financial sustainability. The council reviewed sustainability against the CIPFA financial resilience index over 2 years scoring as 'low risk' on the reserve sustainability measure and 'extremely low risk' regarding the change in reserves year on year.

Assurance statement

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

5.2 The council has been impacted for a second year by the coronavirus pandemic, issues relating to the pandemic are raised in the 'Governance issues' section and have been highlighted in the 'Areas of Significant Change' section.

Governance issues

Governance issues highlighted in 2020-21

6.1 Specific opportunities for improvement in governance and internal controls identified as part of the assurance processes have been addressed, or are included, in action plans for the relevant managers.

6.2 There was a continued focus on the following significant governance issues highlighted last year:

6.2.1 The nature of the council's business activities means that there are ongoing information governance risks, including cyber security and IT network security, which continues to require careful management, particularly in the context of the IT shared service arrangements. The audit, governance and standards committee requested an update on the Shared Technology Services (STS) governance arrangements in November 2021. The committee received assurance on the Inter Authority Agreement and 'Major Incident' processes that are in place in the event of a significant technical failure or outage.

6.2.3 The commitment to ensure Southwark is carbon neutral by 2030. The council has delivered a climate change strategy and action plan and continues to invest substantial resources in projects that contribute to this key priority, including the commitment to build energy efficient new homes, to provide efficient heating systems in council homes, to plant trees and to improve air quality.

6.2.4 The continued management rigour in ensuring strong and effective governance of the council's ambitious housing delivery programmes, including the regeneration programme.

6.2.5 The funding of local government after years of austerity and the uncertainty around funding from 2023-24 due to a lack of a multi year settlement continue to subject the council to considerable risk. An update on the council's medium term financial strategy together with further analysis of the impact on the council of Covid 19 was presented to cabinet and council assembly in February 2022.

6.3. An external review of the Waste & Cleaning Service was undertaken by the Association of Public Service Excellence during 2021/22. This review provided a number of recommendations around the provision of in-house cleaning services to improve cost effectiveness and management of services.

Impact of the Covid-19 pandemic in 2021-22

6.4 Specifically highlighted in the 2020-21 Annual Governance Statement was the impact on council services of the Covid-19 pandemic. This continued to be a significant risk throughout 2021-22, but key governance processes and functions have been maintained and have been found to be robust over the past two years during the Covid-19 pandemic.

6.5 The impact of the Covid-19 pandemic continued to be the most significant governance event for all council departments. To ensure full transparency, the financial impact of the Covid 19 pandemic have been brought to every audit, governance and standards (AGS) committee since July 2020.

6.6 Emergency response arrangements to plan and manage our Covid response were stood down in February 2022. This followed agreement by government to lift remaining restrictions and move forward with their 'Living with Covid' planning document. The council continues to monitor the impact of Covid and acting on the advice of the Director of Public Health, will stand up

emergency response arrangements in the event of a significant variation in the impact of the virus on the borough's residents and services.

6.7 In order to protect Southwark's residents, Public Health established strong outbreak prevention control measures such as local testing facilities including targeted 'surge' testing for 'Variants of Concern', local contact tracing, a response centre for outbreaks and incident management and community prevention schemes such as community health ambassadors. The impact of the pandemic on Southwark's population was reviewed using national and local surveillance data to identify lessons to inform the development of actions and policies with regard to tackling health inequalities and Black Lives Matter.

6.8 The Coronavirus Act (2020) allowed authorities to conduct meetings and take decisions in ways other than face to face so that decisions could be made to maintain good governance, principles of openness and accountability. These meeting have reverted to being in person from May 2021, which has required careful planning to resume 'some kind of normality' but with social distancing and safe ways of working continuing to be in place.

6.9 Additional demands were made on IT systems and staff with most office based staff continued to work remotely throughout 2021-22. Ways of working were adapted across all functions to learn from the benefits (and limitations) created by the pandemic. No service has been detrimentally impacted in terms of delivery of priority outcomes in line with the Borough Plan. In 2022-23, further changes will be made to working patterns as the council plans to gradually bring all staff back to the office for part of the week to facilitate efficient team working. This will need to be carefully managed.

6.10. The council has continued to tailor service provision and resources to vulnerable residents, support local businesses and communities as well as maintaining essential services. A needs assessment was carried out on food poverty to inform the development of a network of food insecurity measures such as food banks, community larders and holiday hunger programmes. The Southwark Emergency Support Scheme will continue into 2022-23 with a renewed focus on supporting vulnerable residents through the cost of living crisis.

6.11 Environmental Regulatory Services worked with residents and businesses to engage, support and enforce social distancing and covid-safe workplaces. And highways and network management teams implemented street space initiatives or Low Traffic Neighbourhoods (LTNs). These programmes have been in accordance with the council's contract standing orders, financial regulations and scheme of management and have been reviewed by independent consultants, approved by Cabinet, and included an extensive consultation process with all stakeholders inclusive of protected characteristic groups and ethnic minorities.

6.12 The pandemic and the resultant imposition of lockdowns have had a fundamental impact on the operation and financial performance of the council's leisure facilities. Income reduced and financial support was required to keep the facilities open. The council continues to prioritise the health and wellbeing of Southwark residents. In September 2021, Cabinet approved the in-sourcing of the council's leisure facilities which will take place in June 2023. This decision and the overall

process presents many opportunities for the council and its residents but also presents significant concomitant financial risk, particularly in the post-Covid leisure environment. The council recognises this risk and over 2022-23, while the council prepares the process of in-sourcing, it will manage this through the departmental revenue monitoring process and through presentation of progress reports to cabinet.

6.13 But despite all these challenges and adaptations in 2021-22, the council has continued to maintain consistent essential services for residents. The council's strong collaborative approach has continued to be effective at achieving a unified response, working with key partners in the NHS, police and voluntary and community sectors. The continued ability of the council to adapt and change to the changes in the pandemic have added assurance to the effectiveness of the council's business continuity plans, communications strategy and governance arrangements.

The risks moving forward have been detailed in the Areas of Significant Change.

Areas of significant change

7.1 The council also faces a number of areas of significant change that will require consideration and action as appropriate in 2022-23 and the medium-term. Significant issues identified include:

Impact of Coronavirus pandemic on council services 2022-23

7.2 The covid pandemic has seen a large disruption to the economy, which in turn, impacted on council communities, services and finances. The government's plan 'Covid-19 response: Living with Covid' outlines the government's plan for living with covid. It aims to remove regulations and restrictions and replace this with public health measures and guidance. The council will face new challenges deciding what services continue virtually, which return to face to face, and which are delivered through a hybrid or alternative approach.

7.3 To reflect the easing of restrictions, as per the government's roadmap, Covid council wide emergency response arrangements and associated meetings ceased from February 2022. Looking forward, all decisions will be made in line with the Council's normal governance and decision making processes.

7.4 The council received £11 million to support the ongoing financial impact of the pandemic. This was to support the extra costs that were expected between April and June 2021. No further general funding was received in 2021-22, and it has been confirmed by central government that no further 'Covid specific' funding will be received in 2022-23.

7.5 Southwark Stands Together (SST) affirms our commitment and pledge as a council to tackle inequality in our workforce and communities and has therefore been embedded into our practices to ensure that equality, diversity and inclusion (EDI) is treated as a business critical issue. Our leaders have a responsibility to engage with our workforce to adopt a positive action approach to achieve sustainable improvements in the EDI space. The pandemic has highlighted the increased risk to many of our vulnerable employees who may be more likely to suffer from adverse impacts should

they contract the virus. We continue to work with our public health colleagues to increase awareness and take up of the vaccine particularly in hesitant communities where take up is low.

7.6 SST remains a priority for our workforce as we embed the outcomes of the programme into business as usual. However, there will be on-going oversight of progress around EDI which is being monitored by our Chief Officer Team. This will ensure that we continue to improve the experience of our Black, Asian and ethnic minority colleagues to eliminate discriminatory practices across the council whilst we to continue protect the health and well-being of our workforce through the adoption of anti-racist interventions and strategies.

Other significant changes in 2022-23

7.7 A new Chief Executive, Althea Loderick, was appointed by the Council Assembly on 23 March 2022. She will start in May 2022, which together with the changes resulting from the local council elections on 5 May 2022 represent a significant change to the leadership and management of the council. Given these changes, the audit plan has been agreed for 6 months in 2022-23 with an indicative strategic plan for the latter six months of 2022-23 and for 2023-24. This will be extended to include 2024-25 when the full internal audit plan for 2022-23 is prepared.

7.8 The council has embarked on a comprehensive programme of induction for new (and returning) Members to ensure they have a good understanding of the council's governance programme and to maintain high standards of conduct. They will be inducted into their roles in council business, decision-making and how to be effective councillors when exercising their community leadership role.

Economic uncertainties

7.9 The specific uncertainties in the funding of local government are exacerbated by high current levels of inflation. ONS data puts inflation at 7% in the 12 months to March 2022, the highest since 1992. The Bank of England rate in June 2022 was higher at 9.1%. There has been significant price volatility during the pandemic due to disruption in global supply chains and currently the economy is facing a period of high energy prices, due to depleted gas storage supplies in Europe and a shortage of supply due to the war between Ukraine and Russia, which is the key driver of the recent increases in inflation. Despite the government announcing measures to respond to high energy prices, inflation is still expected to increase more quickly than post – tax incomes. And higher inflation rates will have a higher proportionate impact on poorer households, as energy will account for a higher share of their budget.

7.10 Recent changes to Universal Credit also mean that many benefit claimants will be worse off. The £20 a week increase, brought in to help recipients whose income suffered as a result of the pandemic, ended in September 2021. The Institute of Government suggest that even with changes to in-work benefits, three quarters of households on Universal Credit are set to receive less from April 2022 than in the previous year. And for recipients who do not work at all, they will lose the entire Covid uplift, amounting to £1,040 a year.

7.11 The tax increases announced at the Spring Statement 2022 were larger (as a share of national income) than those announced in any year since 1993. The income tax personal allowance and higher rate threshold were frozen for four years from April 2022, instead of increasing in line with inflation as planned. The Institute for Fiscal Studies (IFS) has calculated that wages would need to increase by 9% in April to prevent real post-tax wages from falling.

7.12 Inflation and tax increases are contributing to a 'cost of living crisis' as real income falls as a combination of high inflation outstrips wage increases and post April 2022 tax increases have squeezed incomes for many households. The increase in the cost of living will impact disproportionately on the most vulnerable residents, as reductions in disposable income is likely to increase food poverty. In the 2022-23 budget, the council has allocated additional resources to support those facing food poverty. The council will have to create a future strategy to support the vulnerable over the longer term.

7.13 High levels of inflation will also reduce the spending power of councils. Council revenue through council tax collection and rent payments and other sales, fees and charges may deteriorate as households face competing demands on their income. It will potentially exacerbate the funding crisis in local government.

Council Budget

7.14 The post pandemic landscape though not yet fully understood will continue to test financial governance arrangements and risk mitigation strategies. Despite the promise of additional funding for local government in the medium term, additional resources were only allocated for 2022-23 and mainly targeted towards the changes in adult social care. As expected, the council had to use the flexibility offered by the government to support adult social care through a precept equivalent to 2%, (on the basis that these additional funds will be used exclusively for adult social care) and to set a 1.99% increase in council tax for 2022-23 to protect vital frontline services. But there remains continued financial uncertainty regarding government funding of local government beyond 2022-23, as a result of the lack of a multi-year settlement and potential changes to the way local government is funded.

7.15 The council budget for 2022-23 has been based on robust and realistic assumptions and have been subjected to intense budget challenge from council members. However, the uncertainties of the economic environment, the fact we are awaiting a multi-year settlement, the scale of the expenditure reductions faced over the last decade and the growing demands on services, mean that there are still significant risks facing the authority. To mitigate this risk, the budget challenge process will continue to start early in 2022-23 to ensure that there is time to consider options to manage future service and funding risks. A Budget Recovery Board has been established to closely monitor areas where spending has been significantly higher than budgets in 2020-21. These include:

- The costs of temporary accommodation as budgets overspent by £6m in 2021-22.
- The Dedicated Schools Grant (DSG) with a £22m deficit due to significant unfunded pressures on high needs at the end of 2021-22.

Assessing Risk

7.16 The review of the compliance with the FM code in Southwark included reviewing financial sustainability against the CIPFA Financial Resilience Index over the previous two years. The council scored as 'low risk' on the reserve sustainability measure and 'extremely low risk' regarding the change in reserves year on year. The council will need to maintain reserves as additional and significant revenue pressures emerge. The use of General Reserves, the Financial Risk Reserve, the Business Rate Retention Risk Reserve and other reserves all form part of the mitigation strategy against future financial risks

7.17 The corporate risk register has been updated to include economic risks including the risk of inflation and the impact of welfare reform. This has the potential to increase demand for council services such as social care, welfare support and housing creating pressure on budgets. Budget commitments to fund these pressures to ensure service sustainability amounts to £14m in 2022-23.

Changes to council services

7.18 The Health and Care Act will establish statutory Integrated Care Boards and Integrated Care partnerships bringing together community health and commissioning functions and strengthening partnerships between the NHS and local government. The reforms aim to create a more integrated system that can provide longer term focus on improving population health and reducing inequalities. The council are reviewing the changes in practice and cultures that will underpin a more collaborative integrated system and prioritise equalities in access to and outcomes of healthcare for Southwark residents.

7.19 The council will undergo an Ofsted inspection in 2022. The previous inspection undertaken by Ofsted was in 2020 during the pandemic, the overall view was that there was an impressive council response to support children's well being and that young people continue to be safeguarded. The report noted that the areas for improvement were already known to senior managers and plans were in place to address these. These findings will be considered again at the 2022 inspection.

7.20 The government set out its new plan for adult social care reform which included a lifetime cap on the amount anyone will need to spend on their personal care alongside a more generous means-test for local authority support. This will be a significant long term change for local authorities where funding from the levy is uncertain and may not cover the costs of implementation, creating a financial risk to the council and to providers of care.

7.21 The Southwark housing strategy has been updated to reflect changes to the Borough Plan and the New Southwark plan and plans to deliver 11,000 new council homes by 2043 (of which 2,500 delivered or started on site by March 2022); with all new homes to be carbon zero. It is a long term strategy where additional funding will be required and the council will seek to work with partners and lobby central government to bring in this additional funding in the long term.

7.22 The council will have to prepare for the future building safety requirements arising from the Dame Judith Hackitt review and the Grenfell inquiry recommendation. This will change how fire and building safety is managed. Keeping residents safe is a key priority, but resourcing the new requirements will be a particular challenge. New procedures will be required to ensure information is recorded and shared as required, and shared with the various new safety bodies being setup.

7.23 The Climate Emergency is a major focus for the council, working in partnership with stakeholders, partners, staff and residents to tackle the effects of global warming. The Council has published a Climate Emergency strategy setting out how the council will become carbon neutral by 2030, and committed an additional £0.5m to establish a Climate Emergency Team. The challenges will include times where the council's priorities may conflict with each other, for example, the cheapest way to improve homes or build new homes may not be the most environmentally friendly, therefore good governance will be essential to help identify the best solutions to these types of problems.

7.24 There will need to be robust governance in the shared IT service, to ensure the right balance of accessible electronic information and services is maintained with the imperative to ensure the council is 'cyber-secure', so that confidential information and vital services are not compromised.

7.25 Although council performance remains strong, a significant proportion of councils are experiencing the challenges in recruiting and retaining essential staff. Uncompetitive pay has been cited as the most common reason as local government pay scales become less attractive in inflationary periods. And the previous benefits of local authority employment (work/life balance) are being more widely on offer outside of local government. The council will have to ensure that retention and recruitment of professional and experienced staff, the implementation of a 'Smart' working programme, introducing new spaces, technology and ways of working are prioritised. This will be essential to support the ambitious council capital programme and to drive through the commitments in the Borough Plan. Interim management arrangements are in place within Human Resources and Organisational Transformation with service recovery planning in place to address vacancies and capacity gaps. This will be reviewed by the new Chief Executive following her arrival in May 2022.

Conclusion

8.1 The council has been hugely impacted by the Covid-19 pandemic for a second year. Governance arrangements have again been tested but have found to be robust and resilient in 2021-22. The recovery from the pandemic will continue to pose a threat to economic recovery, which is currently being exacerbated by the cost of living crisis which will impact on the demand for council services.

8.2 The council is satisfied that appropriate governance arrangements are in place. We propose over the coming year to take steps to address the matters identified above to further enhance our governance arrangements in these challenging times.

Signed on behalf of Southwark Council:

Althea Loderick

Kieron Williams

Chief Executive
Date:

Leader of the Council
Date:

Annex 1 – The CIPFA/SoLACE framework

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

Codes of Conduct for members and officers reinforce a public service ethos and high standards of behaviour. These are supported by more detailed guidance such as anti-fraud strategy, whistleblowing policy, complaints procedure, contract standing orders, equality and diversity policy (including pledge made in Southwark Stands Together), member and officer protocol.

Priority 2 – Ensuring openness and comprehensive stakeholder engagement

The council engages with stakeholders and partners through joint working arrangements, partnership boards and representation on external bodies' governing boards. Meetings are held in public or access is given to attend Virtual Meetings (unless good reasons for confidentiality) and decisions published on the website. Consultation arrangements are embedded and consultation engagement section on the website includes a consultation hub, forum section. Regular customer surveys are conducted.

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

The council's vision for the borough is set out in Fairer Futures. The borough plan sets out how we will deliver the Fairer Future vision and this is underpinned by departmental, service and business unit plans.

Priority 4 – Determining the intervention necessary to achieve intended outcomes

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

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

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

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

The council has a risk management process to support the management of key risks facing the council. The risk management process is supported by the council's risk management strategy. All departments and business units have risk registers which allocate a risk owner and are regularly reviewed. Internal audit arrangements and audit work programme designed to give assurance on the risk management and internal control processes. The audit, governance and standards committee provides independent assurance of the adequacy of the council's governance arrangements, including its risk management framework and the associated control environment. The council has robust financial management arrangements.

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

Minutes of meetings, key decisions, and register of interests, gifts and hospitality and all items of expenditure over £250 are published on the council's website. The council produces an annual performance report, annual financial statements (including details of senior officer remuneration and member allowances) and an annual governance statement.

Item No. 12.	Classification: Open	Date: 18 July 2022	Meeting Name: Audit, Governance and Standards Committee
Report title:		Compliance with CIPFA Financial Management Code	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the Audit, Governance and Standards Committee note the report.

BACKGROUND INFORMATION

2. In 2020-21, CIPFA introduced the ‘CIPFA Financial Management Code’. The stated purpose was to support and improve councils’ financial resilience enabling them to better meet unforeseen demands on services and to manage unexpected shocks in financial circumstances to provide a strong foundation to manage short, medium and long term finances of the organisation.
3. The Financial Management (FM) code complies with other legislation and associated CIPFA codes and provides evidence of compliance with statutory and professional frameworks. It is based on 6 principles:
 - i) Leadership
 - ii) Accountability
 - iii) Transparency
 - iv) Standards
 - v) Assurance
 - vi) Sustainability

The six principles are translated into 17 Financial Management standards.

4. The code came into effect from 1 April 2020 and authorities were encouraged to work towards compliance with the code in the financial year 2020-21; with full compliance in 2021-22. The report on compliance with the code for the financial year 2020-21 was noted at the 4 June 2021 meeting of the audit, governance and standards committee.

CIPFA FINANCIAL MANAGEMENT CODE

5. The purpose of the FM code is to provide a strong foundation from which to manage financial resilience, to meet unforeseen demands on services and to manage unexpected shocks in financial circumstances. This has been particularly relevant for local authorities during the unexpected financial shock of the Covid-19 pandemic and, more recently, the unexpected need to support the most vulnerable residents through increases in inflation and rising energy

costs. Furthermore, looking forward there is significant uncertainty in local government funding which will require authorities to make prudent provision for future reduction in resources.

6. The Council has reviewed compliance against the code for the 2021-22 financial year. Appendix A details the council's compliance of each FM standard, by reviewing the guidance of evidence required and assessing how the council meets these standards.
7. The section on medium to long term financial management includes a specific FM standard – '*The authority has carried out a credible and transparent financial resilience assessment.*' (Appendix A, Section F, p 14). The council has reviewed this as required through the CIPFA Financial Resilience Index over the previous two years. The Council's reserves are in the bottom third compared to other London Boroughs but as there is a positive and increasing year on year movement is ranked as low risk on the 'reserve sustainability measure' and 'extremely low risk' in the change in reserves year on year.
8. The council will continue to review compliance with the FM code and set a path of continuous improvement in place, including placing the importance of a robust Fairer Futures Medium Term Financial Strategy (FFMTFS) as a key element in sustainability and coordinating the review of balance sheet management.

Community, equalities (including socio-economic) and health impacts

Community impact statement

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

Equalities (including socio-economic) impact statement

10. This report is not considered to contain any proposals that would have a significant equalities impact.

Health impact statement

11. This report is not considered to contain any proposals that would have a significant health impact.

Climate change implications

12. This report is not considered to contain any proposals that would have a significant impact on climate change.

Resource implications

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

Consultation

14. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

15. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Financial and Information Governance files	Finance and Governance, Second Floor, Tooley Street	Geraldine Chadwick

APPENDICES

No.	Title
Appendix A	CIPFA Financial Management Code 2021-22

Audit Trail

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Geraldine Chadwick, Interim Technical Accountant.	
Version	Final	
Dated	4 July 2022	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Governance	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team	4 July 2022	

Appendix A CIPFA Financial Management Code 2021-22

Review of Southwark Council’s compliance with the CIPFA Financial Management Code 2021-22.

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Appendix A CIPFA Financial Management Code 2021-22

Introduction

CIPFA Statement on the Purpose of the Code

- Purpose of the code is to provide a strong foundation to manage the short, medium and long term finances of the organisation. To manage financial resilience, to meet unforeseen demands on services and to manage unexpected shocks in financial circumstances.
- The code complies with other legislation and associated CIPFA codes and is evidence of compliance with statutory and professional frameworks
- The code is a principle based approach. There are 6 principles:-
 - i) Leadership
 - ii) Accountability
 - iii) Transparency
 - iv) Standards
 - v) Assurance
 - vi) Sustainability
- The six principles are translated into seventeen Financial Management (FM) standards (denoted from A-Q), grouped into seven sections (Table 1)
- The code came into effect from 1 April 2020 and full compliance required for the financial year 2021-22.

Appendix A CIPFA Financial Management Code 2021-22

Table 1 Link between Sections, Standards and Principles

Section		Standard	Principles
The responsibilities of the CFO and leadership team	A	The leadership team demonstrates services provide value for money	Leadership
	B	Compliance with CIPFA Statement on the role of the Chief Finance officer in Local Government (2016)	Leadership
Governance and financial management style	C	Leadership team demonstrates in its actions and behaviours responsibility for governance and internal control	Assurance
	D	Applies CIPFA/SOLACE <i>Delivering Good Governance in Local Government: Framework (2016)</i>	Accountability
	E	Style supports financial sustainability	Sustainability
Medium to long term financial management	F	The authority has carried out a credible and transparent financial resilience assessment	Assurance
	G	The authority understands the prospects of sustainability and reported to members	Sustainability
	H	The authority complies with the <i>CIPFA Prudential Code for Capital Finance in Local Authorities</i>	Standards
	I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	Sustainability
The Annual Budget	J	The authority complies with its statutory obligations in respect of the budget setting process	Standards
	K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement of the adequacy of the proposed	Standards

Appendix A CIPFA Financial Management Code 2021-22

		financial reserves	
Stakeholder Engagement and business case	L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	Transparency
	M	Authority uses appropriate documented option appraisal methodology to demonstrate value for money decisions	Transparency
Monitoring financial performance	N	The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	Assurance
	O	The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability	Leadership
External financial reporting	P	The chief finance officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the <i>Code of Practice on Local Authority Accounting in the United Kingdom</i>	Accountability
	Q	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions	Accountability

Appendix A CIPFA Financial Management Code 2021-22

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>A The leadership is able to demonstrate that the services provided by the authority provide value for money (VfM)</p> <p>Key questions</p> <ul style="list-style-type: none"> • Does the authority have a clear and consistent understanding of what value for money means to it and to its leadership team? • Does the authority have suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services? • Is the authority able to demonstrate the action that it has taken to promote value for money and what it has achieved? 	<p><u>Exploring VfM</u>, and principles of VfM as the four pillars of economy, efficiency, effectiveness, equity</p> <p><u>Promote VfM</u> through,</p> <ul style="list-style-type: none"> -a clear governance structure -scrutiny arrangements -audit arrangements (remit for VfM) -corporate plan -annual budget detailing plans to deliver strategy -financial regulations -procurement regulations -contract management regulations -systematic approach to identifying and managing risk - compare VfM with others (efficiency reviews, benchmarking, peer review, monitoring of performance data, service reviews, user surveys, external assessments) -equity – equality impact assessments, engagement with service users and voluntary organisations <p><u>Demonstrate VfM</u></p> <ul style="list-style-type: none"> - Overview of governance arrangements 	<p><u>Exploring VfM</u>. Fairer futures promises Fairer future budget principles / Borough Plan</p> <p><u>Promote and demonstrate VfM</u></p> <ul style="list-style-type: none"> -clear governance structure. Constitution – updated July 2021, including financial regulations -Overview and Scrutiny committee meets 6-7 times a year, examines performance of services -corporate plan- new Borough plan in November 2020 setting out renewed strategy - annual budget in February 2022, links to fairer futures promises and budget principles and commitment to keeping CT low by delivering value for money across all services, efficiencies and improved use of resources. -details of savings achieved and targets met through savings tracker -Procurement and contract management regulations- Fairer Future Procurement Framework approved June 2019 and updated January 2021 sets out expectations for ethical corporate behaviour, including consideration of ‘blacklisting’ activity -Contracts and grant agreements include requirements in respect of commitment to London Living Wage, Diversity Standard (approved February 2016), Ethical Care Charter

Appendix A CIPFA Financial Management Code 2021-22

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<ul style="list-style-type: none"> - Details of savings achieved - Results of surveys - Address in narrative reports or AGS in financial statements - Provide info via its website on VfM <p><u>Delivery VfM in services delivered by alternative mechanisms,</u></p> <ul style="list-style-type: none"> - Outsourcing - PFI - trading companies - Maintain effective 'line of sight' accountability arrangements (governance, progress monitoring) 	<ul style="list-style-type: none"> -comparative data across London used to inform decisions -Record of professional advice in reaching decisions – record of financial, legal and procurement advice provided by officers is included in concurrents in decision reports -Publication of decisions, minutes and reports on council's website -Publication of open data, narrative report and AGS on website -The Borough Plan contains a range of commitments, underpinned by a set of detailed performance schedules, with responsibility for each commitment apportioned across the cabinet portfolios ensuring transparency and accountability.
<p>B The authority complies with the <i>CIPFA Statement on the Role of the Chief Finance Officer in Local Government</i></p> <p>Key questions</p> <ul style="list-style-type: none"> • Is the authority's CFO a key member of the leadership 	<p>5 principles.</p> <p>Principle 1: Key member of the leadership team.</p> <p>Principle 2: Actively involved in all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered and aligned with the authority's overall financial strategy.</p> <p>Principle 3: Lead the promotion and delivery of good financial management</p>	<p>Compliance with CIPFA's Statement on the Role of the Chief Financial officer in Local Government (CIPFA, 2015) and CIPFA's Statement on the Role of the Head of internal Audit in Public Services Organisations (CIPFA, 2010) – as confirmed in the annual governance statement</p> <ul style="list-style-type: none"> -Member of Chief Officers team -Attendance at all cabinet meeting, council assembly. Actively engaged in budget and policy and resources strategy.

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>team, involved in, and able to bring influence to bear on, all material business decisions?</p> <ul style="list-style-type: none"> • Does the CFO lead and champion the promotion and delivery of good financial management across the authority? • Is the CFO suitably qualified and experienced? • Is the finance team suitably resourced and fit for purpose? 	<p>Principle 4: Lead and direct a finance function that is resourced to be fit for purpose.</p> <p>Principle 5: The CFO in a local authority must be professionally qualified and suitably experienced.</p>	<p>-Sound financial management, reviewed against CIPFA resilience index and comparative data</p> <p>-Finance function staffed mainly through long term permanent staff with good levels of knowledge and experience.</p> <p>-CFO CIPFA qualified with 17 years as CFO in Southwark.</p>

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Governance and financial management style

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>C The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control</p> <p>Key questions</p> <ul style="list-style-type: none"> • Does the leadership team espouse the Nolan principles? • Does the authority have in place a clear framework for governance and internal control? • Has the leadership put in place effective arrangements for assurance, internal audit and internal accountability? • Does the leadership team espouse high standards of governance and internal control? • Does the leadership team nurture a culture of effective governance and robust internal control across the authority? 	<p><u>Governance structure</u> (terms of reference, scheme of delegation, conduct at meetings). Transparent constitution that's available to public</p> <p><u>Clear arrangements for assurance and accountability</u></p> <ul style="list-style-type: none"> -internal audit planning and reporting -risk management -effective audit committee -recommendations from external auditor acted upon promptly <p><u>Ensuring high standards of governance and internal control</u></p> <ul style="list-style-type: none"> -code of conduct for leadership team -register of interests -constructive challenge (audit, scrutiny and oversight committees, stakeholder engagement) -realism bias (robust analysis of data , evidence based savings, robust decision making procedure) -balanced decision making-between desired 	<p><u>Governance structure</u></p> <ul style="list-style-type: none"> -Member and officer protocol -Constitution – updated July 2021 on website. The constitution states what powers are delegated to the cabinet, committees, individual members and what matters are reserved for collective decision of the council. This is updated annually through a review of the constitution -Scheme of delegation sets out roles and responsibilities, links to departmental schemes and sets clear arrangements for internal control and role of internal and external audit. Reviewed at least annually in the light of legal and organisational changes. <p>Standing orders and financial regulations which are reviewed on a regular basis</p> <p>Conduct at meetings</p> <p>Shared values guide decision making</p> <p>Whistleblowing policy</p> <p>Complaints procedure</p> <p>Anti-fraud strategy and fraud and bribery</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<p>social outcome and financial resources, and admin efficiency</p> <p><u>Culture of good governance</u>(continuous improvement, reward good behaviours in perf monitoring)</p>	<p>response plan</p> <p>Registers of interest (members and staff)</p> <p>Registers or gifts and hospitality</p> <p><u>Clear arrangements for assurance and accountability</u></p> <p>Effective internal audit service is resourced and maintained – annual report to audit, governance and standards committee in accordance with CIPFAs <i>Position statement on Audit Committee in Local Authorities and Police (2018)</i></p> <p>Audit, governance and standards committee complies with best practice as defined by CIPFA in terms of terms of reference, membership and training</p> <p>Effective external audit with recommendations acted on promptly- evidenced in audit committee minutes</p> <p><u>Ensuring high standards of governance and internal control.</u></p> <p>Codes of conduct for members and officers. Codes of conduct consistent with the latest recommendations from the Committee on Standards in Public Life reported in its 2019</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
		<p>report <i>Local Government Ethical Standards</i></p> <p>Declarations of interests made at meetings</p> <p>Scrutiny of ethical decision making forms integral part of scrutiny members' function</p> <p>Championing ethical compliance at governing body level – e.g. zero tolerance of fraud and bribery</p> <p>Evidence of budget scrutiny and realistic analysis of data. Cabinet scrutiny budget strategy. Rigorous departmental budget challenge process, refined budget remit and review of budget options. Process more difficult due to one year settlement process.</p> <p><u>Culture of good governance</u></p> <p>Induction for new members and staff on expected standard of behaviour</p> <p>Communicating shared values with members, staff, the community and partners – leader's public question time</p> <p>Southwark staff performance outcomes linked to delivery of council commitments. Performance management system and appraisals</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>D The authority applies the CIPFA/SOLACE <i>Delivering Good Governance in LG: Framework (2016)</i></p> <p>Key questions</p> <ul style="list-style-type: none"> • Has the authority sought to apply the principles, behaviour and actions set out in the framework to its own governance arrangements? • Does the authority have in place a suitable local code of governance? • Does the authority have a robust assurance process to support its AGS? 	<p>Assess governance structures, maintain local code of governance, report publicly on compliance with code and how plans to improve (undertake in AGS)</p> <p>Adherence to the Principles of the good governance framework in the CIPFA code</p> <p>Adherence to ethical codes and rule of law</p> <p>Openness and stakeholder engagement</p> <p>Sustainable economic, social environmental benefits</p> <p>Achievement of intended outcomes</p> <p>Capability and capacity within organisation to achieve this</p> <p>Managing risks and performance</p> <p>Transparency , reporting and audit</p>	<p>The Council has a clear framework for governance and internal control.</p> <p>Local code of governance maintained. Review of code reported to audit governance and standards committee 2 June 2021. Annual governance statement demonstrates adherence to CIPFA code.</p> <p>AGS draft and final were reported to June 2021 and Sept 2021 meetings. Demonstrates compliance with CIPFA code. Details the sustainability of resource use, identifies risks and mitigations to identified risks.</p> <p>Open and transparent process reported and discussed at audit standards and governance committee. Looks to continuous improvement ethos and reviews external factors</p> <p>Departmental directors review annually the governance and assurance arrangements of their departments with reference to departmental risk registers, audit reports and internal and external reviews.</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
		Scrutiny of ethical decision- making forms integral part of scrutiny members' function
<p>E The financial management style of the authority supports financial sustainability</p> <p>Key questions</p> <ul style="list-style-type: none"> • Does the authority have in place an effective framework of financial accountability? • Is the authority committed to continuous improvement in terms of the economy, efficiency, effectiveness and equity of its services? • Does the authority's finance team have appropriate input into the development of strategic and operational plans? • Do managers across the authority possess sufficient financial literacy to deliver services cost-effectively and to be held accountable for doing so? • Has the authority sought an external view on its financial style, for example through a process of peer review? 	<p><u>Robust approach to ensuring financial stability, able to plan for and have appropriate skills and training to deliver</u></p> <p>changes in LG funding ageing population pressures of adults and childrens social care greater efficiency in response to resource constraints demand for affordable housing uncertainty with Brexit new risks with commercialisation</p> <ul style="list-style-type: none"> • <u>Style of financial management team and leadership that enables transformation of services whilst maintaining accountability and supporting performance of services</u> -requires leadership that focuses on strategic direction and sets correct tone (accountable, supports performance through MTFs) -people with correct competencies (business partnering, budgets robust on accrual basis, 	<p>Robust financial management framework (Financial standing orders; financial regulations; Contract standing orders; risk management strategy)</p> <p>Procurement decisions require consideration of economic, social and environmental issues to ensure obligations under Public Services (Social Value) Act 2012 are met</p> <p>Record of decision making – decision making report template includes requirement under policy implications to report on sustainability considerations where relevant</p> <p>Budget strategy discusses key service pressures (adults and children's social care; affordable housing, Brexit , changes in local government funding) and AGS reiterate the significant internal and external risks to the council</p> <p><u>Finance Team</u></p> <p>Leadership team reviews the Medium Term financial strategy on a continuous basis.</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<ul style="list-style-type: none"> Do individuals with governance and financial management responsibilities have suitable delegated powers and appropriate skills and training to fulfil these responsibilities? 	<p>accurate financial transactions, reporting and forecasting accurately)</p> <p>-processes that support strategy</p> <p>-stakeholder relationships (evidence to external stakeholders of integrity and performance)</p> <p>Peer review gives best assessment of financial management style.</p>	<p>Updating formally annually and during year as material events (local government funding / Covid-19) impact on financial plan.</p> <p>Finance department well qualified and experienced staff members. Business partnering, quarterly reporting to cabinet</p> <p>Provision of appropriate training to ensure staff have appropriate skills to support the delivery of services and transformational change as well as securing good stewardship</p> <p>Peer review – Treasurer to treasurer review with Lewisham (May 2021)</p>

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Long to medium term financial management

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>F The authority has carried out a credible and transparent financial resilience assessment</p> <p>Key questions</p> <ul style="list-style-type: none"> • Has the authority undertaken a financial resilience assessment? • Has the assessment tested the resilience of the authority’s financial plans to a broad range of alternative scenarios? • Has the authority taken appropriate action to address any risks identified as part of the assessment? 	<p><u>Financial resilience assessment</u></p> <p>The authority must explore the sensitivity of its financial resilience to alternative plausible scenarios for key drivers of costs, service demands and resources focusing on the LT</p> <p>Assessment needs to be credible (undertaken by qualified and experienced person/team; - independent of the authority itself;-with evidence from interviews and documentation)</p> <p>Assessment needs to be transparent (overseen by authority leadership team or committee; terms of reference; clear report and recommendations)</p> <p>Factors within the assessment statement</p> <ul style="list-style-type: none"> -getting routine management right (annual budget, assigning to budget holders, regular budget monitoring and actions to address variations, reported to senior management) -planning and managing capital resources well (capital strategy, asset management plan, regular reporting) -using PM effectively. (Benchmarking with other 	<p><u>Financial resilience assessment</u></p> <p>Southwark complies with section 25 of LG Act 2003, on robustness of estimates and adequacy of reserves allowed for in the authority’s annual budget.</p> <p>Budget principles underpin council’s budget decisions and seek to limit impact of budget cuts on the most vulnerable</p> <p>Regular budget monitoring with budgets assigned to managers, and DFM held accountable for reporting and actioning significant variances. Capital and Revenue Budget monitoring reported to Cabinet.</p> <p>PM reported quarterly and data (where possible) reviewed against other authorities e.g. CT collection rates.</p> <p>Council’s risk management strategy ensures proper management of the risk to the achievement of the council’s priorities</p> <p>Decision making reports require consideration of current and potential risks</p> <p>Single register for all savings plans – agreed by</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<p>LAs; national data; internal performance information; peer review)</p> <p>-having clear plans for delivering savings (single central record of consolidated plan for savings, categorised by extent agreed/planned/ achieved; ; challenge from finance staff; oversee implementation)</p> <p>-Managing reserves well (policy on level of reserves and how they are to be used; use reserves for future activities and savings implementation and not to plug funding gaps)</p> <p>-carry out credible and transparent financial resilience assessment (guidance (p.55) gives prescriptive list of scope of assessment , documentation and relevant key</p>	<p>council members and revised through from Sept to Feb.</p> <p>Review undertaken of the CIPFA financial resilience index over last 3 years. The council's reserves are in the bottom third quartile compared to other London Boroughs, but as there is a positive and increasing increase year on year both the measure for the change in reserves and reserve sustainability is ranked as 'low risk'</p>
<p>G The authority understands the prospects of sustainability and reported to members</p> <p>Key Questions</p> <ul style="list-style-type: none"> • Does the authority have a sufficiently robust understanding of the risks to its financial sustainability? • Does the authority have a strategic plan and 	<p><u>Strategic Planning</u></p> <p>Authorities to set up long- term strategic planning usually on a rolling period of five years. This plan will set out the authorities' vision and how it plans to achieve its vision.</p> <p>Alongside this there will be a financial strategy (which could be part of the strategic plan) which focuses on how the authority will finance their aims, strategies and activities set out in the</p>	<p>P and R strategy report to 2024-25 refreshed remit, reported to Cabinet in January 2022. Scenario planning- and options and identification of efficiency savings to enable sustainable finances whilst assessing and incorporating service demand commitments into long term planning.</p> <p>Contingency reserve of £4m for financial risk maintained</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>long-term financial strategy that adequately address these risks?</p> <ul style="list-style-type: none"> • Has the authority sought to understand the impact on its future financial sustainability of the strategic, operational and financial challenges that it might face (e.g. using a technique such as scenario planning)? • Has the authority reported effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these for short and medium-term decision making? 	<p>strategic plan.</p> <p>Up to ten years is a reasonable horizon for longer-term financial planning at significantly reduced level of details.</p> <p><u>Financial Strategy</u></p> <p>There are a broad range of factors that affect the authorities long-term financial success</p> <ul style="list-style-type: none"> • Balance of authorities sources of income and exposures to volatile income streams • Authorities cost base and to what extend costs are fixed, stepped or variable within a timeframe considered • Asset Management priorities • Capital Programme • Policies, procedures, financial systems and processes • Relationship with key stakeholders <p>The development of longer-term financial strategies can be characterised by the use of Scenario planning in contrast to forecasts. This should represent plausible scenarios and reject</p>	<p>Climate change strategy to 2030.</p> <p>Capital programme reported to cabinet (February 2021, June 2021, September 2021, Feb 2022)</p> <p>Budget principles underpin council’s budget decisions and seek to limit impact of budget cuts on the most vulnerable</p> <p>Record of decision making and supporting materials – decision making report template includes requirement under policy implications to report on sustainability considerations where relevant</p> <p>Risk management strategy</p> <p>Asset management plan (January 2021 Cabinet) which sets a policy framework and aligns to the council’s strategic corporate priorities. Has changed to reflect financial uncertainty from austerity, impact of Covid-19 and recovery from it and Brexit. Recognises that only essential, affordable investment is undertaken that meets strategic priorities.</p> <p>All cabinet members have a responsibility to ensure that risk is well managed, with the cabinet member for finance, performance and</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<p>extreme scenarios.</p> <p><u>Communication to Members</u></p> <p>Authorities should communicate to members what financial sustainability is, its importance, and how the authority is going about realising and handling threats.</p>	<p>Brexit having specific accountability for corporate risk management. All departments have departmental risk champions and the strategic director of finance and governance is the corporate risk champion. All departments and business units have risk registers and all risks are allocated an owner.</p> <p>Audit, governance and standards committee also reviews risk management arrangements.</p> <p>Earmarked reserves for possible change in LG funding review. Review of all funding streams and scenario planning for 3 levels of risk.</p> <p>Departmental reviews of cost basis on a risk basis.</p> <p>Budget report sets out Medium term and long term financial risks.</p>
<p>H The authority complies with the <i>CIPFA Prudential Code for Capital Finance in Local Authorities</i></p> <p>Key Questions</p> <ul style="list-style-type: none"> • Has the authority prepared a suitable capital strategy? • Has the authority set prudential indicators in line with the Prudential Code? • Does the authority have in place suitable 	<p><u>Capital Strategy</u></p> <p>There should be a capital strategy in place that sets out the long-term context in which capital expenditure and investment decisions are made and that gives due consideration to risk and reward and to impact on the achievement of the authorities priorities.</p>	<p>Capital and Treasury Management strategy 2022-23 report , which meets the requirements of CIPFA’s Treasury Management and Prudential Codes (2021-24) , is considered by audit, governance and standards committee each year prior and in 2021-22 taken to November 2021 meeting, prior to approval by council assembly.</p> <p>Investment strategy has been informed by</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>mechanisms for monitoring its performance against the prudential indicators that it has set?</p>	<p>The capital strategy should address key themes within -</p> <p>Capital expenditure</p> <ul style="list-style-type: none"> • Overview of governance process regarding capital expenditure with links to the authorities policies on capitalisation • A long-term view of capital expenditure plans where long term is defined by the financing strategy of, and risk faced by the authority with reference to the life of projects/assets. • Overview of asset management planning and any restrictions the authority may face in terms of borrowing, funding or capital finance <p>Debt, borrowing and treasury management</p> <ul style="list-style-type: none"> • A projection of external debt and the use of internal borrowing to support capital expenditure, provisions for the repayment of debt, • The authorised limit and operational 	<p>advice from an external treasury advisor.</p> <p>Key areas highlighted are the council’s borrowing strategy and debt management activity. Policy of internal borrowing from reserves to temporarily fund capital expenditure where possible. The council has borrowed externally from PWLB in 2021-2022, but as interest rates are low, more cost effective in short term to use short term loans from other authorities.</p> <p>Capital strategy report – overview of associated risk management of capital expenditure, financing and treasury management</p> <p>Treasury management strategy statement 2021-22 assesses the council’s financial risks from treasury activity, and details the council’s net borrowing position, investments, borrowing strategy and debt management.</p> <p>The annual investment management strategy 2022-23, states the council’s investment objectives and investment limits.</p> <p>Annual Minimum Revenue provision Statement 2022-23.</p> <p>Capital strategy – 2022-23 to 2030-31 aligns to</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<p>boundary for the following year</p> <ul style="list-style-type: none"> The authorities approach to treasury management including processes in place to ensure effective due diligence and defining risk appetites in respect of such activity <p>Commercial activity</p> <ul style="list-style-type: none"> Approach to commercial activities ensuring effective due diligence <p>Other long-term liabilities</p> <ul style="list-style-type: none"> Overview of the governance process <p>Knowledge and skills</p> <ul style="list-style-type: none"> Summary of the knowledge and skills available to the authority <p>The authority should set up prudential indicators for the forthcoming and following years before the beginning of the financial year.</p> <p>The CFO is required to establish procedures to monitor performance against all forward-looking indicators.</p> <p>Specify prudential indicators for capital</p>	<p>Borough Plan, specifies core principles and a governance framework. Long-term strategy to be carbon neutral by 2030, additional funding to climate strategy.</p> <p>Commercial activity and investment property, loans and liabilities– set out in capital strategy report.</p> <p>Knowledge and skills set out in capital strategy report</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	expenditure, external debt and affordability.	
<p>I The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans</p> <p>Key Questions</p> <ul style="list-style-type: none"> • Does the authority have in place an agreed medium-term financial plan? • Is the medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy? • Has the medium-term financial plan been prepared on the basis of a robust assessment of relevant drivers of cost and demand? • Has the medium-term financial plan been tested for resilience against realistic potential variations in key drivers of cost and demand? • Does the authority have in place a suitable asset management plan that seeks to ensure that its property, plant and equipment including infrastructure assets contribute effectively to the delivery of services and to the achievement of the authority’s strategic aims? 	<p><u>The Medium-Term Financial Plan</u></p> <p>The MTFP is a translation of the authority’s strategy into the near plan and provides a critical link between the authorities’ financial strategy and service delivery.</p> <p>For an effective medium term financial plan it should be</p> <ul style="list-style-type: none"> • Be integrated with the authorities service plans and its capital strategy • Respond to uncertainty in the authorities funding regime • Translate the authorities longer-term aims into the medium term • Be developed in a robust manner • Integrate suitable drivers of demand and cost (PESTLE analysis) • Be subjected to sensitivity analysis to allow any vulnerabilities to be identified (probability spread, regression analysis) 	<p>P and R strategy report to 2024-25 refreshed remit, reported to Cabinet in January 2022. Scenario planning- and options and identification of efficiency savings to enable sustainable finances whilst assessing and incorporating service demand commitments into long term planning.</p> <p>Contingency reserve of £4m for financial risk maintained</p> <p>Climate change strategy to 2030.</p> <p>Capital programme reported to cabinet (February 2021, June 2021, September 2021, Feb 2022)</p> <p>Fairer future vision and principles / Borough Plan</p> <p>Renewed Asset management plan (January 2021 Cabinet), which sets a policy framework and aligns to the council’s strategic corporate priorities, changed to reflect financial uncertainty from austerity, impact of Covid-19</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<p>The asset management plan might include</p> <ul style="list-style-type: none"> • An overview of the authorities asset portfolio • Assessment of the condition and performance of the assets held • The authorities priorities for maintaining, enhancing, adding to and divesting from its asset portfolio • The actions that will be taken to achieve these priorities, together with the outputs and outcomes that are to be achieved • The resources necessary to maintain and improve the asset’s portfolio and how it will be secured • Timescales and responsibilities for the actions identified 	<p>and recovery from it and Brexit. Recognises that only essential, affordable investment is undertaken that meets strategic priorities. Includes a detailed investment strategy methodology to ensure limited resources are used effectively (Detailed criteria/ weightings/Business case) Methodology reviewed regularly through the Asset Investment Board.</p> <p>Defined decision making processes and structures for management Planning is in place across all parts of the asset base, under the lead of the Council’s Director of Regeneration and Head of Property.</p> <p>Asset management plan sits alongside the Medium Term Financial Strategy and the Capital Investment Strategy.</p> <p>Capital programme and capital investment strategy</p>
The Annual Budget		

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>J The authority complies with its statutory obligations in respect of the budget setting process</p> <p>Key Questions</p> <ul style="list-style-type: none"> • Is the authority aware of its statutory obligations in respect of the budget-setting process? • Has the authority set a balanced budget for the current year? • Is the authority aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so? 	<p><u>Statutory requirements regarding Budget-Setting</u></p> <ul style="list-style-type: none"> • Local Government Act 2000 requires councils to approve the annual budget, on the recommendation of the executive or equivalent, together with the associated council tax demand • Local Government Act 2003, Section 25 requires the S151 officer to report on the council's robustness of their estimates made in the annual budget and on the adequacy of the proposed financial reserves assumed in the budget calculations. <p>Setting a robust and sustainable budget (in accordance with Local Government Finance Act 1992)</p> <ul style="list-style-type: none"> • The expenditure that the authority estimates it will incur in the year in performing its functions • An allowance for contingencies in relation to this expenditure • The financial reserves that the authority estimates will need to raise in the year 	<p>Budget principles underpin council's budget decisions and seek to limit impact of budget cuts on the most vulnerable</p> <p>Monitoring officer is responsible to the council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with</p> <p>Balanced budget set for 2022-23 despite years of austerity and impact of the pandemic. Budget report (Feb 2022 cabinet report) itemises changes in resources available, efficiencies and savings, and impact of demand pressures and growth commitments arising from councils priorities. Full budget report with accompanying appendices detailing the budget context, the proposals by department and the governance process.</p> <p>Statement included on the adequacy of the reserves. Use of reserves in 2021-22 due to exceptional circumstances and small contribution expected next year of £1m</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<p>meets its estimated future expenditure</p> <ul style="list-style-type: none"> Such financial reserves might be required to fund deficits generated in previous periods 	
<p>K The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves</p> <p>Key Questions</p> <ul style="list-style-type: none"> Does the authority's most recent budget report include a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves? Does this report accurately identify and consider the most significant estimates used to prepare the budget, the potential for these estimates being incorrect and the impact should this be the case? Does the authority have sufficient reserves to ensure its financial sustainability for the foreseeable future? Does the report set out the current level of 	<p>Identify how estimates are made e.g.</p> <ul style="list-style-type: none"> The level of demand for individual services Staff pay levels and pension scheme contribution levels Interest rates, likely returns on financial investments and other capital finance issues Pressures on major capital projects The level of funding received through council tax and other sources Receipts from the sale of capital assets The achievement of savings plans and targets 	<p>Budget report by Strategic Director of Finance and Governance details</p> <ul style="list-style-type: none"> The 2021-22 financial performance, noting the continuing impact of the pandemic and the resultant financial pressures and mitigations put into place. Planned contingency of £4m maintained for 2021-22 Staff pay awards, inflation, savings and commitments Funding through CT and BR and fees and charges

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>the authority's reserves, whether these are sufficient to ensure the authority's ongoing financial sustainability and the action that the authority is to take to address any shortfall?</p>	<p>The authority's financial reserves should only balance general reserves should only be used for</p> <ul style="list-style-type: none"> • Planned investment • Capital projects • Change programmes • Unexpected events such as natural disasters • Other reasonable uses for which they have been earmarked 	
<p>Stakeholder engagement and business plans</p>		
<p>L The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget</p>	<p>In order to comply with this code authorities are encouraged to consider the extent of stakeholder engagement in the LT strategy/MT financial plan and annual budget.</p>	<p>Open meetings, consultation process Council assembly meetings / democratic engagement events (e.g. leader's public question time) held around the borough</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>Key Questions</p> <ul style="list-style-type: none"> • How has the authority sought to engage with key stakeholders in developing its long-term financial strategy, its medium-term financial plan and its annual budget? • How effective has this engagement been? • What action does the authority plan to take to improve its engagement with key stakeholders? 	<ul style="list-style-type: none"> • Identify key stakeholders • Engage effectively • Use the results of this engagement wisely <p>Where the authority has good productive strategic relationship with its key stakeholders, this level of engagement may not be necessary, providing the needs of these stakeholders are sufficiently well understood.</p>	<p>The council's Fairer Future vision is informed through outcome of consultation. In turn, the vision's five principles and ten promises set out how the Council will deliver its objectives. The borough plan therefore sets the framework for, and is informed by, business plans. Business plans at a service and functional area level highlight how the results of consultation have impacted on forward planning as appropriate</p> <p>Regular customer surveys</p> <p>Consultation in respect of key decisions and through area based meetings.</p> <p>'Consultation engagement' section on council's website includes a consultation hub, forums section</p> <p>P and R strategy review to 2025, informed by 'Southwark conversation' with 3000 residents and renewed borough plan 2018-22 consulted on to inform council priorities. In addition, consultation on the Voluntary and Community strategy was conducted to ensure that all sections of the voluntary and community sector could contribute to the development of the strategy, and a series of four open Invitation listening events, which recognised</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
		<p>need to find new ways of making the most of diminishing budgetary resources. There has also been consultation on the development of the policy and policy drafts through the Health and Wellbeing Board, Children’s and Adults’ Board, the Forum for Equalities and Human Rights, the council’s departmental commissioning network and the council/VCS Liaison Group.</p>
<p>M The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions</p> <ul style="list-style-type: none"> • Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication <i>Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal</i>? • Does the authority offer guidance to officers as to when an option appraisal should be undertaken? • ☑ Does the authority’s approach to option appraisal include appropriate techniques for the qualitative and quantitative assessment of options? 	<p>Option Appraisal Methodology</p> <ul style="list-style-type: none"> • Understanding what the authority wants to achieve • Generating options • Assessing the options • Making the decision <p>Use CIPFAs ‘Option appraisal: A practical guide for public service organisations’</p> <p>Authorities also need to know when to undertake an optional appraisal - strategic importance, the time horizons, conflicting priorities, risk and uncertainty.</p> <p>When considering non-financial factors in an option appraisal, including –</p>	<p>Decision making practices</p> <p>Fairer Future Procurement Framework – sets framework for what the council wants to achieve. Series of gateway reports.</p> <p>Examples in 2021-22 – Gateway 0 – Strategic Options Assessment for service provision of a managed service provider for temporary staff made by Cabinet Member for Finance in June 2021, Strategic Options Assessment for the provision of genito-urinary medicine services presented to June 2021 Cabinet and Gateway 0 on Children’s Residential Provision presented to February 2022 Cabinet.</p> <p>-identified key drivers for change</p> <p>-adapted decision making to take into consideration the impact of Covid pandemic on</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<ul style="list-style-type: none"> • Does the authority's approach to option appraisal include suitable mechanisms to address risk and uncertainty? • Does the authority report the results of option appraisals in a clear, robust and informative manner that gives clear recommendations and outlines the risk associated with any preferred option(s)? 	<ul style="list-style-type: none"> • Economic appraisal • Cost-benefit analysis • Multi-criteria analysis • Impact assessments <p>There are range of techniques that the authority can use to address uncertainty</p> <ul style="list-style-type: none"> • Risk and uncertainty – use adjusted discounted rates to compensate for the inherent uncertainty surrounding cash flows for higher risk projects or activities • Sensitivity analysis • Optimism bias • Peer reviews • Post implementation reviews <p>While the authority will need to tailor the appraisal report to the needs of the particular to be made, the following elements might usefully be included</p> <ul style="list-style-type: none"> • Approach • Constraints 	<p>operation and financial performance of sport. Financial risk increased with outsourcing of contract.</p> <ul style="list-style-type: none"> - peer-review and benchmarking of other London boroughs basis of provision -generation of options over the long term- in-house/contracted /creation of LA controlled company. -Option appraisal through evaluation criteria-multi criteria analysis/risk assessment -community impact assessment

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<ul style="list-style-type: none"> • Long and short list of options • Non-financial analysis of short-listed options • Risk • Sensitivity analysis • Optimism bias • Peer review • Post-implementation review 	
Monitoring financial performance		
<p>N The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability</p> <p>Key Questions</p> <ul style="list-style-type: none"> • Does the authority provide the leadership team with an appropriate suite of reports that allow it to identify and to correct emerging risks to its 	<p>In order for the leadership team to have access to the information it needs to identify emerging risks, leadership must:</p> <ul style="list-style-type: none"> • Receive reports about the right things (planning assumptions/financial performance against budgets/risks short, medium and long term plans/Performance in implementing savings initiatives • Receive reports at the right time (critical 	<p>Regular reviews of activities, outputs and planned outcomes, including discussion of risks in achievability</p> <p>Annual performance reports</p> <p>Risk management strategy / policy has been formally approved and adopted and is reviewed and updated on a regular basis</p> <p>Reports are clear, written to a standard format. Reports are accurate and clear.</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>budget strategy and financial sustainability?</p> <ul style="list-style-type: none"> Do the reports cover both forward and backward-looking information in respect of financial and operational performance? Are there mechanisms in place to report the performance of the authority's significant delivery partnerships such a contract monitoring data? Are the reports provided to the leadership team in a timely manner and in a suitable format? Is the leadership team happy with the reports that it receives and with its ability to use these reports to take appropriate action? 	<p>reports at right time)</p> <ul style="list-style-type: none"> Receive reported in the right format (clear/concise/accurate) Takes action in respect of any issues identified (minutes as a record of action) <p>EG Reports that allow the monitoring of financial performance against budget could include</p> <ul style="list-style-type: none"> Budget for period under consideration Accruals-based income and expenditure to date A forecast for the remainder of the year and an estimate of the year-end position Relevant underlying service activity data Action to be taken to address any variation from budget Who to contact for further information 	<p>Budget monitoring reports at period 5 and period 8 reported to cabinet</p> <ul style="list-style-type: none"> Budget and actual by period, and spend includes commitments; forecast outturn. Demand numbers and unit costs underpin numbers Mitigations required for all variances from budget Defined line management structures in place
<p>O The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and</p>	<p>The CIPFA publication Balance Sheet Management in Public Services: A Framework for Good Practice (2007) outlines a number of elements of good practice for balance sheet</p>	<p>Regular reviews of activities, outputs and planned outcomes, including discussion of risks in achievability</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>financial sustainability</p> <ul style="list-style-type: none"> • Has the authority identified the elements of its balance sheet that are most critical to its financial sustainability? • Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet? • Is the authority taking action to mitigate any risks identified? • Does the authority report unplanned use of its reserves to the leadership team in a timely manner? • Is the monitoring of balance sheet risks integrated into the authority's management accounts reporting processes? 	<p>management from a governance perspective. Including:</p> <ul style="list-style-type: none"> • In organisational management emphasis is placed on BSM activities and considerations • BSM requirements are addressed coherently and comprehensively across all strategies and plans • BSM responsibilities are identified and assigned to appropriate people • The authorities decision making framework is effective and requires appropriate consideration of balance sheet implications • BSM has appropriate levels of assurance • Financial and operational risk management activity pays due regard to balance sheet drivers and its impact <p>In order to comply with the FM code authorities:</p> <ul style="list-style-type: none"> • Determine which elements in balance sheet pose a significant risk to its financial sustainability 	<p>The authority monitors its performance using KPIs. The performance against these is reported to the cabinet in the annual performance report and is reflected in the borough plan.</p> <p>There are also different levels of monitoring below the quarterly cabinet report, which includes local PIs</p> <p>BSM - review of general reserves and affordability. Used £5m of reserves to support budget for 2021-22 due to Covid-19 pandemic. Assessment undertaken to affordability.</p> <p>Earmarked reserves are assessed each year.</p> <p>DFM (corporate) responsible for BSM.</p> <p>Regular update of risk of DSG deficit balance: currently at £22m</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<ul style="list-style-type: none"> • Monitor these elements (treasury management/cash management/need for new provisions/level of reserves) • Respond promptly and proactively to any issues that these mechanisms identify (impact of performance on reserves/use of unplanned reserves/monitoring against prudential indicators) 	
	External Financial reporting	
<p>P The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the <i>Code of Practice on Local Authority Accounting in the United Kingdom</i></p> <p>Key Questions</p> <ul style="list-style-type: none"> • Is the authority's CFO aware of their responsibilities in terms of the preparation of the annual financial statements? • Are these responsibilities included in the 	<p>External financial reporting processes require statutory accounts are produced on an annual basis in accordance with</p> <ul style="list-style-type: none"> • „ the Accounts and Audit Regulations 2015 for English Authorities • Comply with Code of practice • Comply with CIPFAs statement on the role of the CFO in Local government (accounting policies/prevention of fraud/reasonable estimates • Demonstrate compliance- preparation and submission of accounts in CFO JD and 	<p>The responsibilities of the chief finance officer are set out in the constitution and are also included in employment contract/job description, with accountability through the performance management system</p> <p>Code of practice complied with CFO in post for 17 years</p> <p>Accounts prepared on time and in compliance demonstrated by past external audit reports</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>CFO's role description, personal objectives and other relevant performance management mechanisms?</p> <ul style="list-style-type: none"> • Have the authority's financial statements hitherto been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom? 	<p>annual performance targets/ submitted on time/finance team resourced to comply.</p>	
<p>Q The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions</p> <ul style="list-style-type: none"> • Is the authority's leadership team provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget? • Is the information in these reports presented effectively? • Are these reports focused on information that is of interest and relevance to the leadership team? 	<p><u>Presenting effective financial outturn information</u></p> <ul style="list-style-type: none"> • Accurate • Relevant • Granular • Analysed • Put into context <p><u>Questions for the Leadership team to ask</u></p> <ul style="list-style-type: none"> • Is the final outturn position broadly in line with the budget? • How well have different services performed against budget? 	<p>Revenue and capital outturn reported each year to cabinet, enabling strategic financial decisions to be taken, e.g. variations to capital programme</p> <p>Reports detail significant variances, allow for scrutiny and are contextualised through narrative</p> <p>Outturn in 2021-22 in line with assumptions despite 2020-22 pandemic.</p> <p>Performance of services scrutinised in budget monitoring</p> <p>Reserves increased significantly despite the Capital underspends due to pandemic but</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<ul style="list-style-type: none"> Does the leadership team feel that the reports support it in making strategic financial decisions? 	<ul style="list-style-type: none"> Have any issues been highlighted prior to the end of the year? Has the authority achieved its savings targets? Is the authority's capital programme on track? 	<p>planned action to achieve long term targets.</p>

Item No. 13.	Classification: Open	Date: 18 July 2022	Meeting Name: Audit, Governance and Standards Committee
Report title:		Covid-19 Pandemic: Update July 2022	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee note the final report on the impact of the Covid-19 pandemic on the council’s finances.

BACKGROUND INFORMATION

2. Following the September 2020 report on the financial impact of the Covid-19 pandemic, the committee requested regular updates on the council’s increased costs and income losses and an update on any additional government funding.
3. This report concludes these regular updates to the committee on the pandemic and summarises the 2021-22 position.

Post-Covid: the end of the pandemic from a funding perspective

4. As previously reported to the committee, the government announced only one tranche of general support funding for increased costs for 2021-22, of which Southwark received £11.4m for the period April to June 2022. In addition, some but not all, losses from sales, fees and charges was compensated for, through £1.9m of grant funding. There were no further funding announcements to support losses in business rates and council tax or commercial income.
5. Despite no additional funding, the Department for Levelling Up, Housing and Communities (DLUHC) continued to request information on the financial impact of the Covid-19 pandemic. This regular reporting has now come to its conclusion and the final return was submitted in May 2022, covering the full year 2021-21.
6. In the final return, pandemic-related costs and income losses showed a £1m reduction from that reported in February 2022. The council have fully applied all covid grants, used reserves, delayed projects and absorbed the underfunding within existing budgets to bridge the gap in funding for 2021-22.
7. Despite the financial uncertainty created by the after-effects of the pandemic, central government has signalled that there will be no further specific pandemic-related funding. Local authorities are expected to cover the

remaining covid related costs and lost income streams from their 'normal' budgets.

Community, equalities (including socio-economic) and health impacts

Community impact statement

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

Equalities (including socio-economic) impact statement

9. This report is not considered to contain any proposals that would have a significant equalities impact.

Health impact statement

10. This report is not considered to contain any proposals that would have a significant health impact.

Climate change implications

11. This report is not considered to contain any proposals that would have a significant impact on climate change.

Resource implications

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

Consultation

13. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

14. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Financial and Information Governance files	Finance and Governance, Second Floor, Tooley Street	Geraldine Chadwick

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Geraldine Chadwick, Interim Technical Accountant.	
Version	Final	
Dated	4 July 2022	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Governance	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team	4 July 2022	

Item No. 14.	Classification: Open	Date: 13 July 2021	Meeting Name: Audit, Governance and Standards Committee
Report title:		Formation of audit, governance and standards sub-committees for 2022-23	
Ward(s) or groups affected:		All	
From:		Director of Law and Governance	

RECOMMENDATION

1. That the committee appoint three members to form the audit, governance and standards (conduct) sub-committee.
2. That the committee appoint four members to form the audit, governance and standards (civic awards) sub-committee.
3. That the committee note the timelines for the appointment of co-opted members of the audit, governance and standards (civic awards) sub-committee.

BACKGROUND INFORMATION

4. Southwark Council's constitution sets out as part of the role and responsibilities of the audit, governance and standards committee to establish the following sub-committees:
 - standards sub-committee; to consider complaints of misconduct against elected councillors and co-opted members
 - civic awards sub-committee; to consider civic awards.
5. The responsibilities of these two sub-committees are excerpted from the constitution below:

PART 3K: AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

Matters reserved for decision by the conduct sub-committee

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

Matters reserved for decision by the civic awards sub-committee

41. To grant civic awards.

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

recommendations to the audit, governance and standards committee.

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

KEY ISSUES FOR CONSIDERATION

6. The membership for these sub-committees is drawn from the main committee.
7. There is one meeting of the civic awards sub-committee, around February of each year to discuss and agree the grants of civic awards.
8. The conduct sub-committee meets when it is required on an ad hoc basis; it has been required once in the past five years.
9. The meeting of the audit, governance and standards committee of 14 July 2016 recommended that the civic awards sub-committee be gender-balanced, with at least two of the Southwark members and two of the community representatives serving on the sub-committee being women. This is not a constitutional requirement.
10. Sub-committees are not 'ordinary' committees and are each considered individually for the purposes of proportionality. So far as it is reasonably practicable to do so, the allocation of seats a sub-committee should bear the same proportion to the number of the seats held by that group on the council. The audit, governance and standards committee can agree an allocation that is disproportionate, provided no member votes against this.
11. The most proportionate allocation will depend on the number of members of the sub-committee. The following sub-committee sizes would provide the following allocation of places:

Sub-committee	Total	Lab	Lib Dem
Audit, governance and standards (civic awards) sub-committee	4	3	1
Audit, governance and standards (conduct) sub-committee	3	2	1

Co-opted members of the civic awards sub-committee

12. The Southwark civic awards scheme was initiated in 1997 for the purposes of recognising exceptional contributions to community life by individuals and organisations in the borough. Up until 2015, the scheme was administered on behalf of the council by the Southwark Civic Association which made recommendations to standards committee for the granting of civic awards.

13. Council assembly on 8 July 2015 resolved that from the 2015/2016 civic year, the administration of the civic awards be carried out by the council pending a longer term review of the operation of the awards scheme. Officers were requested to put in place the necessary arrangements for the running of the awards within existing council resources. Council assembly in 2016 also resolved that the decisions on the granting of civic awards be delegated to a sub-committee of the audit, governance and standards committee.
14. The audit, governance and standards committee agreed at its meeting of 14 July 2016 that the membership of the audit, governance and standards (civic awards) sub-committee (henceforth "civic awards sub-committee") should include four co-opted members, two of whom must be women.
15. It is necessary for the audit, governance and standards committee to appoint these co-opted members formally; and nominations are sought among members of the public in good standing.
16. Members of the audit, governance and standards committee are invited to nominate members of the public who live or work in Southwark who they feel would offer a helpful point of view.
17. Nominations will be brought to the committee for decision at the November meeting. Members need to be satisfied that the co-opted membership nominations meet the appropriate criteria.

Community, equalities (including socio-economic) and health impacts

Community impact statement

18. Clear arrangements concerning the accountability of members are very important for promoting high standards of conduct. In addition it is important in aiding the decision-making process and helping to boost public confidence in the council. These arrangements ensure that members of the public are aware of the process in place to ensure that high standards of conduct are maintained within the council.
19. The council is committed to promoting civic engagement and good relations in our communities. The awards attract media interest and recognise the voluntary work of a number of people and organisations within Southwark, thus strengthening community cohesion.

Equalities (including socio-economic) impact statement

20. This report is not considered to contain any proposals that would have a significant equalities impact.

Health impact statement

21. This report is not considered to contain any proposals that would have a significant health impact.

Climate change implications

22. This report is not considered to contain any proposals that would have a significant impact on climate change.

Resource implications

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

Consultation

24. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

25. None required.

APPENDICES

No.	Title
	None

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Southwark Council Constitution	Southwark Council, 160 Tooley Street, London SE1 2QH	Virginia Wynn-Jones 020 7525 7055
http://moderngov.southwark.gov.uk/ieListMeetings.aspx?CId=425&Year=0		

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown, Director of Law and Governance	
Report Author	Virginia Wynn-Jones, Principal Constitutional Officer	
Version	Final	
Dated	7 July 2022	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Director of Law and Governance	N/A	N/A
Strategic Director of Finance and Governance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team		7 July 2022

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

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 Councillor Sarah King By email
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 Councillor Michael Situ By email
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