

Audit, Governance and Standards Committee

Tuesday 22 November 2022

6.30 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 Victoria Mills
Councillor Cleo Soanes
Councillor David Watson

INFORMATION FOR MEMBERS OF THE PUBLIC

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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: 14 November 2022



Audit, Governance and Standards Committee

Tuesday 22 November 2022

6.30 pm

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

Order of Business

Item No.	Title	Page No.
	PART A - OPEN BUSINESS	
	The chair would like to remind members that prior to the meeting they have the opportunity to inform officers of particular areas of interest relating to reports on the agenda, in order for officers to undertake preparatory work to address matters that may arise during debate.	
1.	APOLOGIES FOR ABSENCE	
	To receive any apologies for absence.	
2.	CONFIRMATION OF VOTING MEMBERS	
	A representative of each political group will confirm the voting members of the committee.	
3.	NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT	
	In special circumstances, an item of business may be added to an agenda within five clear days of the meeting.	
4.	DISCLOSURE OF INTERESTS AND DISPENSATIONS	
	Members to declare any personal interests and dispensation in respect of any item of business to be considered at this meeting.	
5.	MINUTES	1 - 4
	To approve as a correct record the minutes of the open section of the meeting held on 17 October 2022	

Item No.	Title	Page No.
6.	GOVERNANCE CONVERSATION: MICHAEL SCORER	5 - 15
	Michael Scorer, strategic director of housing and modernisation, to discuss departmental governance.	
7.	INTERNAL AUDIT AND ANTI-FRAUD PROGRESS REPORT: NOVEMBER 2022	16 - 54
	Officers have been invited to attend to discuss the following audits:	
	<ul style="list-style-type: none"> • Objection Review of the Council's relationship with Stanbury Building Services Limited • 2021-22 Disaster recovery • 2017-18 Land Charges • 2017-18 IT – Network Security 	
8.	SELECTION CRITERIA FOR INDEPENDENT MEMBERS OF THE AUDIT, GOVERNANCE AND STANDARDS (CIVIC AWARDS) SUB-COMMITTEE	55 - 58
9.	PUBLIC INTEREST REPORTS UPDATE	59 - 88
10.	GRANT THORNTON AUDIT UPDATE REPORT	
	Grant Thornton will present a verbal update.	
11.	TREASURY MANAGEMENT STRATEGY	
	Given the exceptional economic climate and the upcoming fiscal statement from the government on 17 November 2022, officers will bring this report to the committee late and urgent.	
12.	WHISTLEBLOWING COMPLAINTS AND OUTCOMES	89 - 93
13.	MEMBERS' CODE OF CONDUCT COMPLAINTS PROCEDURE	94 - 107
	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: 14 November 2022



Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Monday 17 October 2022 at 7.00 pm at Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

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

OFFICER SUPPORT: Toni Ainge, Director of Leisure
 Geraldine Chadwick, Finance
 Doreen Forrester-Brown, Director of Law and Governance
 David Pugh, Head of Leisure Insourcing
 Allan Wells, Law and Governance
 Matt Dean, Grant Thornton LLP
 Greg Rubins, BDO
 Angela Mason-Bell, BDO
 Virginia Wynn-Jones, Constitutional team

1. APOLOGIES FOR ABSENCE

Apologies were received from Duncan Whitfield, strategic director of finance and governance, and Ciaran McLaughlin, Grant Thornton LLP.

1. CONFIRMATION OF VOTING MEMBERS

The members present were confirmed as the voting members.

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

The chair agreed to vary item 7: governance conversation with Duncan Whitfield, to welcome Doreen Forrester-Brown, director of law and governance and monitoring officer.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

5. MINUTES

The minutes of 18 July 2022 were agreed as a correct record. Councillor Neale thanked the chair for agreeing to the hybrid format of the meeting.

6. INSOURCING OF THE LEISURE CONTRACT

Toni Ainge and Dave Pugh presented the governance of the insourcing of the leisure contract to the committee. The committee had questions of the officers.

Members encouraged the officers to ensure that engagement with the users of the leisure service is ongoing throughout the process.

Officers undertook to bring a report back to the audit, governance and standards committee in February 2023, with a report including the RAG rated risks.

Officers undertook to inform all councillors of the timing of the insourcing programme before the start of the new contract in June 2023.

7. GOVERNANCE CONVERSATION: DOREEN FORRESTER-BROWN

Doreen Forrester-Brown, director of law and governance, and monitoring officer, presented to the committee. Members had questions for the officer.

Officers undertook to circulate an update on the temporary accommodation recovery board to the committee.

Councillor Andy Simmons undertook to email officers with samples of good practice electoral communications.

Officers undertook to bring back the results from a survey of all councillors on the induction and training programme for 2022, analysed for differences of opinion between incoming and returning members.

Officers undertook to bring back feedback on a review of overview and scrutiny committee recommendations to a future committee.

8. GRANT THORNTON AUDIT UPDATE REPORT

Matt Dean of Grant Thornton LLP updated the committee on the delays signing off the council's accounts, due to the national issues raised over the valuation of infrastructure assets. This is currently likely to be managed by the end of 2022 in order for the external auditors to be able to offer an unqualified opinion.

9. INTERNAL AUDIT AND ANTI-FRAUD PROGRESS REPORT: OCTOBER 2022

Greg Rubins and Angela Mason-Bell, BDO, introduced the report. Members had questions of the auditors.

Officers undertook to invite the officers responsible for the work that BDO have audited in four areas to the audit, governance and standards committee. These are:

- Objection Review of the Council's relationship with Stanbury Building Services Limited
- 2021-22 Disaster recovery
- 2017-18 Land Charges
- 2017-18 IT – Network Security

RESOLVED:

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

10. DRAFT 2021-22 STATEMENT OF ACCOUNTS FOR SOUTHWARK COUNCIL

Geraldine Chadwick introduced the report. Members had questions of the officer.

Officers undertook to circulate a written update on the housing revenue account relating to the zero balance.

RESOLVED:

That the audit, governance and standards committee considered the draft 2021-22 statement of accounts published in August 2022 (appendix 1 of the report) and noted the contents.

11. ANNUAL GOVERNANCE STATEMENT 2021-22

Geraldine Chadwick introduced the report. Members had questions of the officer.

RESOLVED:

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

12. APPOINTMENT PROCESS FOR INDEPENDENT PERSONS

Allan Wells introduced the report. Members had questions for the officer.

RESOLVED:

1. That the committee noted the process for the appointment of independent persons to deal with member code of conduct complaints.

2. That the committee agreed to appoint a panel comprising Cllr Michael Situ, Cllr Graham Neale and Cllr Sarah King to assist the monitoring officer in interviewing applicants with a view to making appointment recommendations to Council Assembly.

Meeting ended at 8.35 pm

CHAIR:

DATED:

Audit, governance and standards committee 22 November 2022**Governance conversation: Michael Scorer****1. Please explain your role, and that of your department**

The Housing and Modernisation Department (H&M) is responsible for most housing functions across the council including day to day services for council tenants and council homeowners, improving the condition of council homes and estates, ensuring residents are safe, ensuring delivery of new affordable homes (including directly delivering council homes), preventing homelessness and providing housing solutions. The department also manages hostels, sheltered housing and extra care housing schemes for older people as well as gypsy and traveller sites.

The Housing and Modernisation Department is also responsible for digital and technology services, maintaining and repairing council buildings, providing customer service points, registrar services and accessible travel support.

Strategic priorities for H&M department

1. Increase the supply of genuinely affordable high quality homes that meet our residents' housing needs and aspirations
2. Demand safer, higher quality, energy efficient homes, estates and neighbourhoods
3. Promote tenure security and social support in housing, and improve the health, wellbeing and economic resilience of residents especially the most vulnerable
4. Empower residents and communities to have pride and influence over the running of their homes and neighbourhoods
5. Improve customer access to council services and focus on enhancing our digital offer and minimising digital exclusion
6. Work collaboratively with our staff in modernising the infrastructure (the technology and the spaces) and transform the council to create a better future for our staff, residents and the environment

Key priorities for H&M department

1. Deliver tangible change for our communities and our workforce through the Southwark Stands Together Programme
2. Reduce homelessness and use of temporary accommodation, and work to end rough sleeping in Southwark
3. Ensure that, in addition to delivery of the remaining 2,500 homes, we commence building at least 1,500 additional new homes by March 2026
4. Refresh the 2015-23 Asset Management Strategy, and prepare the council for the regulations from the Building Safety Bill and Fire Safety Act
5. Major estate renewal of Aylesbury, Maydew, Ledbury, Tustin and Marie Curie
6. Tackle climate emergency by bringing forward low waste, low energy new council homes; improving energy efficiency of council homes heat networks; carry out works to council homes to make them greener; using council land and roofs to produce clean energy; and halving council emissions by 2022
7. Implement the Repairs Improvement Plan through extensive resident engagement & internal consultation

8. Deliver Southwark's Empty Homes Action Plan to bring more empty homes back into use so more local people can move into them
9. Implement the 2022/25 Technology & Digital Inclusion Strategy which will ensure all residents benefit from opportunities to take advantage of the digital revolution
10. Implement the corporate 2020-24 Customer Access Strategy

2. What governance processes and structures are in place in your department?

Michael Scorer is the Strategic Director of the Housing and Modernisation Department. As Strategic Director, Michael is part of the Council's Corporate Management Team (CMT), which meets weekly to ensure decisions across the council are made in a joined up way, and to jointly tackle problems and develop solutions.

The following directors report to directly to Michael and meet every week as part of the Housing and Modernisation Senior Management Team (SMT)

- Managing Director of Southwark Construction
- Director of Customer Experience
- Director of Asset Management
- Director of Resident Services
- Director of Ledbury/Major Estates Team
- Strategy and Business Support Manager
- Senior Strategic Business Manager

Each Director holds their own Divisional Management Team (DMT) meetings with the managers that they directly line manage. Therefore if a significant decision needs to be made, the item will be discussed at DMT, SMT and then CMT if required.

There are also regular briefings with the various Cabinet Members* whose portfolios cover housing and modernisation services.

The Council's Constitution and the Scheme of Management clearly set out who can make what type of decision and any financial authority level. The Department Scheme of Management details levels of responsibility and financial authority within the department. The Scheme of Management is regularly reviewed and agreed by the Strategic Director.

Some decisions need to be made by the lead Cabinet Member, while some decisions are required to be made by either Cabinet or by the Leader of the Council. All key decisions, (including Cabinet reports and IDMs) have sections dedicated to considering legal, financial implications and community impact statements

There are a number of boards (some of which are detailed below) which help discuss key decisions and ensure decisions are carefully considered and discussed before agreeing the proposed approach.

The department produces a departmental business plan, which is aligned with more detailed divisional business plans. These are updated annually. All staff and key Cabinet Members are consulted on these as they are developed. These are linked to

officers individual work plans so that each officer is aware of how their work fits in to that of the overall departmental business plan, and the Borough Plan. Our staff performance appraisals ensure that all staff are fully aware of responsibilities in respect of the council's vision and values.

Financial Governance and the HRA Business Plan

Financial governance relates to how an organisation manages its financial information. The organisation needs to know what information it has which can then be analysed and presented as financial outputs when required.

The council has a proposed £10bn housing capital programme over the next 30 years and an annual revenue account of £260m. It has to ensure a balanced Housing Revenue Account (HRA) but also has to determine the resources available to fund the housing capital programme, therefore the link between revenue and capital is important. For example, any borrowing used to fund the capital programme will incur ongoing interest charges which will be charged to the HRA.

The council utilises a sophisticated financial model to project both revenue and capital financial outputs which determines over the short, medium and longer-term the viability of the HRA and the ability to fund the required housing capital expenditure.

The assumptions used within the financial modelling will be based on robust data with a firm and considered rationale but with a recognition that economic and political factors may change those assumptions at short notice. The model is able to run various scenarios with assumption changes to gauge the viability and robustness of the business plan. Assumptions within the business plan will be agreed with colleagues across the council.

The plan is able to provide future projections which will show the viability of the HRA, but also any capital funding shortfall. This is important as future capital deficits can be managed at an early stage and solutions determined.

The business plan is very much a strategic tool providing financial reassurance at a high level, over different time periods and incorporates the housing revenue and capital position. This complements the work the Finance department undertakes in relation to budget-setting and monitoring.

Updates on the business plan position are regularly reported to both senior officers and key Members within the council to help inform any decision-making on the housing capital programme.

On homelessness and temporary accommodation there is a budget recovery board to oversee spending in this area.

Procurement decisions

The council is committed to ensuring procurement achieves best value, improves the quality of services we provide, meets the needs of and brings social and economic benefits for local people and in turn supports the council in achieving its strategic and corporate priorities. The department follows the council's set procedures.

There are departmental and corporate contract review boards for review of all gateway reports. In H&M these are chaired by the strategic director on a fortnightly basis and involve a presentation of the proposal, along with advice and constructive challenge from corporate colleagues covering matters of law, finance and procurement practice, in line with our fairer futures policy. The standard report template includes section on consultation, highlighting consultation background and future plans.

Robust contract monitoring and regular performance meetings ensure contractors deliver services in line with expectations, with annual service improvement meetings chaired strategically.

The Scheme of Management sets out individual responsibilities and spending limits.

3. How do these connect with those across the council?

Many housing services impact on other sections of the council and vice versa, and there are a large number of partner organisations that help provide services like housing and legal advice, accommodation, homelessness prevention, support around tackling anti-social behaviour etc. Therefore, close joint working is essential.

There are a number of cross-departmental structures which ensure good connections across the council. At senior level this is mainly through the Corporate Management Team meetings and individual discussions.

There are many project groups and boards, which involve officers from different departments, some examples of these include:

The Housing Investment Board - (HIB) – a cross-council group that has been set up to provide strategic financial direction to the Housing Investment programme and this includes spend on the existing stock and the delivery of a new build programme. HIB will determine the availability of capital resources to fund individual schemes within the 30 year HRA business plan. HIB will take full account of the decisions, guidance and targets coming from any other strategic groups such as the Delivery Programme Board (DPB).

Housing Investment Policy Oversight Board – This Board comprises key members, Strategic Directors and other key officers to consider the strategic approach to the delivery of an affordable and viable new build homes programme. The affordability is determined by key financial indicators, including the 30 year HRA business plan, and the tenure mix of the properties built.

The Housing and Social Care Board - which brings together directors from Children & Families and Housing, to consider all cross-cutting issues, including: support for young homeless people and care leavers; housing for older residents; supporting vulnerable people; support for households with complex needs.

Southwark Empty Homes Officer Group – This cross council group has worked together to agree an Empty Homes Action Plan, to ensure we work together across the council, and with residents and property owners, to tackle the number of empty homes in the borough.

The Housing Strategy Senior Officer Group - this group has representatives from across the council which ensures the housing strategy contributes to other corporate objectives such as carbon reduction and improving the health and well-being of residents.

Delivery Programme Board (DPB) – DPB is a cross-council group that has been set up to provide overall strategic direction to ensure that council priorities with regard to the delivery of new homes are met both in the short to longer term. The strategic approach will help inform the type of tenure required within the borough and also the preferred delivery vehicles to develop the provision of new homes. DPB provides programme oversight for the borough plan priority to build new council homes; 2,500 delivered or started on site by May 2022

Shared IT joint management board (with Brent and Lewisham) – strategic oversight of the councils digital and technology services, reporting to the Joint IT Committee.

Housing and Modernisation are represented on other key partnership groups such as MASH, Children and Adult Safeguarding Boards, as well as ad hoc projects.

We also work closely with our trade unions on all matters of interest relating to their members employment and, separately, through regular health and safety committee meetings at divisional and departmental levels. The H&M department also provides support to the corporate health and safety meeting with unions.

Outside the council, we work with a large number of partner organisations such as housing associations, Police, London Fire Brigade, CCG, Greater London Authority (GLA), the Ministry of Housing, Communities and Local Government (MHCLG).

Good examples of external partnership working are the building safety board (BSB) and the homelessness forum. The BSB is chaired by the strategic director of Housing and Modernisation and includes the London Fire Brigade borough commander as well as observers from the MHCLG. The homelessness forum allows an opportunity to share information and hear directly from charities, voluntary agencies etc. The Forum is chaired by the Southwark Law centre and attended by senior officers in Housing Solutions as well as the Cabinet Member for Social Support & Homelessness.

The department is in the process of setting up a new Housing Forum with Chief Executives from our housing association partners to ensure we work together to deliver our shared objectives, and to ensure we can quickly address any issues as they arise.

4. If something were to go wrong, how would we know?

The Housing and Modernisation team regularly manages risk across the service through the departmental risk register. The departmental risk register captures all department risks and this is subject to a regular programme of review. This helps officers to identify new and emerging risks, as well as ongoing risks. It helps to plan

mitigating measures to reduce the risks. All fire risk assessments are open to public scrutiny and are available on the internet.

The council's cyber security strategy and investment plan draw on close work with the national cyber security centre to ensure we have early warning of any threats and to put in place layers of security that guard against serious cyber attacks, such as that experienced by Hackney Council in recent years.

However some risks can never be eliminated altogether, therefore the council also has emergency plans and business continuity plans for where things do go wrong so that the appropriate response can be quickly enacted. These plans are regularly updated.

Officers are encouraged and expected to report risk issues via their line managers so these can be escalated as required. A culture of "report a problem immediately, apologise if necessary, and take action to remedy and prevent repetition" is encouraged.

There is monthly KPI performance monitoring, with reports presented to SMT and the cabinet member for housing (CMH). There are also Member level performance challenge meetings.

A STAR survey of residents' views is undertaken every quarter and findings reported back to SMT which also helps to quickly identify where there are issues that need to be considered. Bespoke surveys of particular groups of residents is also undertaken, e.g. in sheltered housing.

There is also the complaints procedure. The council uses mystery shopping exercises in order to highlight what is working well and where there are areas that could be improved.

A key component of the Department's governance arrangements is working closely with the borough's residents. The council is committed to listening to residents so that services can be improved and remedy those areas where they do go wrong.

Residents are consulted on a wide range of issues through a number of channels, including the online consultations portal and through community conversations such as the Southwark Conversation which focused on change and regeneration in the borough.

There are a range of public meetings including Local Housing Forums, Tenant Forum, Home Owner Forum, Joint Tenants and Homeowners Forum, and TMO liaison committee.

There is a new online resident's which all council tenants, leaseholders and freeholders can join and can choose how they want to get involved and the topics they are interested in.

The council supports democratic groups of tenants and leaseholders to take over the management of their housing services by setting up TMOs. The council provides funding to help these groups get all the training, support and expertise they need.

The council agreed a charter of principles which sets out our commitment to how the council and our partners will work with residents on our programme of investment and renewal. On the 11,000 new homes programme, Southwark residents are consulted each step of the way. Residents have worked with us to suggest where in the borough the new homes should go

The council developed a Great Estates Programme to improve the look and feel of our estates and to make sure local residents benefit from any development in their area. The council piloted resident led estate improvement plans. This is a way of jointly identifying what is going wrong at an estate level and to work together to resolve these issues.

5. What are the main governance challenges your services face in the coming years?

The last few years have shown that despite all the best planning, an event can come along which fundamentally changes the situation. The pandemic resulted in officers and Cabinet Members temporarily being unable to meet in person to discuss issues, develop solutions and to make decisions. However the department quickly responded, rolling out laptops and virtual meeting options such as Teams and Zoom which have ensured that governance procedures continued to be followed correctly.

A key challenge currently is the lack of financial certainty as we await the outcome of the Government's consultation in regards to increasing rents. The current cap is set at CPI+1%, which is expected to be around 11% in total for 2023-24. The consultation proposes three options for a lower cap on rent rises: 3%, 5% or 7%. The government is also asking whether the lower cap should be applied for one or two years. This will have a big impact on the council's housing finances at a time where it facing many increased costs due to inflationary pressures on building and repair costs, increases in staff pay, and increased building safety costs. These issues are routinely reviewed by the Housing Investment Board.

There are a number of challenges coming up in relation to fire safety and building safety with new requirements being introduced through new Acts of Parliament. This is changing how fire and building safety is managed. Keeping residents safe is a key priority, but resourcing the new requirements is 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.

The cost of living crisis will continue to have a big impact in Southwark. Increases in energy bills will make it more difficult to heat homes, and this may also have some impact on increasing rent arrears. Changes such as increases in interest rates could potentially significantly alter the housing market in Southwark. Many private owners may struggle to afford the higher mortgage payments, private landlords may be required to increase rents to their tenants, and there may be a reduction in private rented supply. There could potentially be a big increase in homelessness. All forums including the Homelessness Forum will continue to monitor these developments closely.

The council also has priorities around carbon reduction. This is essential to help tackle climate change, but there will be times where our priorities may conflict with each other. Sometimes the cheapest way to improve homes or build new homes may not be the most environmentally friendly option. Therefore good governance will be essential to help identify the best solutions to these types of problems.

Another key change will be the growing role of the Regulator of Social Housing. Previously their role has been more focused around economic standards and intervention only considered where there is a serious risk of harm to tenants. In future, following the Social Housing Regulation Bill, the regulator will begin to take a much more proactive role in regulating consumer standards. There will be at least four yearly inspections of all landlords, and social landlords will be required to publish more information on performance and expenditure in a consistent way. Therefore the council may need to adapt some of the ways of working to maintain a strong co-working relationship with the regulator. A cross council working group has been set up to explore how we demonstrate we meet existing standards, to ensure we meet any new standards and to ensure we address any potential gaps. We are also working alongside the Housing Quality Network as part of a mock inspection in preparation for this new regulatory regime.

The Housing and Modernisation Department is also in the process of agreeing new Governance arrangements to begin to let intermediate rent units within the council's housing revenue account (HRA). This will require introducing flexible fixed term tenancies, a new tenancy policy, and setting up procedures to decide any initial lengths of terms, decisions around tenancy extensions and procedures for requesting a review of both types of decisions.

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

6. How could governance in your department be improved?

The department has a comprehensive internal audit work plan that covers areas of risk over a three-year programme. Areas of weakness are identified where improvements can be made. Action plans are developed arising from the audit work and are reported back to the auditors in the form of a 'signed-off' management response.

Staff are routinely consulted on the annual business plans. The hope is that next year there will be more opportunities to hold events to gain wider input into the plans. Now that the pandemic restrictions have ended we will hold staff engagement sessions etc.

APPENDIX

About the housing and modernisation department business plans 2022/23

The council is committed to 'building back better' as Covid restrictions are lifted and this year's business plan sets out our contribution to the council's top priorities, which are

- Reducing inequalities
- Tackling the climate emergency
- Revitalising the local economy

The 2022/23 H&M Business Plan builds on the progress that has been made in recent years. It reflects the significant changes brought about by the Covid pandemic, and the new and refreshed priorities in the borough plan.

The Covid crisis

The H&M department has played a critical role in Southwark council's public health response to the pandemic, as well as keeping frontline services operating during the crisis and working with partners to develop new structures to support our residents. The community hub, which has become the community support alliance, was set up at the beginning of the first lockdown in March 2020, to assist vulnerable and shielding residents with food, medicines and other vital support. Since then the council, the NHS, local charities and community groups have continued to work together to provide essential support to thousands Southwark residents with a wide range of needs.

Inequalities

The pandemic has also shone a light on wider inequalities, which persist in our society. Tackling inequality and injustice is a priority for the council, and we are committed to taking action identified through Southwark Stands Together, our borough-wide approach to tackling entrenched racism and injustice. The disproportionate impact of Covid on Black, Asian and Minority Ethnic communities is just one example that shows how far we still need to go.

To tackle inequality and racism, we will be taking positive action focussing on four objectives:

1. Delivering tangible change in line with the SST pledges
2. Addressing structural racism in a fair and fearless way
3. Ensuring recruitment and promotion opportunities for Black, Asian and Minority Ethnic people and people with all protected characteristics
4. Top management tiers should reflect borough diversity

The department's SST action plan is published on the Council's intranet and each division has its own plan and priorities. Performance against the target is reported to the senior management team quarterly and published on the Source.

Climate emergency

The council is committed to becoming carbon neutral by 2030. Southwark's carbon emissions have reduced significantly since 2005, but there is much more to do and it comes with a huge £3.6 billion price tag. Our climate strategy, with themes of people, place, and planet, has five priorities, in all of which H&M will have an important role to play.

1. Buildings that work with the environment
2. Sustainable travel with petrol and diesel free roads
3. Thriving biodiversity in the heart of the city
4. A more circular economy where we consume what we need
5. Green, low carbon energy for all

To help the council tackle the climate emergency, we will contribute by bringing forward low waste, low energy new council homes; improving energy efficiency of council homes heat networks; retrofitting council homes to make them greener; using council land and roofs to produce clean energy; and halving emissions by council building by 2022. Time is short though - we have less than eight years before we get to 2030 and action is necessary now.

Local economy

Housing plays an important role in getting the local economy going again. It provides jobs for local people to build new homes and maintain the ones we already have. Making Southwark a good place to do business encourages local commerce and employment, and our work to improve the coverage of super-fast broadband and 5G will help to make Southwark one of the best connected parts of the country.

As part of our corporate role, we will improve customer access to council services and focus on enhancing our digital offer and minimising digital exclusion. In addition, we will work collaboratively with colleagues to transform Southwark to create a better future for residents, for everyone working in the council, and for the environment.

Housing

Safety is always our top priority and this year we will publish our new Asset Management strategy, which responds to new building safety legislation and sets out our approach to investing in our homes, blocks and estates. This also includes updating and 'greening' heat networks as well as moving forward with plans agreed by residents to rebuild Tustin, Ledbury, Aylesbury and Maydew.

The council met its target of starting construction or delivering 2,500 new council homes by May 2022, and has plans to start 1,000 more by 2026.

Through our empty homes officer group and empty homes action plan we are focusing our efforts on reducing the number of empty homes in our borough so local people can move into them.

We will empower residents to be at the core of all key decision making so that they can have pride and influence over the running of their homes and neighbourhoods.

And we will continue to provide support, advice and assistance to people facing homelessness. All these priorities have to be mindful of the constraints imposed by limited financial resources and careful financial management is therefore crucial to the success of the key objectives.

Young people

One of the council's top priorities is our 'Youth Deal' and we want to make sure the council is working as one to give young people in Southwark access to opportunities to learn, work and transition successfully to adulthood. We will be doing our bit in H&M department to support this critical council work.

significant impact on any particular community or group.

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Consultation

11. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

12. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix A	Internal audit and anti-fraud progress report: November 2022
Appendix B	Officer response to 2017-18 Land Charges audit

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Greg Rubins, Angela Mason-Bell; BDO	
Version	Final	
Dated	14 November 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	14 November 2022	



INTERNAL AUDIT AND ANTI-FRAUD PROGRESS REPORT

London Borough of Southwark

For presentation to the Audit, Governance and Standards Committee

22 November 2022

CONTENTS

	Page
1. Summary of internal audit work	3
2. Anti-fraud update	5
3. Summary of work in progress	7
4. Executive summaries of reports finalised since the last meeting	11
5. Summary of recommendations status	19
Appendix 1: Internal audit definitions	34

1. SUMMARY OF INTERNAL AUDIT WORK

Purpose of report

This report informs the Audit, Governance and Standards Committee of progress against completion of the 2022-23 internal audit plan. It summarises the work we have undertaken, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards.

Internal audit methodology

We have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified. Our reporting methodology is based on four assurance levels in respect of our overall conclusions as to the design and operational effectiveness of controls within the system reviewed - substantial, moderate, limited or no assurance. The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system, we are required to make a judgement when making our overall assessment. The definitions for our assurance levels are set out in appendix 1 to this report.

Internal audit plan 2022-23

The status of the audits commenced to date for 2022-23 is outlined within section 3 of this report.

Where reports have been finalised, the executive summaries are included in section 4.

We are currently attending all department senior management teams to undertake a review of the 2022-23 plan and confirm additional audits to be completed to the end of the year.

Internal audit programme for schools 2022-23

We have agreed a work programme with the Director of Education that will meet the assurance needs of the Council, whilst recognising that schools have faced significant pressure during the year and have remained closed for significant periods of time.

The assurance ratings for schools where final reports have been issued are included in section 3.

An end of year report summarising the results and common themes arising from our school internal audit programme will be presented as part of our end of year reporting in June 2023.

Follow up

As part of finalising each audit report, we agree with management the actions that will be taken in response to each finding and recommendation. Within their response, management include the date by which the actions will be completed. Internal audit routinely follows up all high and medium recommendations made ahead of each Audit, Governance and Standards Committee. A full schedule of recommendations falling due in the period is issued to each Departmental Management Team.

The recommendation implementation rate has remained the same at 86% since our last progress report (reported in October 2022). The actual implementation rate may be higher than 86%, however we are awaiting updates and provision of evidence for several audits.

Internal audit plan 2023-24

As part of the discussions with department senior management teams we are considering the priorities for the next financial year. An initial proposed plan is to be presented to the Corporate Management Team on 6 December 2022. The agreed draft plan will be presented to the Audit, Governance and Standards Committee on 6 February 2023.

Other internal audit work

We completed a reasonable assurance engagement in connection with the EU project URBACT Thriving Streets by performing First Level Control (FLC) claims verification for the period 8 August 2022. Our report was an independent assurance conclusion as to whether the subject matter agrees with the grant offer letter in all material respects with eligibility criteria for the costs taken into consideration. A separate letter of engagement was agreed with the Council for this work. Phases 1 and 2 covering expenditure from 1 April 2021 to 30 September 2021 was audited in November 2021. Phase 3 covering the period 1 April 2022 to 7 August 2022 was audited in October 2022.

2. ANTI-FRAUD UPDATE

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

Summary of investigations 2022-23 to date

2022-23	Corporate Anti-Fraud		Housing Waiting List		Right to Buy		COVID-19 Referrals	
	Open	Closed	Open	Closed	Open	Closed	Open	Closed
C/f	12		0		0		27	
April 2022	4	4	5	4	5	0	0	0
May 2022	11	10	7	3	4	1	0	0
June 2022	4	2	2	5	2	5	0	0
July 2022	9	8	9	3	0	1	0	2
August 2022	17	14	9	11	5	2	0	19
September 2022	10	9	2	5	3	5	0	4
October 2022	13	7	9	6	9	2	0	0
Total	80	54	43	37	28	20	27	25

The figures represent investigations from 1 April 2022 to 31 October 2022.

Reactive Anti-Fraud investigations

There are currently 41 active Corporate Anti-fraud Team investigations. These can briefly be summarised as follows:

- Chief Executive's Department 3 cases
- Children & Adult Services 9 cases
- Environment & Leisure 2 case
- Housing & Modernisation 5 cases
- Finance & Governance 11 cases
- Blue Badges 15 cases

(This is an Environment and Leisure initiative, which the Corporate Anti-Fraud Team is supporting)

Document Scanners

We have commenced the roll-out of the replacement ID Scanners for the primary users, including Housing, The Registrar's Office, Peckham Library and HR. The installations became active from the 1 October 2022.

Fraud and Verification

Corporate Anti-Fraud Team conducts reviews of housing waiting list and Homelessness applications which have an identified cause for concern. A test of the veracity of the application enables housing management to make an informed decision on the applicant's eligibility to remain on the housing register.

Between 1 April and 31 October 2022 FVT received 43 referrals: 19 have been recommended to be maintained, nine have been denied, four have been transferred out for review by another team, six have no further action and two have been withdrawn by the applicant.

Right to Buy

The Council introduced forms to check the veracity of the sources of funds used for the purchase of properties under the right to buy scheme. Referrals are raised when the cash element of the purchase exceeds HMRC guidelines. For the referrals we review the source of cash funding and make a recommendation to the RTB team.

Between 1 April and 31 October 2022 there have been 27 referrals: 16 have been approved, two have been denied and two withdrawn. The remaining cases are currently being reviewed.

National Fraud Initiative

The team is preparing for the National Fraud Initiative 2022/23 Exercise. CAFT are currently gathering the mandated data for submission by the 18 November 2022. The team cleanses each data file to ensure required fields are present and minimum key field thresholds are met so the file can be used for matching. The matches generated following the review will be released on 23 January 2023 for review.

3. SUMMARY OF WORK IN PROGRESS

INTERNAL AUDIT PLAN 2022-23

The table below includes the status of audits commenced to date. For those audits shaded in grey, the executive summaries are included in section 4.

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
Contracts Register	Director of Law and Democracy	25	✓	✓	The findings arising from these two 2021-22 reviews have been agreed. As part of the 2022-23 work, we are working with departmental senior management teams to identify solutions to the issues raised.	Moderate	Limited
Fairer Future Procurement Framework	Director of Law & Governance	25	✓	✓		Moderate	Limited
Supporting Families Grant	Director of Children and Families	20	Audits completed on a sample of 10% of claims on a quarterly basis.			For the period to 1 April to September 2022 no exceptions were identified for the sample of claims reviewed.	
Protect and Vaccinate Funding	Director of Finance	6	✓	✓	✓ Final Report	NA Advisory	NA Advisory
EU project URBACT Thriving Streets - Grant - Phase 3	Director of Environment	6	✓	✓	✓ Final Report	NA Advisory	NA Advisory
Adult Learning Services	Director of Education	15	✓	✓	✓ Final Report	Moderate	Substantial
Buyback of Properties	Director of Customer Experience	15	✓	✓	✓ Final Report	Substantial	Substantial

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
General Ledger	Director of Exchequer Services	15	✓	✓	✓ Final Report	Moderate	Moderate
Software licence management	Head of IT and Digital Services	20	✓	✓	✓ Final Report	Limited	Limited
Special Education Needs (SEN)	Director of Education	20	✓	✓	✓ Final Report	Moderate	Moderate
Covid-19 pandemic related expenditure	Director of Adult Social Care	14	✓	✓	✓ Draft Report		
Member Office Protocol	Director of Law and Governance	15	✓	✓	✓ Draft Report		
TMOs - Use of Reserves	Director of Communities	20	✓	✓	✓ Draft Report		
APEX Asset Management	Director of Asset Management	15	✓	✓			
Building Control	Director of Planning and Growth	15	✓	✓			
Cemeteries and Crematoria	Director of Leisure	20	✓	✓			
Children's Quality Assurance Unit	Director of Children and Families	15	✓	✓			
Complaints	Director of Customer Experience	20	✓	✓			
Hospitality and Gifts Register, Register of Interests	Director of Law and Governance	25	✓	✓			
Mental Health Services	Director of Adult Social Care	15	✓	✓			

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
Pensions Administration	Pensions Manager	15	✓	✓			
Pupil Registry Systems	Director of Education	15	✓	✓			
Private Sector Licensing	Strategic Director of Finance and Governance	30	✓	✓			
Safeguarding - adults	Director of Adult Social Care	20	✓	✓			
Solace Womens Aid - Contract Management	Director of Environment and Leisure	20	✓	✓			
Building Safety	Director of Asset Management	25	✓				
IT Applications Review	Director of Customer Experience	35	✓				
Markets	Director of Environment	20	✓				
Voids	Director of Resident Services	20	✓				
Southwark Building Services - Service Improvement Plan	Director of Asset Management	20	✓				
Tenancy Management Organisations	Director of Communities	30	✓				

Schools internal audit plan 2022-23

The table below includes the status of audits commenced to date. A summary schools report will be prepared as part of the internal audit year end reporting, and presented to the Audit, Governance and Standards Committee in June 2023.

School	Status	Design	Operational Effectiveness
Southwark Inclusive Learning Service	Final Report	Moderate	Moderate
St Saviour's and St Olave's Church of England School	Final Report	Moderate	Limited
Charlotte Sharman Primary	Draft Report - findings agreed, awaiting school action plan	Moderate	Limited
St Mary Magdalene Church of England Primary School	Draft Report - findings agreed, awaiting implementation dates	Moderate	Limited
Peter Hills with St Mary's & St Paul's Church of England Primary School	Draft Report - partial response received, awaiting further information	Moderate	Limited
Dulwich Wood Primary School	QA		
Keyworth Primary School	QA		
St Jude's Church of England Primary School	Reporting		

4. EXECUTIVE SUMMARIES OF REPORTS FINALISED SINCE THE LAST MEETING

HM31 Buyback of Right to Buy Properties October 2022	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	-
	Substantial	Substantial	Medium	-
			Low	-
Purpose of audit:	To provide assurance over the adequacy of the design and operational effectiveness of the process for the buyback 20 and 40 project.			
<p>Background:</p> <p>The Council has two projects aimed at generating further properties within its social housing portfolio. The first is acquiring 20 one-bedroom properties on the open market that were originally purchased through the Council’s Right to Buy scheme, the second is purchasing a further 40 one-, two-, three- or four-bedroom properties. The purpose of the buyback 20 project was to purchase one-bedroom units on the open market to increase available stock to house individual rough sleepers.</p> <p>To help fund this project the Council has been allocated £1.2m from the Ministry of Housing, Communities and Local Government (MHCLG). This increased the overall project funding to a maximum of £6m to purchase 20 one-bedroom units. The buyback 20 is part funded by the Greater London Authority (GLA). The second, buyback 40 project was allocated funding of £12.8m in unspent capital receipts in February 2021 by the Housing Investment Board where a further 40 one-, two-, three- or four-bedroom properties will be purchased. All properties are purchased through the open market following standard conveyancing processes and once purchased go through the Council’s voids process before being available.</p> <p>The projects are governed by the Housing Investment Board who are also the project sponsors. The Board is co-chaired by the Strategic Director of Finance and Governance and the Strategic Director of Housing and Modernisation and is attended by Directors including Asset Management, Planning and Regeneration. Progress reports are presented to the Director of Customer Experience, SMT and the Lead Member.</p> <p>Areas of strength:</p> <ul style="list-style-type: none"> • Procedure documentation was in place for each project and was last updated in June 2022 with a nominated author and owner. These contained process maps of the steps to be followed and actions to take including documentation storage. These contained all necessary information to enable management of the projects. • The sample of properties we reviewed satisfied the criteria detailed within the procedure documentation and all necessary checks were undertaken by the team and fully documented. • Four properties had issues with voids, two are void despite completing over a year ago; however, these are outside the remit of the MySouthwark 				

Homeowners Service (MSHO) and therefore these will be reviewed as part of the upcoming voids audit.

- Monitoring was completed on a regular basis through monthly reports to the Director of Customer Experience, reports were provided to the Housing Investment Board in May and November 2021. Quarterly progress was reported as part of the Council's four-year borough plan, until May 2022 when a new Delivery Plan was agreed, no longer including buybacks.
- Financial reports were submitted monthly, where concerns were identified these were investigated and resolved to ensure information on SAP was accurate.

Areas of concern:

- No areas of concern were identified in respect of the risks audited and the control framework in MSHO.
- We identified some issues surrounding voids which will be reviewed as part of the internal audit commencing in November 2022.

CAS46 Special Education Needs (SEN) October 2022	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	1
	Moderate	Moderate	Medium	-
			Low	2
Purpose of audit:	To review the processes and controls in place to effectively support the quality of data used to inform decision making in relation to SEN EHC applications.			
<p>Background:</p> <p>Special educational needs and disabilities (SEND) can affect a child or young person’s ability to learn. They can affect communication and interaction, cognition and learning ability to understand things, social emotional and mental health and sensory and/or physical needs.</p> <p>An education, health, and care (EHC) plan is developed for children and young people aged up to 25 who need more support than is available through special educational needs support. EHC plans identify educational, health and social needs and set out the additional support to meet those needs. Most of the applications come through the school or educational setting with all the evidence of what has been tried, level of need, and costs. The Council has a duty to inform the requestor within 16 weeks whether an EHC plan is going to be made for the child or young person. There are protocols in place should the requestor decide to appeal a decision.</p> <p>The SEND team conducts the various roles required to support children and young people aged 0-25 with SEND who are residents in Southwark from application, development of the EHC, determining the most appropriate support and setting, working collaboratively with families, education settings and health and social care services.</p> <p>The SEND team has seen an increase in the volume of EHC need assessment applications since 2014 when the age range parameters were expanded from 2- 19 to 0 - 25 which added an additional seven years. This has increased the SEND team’s costs, while their budget has had inflation related uplifts and pay rises, in real terms this has failed to keep pace with demand throughout the years since the age expansion. The national average of EHC applications completed within the 16-week parameters is approximately 60%, compared to between 80% - 90% before the age range increase. On average Southwark’s SEND Team receives 10 applications per week, which are each discussed and approved at a multi-disciplinary panel chaired by the Head of the Inclusion and Monitoring Team within SEND or the Assistant Director SEND.</p> <p>Areas of strength:</p> <ul style="list-style-type: none"> The SEN application panel is effectively run in-line with the Code of Practice. Discussions were robust and based on key evidence obtained from the application documents. The Panel members possessed the required mix of specialist skills and contributed different points of view to allow formulation of appropriate decisions based on facts and understanding. Effective communication mechanisms are in place to ensure all relevant stakeholders involved within the SEN process have regular collaboration throughout the Education Health & Care (EHC) plan formulation. This included family, young person/ child, health workers, carers and relevant 				

teams supporting the child.

- Through our review of 10 EHCs (incorporating initial application to final plan phases) we can confirm they included appropriate quality assurance checks throughout the process.
- The 10 EHC final plans reviewed were robust and contained SMART plans, including key outputs to track progress of the individual child/ young person. Key stakeholders who will assist and support individuals throughout the process were also clearly documented.
- From our analysis of 10 EHCs we can confirm that all stakeholders were consulted during their development.
- There are clear and detailed Management Information spreadsheets in place to effectively support the quality of data used to inform decision making and timeframe management in relation to SEN EHC applications. This is produced consistently, as verified through our review of data between January to May 2022.

Areas of concern:

- The SEN team have protocols to track each stage of the SEN process as part of the Council's monitoring and reporting process to ensure they are processed within the 20-week prescribed completion target.
- From a sample of 10 EHC applications, eight applications were not completed within the 20-week timeframe. The Council's average over the five-month period January to May 2022 of meeting the target was 25%. We acknowledge that the NHS-wide cyber-attack on the care notes system has affected the ability to retrieve patient records. There has also been an increase in the volume of requests post Covid for all agencies. These factors have delayed the timely completion of multiagency assessments nationally this year.
- For the latest annual national published data set (SEND2) Southwark was in line with London and National averages. The current year data will be collected nationally in January 2023 and will be available for comparison in May 2023. The national average in the period reporting year was 60%.

IT10 Software Licensing Management November 2022	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	-
			Medium	5
	Limited	Limited	Low	-
Purpose of audit:	To provide assurance on the design and effectiveness of the controls in place around software licensing and to highlight any areas where the controls might be improved.			
<p>Background:</p> <p>Information Technology (IT) has become fundamental to strategic development and from operating systems to end user applications, software uses computing systems and hardware to perform specialised functions. In practical terms, the use of business software has improved the efficiency and efficacy of the Council's operations. Unlike IT hardware, developers primarily choose to license their software to customers, charging a recurring fee for usage. The fee for licensing software can vary based on several factors including the scale of operations, the number of users and the location. Appropriate software licensing procedures are essential to ensuring that licenses are utilised, and the additional costs are not incurred. These procedures should also include checks for software that is installed on the Council's IT assets, but outside of the control of ICT.</p> <p>Breaches of licensing arrangements are likely to incur significant financial penalties as well as the possibility of legal action being taken. Furthermore, unlicensed software is often insecure and can become a way of accessing the Council's IT network.</p> <p>Responsibility for software licensing processes primarily rests with the Shared Technology Service (STS). The Council also has a line of business systems in place, responsibility for which sits outside of STS processes and controls.</p> <p>Areas of strength:</p> <ul style="list-style-type: none"> The Council and STS both demonstrated that there is a strong working relationship between the two parties in respect of software licensing management activities, whilst maintaining a clear distinction between the responsibilities and accountabilities of each party. This is enshrined within an Inter-Authority Agreement which sets out the specific areas governed by each organisation in relation to software licensing management. Despite there being key gaps in policy documentation to define the responsibilities of the Council's ICT Service and end users in relation to software licensing and usage, technical controls were found to be in place to prevent end users from downloading and installing software on to their devices. Throughout the review, management and staff demonstrated a commitment to learning and improvement, identifying and exploring potential ways to improve controls over each of the areas reviewed and consideration of industry best practice in these improvements. <p>Areas of concern:</p> <ul style="list-style-type: none"> There was an absence of key policy documentation in place to govern software licensing management activities, both from an ICT Service and end user perspective. Attempts have been made to introduce such policies, although these remained in draft and were incomplete at the time of our 				

testing.

- Staff interviewed were knowledgeable about each of the software applications and the processes involved in managing these. However, these processes were not documented in procedural guidance for staff to follow. This results in a level of inconsistency in how different applications are managed, information is recorded, and software utilisation is monitored. Furthermore, a lack of documented processes impacts business continuity and succession planning if staff leave, move departments or are absent for prolonged periods.
- Manual records are currently kept for software licence information at the Council and within STS. There were multiple gaps in key data within the Council's corporate applications register, particularly in relation to system support, licence types, system criticality, renewal dates, and licence utilisation. For example, there were no start and end dates documented for any of the licenses. The register held by STS contained some of this data, although was manually populated and updated.
- There was an overall lack of monitoring in place over software licence data, utilisation, and compliance with conditions. An Operational Management Group (OMG) meeting does scrutinise (in)active user accounts, which informs Microsoft 365 licence numbers, and upcoming renewals of software are kept under review. However, the reliance on manually updated information by both parties reduces monitoring capabilities. Gaps in data within the Council's corporate applications register also prevent clear oversight of software licensing activities and compliance.
- The use of manually input spreadsheets has contributed to a lack of robust data on licenses and subject to improving the controls around the completeness and accuracy of date, best practice would be to move to an automated licensing tracking system.

KFC06 General Ledger November 2022	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	-
			Medium	3
	Moderate	Moderate	Low	1
Purpose of audit:	To provide assurance over the adequacy of the control framework relating to the general ledger, including cost centre management, control account reconciliations, journal transfers and budget virements.			
Background:				
<p>The SAP General Ledger holds data on the financial position, assets, liabilities, income, and expenditure of the Council, including the data from subsidiary feeder systems. This financial information is used to produce the budget monitoring reports throughout the year and the financial statements at the end of the financial year. Income transactions received by the Council which cannot be automatically allocated to an appropriate account, through the automated detection based on reference or description, are rerouted to the Unallocated Income suspense account. Initial reviews of the transactions completed by the Financial Control and Processing (FC&P) Team will then reallocate identified income to a Feeder system suspense account, such as Council Tax. The responsibility for reviewing the Feeder system suspense accounts transactions and identifying the correct account resides with the relevant team at the Council.</p> <p>The Support Service Team provides support to the Revenues and Benefits service, including Council Tax, Business Rates and Housing Benefits, in reviewing the Feeder system suspense account transactions and identifying the correct amount. The income is then allocated to the relevant account(s) using journal entries which are appropriately authorised. If the income cannot be identified within three months of being placed in the Feeder system suspense account, it is returned to the Unallocated Income suspense account.</p>				
Areas of strength:				
<ul style="list-style-type: none"> We obtained five bank account reconciliations (Main bank account, Housing rent account, Community charge, Business rates and Council tax) completed across December 2021, January 2022, and February 2022. We identified that the main account is reconciled daily and reviewed by an independent officer. We identified that the reconciliations of the collection accounts are completed on a quarterly basis. We reviewed the Council's most up to date bank mandate and the authorised signatories list to assess whether all staff listed are current Council employees. We noted that the mandate was last updated in January 2022 and the officers listed were all current staff. We selected a sample of 25 bank payments in the period 1 April 2021 to 31 March 2022 to assess whether these were approved appropriately in line with the Council's Scheme of Management. We identified in all cases that these were appropriately approved with adequate evidence of approval retained. In addition to the authoriser reviewing and authorising the journal form, the key control in place to identify coding errors is the budget monitoring exercise. The budget holders identify significant/unexpected variances, which can be caused by a coding error. We noted that this control takes place monthly and enables the identification and correction of coding errors on a timely basis. 				

Areas of concern:

- The Corporate Suspense and Account Reconciliation procedure and the procedures relating to reconciliation protocols were not up to date for the current period. The policies and procedures relating to cost centre creation and journal protocol were not provided during the fieldwork, therefore we could not assess the adequacy of these procedures.
- We selected a sample of 20 budget virements in the period 1 April 2021 to 31 March 2022 to assess whether each virement was supported by adequate documentation and was approved appropriately. We identified in six cases that these were not evidenced as approved, therefore we could not assess whether these were approved appropriately.

5. SUMMARY OF RECOMMENDATIONS STATUS

Of the 3417 high and medium recommendations relating to 2017-18 to 2021-22, that have fallen due as at the end of October 2022, we have confirmed with reference to evidence that 367 have been fully implemented or superseded, representing 86%. The chart shows the relative percentages for each of the four years.

The implementation rate for previous recommendations has remained the same at 86% since the last report to the Committee. Whilst there are some longstanding recommendations from previous years that remain to be implemented, these have now reduced in number.

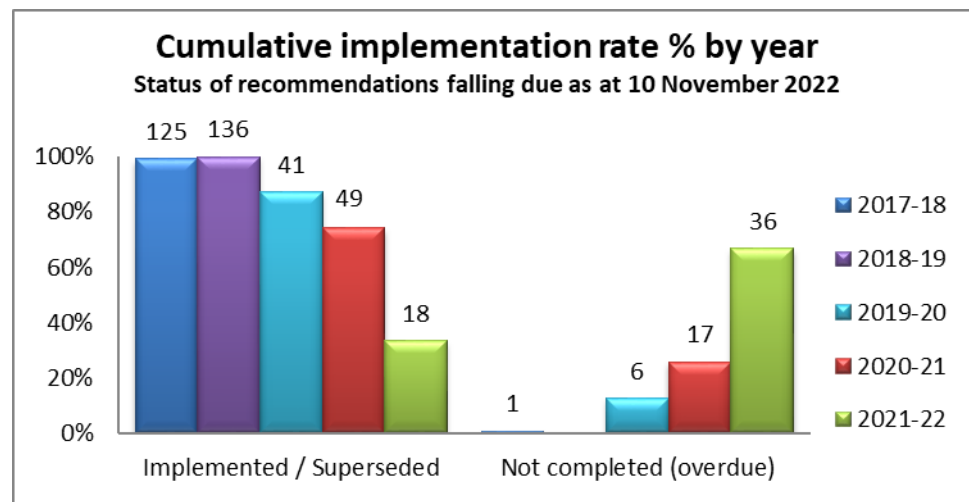
Several audits remain for which the required update was not provided by the date of reporting, which are indicated in our summary. The implementation rate may be higher than 86%. However, without management responses and supporting evidence, we cannot confirm this.

There are also several audits where the originally agreed implementation date has not been met and a new date has been provided.

The implementation status of each internal audit is summarised in the table overleaf.

Please note that the table does not include audits where:

- All recommendations have been implemented
- Recommendations to be followed up as part of another audit during the year (for example key financial systems)
- Recommendations not yet due for implementation.



RECOMMENDATION IMPLEMENTATION RATES BY AUDIT

Audit Area	Total High & Medium recommendations due for implementation	Implemented		In progress at the follow up date		Awaiting update, revised date, or evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
Chief Executive's Department									
2017-18 Land Charges	5	1	3	-	1	-	-	80%	April 2019 December 2019 March 2023
2019-20 S106 Agreements	3	-	-	-	3	-	-	0%	January 2024 December 2024 Awaiting evidence
2020-21 Community Infrastructure Levy	1	-	-	-	1	-	-	0%	December 2020 Awaiting evidence
2021-22 Movement Policy and Plan	6	-	6	-	6	-	-	0%	January 2022 April 2023
2022-23 Emergency Planning	2	-	-	-	2	-	-	0%	February 2022 Awaiting evidence
Children's and Adults Department									
2020-21 Foster Carer Payments	3	-	1	-	1	-	-	33%	December 2020 Awaiting update
2020-21 Payments to Children and Families	3	-	-	-	-	1	2	0%	January 2024 Awaiting update
2020-21 Supported Living	3	1	1	-	1	-	-	66%	September 2024 Awaiting update
2020-21 Travel Assistance	1	-	-	-	1	-	-	0%	September 2024 March 2022 September 2022

Audit Area	Total High & Medium recommendations due for implementation	Implemented		In progress at the follow up date		Awaiting update, revised date, or evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
2021-22 Youth Offending Team	3	-	-	-	3	-	-	0%	March 2022 September 2022
2021-22 Adoption Services	3	-	-	-	-	2	1	0%	January 2023
2022-23 Continuing Healthcare	3	-	-	-	-	-	3	0%	October 2022 Awaiting update
2022-23 Contract Management: Mobilisation	3	-	-	-	1	-	2	0%	June 2022 October 2022 Awaiting update
2022-23 All Age Disabilities	2	-	-	-	-	-	2	0%	June 2022 Awaiting update
Environment and Leisure Department									
2020-21 Climate Change	4	-	-	-	4	-	-	0%	November 2024 Awaiting evidence
2020-21 South Dock Marina	1	-	-	1	-	-	-	0%	June 2022 November 2022 March 2023
2021-22 Cooper Close TMO	3	-	1	-	2	-	-	33%	April 2022 July 2022 Awaiting update
2022-23 Leisure Services	1	0	0	0	0	0	1	0%	July 2022 Awaiting update
2022-23 Highway Maintenance	1	0	0	0	0	0	1	0%	May 2022 Awaiting update
2022-23 Library Services	4	0	0	0	0	0	4	0%	September 2022 Awaiting update

Audit Area	Total High & Medium recommendations due for implementation	Implemented		In progress at the follow up date		Awaiting update, revised date, or evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
Finance and Governance Department									
2019-20 Home Ownership - Garages	3	1	1	-	1	-	-	66%	April 2020 January 2021 November 2021 September 2022 March 2023
2020-21 Records Management	1	-	-	1	-	-	-	0%	March 2021 November 2021 June 2022 Awaiting update
2022-23 Housing Revenue Account	1	-	-	-	-	-	1	0%	August 2022 Awaiting update
Housing and Modernisation Department									
2019-20 Materials	3	-	1	-	2	-	-	33%	June 2020 April 2021 June 2021 October 2021 January 2022 February 2022 June 2022 November 2022
2020-21 Software Asset Management	4	-	2	-	2	-	-	50%	March 2022 September 2022 December 2022
2020-21 Housing Application and Allocations	2	-	1	-	1	-	-	50%	September 2021 February 2022 August 2022

Audit Area	Total High & Medium recommendations due for implementation	Implemented		In progress at the follow up date		Awaiting update, revised date, or evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
									November 2022
2021-22 Major Works	3	1	1	1	-	-	-	66%	June 2022 July 2022 March 2023
2022-23 IT Disaster Recovery	4	-	-	2	2	-	-	0%	June 2022 December 2022

RECOMMENDATIONS NOT YET IMPLEMENTED

The tables below show the latest updates with regards to the recommendations not yet implemented, where this has been provided. It excludes recommendations that have not fallen due.

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
Environment and Leisure Department		
2020-21 - Climate Change		
<p>Management can ensure that effective governance are in place through the following actions:</p> <p>(i) Ensure that terms of reference are written for all steering groups including the role and responsibilities of the group and officers. The ToR should be formally approved, dated, and reviewed annually.</p> <p>(ii) Co-opt BAME representative onto the oversight steering group.</p> <p>(iii) Ensure that permanent representatives are available from Finance, Children's, and Adult's Services (where director level is unable to attend an appropriate substitute should).</p> <p>(iv) Produce a climate change risk register identifying the risks that will prevent the plan being achieved, mitigating actions, assigning ownership, and monitoring their effectiveness in managing the risks to acceptable levels.</p> <p>(v) Agreed actions in the steering group meetings should be added to the action log and completion dates provided. The action log should be reviewed at each meeting. Minutes should be available at all meetings and a record maintained of those that attend.</p> <p>Medium</p>	<p>Climate Change Director</p> <p>November 2021</p> <p>TBC</p>	<p>We were advised by the Climate Change Director that:</p> <p>(i) Complete - The terms of reference is in place for the officer and directors group steering meetings and these will be reviewed annually.</p> <p>(ii) Complete - While we have not co-opted black and minority ethnic representation to the Director's Steering Group, the group does already include directors from a black or minority ethnic background. In other groups that we are developing including with community partners, we remain cognisant of the need for diverse representation.</p> <p>(iii) Complete - Directors (and their deputies) from both services are included on the directors steering group.</p> <p>(iv) Ongoing - A programme risk register will be developed and reviewed quarterly at the directors steering group meetings.</p> <p>(v) Complete - An actions log has been implemented at the directors steering group meeting and minutes are already taken at these meetings</p> <p>Evidence pending</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>(i) Management should review and improve the community engagement particularly with a view to increasing the response from Black and Asian groups to be more representative.</p> <p>There are several options open to the Council to improve in this area such as by:</p> <ul style="list-style-type: none"> ▫ Selecting a BAME engagement company to provide the service (this would support the Council in their current and future projects / programmes also) ▫ Approaching faith groups in the borough who have a large group of BAME members to complete questionnaires and/or to take part in interviews ▫ Advertise in the local BAME press for example The Voice Newspaper. <p>(ii) Implement a communications plan for climate change, to be used as the basis for getting the various stakeholders involved in the plan. This will include local businesses, neighbouring authorities, and residents.</p> <p>(iii) The Council should, if necessary, extend the timescales for engaging with community groups over Climate Change, using the Equity Framework Plan to ensure a greater level of engagement.</p> <p>Medium</p>	<p>Climate Change Director</p> <p>September 2021</p> <p>TBC</p>	<p>We were advised by the Climate Change Director that work continues on the communications and engagement strategy. Alongside this, work is taking place to reach a range of audiences.</p>
<p>(i) A sixth monthly report on Climate Change should be introduced.</p> <p>(ii) The Annual Report should be scheduled and included on the Forward Plan for Cabinet.</p> <p>Medium</p>	<p>Climate Change Director</p> <p>April 2022</p> <p>July 2022</p> <p>TBC</p>	<p>We were advised by the Climate Change Director that:</p> <p>(i) Complete - We are not publishing a six-monthly report. Instead, we have published our action plan online that can be updated throughout the year. This will be quarterly in line with internal reporting on the climate action plan.</p> <p>(ii) Complete - this is on the forward plan for July 2022</p> <p>Evidence pending</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>(i) The Climate Change, transport and movement plans should be brought together and have one climate change plan and share resources to deliver them.</p> <p>Medium</p>	<p>Climate Change Director</p> <p>July 2021</p> <p>TBC</p>	<p>We were advised by the Climate Change Director that:</p> <p>(i) We do not agree with the recommendation that these are brought together. Instead, we are ensuring they are aligned. This work is ongoing. The sustainable travel plan (which updates the transport and movement plan) is being updated at the moment. The climate change team is working with colleagues in Transport planning to ensure alignment.</p>
2021-22 - South Dock Marina		
<p>Both the Council and Marina should work together to agree a solution towards paperless working. Whilst we also recognise that the Marina does not have immediate capacity to deploy resources to scan all documentation, this is something that the Marina and Council should consider over the medium-long term to ensure all paper documentation has been scanned to either the Havenstar system (pending relevant modules and system upgrades) or the Marina's shared drive.</p> <p>Medium</p>	<p>Harbour Master</p> <p>June 2022</p> <p>November 2022</p> <p>March 2023</p>	<p>We were advised by the Harbour Master that the draft Business Case is currently under review with IT and Finance before submitting for final review. Implementation is likely to be in Q4. The payment system to be confirmed with Finance.</p>
2022-23 - Library Services		
<p>a) The Library Operations Manager should detail the roles and responsibilities of library staff and provide guidance on the escalation process of service-delivery issues within the Library Operations manual.</p> <p>b) To include a section within the Library Operations manual which outlines the reporting and monitoring arrangements for each library. This should provide guidance on the expected level of detail, who it is generated by, and where reports should be presented.</p> <p>c) The Library Operations Manager should review the Library Operations manual and ensure that it reflects the current operational process of the service. As part of the review, the review date, approver, and the proposed date should be clearly outlined.</p>	<p>Library Operations Manager</p> <p>a)/b) December 2022</p> <p>c) March 2023</p>	<p>We were advised that the Library Operations Manager is working with the Library Area Managers to update the operations manual (for parts a and b)- detailing the roles and responsibilities of library staff, provide guidance on the escalation process of service-delivery issues and add the reporting and monitoring arrangements for each library within the Library Operations manual. A full review of Operations manual will be completed by March 2023 (Library Management team will complete this review). The operations manual will then be reviewed annually.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>Medium</p> <p>a) Timescales and milestones should be implemented for each action due, and a metric used to monitor progress towards achieving actions (for example, a red, amber, green system). Each update provided should be dated and signed off by the individual completing the update to add a level of accountability.</p> <p>b) At appropriate intervals, progress against actions in project plans should be reviewed to evaluate whether projects are on track for completion or whether corrective action needs to be taken for projects to meet the timescales identified. Implemented actions should be removed or clearly stated as completed by using the RAG rating system mentioned to ensure clarity over ongoing actions.</p> <p>Medium</p>	<p>Libraries & Heritage Manager</p> <p>September 2022</p> <p>November 2022</p>	<p>We were advised by the Libraries & Heritage Manager that this relates to libraries & heritage strategy action plan. Prior to Covid the L&H strategy action plan was reviewed quarterly at library management team meetings with actions identified. This has now been reinstated. Timescales, milestones, and RAG status & responsible officers have been added and are currently being reviewed and updated to ensure effective performance management.</p>
<p>a) The Library Operations Manager should explore methods of debt collection adopted by other libraries.</p> <p>b) The Council should obtain formal approval and authorisation from the strategic directors confirming that the Council will recover or not pursue outstanding debt in terms of library fines.</p> <p>Medium</p>	<p>Head of Culture</p> <p>September 2022</p> <p>December 2022</p>	<p>We were advised by the Head of Culture that debt recovery services have previously been investigated and found not to be cost effective due to the small amounts owing. It is very difficult to recover outstanding fines from individual customers many of whom owe only small discrete amounts. The costs for this outweigh the amounts recovered. Previous advice has been to write off these debts within an agreed time period. However, the library service is again exploring other mechanisms for debt recovery where possible e.g., where discrete amounts are considerably large and can be identified from one source/debtor.</p> <p>The Library & Heritage Manager is also working with Finance team to progress debt collection management options and potential “cut-off” amount.</p>
<p>a) The Library Operations Manager should maintain a log of the libraries that have had cash collected by G4S Services to ensure that there are clear records of instances where cash is not collected. The log should be reviewed by Senior Management monthly to ensure</p>	<p>Library Operations Manager</p> <p>August 2022</p> <p>March 2023</p>	<p>Part (a) - completed.</p> <p>Part (b) - we were advised by the Library Operations Manager that Libraries continue to review the performance of the service provided by G4S and if further failings arise, we will take appropriate action. In the current situation the library area managers maintain a record of the cash</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>that non collections are escalated where necessary and in a timely manner.</p> <p>b) A formal investigation should be initiated by Senior Management to review whether the services received by the service provider meet contractual expectations, and whether an alternative option should be considered where collections are not made in line with the contract, and the issue persists.</p> <p>Medium</p>		<p>collections and any instances of cash not being collected are escalated to the library operations manager and dealt with as a matter of priority. Further Review of G4S service for libraries will be completed by March 2023.</p>
Finance and Governance Department		
2019-20 - Home Ownership - Garages		
<p>b) Waiting lists should be moved onto iWorld to centralise the waiting list procedure. This would minimise the risk of the waiting list being manipulated and would increase the transparency in the awarding of garages. Changes made would be reflected in an audit trail and will be identified if unauthorised. This will also ensure that priority of application as recorded in the Garage Lettings and Voids procedure</p> <p>Medium</p>	<p>Operations Manager</p> <p>November 2021</p> <p>September 2022</p> <p>March 2023</p>	<p>We were advised by the Operations Manager that the build is now underway, and progress has been good. The project is dependent on the availability of the i-world consultant - who is due to complete the build on 16 January 2023. The team is trying to arrange an earlier development day for completion. Once the build is complete the system needs to be tested for go live.</p>
Chief Executives Department		
2017-18 Land Charges		
<p>A review should be undertaken to identify the benefits, costs and risks associated with offering a personal search service undertaken by Council officers. This review should include the costs to the service and the possible implications should incorrect data be supplied, as well as whether the decision is in line with Council objectives. Alternatives should also be explored, such as offering the self-service at other Council buildings and</p>	<p>Planning support and land charges manager</p> <p>Group manager - validation and fast track</p> <p>March 2019</p> <p>May 2019</p> <p>December 2019</p>	<p>We were advised by the Planning support and land charges manager that there is no change, but it is expected that the service will move in 2023 to HM Land Registry as part of the move of the LLC register.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>benchmarking against other Councils to identify best practice. The reasoning behind the decision should be documented and reviewed on a regular basis.</p> <p>Medium</p>	<p>June 2020 April 2023</p>	
Housing and Modernisation Department		
2021-22 Data Protection Compliance		
<p>a) A communication should be issued to all Service Areas Council-wide, reminding them of their obligations under GDPR to provide the requested information within the defined timeframe.</p> <p>b) The Council should implement an automated response email to requesters informing them their request is being dealt with and reminding them of the timeframe for an expected response.</p> <p>c) Management should investigate the reasons why some areas are not meeting response targets and take action to address these</p> <p>Medium</p>	<p>Information Governance Manager</p> <p>December 2021 Completed</p> <p>June 2022 September 2022 December 2022</p>	<p>We were advised by the Information Governance Manager that:</p> <p>a) This has been assigned at the Corporate Governance Panel (CGP) in January 2022 as an action point 5 for Duncan Whitfield (DPO). Virginia Wynn-Jones was following this up.</p> <p>b) This information forms part of the acknowledgement email sent by officers when a new case is actioned. An automated response email cannot be tailored to be this specific. New system was implemented in November 2021.</p> <p>c) The design of the reports for the new system have not all been finalised, so this is currently difficult to action. The IG manager is working with the system administrator to create meaningful reports to provide management level information.</p>
<p>a) The CGP should take the lead on progressing this piece of work, with the Council's Corporate Information Governance Manager and Legal's specialist governance lawyer as the identified leads.</p> <p>b) A process and schedule should be discussed, agreed, and communicated to all relevant stakeholders, with status updates on progress issued on a regular basis.</p> <p>Medium</p>	<p>Head of Law and Governance</p> <p>January 2022 September 2022 December 2022</p>	<p>We were advised by the Head of Law and Governance that</p> <p>a) This has been discussed and agreed.</p> <p>b) This was considered by CGP in August 2022. Duncan Whitfield advised that he was the sponsor of this issue. CGP considered this issue previously and did not find a sufficient degree of risk to instigate any enhanced data classification. In the light of this new audit, CGP are going to review this issue again during the third quarter of 2022 and then receive a report making future recommendations at its October 2022 meeting.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
2021-22 Major Works		
<p>a) Data quality policy documents, standards and documented procedures should be in place to ensure the quality and consistency of the data input to the Apex database e.g., fire risk safety, major heating system servicing, security door entry and lift servicing, electrical safety, water tanks drainage, asbestos, and external decorations, FENSA installations etc.</p> <p>b) Documented data quality standards should include a central registry for performance monitoring reports, meeting minutes and actions to support the management of contractors prepared by the project managers, and other departmental officers within the investment team.</p> <p>c) A system report listing all the users of Apex, including access and permissions should be reviewed with immediate effect, to ensure users' access and privileges are appropriately aligned to current roles and responsibilities, and linked to starter and leaver procedures informed by HR/payroll.</p> <p>High</p>	<p>Interim Head of Investment/ Building Safety Lead/Business Owner of Apex and Asset Manager</p> <p>Completed</p> <p>30 June 2022</p> <p>30 November</p> <p>31 March 2023</p>	<p>We were advised that:</p> <p>a) This has now been completed.</p> <p>Evidence pending</p> <p>b) The Apex Audit covers these areas in greater detail. It is expected that the report will be used to address the concerns from both the Apex and Major Works Audits. The actions and target dates to be reviewed once report received. New Target March 2023 (TBC based on Apex Audit report)</p> <p>c) This has been met in April 2022 as part of the Apex Audit. It will be included in the new Apex Housekeeping Procedure document that is being written as part of preparation tasks for a planned migration of the system to a new Cloud environment.</p>
2021-22 Disaster recovery		
<p>1.1. The Council's IT department, in collaboration with Council's Emergency Planning and Resilience (EPR) department and STS should develop a Council-wide IT disaster recovery plan that is aligned to and support the Council's priorities in executing recovery processes in response to a cyber security event or a disaster. The plan should aim to protect the Council's IT infrastructure, promote recovery, and should include (but is not limited to) the following:</p> <ul style="list-style-type: none"> - Procedures for invoking the Council's IT Disaster Recovery plan 	<p>Head of IT</p> <p>June 2022</p> <p>November 2022</p>	<p>We were advised by the Head of IT that:</p> <p>1.1 They have engaged with a third consultancy to create the framework to address the items that have been highlighted.</p> <p>They will provide support to Southwark Council in building a framework to:</p> <ul style="list-style-type: none"> • Review on an annual basis what its tier 1 applications are, associated contacts, etc. • Ensure there is a matrix in place to measure DR testing over the past year. • Hold people to account.





Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<ul style="list-style-type: none"> - Business impact and risk assessments used to guide recovery planning - IT systems, applications and resources required by the Council and how they should be utilized in the event of a disaster - Backup and recovery procedures for Council's IT infrastructure, hardware, and systems - Location of alternative sites - Restoration, containment, and eradication procedures - Root cause analysis (including preservation of investigation evidence) - Contact information of critical third parties <p>The plan should be linked to the Council's Business Continuity Plan/Incident response plan.</p> <p>1.2. Management should ensure that the roles and responsibilities are clearly defined and assigned to appropriate members of staff individually. The responsibilities should be communicated to all relevant members of staff and should be reviewed on an annual basis or following a significant change to the Council's operations.</p> <p>1.3. The plan should also include the "Recovery Time Objectives (RTO)" and "Recovery Point Objectives (RPO)" for the Council's IT systems and services into the IT Disaster Recovery procedures. The recovery objectives should be reviewed on an annual basis or following a significant change to the Council's operations.</p> <p>High</p>		<p>By engaging with a third-party, Southwark Council is aiming to ensure rigour and assurance.</p> <p>1.2 This will be covered by a guide following the UK Government BCM toolkit.</p> <p>1.3 Workshops will be carried out with key stakeholders to create business impact analysis and risk assessments.</p>
<p>2.1. The Council should conduct a formal exercise of identifying all critical systems within their IT estate including third party hosted systems and software. A central record of all the critical systems should be</p>	<p>Compliance Officer June 2022 November 2022</p>	<p>We were advised by the Compliance Officer that:</p> <p>2.1 Workshops will be carried out with key stakeholders to create business impact analysis and risk assessments. Also, disaster response and recovery plans will be created</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>maintained by the Council’s inhouse IT department which should include the following (but not limited to):</p> <ul style="list-style-type: none"> - System name and location - Departmental system owner - Supplier name - Agreed RTO and RPOs - Most recent annual DRP and BCP test date - License expiry date <p>2.2. The Council should provide appropriate annual refresher training to the departmental system owners to remind them of their responsibilities with regards to systems they manage, ensuring updated continuity and recovery plans and annual assurances are received from suppliers confirming that the plans have been tested. Formal documentation is provided to Council’s inhouse IT team to manage centrally.</p> <p>2.3. Furthermore, management should ensure appropriate Service Level Agreement (SLAs) for disaster recovery provision is in place with all third-party IT providers, including those for hosted IT systems. These SLAs should define the agreed services and timescales for a recovery in disaster scenario.</p> <p>High</p>		<p>2.2 This will be in the form of the BCM toolkit</p> <p>2.3 Workshops will be carried out with key stakeholders to create business impact analysis and risk assessments</p>
<p>3.1. The Council’s IT department, in collaboration with Council’s Emergency Planning and Resilience (EPR) department and STS should develop and document a Council-wide formal IT business continuity plan by identifying all critical systems within their IT infrastructure including third party applications and the urgency with which they should be restored if disruption occurs.</p> <p>3.2. The BCP should include identification of responsibilities, identification of any acceptable loss</p>	<p>Head of ICT June 2022 November 2022</p>	<p>We were advised by the Head of IT that:</p> <p>3.1 There is a document detailing IT continuity detailing the tier 1 critical systems. This will be shared with EPR</p> <p>3.2 Individual plans will be created once all workshops and analysis is carried out for each Tier 1 service</p> <p>3.3 BIA will be created and identified during the workshops with Tier 1 system owners</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>and implementation of procedures to recover and restore the system within the required timescale.</p> <p>3.3. Furthermore, once all critical IT systems are identified, the Council should perform a documented Business Impact Assessment (BIA), which includes, but is not limited to:</p> <ul style="list-style-type: none"> • The recovery objectives (Recovery Time Objectives, Recovery Point Objectives) for the systems <p>Medium</p>		
<p>4.1. The Council and STS should conduct BIAs to develop and update their effective responses to adverse incidents within their business continuity and disaster recovery arrangements. The BIAs should be completed before any further work is undertaken on response plans to identify:</p> <ul style="list-style-type: none"> - Mission Critical Activities (MCAs), their dependencies and single points of failure - Recovery Time Objectives (RTO) for the Council’s Mission Critical Activities and their dependencies - Recovery Point Objectives (RPOs) for the MCAs - Impacts over time, including operational, media interest, contractual, reputation, financial loss, commercial interests’ risk <p>Medium</p>	<p>Compliance Officer June 2022 November 2022</p>	<p>We were advised by the Compliance Officer that the Council and STS are working with Risual to complete BIAs and risk assessments.</p>

APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

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

FOR MORE INFORMATION:

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APPENDIX B

The Council land charges service is separated into three streams local land charges (LLC1) local authority enquiries (Con29) and personal searches.

The service moved from Legal Services to Planning Division back in April 2017 and the Council has moved from the former Acolaid planning, building control and land charges back office system to a much improved system called Uniform and Total Land Charges (TLC) in July 2019 supplied by Idox Plc.

The council requires service users to use the on line public access system to request searches all full searches LLC1 and Con 29 have to be **paid in advance** otherwise the search is rejected, payment is made direct to the Council by CARD and some larger search providers TM and NLI's pay daily by BACS.

The Council still accepts postal searches with a cheque payment attached this is now 2% of the total we receive.

Review of the cost of the services was undertaken in 2015 by central finance and over the year the projected fee income has been reduced due to a fall in the number of search requests.

1, The Council requires all searches to be paid in advanced before they are processed and dispatched, other than internal search requests via Legal were we undertake an internal recharge.

2. Central finance has reviewed the cost of the service and have agreed the current fees for 2023/24 will increase with the Head of Development Management, we also bench mark with Lambeth, Lewisham and Greenwich every year to see if our fees match those of the other boroughs.

3, The council will cease to provide a personal search service this is free of charge service once the service and register (LLC1) moves to the HM land Registry this is estimated some time late 2023.

Updated

Ian Ogden

Planning Support and Local Land Charges Manager

09/11/2022

Item No. 8.	Classification: Open	Date: 22 November 2022	Committee: Audit Governance and Standards Committee
Report title:		Selection criteria for independent members of the audit, governance and standards (civic awards) sub-committee	
Ward(s) or groups affected:		All wards	
From:		Martin Kovats, Community Projects Manager	

RECOMMENDATION

1. That the committee agrees the criteria set out below for inviting individuals to join the audit, governance and standards (civic awards) sub-committee ('the civic awards sub-committee') for evaluating nominations for the 2023 Civic Awards.
2. That the committee consider any recommendations they would have for individuals or groups to be invited to join the civic awards sub-committee.

BACKGROUND INFORMATION

3. 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. Originally, the scheme was administered on behalf of the council by the Southwark Civic Association which made recommendations to the Standards Committee for the granting of Civic Awards. In 2015 council assembly resolved that the administration of the civic awards be carried out by the council itself.
4. The Civic Awards have evolved over time and now include:
 - The Liberty of the Old Metropolitan Borough of Bermondsey
 - The Liberty of the Old Metropolitan Borough of Camberwell
 - The Liberty of the Old Metropolitan Borough of Southwark
 - The Young Citizen of the Year Award
 - The Mayor's Discretionary Award
 - Southwark Together Award(s)
5. In March each year the civic awards sub-committee is convened to review nominations for awards and decide the recipients for the year. In order to demonstrate transparency and to include a wider range of views, up to four individuals from outside of the council are invited to join the sub-committee.

There are currently no formal criteria for selecting these 'lay' individuals other than the expectation that there is a gender balance.

KEY ISSUES FOR CONSIDERATION

6. Council assembly wishes to see Southwark as 'a leader and serve as a beacon to others in demonstrating how to create the tolerant, open and mutually supportive society we want to see'. These values should be reflected in how independent members of the civic awards sub-committee are chosen.
7. As the role entails a one-off voluntary commitment, it is not appropriate to open up membership to a formal, public competition. Instead, independent members can be invited to join with invitations based on the following criteria.
8. Invitees should:
 - Have a good understanding of the borough and its diverse communities
 - Be familiar with the borough's Voluntary and Community Sector (VCS)
 - Be able to understand and evaluate nominations for Civic Awards
 - Not be a nominee or represent an organisation that is nominated.
9. As a group, the independent members should:
 - Have a gender balance
 - Reflect the cultural and ethnic diversity of the borough
 - Include at least one person under 25.
10. Communities Division considers that these are appropriate criteria and will be actively engaging with the VCS and others within Southwark to find people interested, and would welcome the audit, governance and standards committee's comments on the criteria and recommendations for people to contact.
11. The committee will be provided with a list of at least six individuals by the end of January 2023 so selection can be made in time for the civic awards sub-committee meeting in March 2023.

Policy implications

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

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

Community impact statement

13. The paper proposes the establishment of relevant criteria for the selection of individuals with demonstrable knowledge and experience of the borough's diverse communities and vibrant voluntary and community sector to contribute to the recognition and celebration of those who have made a significant contribution to the people of Southwark. This report is not

considered to contain any proposals that would have an adverse impact on any particular community or group.

Equalities (including socio-economic) impact statement

14. This report ensures that the individuals invited to take part in the AGS (Civic Awards) sub-committee are more broadly representative of the borough's population in terms of gender, ethnicity and age. The proposal does not exclude anyone possessing any particular protected characteristic and is not considered to contain any proposals that would have an adverse equalities impact.

Health impact statement

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

Climate change implications

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

Resource implications

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

Consultation

18. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

19. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Jess Leech, Community Engagement Manager	
Report Author	Martin Kovats, Community Projects Manager	
Version	Final	
Dated	11 October 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		11 October 2022

Item No. 9.	Classification: Open	Date: 22 November 2022	Meeting Name: Audit, Governance and Standards Committee
Report title:		Public Interest Reports Update	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATIONS

1. That the audit, governance and standards committee note Grant Thornton's report 'Lessons from recent Public Interest Reports and other interventions' 2022 (Appendix 1)
2. That the audit, governance and standards committee agree to circulate the report to all councillors.

BACKGROUND INFORMATION

3. Grant Thornton (GT) published a report 'Lessons from recent Public Interest Reports' in March 2021 summarising the findings from the Public Interest Reports (PIRs) at Nottingham City Council (August 2020), the London Borough of Croydon (October 2020) and Northampton Borough Council (January 2021), to illustrate the importance of the way governance operates in local authorities and of the critical importance of scrutiny and challenge.
4. GT have published a follow on report (2022 GT), 'Lessons from Public Interest Reports and other interventions' based on a further 10 councils who have had public interest reports and statutory recommendations and other interventions such as Section 114 notices¹. This report draws together the main points of interest from this further report, in order to update the audit, standards and governance committee. The report considers the key themes from the latest set of interventions as:
 - Cultural and governance issues
 - Failure to understand and manage the risks associated with external companies
 - Failure to address and resolve relationship difficulties with senior officers and members
 - Financial capability and capacity
 - Audit committee effectiveness

¹ Section 114 of the Local Government Finance Act 1988 requires the Section 151 Officer, in consultation with the council's Monitoring Officer, to report to all other authority members if they believe the council is unable to set or maintain a balanced budget.

CULTURAL AND GOVERNANCE ISSUES

5. The 2021 GT report concluded that the quality of scrutiny varied between councils. In cases where PIRs were issued, the level and depth of challenges were not sufficient. The London Borough of Croydon was used to illustrate the failure of members to challenge the financial risks of their budget, and the deliverability of their savings plan; the council's governance over budget setting and monitoring had not been strong enough.
6. To improve, the report recommended a strengthening in governance and a commitment by council members to work collegiately when making strategic decisions which in turn, will increase transparency. It was critical to establish a healthy management culture in cases where challenge and scrutiny were lacking.
7. Culture was defined as following the Nolan principles in political and officer life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership. The GT 2022 report stated that this weakness in council culture and governance in some authorities had continued. Observations of poor governance and culture included: excluding officers from decisions, preventing officers from raising concerns, discouraging public discussion, and opting for cover-ups rather than accepting challenges and addressing problems.
8. The report suggests that there should be an emphasis placed on the importance of officers' and members' responsibilities for the stewardship of public monies and the need to respect the advice of statutory officers and the findings of internal and external audits. Transparency should be prioritised, even if councils are not facing current financial risks they should consider if their existing culture can withstand risks if they appear.

FAILURE TO MANAGE RISKS ASSOCIATED WITH EXTERNAL COMPANIES

9. Councils responsible for council-owned companies must account for their financial risks and benefits. Councils require appropriate financial and legal advice from an unaffiliated party, alongside training for those involved so that the skills are in place to run the operation with full risk assessments observed. Member challenge and scrutiny can be weak when they fail to understand the area they are looking to invest in. Oversight must be kept separate from operational delivery to ensure the correct investment of council funds, and opportunities to challenge decisions.

FAILURE TO MANAGE RELATIONSHIP DIFFICULTIES

10. The 2022 GT report stated that a theme of the latest tranche of auditor interventions was that poor and deteriorating senior officer and member relationships have persisted in some councils, linking with the previous themes of the importance of organisational culture, values, codes, policies and procedures. In some cases relationships have broken down where statutory officers have tried to stand up for what is right and been challenged.

FINANCIAL CAPABILITY AND CAPACITY

11. In the original report, the emphasis was on the impact of the Covid-19 pandemic and reduced central government funds on financial governance arrangements and risk mitigation strategies. This tumultuous period highlighted some weaknesses in financial decisions that may have otherwise remained undetected. GT identified several areas of weakness including lack of transparency in financial decisions, lack of understanding of how to manage financial uncertainty, and undue pressure on senior managers to set budgets based on over-optimistic assumptions.
12. The 2022 GT report states that underinvestment in some councils has remained an issue. Consequently, councils have experienced reduced capacity and skills. Many council finance departments have suffered from underinvestment, as back office services were impacted during austerity, with councils attempting to protect front line services. This has impacted on skills and capacity in many cases. There are now significant weaknesses in some councils' succession planning, in understanding the financial accounting implications of new and innovative schemes, and in the production of financial statements, the requirements for which have grown significantly more complex in recent years. The report suggests that there may be similar challenges for the Monitoring Officer with underinvestment in skills and capacity.
13. The report recommends that members and corporate management teams should adhere to the CIPFA Financial Management Code and ensure that requirements are met and to deploy extra resources where necessary.

AUDIT COMMITTEE EFFECTIVENESS

14. The 2022 GT report increasingly sees audit committee effectiveness as an issue. A strong internal audit service and audit committee are important lines of defence within a council's control environment. Audit Committees should, as defined by CIPFA, have a membership that is "balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role" with a "strong, independently-minded chair [...] who promotes apolitical open discussion". The report states that there are examples of committees voting on party lines, failing to accept the merits of challenge from opposition party members and failing to demonstrate these other characteristics as described by CIPFA.

GRANT THORNTON'S RECOMMENDATIONS FOR COUNCILS

15. The GT 2022 report concludes that some of the messages are the same as those set out previously, i.e. poor culture and governance, lack of oversight. Council audit committees should strive for continual improvement and regular review the potential risks. They should ensure that training and resources are available for audit committee members to develop their skills and appropriate behaviour is known, and consider self-assessment or peer review.
16. Again, the report highlighted the importance of investment in training and recruitment to combat capacity constraints and maintain the appropriate skill

levels to deal with budget overspends and issues that arise.

Policy implications

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

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

Community impact statement

18. 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

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Consultation

23. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

24. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Public interest reports and Grant Thornton report	Finance and Governance, Second Floor, Tooley Street	Geraldine Chadwick

APPENDICES

No.	Title
1	Grant Thornton: Lessons from Public Interest Reports and other interventions Part 2, September 2022

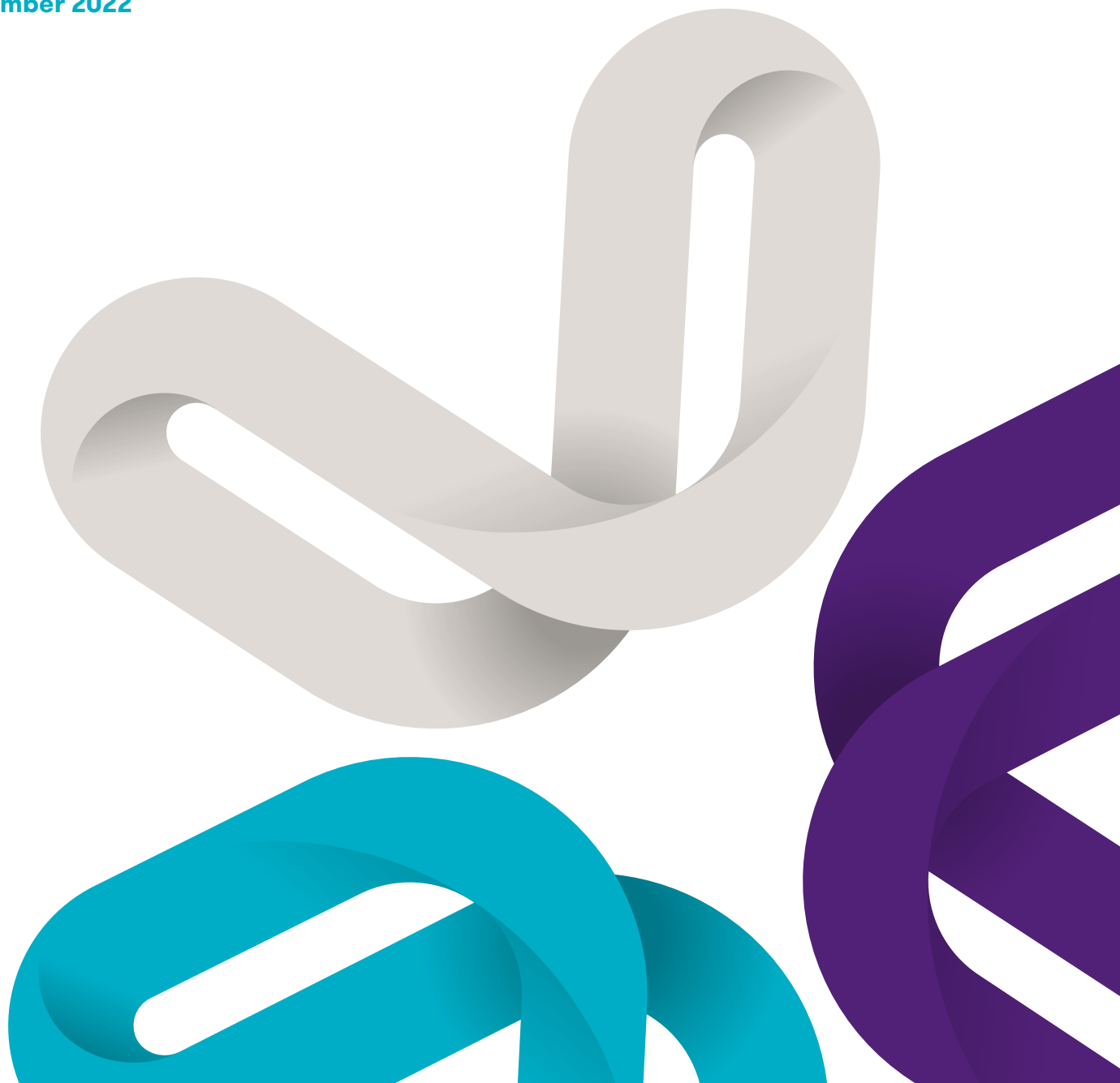
AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Geraldine Chadwick, Interim Technical Accountant.	
Version	Final	
Dated	10 October 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	10 October 2022	

Lessons from Public Interest Reports and other interventions

Part II

September 2022



Contents

Section	Page
Summary	03
Cultural and governance issues	04
Failure to manage the risks associated with external companies	07
Failure to manage relationship difficulties	10
Financial capability and capacity	12
Audit committee effectiveness	14
Conclusion	16
Appendix A: Bibliography	18
Appendix B: Nolan Principles	20
Appendix C: Statutory Officers and Auditor Powers	22

Summary

Since our last report on lessons learned from public interest reports (March 2021) there have been a number of further auditor public interest reports and statutory recommendations, along with other interventions such as s114 notices. These have brought into sharp focus the financial management and governance arrangements of local councils. Those used to inform this report are set out at Appendix A.

After years of reduced central government funding, local authority business models have become increasingly reliant on generating additional income to support frontline services. This has led to a number of local councils increasing commercialisation and developing different vehicles to facilitate this, including partnership ventures, joint ventures and local authority trading companies. The recent Public Interest Reports (PIRs) have shown that the failure of council owned companies can have a significant financial and reputational impact on councils.

These reports serve as a reminder that things can go wrong anywhere, and the risks are potentially significant.

Our previous lessons learned report summarised the key issues into five main areas. Many of these areas remain a focus of the latest auditor and government interventions. This report considers the key themes from the latest set of interventions as:



Cultural and governance issues



Failure to understand and manage the risks associated with external companies



Failure to address and resolve relationship difficulties between senior officers and members



Financial capability and capacity



Audit committee effectiveness



2021 report

Cultural and governance issues



A common factor in these recent interventions has been weaknesses in council cultures (e.g. poor behaviours, a lack of transparency) and weaknesses in governance (e.g. a circumvention of governance procedures, poor quality review and decision-making).

Sometimes this occurred where a small group of politicians decided what would happen and chose to stifle the opportunity of statutory officers to raise concerns, or actually encroached on the roles and independence of officers. Sometimes the environment at a council meant officers were excluded from the conversation. Equally, there have been instances where statutory officers were not all comfortable in making agreed challenges in the context of their statutory roles. It is clear from these failings that statutory officers need to work together to form a corporate view.

Equally there have been times when it was the statutory and other senior officers who wanted something to happen and members were not properly sighted, as officers did not want to face barriers. Public discussion was discouraged, which meant members were excluded from or not sighted on decision making.

With both members and officers we have seen strong personalities pushing an agenda. Organisations have been let down by people wanting a particular outcome or by not wanting to expose members or the council to embarrassment by rowing back or performing a “U turn” on a project. Protecting reputations and opting to cover things up rather than identify risks, accept challenge and address problems has ultimately led to more damage, both financial and reputational.

Failure to adequately support whistle-blowers also suggests a council that is not open to challenge. For example, one report stated the council “goes to some lengths to cover up information, and silence whistle-blowers”.

In some councils, this has led to an intimidating culture, a culture of secrecy and in some cases, an overuse of confidential or delegated action reports, which reduced openness and trust in leadership and the corporate culture.

Intimidation was also seen at councils where little instruction or direction was committed to writing. Instructions were given to undertake specific elements of a task to ensure that the total picture was not evident to those carrying out the task.

There have also been cases where both members and officers had a limited understanding of declarations of interest and of gift and hospitality registers. These were not monitored, were often incorrect and rarely updated. We have also seen a lack of appreciation of the Nolan principles and the requirements of the Members Code of Conduct. Linked to this there has been a lack of understanding in how complaints against Members should be handled. Complaints were either not validated or considered appropriate for further formal action by the Monitoring Officer.

And a subset of this culture issue is denial. In cases there has been poor decision making and poor governance, but there has also been evidence of denial. Both a denial that there is a problem and a denial of responsibility for that problem.

This all requires cultural change, and there needs to be a consideration of the training required to affect and initiate the cultural change needed in some councils. We would suggest this training should include an emphasis on the importance of officers and members responsibilities for the stewardship of public monies. There have been examples where there has been a poor recognition of the fact councils are using, and are responsible for, public money. Linked to this, there needs to be a recognition of the need to respect the advice of statutory officers and the findings of internal and external audit. Too often challenge by auditors is felt to be “nit-picking” or “missing the strategic picture”.

The governance around significant decisions is not always adhering to the key starting point of the Nolan Principles – the importance of “selflessness in public office”. These principles are set out at Appendix B.

A culture of transparency should be prioritised, where staff are actively encouraged to flag concerns. All councils should assess their cultures against the lessons learned from this latest tranche of interventions. Even if at present a council does not face financial risks, that assessment is still valid and should be done with an open approach to considering the new risks which might emerge. Councils should consider whether their existing corporate culture could withstand these risks, or whether they could fall into the trap of secrecy and a lack of transparency.

Those providing scrutiny should undergo impartial and independent training to enable scrutiny and audit committees to fully consider key decisions. Such scrutiny should take an overarching view of decisions within the context of the strategic direction and aspirations of the organisation. Consideration should be given to whether the recommended risk and resilience framework, as set out by the Centre for Governance and Scrutiny, has been applied by each council (see Appendix A).

Good practice would consider an annual, independent review of officer/member grievances, to be assessed by the chief executive, monitoring officer and group leaders, with the purpose of making recommendations to minimise further occurrences of dispute.

Recommendations

- Cultivate an open and transparent culture
- The views of statutory officers must be given appropriate regard and these statutory officers need to act in accordance with their statutory responsibilities
- Review and ensure delegations are appropriate and properly applied
- Ensure staff can raise concerns/whistle blow, ensure this is encouraged and ensure this is independently investigated. Formal channels must be in place for the involvement of both the s151 and Monitoring Officers
- Embed an active review of all complaints and a zero tolerance approach to inappropriate behaviours
- Undertake regular training to ensure members and officers are aware of the code of conduct and ensure that members understand their roles
- Ensure members listen to challenge and take action to tackle long standing issues
- If not already in place, councils should consider the introduction of regular reviews of key governance policies such as their Constitution, whistleblowing and confidential reporting, fraud prevention and anti-corruption policies



**Failure to
manage
the risks
associated
with external
companies**

Where companies are council owned, that means councils are ultimately responsible for the financial risks and benefits of those companies.

However, many have chosen to continue to fund companies rather than face the reputational damage of winding up a loss-making company. Indeed, some have been seen as 'too big to fail'.

As well as potential issues about unlawful public subsidy, this can put a council in breach of its statutory value for money obligations, including a lack of efficient, effective and economic use of public money. Members need to provide oversight to protect the council as shareholder. In just one of the public interest reports, the cost (loss) incurred by the council has exceeded £30m.

Where councils have invested in innovative arrangements, there is not always a good understanding of the financial reporting regulations associated with that sector. For example, there might not be a strong understanding within the council of Companies Act requirements and applicable accounting standards. That level of expertise should be established from the outset. There have been a number of examples where the accounting implications of financial transactions between a council and its companies have represented a major financial risk to the council, and the implications of this have not always been understood within the council.

Issues seen include:



A lack of understanding of roles and responsibilities



An optimism bias that does not reflect the true position or performance of a company or a lack of an appropriate business case



A lack of strategic rationale surrounding the creation of companies



Inadequate financial governance and monitoring of group entities



A lack of skills around commercial decision making



A lack of scrutiny over investment or loan decisions to companies



A reluctance from some members and senior officers to listen to challenges



The quality of risk assessment and risk management arrangements when investing in commercial activities has been poor at some councils. We recognise that members (and officers) are often deeply invested, both personally and professionally, in these schemes, but the desire for them to be a success can overshadow an appreciation of risk management. Councils often borrow large amounts to invest in these companies, but the level of risk management is not in line with what we would expect to see at equivalent commercial investment management companies.

Where advice on investment decisions has been sought, this is not always truly independent, or is not high-quality advice from a reputable provider. Nor does this advice always include a comprehensive assessment of risks. Advice has sometimes been sought from a party who already shares the council's desire to proceed with an investment, so the advice simply provides a confirmation bias. There have been business cases which reflect an optimism bias and do not identify and evaluate the potentially negative outcomes of a scheme, such as a council losing the money committed to the investment (money which may have been sourced from borrowings). These scenarios should consider how council tax payers might adjudge these decisions in 10-15 years' time should the council lose significant funds in any investment.

Member challenge and scrutiny of complex schemes can also sometimes be weak, and some councils lack the experience and understanding of the new specialist areas into which they are looking to invest. And where a company is delivering a service, there can be a tendency to provide service-level type reporting to the Board of that company. Members may sit on these boards, and members tend to understand service level reporting. But generally we would not expect to see service-level reporting to a company board. In fact, a focus on service reporting can be at the expense of the expected level of corporate oversight and risk management.

At the outset, those involved in companies might be known by and trusted by members. But these key characters, or their roles and responsibilities, can change over time, and oversight should never be based on trust or familiarity. We have seen the drive to deliver new outcomes can result in an impatience over governance arrangements and councils not taking the time to challenge and reassess these.

Recommendations

- If entering into complex or large company arrangements, focus on accessing the right financial and legal advice. This should include advice on Companies Act, tax and group accounting requirements. This advice should be from a suitably qualified party with no interest in or relationship with the deal, and include a suitably comprehensive appraisal of all risk factors
- Provide formal training in external companies and update this regularly, for both members and officers
- Assess whether the directors appointed to a company are equipped with suitable skills. Directors should be able to interrogate management accounts and the assumptions upon which the cashflow and any profit is founded. Members should then be able to hold a company to account through the shareholder or service commissioning functions
- There should be explicit shareholder agreements in place and the appointment of nominated shareholder representatives. Where these are already in place, consider whether they continue to reflect current circumstances
- Consider whether the focus of reporting on the work and activities of companies is appropriate. Is there an appropriate separation of the strategic oversight from operational service delivery reporting? Governance arrangements over companies should be regularly reviewed to ensure they remain appropriate for the size and activities of the companies
- Review other sources of guidance for a steer on good practice. For example, Grant Thornton "In Good Company" 2018, Grant Thornton "Spreading Their Wings" 2015 and CIPFA report "Local Authority Owned Companies: A Good Practice Guide. (see Appendix A)

Failure to manage relationship difficulties



Deteriorating senior officer and member relationships over a number of years has been a theme in the latest tranche of auditor interventions. In some councils, a significant amount of time and resources have been spent responding to internal allegations and complaints. The cost of legal advice alone at one council has been in excess of £1m.

This has some linkage with the themes identified as cultural failings, in that there have been inadequate governance arrangements in place in overseeing the responses to whistleblowing, grievance and disciplinary procedures.

In some cases, this has involved a failure to involve elected members in good time. There have been occasions when members have used Freedom of Information requests to obtain information to which they were already entitled. In other cases, we have seen that when statutory officers have tried to stand up for what was right and been challenged, that has resulted in a total breakdown of relationships between members and officers. Where these behaviours have been poor, we have seen officers being pushed out of the organisation and paid off with non-disclosure agreements and severance payments, which were designed to circumvent transparency and governance.

In a number of cases, there have been unlawful or ill-advised payments to former Chief Executives following long standing relationship breakdowns. The costs of these pay outs have been over £100,000, which has resulted in significant reputational damage to the councils involved.

These failures to identify and mitigate conflicts of interest in investigating and ruling upon processes has resulted in:

- the subject of complaints being allowed the opportunity to influence the governance process,
- a failure to involve elected members at an appropriate stage and a failure to provide them with adequate information to form a considered view on relationship issues and
- a failure to establish and recognise statutory responsibilities in relation to whistleblowing.

Recommendations

- Senior leadership, both officers and members, must demonstrate that they can continue to work together effectively, that they operate in line with their council's values, codes, policies and procedures, and that there is a zero tolerance approach to inappropriate behaviours
- This might include a review of the organisational culture in relation to complaints, and training for officers and members on their roles and responsibilities in relation to these parts of their council's constitution
- Where there have been complaints, grievances or disciplinary proceedings, review the management and oversight of these in the light of this report

Financial capability and capacity

Many council finance departments have suffered from underinvestment, as back-office services were impacted during austerity, with councils attempting to protect front line services. This has impacted on skills and capacity in many cases. There are now significant weaknesses in succession planning, in understanding the financial accounting implications of new and innovative schemes, and in the production of financial statements, the requirements for which have grown significantly more complex in recent years.

At some councils there has been a prevalence of interim and acting up arrangements in senior finance officer roles and without effective back-fill arrangements in place, this has resulted in capacity challenges for many finance teams. These temporary arrangements have contributed to some confusion over key roles and responsibilities. Interim staff are not and should not be seen as a substitute for an internal, fully staffed and skilled finance team.

It is not clear from where the next generation of s151 officers will be found. Councils are increasingly looking to recruit s151s from outside their organisation, as they have not invested in developing the next cohort of senior finance specialists. This means councils are all looking to the same external pool which cannot meet the demands for future s.151s.

Consequently, there have been many examples of late and poor quality financial statements, without sufficient and robust accompanying working papers. Only 69% of councils in England submitted draft 2021/22 accounts to their auditors by the required deadline, a reduction on the 77% who met the deadline the previous year. Additionally, there are some councils without a strategic medium term financial plan. In some cases, reserves have significantly diminished. The key concern here is the lack of recognition and/or understanding of the extent and impact of these challenges.

We believe there may be similar challenges in the Monitoring Officer community with underinvestment in skills and capacity and an excessive reliance on interims.

The CIPFA Financial Management Code came into full force on April 1, 2021, after a shadow year. Members and corporate management teams should take responsibility in ensuring its requirements are met and deploy extra resources where necessary.

Recommendations

- Capacity constraints within teams should be identified and recruitment to fill key posts prioritised
- Finance teams must have the skills to take appropriate and timely action when budget overspends are identified, or when it's clear savings cannot be delivered
- Training needs within finance teams should be assessed and addressed. This should include a focus on the arrangements to produce high quality draft financial statements
- Succession planning needs should be considered, with a longer-term view as to when there might be a gap in senior, experienced officers. Consideration should be given to investing in training the next generation of finance specialists
- Consider the CIPFA Financial Management Code and what actions are required to ensure full compliance with these requirements

Audit committee effectiveness

The lack of audit committee effectiveness has not been an issue substantial enough for a public interest report in its own right, but we are increasingly seeing this as an issue. A robust internal audit service and audit committee are important lines of defence within a council's control environment. This committee should provide assurance on the arrangements in place over governance, risk management and the overall control environment, as well as review the financial and non-financial performance at a council.

Audit Committees should, as defined by CIPFA, have a membership that is "balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role" with a "strong, independently-minded chair...who promotes a-political open discussion". We have seen examples of committees voting on party lines, failing to accept the merits of challenge from opposition party members and failing to demonstrate these other characteristics as described by CIPFA.

Without the right balance of skills and knowledge on audit committees, they are unable to provide the expected level of scrutiny, so there needs to be a focus on designing and delivering the required training for members carrying out roles on audit committees. Some committees provide little challenge by members on the agenda items presented, or on the forward plan of work to be considered by the committee. There should also be a consideration of more appointees who are independent experts to help provide a focus on asking the right questions, and ensuring the implementation of agreed actions has been carried out appropriately.

In some places, there is a need to accept challenge as useful opportunity to reflect and identify improvement opportunities. Challenge should be used as an opportunity to embrace an outside view. At some councils, there is a risk that the response to external audit could veer into intimidation, so members and officers must always be professional in their interactions with external audit. External audit do not discharge their responsibilities lightly and councils need to guard against inappropriate behaviour towards audit and external advisors. The Nolan Principles and ethical standards should always be followed in interactions with external audit.

Recommendations

- Councils should consider commissioning independent reviews on their Audit Committee effectiveness and whether they meet the CIPFA position statement on Audit Committees (2018) and the recommendations in the Grant Thornton Audit Committee Effectiveness Review 2015
- For members, especially audit committee chairs, consider handover arrangements and ensure all issues of which you are aware are subject to a formal hand over
- Councils must consider and implement an action plan for all outstanding audit recommendations
- Consider what training and resources are required by audit committee members to develop their skills and knowledge
- Ensure the committee produces an annual report on its activities and presents this to Full Council
- Consider implementing an annual self-assessment of audit committee effectiveness
- Treat internal audit and external audit as critical friends – not as suppliers whose fees you need to beat down
- Consider the merits of appointing appropriately qualified independent members to an audit committee
- Consider whether an audit committee is politically balanced and whether a committee would benefit from a membership better balanced between the main parties

Conclusion



Some of the messages here are the same as those we set out in our first report. The key themes of poor culture and governance and a lack of understanding of the oversight required over associated companies remain a challenge.

The most recent reports have again highlighted a lack of appropriate scepticism, challenge and scrutiny within some councils.

We were pleased to note that some councils did perform a self-assessment against the findings in our previous report. However, these were often limited to a review of systems and procedures.

These self-assessments did not necessarily assess the culture and cultural issues at their council, and this remains a key area where systems break down with ineffective and inappropriate tone and behaviour from the top.

There are no clear or absolute measures to assess whether a council has a poor culture, and weak governance can be even less tangible. Peer challenge and review could be a way councils can work together to offer this insight, alongside ongoing self-assessment.

We would suggest that the concept of continuous improvement describes a process, not a destination. The better councils should assume nothing based on past performance and always be looking for ways to improve. We have seen time and again that ‘hope is not a strategy’ and ‘trust is not a control’. Councils must guard against falling into these ways of thinking.

Some choice quotes

Some phrases included in the interventions which are the subject of this report do catch your attention. These are a few which stood out for us:

“Serious failings have been evidenced in both governance and practice, and in the corporate blindness that failed to pick this up and remedy the position.”

“These weaknesses led to serious governance failings.”

“[officers] could not speak out as they would have wished.”

“There is no evidence that the Council has properly understood the risks involved.”

Councils should reflect on whether any of this could apply to them, and consider what needs to be put in place to address these potential risks. They should strive for an open culture which encourages challenge and criticism. This needs to start with the political leadership and embed itself throughout the organisation. In councils with these interventions, auditors identified aspects of political culture that were not receptive to challenge, scrutiny or different perspectives. This meant that ill thought-out proposals, personal projects and poor stewardship of public funds were able to go unchecked.

Appendix A: Bibliography



The following list are the interventions we have used to form the basis of our lessons learned and associated recommendations in this short report. It should be noted that there have been statutory recommendations made in relation to other councils during the same time period that are not included here.

Statutory Recommendations – Copeland Borough Council **February 2021**

Best Value Inspection – Liverpool City Council **March 2021**

Public Interest Report – York Council **April 2021**

Statutory Recommendations – Slough Borough Council **May 2021**

S114 Notice – Slough Borough Council **July 2021**

Statutory Recommendations – Slough Borough Council **July 2021**

Statutory Recommendations – Thanet District Council **October 2021**

S114 Notice – Nottingham City Council **December 2021**

Statutory Recommendations – Sandwell Borough Council **January 2022**

Public Interest Report – L.B. Croydon **January 2022**

Public Interest Report – Pembrokeshire County Council **January 2022**

Public Interest Report – Blaenau Gwent County Borough **January 2022**

Statutory Recommendations – Copeland Borough Council **March 2022**

S114 Notice – Northumberland County Council **May 2022**

Independent Monitoring Officer report – Thanet District Council **May 2022**

Independent Governance Review – Northumberland County Council **June 2022**

Threatened Statutory Recommendations – Middlesbrough Council **July 2022**

Further Reading

The following documents have been referenced in the report:

The governance risk and resilience framework - Centre for Governance and Scrutiny¹

The CIPFA advisory note on understanding the challenge to local authority governance²

The CIPFA “Local Authority Owned Companies: A Good Practice Guide” report³

Grant Thornton “In Good Company”⁴

Grant Thornton “Spreading Their Wings” – Building a Successful Local Authority Trading Company⁵

1 www.cfgs.org.uk/governancerisk/

2 www.cipfa.org/about-cipfa/cipfa-governance-structure/cipfa-practice-oversight-panel/advisory-notes/understanding-the-challenge-to-local-authority-governance

3 www.cipfa.org/policy-and-guidance/publications//local-authority-owned-companies-a-good-practice-guide

4 www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/documents/in-good-company-2018.pdf?msclkid=5aa2bbced-06c1fecb6727bce550dc353

5 www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2015/spreading-their-wings-building-a-successful-local-authority-trading-company.pdf

Appendix B: Nolan Principles



The recent PIRs showed that for some councils the culture is not right. Culture must be about selflessly following the Nolan Principles in all aspects of political and officer life. These principles are set out below:

- 1 Selflessness** - Holders of public office should act solely in terms of the public interest.
- 2 Integrity** - Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family or their friends. They must declare and resolve any interests and relationships.
- 3 Objectivity** - Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- 4 Accountability** - Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- 5 Openness** - Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- 6 Honesty** - Holders of public office should be truthful.
- 7 Leadership** - Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Appendix C: Statutory Officers and Auditor Powers



Head of Paid Service

Section 4 of the Local Government & Housing Act 1989 provides that it is the duty of every local authority to designate one of their officers as its Head of Paid Service.

It is the duty of the Head of Paid Service where he or she considers it appropriate to do so, to prepare a report to the authority setting out their proposals as to:

- the manner in which the discharge by the authority of their different functions is co-ordinated;
- the number and grades of staff required by the authority for the discharge of their functions;
- the organisation of the authority's staff;
- the appointment and proper management of the authority's staff.

Regulations made under the Local Government Act 2000 reinforce these duties by making the appointment of staff below chief officer level the exclusive function of the Head of Paid Service or someone nominated by him or her.

The Head of Paid Service is normally the Chief Executive Officer.

Monitoring Officer

The legal basis for this post is found in section 5 of the Local Government & Housing Act 1989, as amended by schedule 5, paragraph 24 of the Local Government Act 2000. The monitoring officer has three main roles:

- to report on matters he or she believes are, or are likely to be, illegal or amount to maladministration;
- to be responsible for matters relating to the conduct of councillors and officers; and
- to be responsible for the operation of the council's constitution.

The role is normally held by the Head of Legal Services.

Section 151 Officer

Section 151 (S151) of the 1972 Local Government Act requires every local authority to make arrangements for the proper administration of their financial affairs and requires one officer to be nominated to take responsibility for the administration of those affairs. The person appointed to the role must be a CCAB qualified accountant. The S151 Officer is the Chief Finance Officer, but titles vary by council.

The S151 Officer must ensure the council sets a balanced budget each year. Legislation describes when a budget is considered not to balance:

- where increased uncertainty leads to budget overspends of a level which reduces reserves to unacceptably low levels
- where an authority demonstrates the characteristics of an insolvent organisation, such as an inability to pay creditors. S151 Officers must interpret this based on the circumstance of their own organisation and should continually monitor income and expenditure in-year. They must also report any unlawful financial activity involving the authority (past, present or proposed). The S151 Officer also has a number of statutory powers in order to allow this role to be carried out, including issuing a S114 Notice.

S114 Notice

Section 114 (S114) of the Local Government Finance Act 1988 requires the S151 Officer, in consultation with the council's Monitoring Officer, to report to all the authority's members if they believe the council is unable to set or maintain a balanced budget.

Such a notice is only given in the gravest of circumstances. This is most likely to be required in a situation in which reserves have become depleted and it is forecast that the council will not have the resources to meet its expenditure in a particular financial year. A full council meeting must then take place within 21 days to consider the notice. In the meantime, no new agreements involving spending can be entered into.

Auditor powers

The following powers are available to the external auditors of a Council:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

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Item No. 12.	Classification: Open	Date: 22 November 2022	Meeting Name: Audit Governance and Standards Committee
Report title:		Whistleblowing complaints and outcomes	
Ward(s) or groups affected:		All	
From:		Director of Law and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee notes this report.

BACKGROUND INFORMATION

2. This report provides details of the whistleblowing referrals received by the council between October 2021 and September 2022 and an update on the outcomes of referrals received in the previous 3 years.
3. This report has taken a generic definition of whistleblowing to include not only those referrals from staff, external contractors and agency workers (and subject to the Public Interest Disclosure Act 1998 which provides protection for staff and others when making whistleblowing disclosures) but also from members of the public and councillors. Anonymous referrals are also included.
4. The council's current whistleblowing policy was approved in June 2020 and is published on the council's website and on The Source.
5. What constitutes a whistleblowing issue is defined in the policy:
 - That a crime has been committed, is being committed, or is likely to be committed.
 - That a person has failed, is failing, or is likely to fail to comply with any legal obligation to which he or she is subject.
 - That a miscarriage of justice has occurred, is occurring, or is likely to occur.
 - That the health and safety of an individual has been, is being, or is likely to be endangered.
 - That the environment has been, is being or likely to be damaged.
 - That information tending to show any of the above matters has been concealed or is likely to be deliberately concealed.
6. Most local authorities receive a small number of referrals and Southwark is no exception. Work in recent years to increase awareness of the policy amongst staff has not resulted in a marked increase in referrals.
7. This report has to strike a balance between the need for openness and transparency, and the requirement not to undermine the efficacy of the policy by

detering people from using it. It is important for the council to avoid the possible identification of any whistleblower and other individuals and/or jeopardising any ongoing investigations.

KEY ISSUES FOR CONSIDERATION

8. When cases are first received, they are assessed to see if they should be investigated as whistleblowing cases, or more properly dealt with under other procedures. These include

- Cases which should be dealt with under the council's fraud response plan
- Cases which are more properly HR matters
- Cases which are not the council's responsibility and should be referred to external bodies (including schools).

9. The number of referrals received in each period in the last year and then in the previous 3 years and the results of the initial assessment are shown in the table below.

Period from	Period to	Total refs in period	Fraud response plan	HR	External bodies	Insufficient info to progress	Whistle-blowing
01/10/2021	30/09/2022	10	1	2	0	1	6
01/10/2020	30/09/2021	5	0	2	3	0	0
01/10/2019	30/09/2020	6	2	0	0	0	4
01/10/2018	30/09/2019	5	0	1	0	0	4

10. Six cases have been received since October 2021 which have been initially identified as 'whistleblowing' cases.

11. The referrals for the cases identified as whistleblowing cases were received from the following sources:

Period from	Period to	Employee	Member	Public	Employee of contractor or provider	Anonymous
01/10/2021	30/09/2022	3	0	1	2	0
01/10/2020	30/09/2021	0	0	0	0	0
01/10/2019	30/09/2020	1	0	3	0	0
01/10/2018	30/09/2019	1	0	1	0	1

12. These referrals were in respect of the following services:

Period from	Period to	Children & Adults	CEx	Env & Leisure	Finance & Gov	Housing & Mod	Voluntary Sector
01/10/2021	30/09/2022	3	0	2	0	1	0
01/10/2020	30/09/2021	0	0	0	0	0	0
01/10/2019	30/09/2020	1	0	2	1	1	0
01/10/2018	30/09/2019	1	0	2	1	0	0

13. The referrals related to the following themes:

Period from	Period to	Safeguarding	Contracts	H&S	Employment	Inappropriate practices	Other
01/10/2021	30/09/2022	2	1	0	1	2	0
01/10/2020	30/09/2021	0	0	0	0	0	0
01/10/2019	30/09/2020	0	1	0	2	0	1
01/10/2018	30/09/2019	0	2	0	0	0	2

14. The outcomes of the investigations are shown in the table below (some of these were completed subsequent to the year within which they were commenced):

Period from	Period to	Whistle-blowing cases	Complaint not upheld	Dept. for action	Recategorised as a non-whistleblowing matter	Outstanding at the end of the period
01/10/2021	30/09/2022	6	2	0	0	4
01/10/2020	30/09/2021	0	0	0	0	0
01/10/2019	30/09/2020	4	0	0	0	4
01/10/2018	30/09/2019	4	2	1	0	1

15. Further details of the outcomes of the investigation completed in the year are as follows:

Number	Description of allegation	Outcome
WB2021-09	Complaints about recruitment processes not being followed	Not upheld- no evidence that recruitment was not properly carried out although some good practice recommendations were made
WB2022-04	Various complaints about contractor providing services to children not following proper procedures including DBS checks	Not upheld- provider able to provide evidence of all necessary requirements and safeguarding team satisfied with the arrangements in place

16. The committee will see that there are a small number of whistleblowing complaints each year and very few have resulted in further action being taken. In one case although the complaint was not upheld there were some recommendations made to the department regarding good practice.

Policy framework implications

17. As stated in its whistleblowing policy, the council is committed to achieving the highest possible standards of service and ethical standards in public life. The policy enables council employees and others to raise concerns about services, contracts or other matters.

18. The policy also supports the council's Fairer Future values of treating residents as if they are a valued member of the family, being open, honest and

accountable, spending money as if it were from our own pocket and always working to make Southwark more equal and just.

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

19. Any whistleblowing complaint that is made will be handled in a way that gives consideration to the public sector equality duty in section 149 Equality Act 2010 i.e. to have due regard to the need to eliminate discrimination, advance equality of opportunity, and to foster good relations between people with protected characteristics and others. Any potential socio-economic and health impacts raised in any such complaint will also be given due regard.

Climate change implications

20. There are no direct climate change implications arising from this report.

Resource implications

21. There are no direct resource implications in this report. Any investigations arising from whistleblowing complaints will be managed within relevant departmental budgets.

Consultation

22. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

23. Although there is no statutory obligation to have a whistleblowing policy, the law protects employees and others who make whistleblowing claims from being subjected to detrimental treatment as a result of any claim. It is therefore important that there is a process in place to deal appropriately with such claims. The council has also decided to include in the scope of its policy any individual (not just those employed or contracted by the authority) who wishes to report a concern about wrongdoing within the council. This report sets out details of the complaints that have been treated as whistleblowing cases in the last year and provides some comparative data from previous years.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Whistleblowing policy https://www.southwark.gov.uk/council-and-democracy/whistleblowing	Legal Services, Southwark Council, 160 Tooley Street, London SE1 2QH	Allan Wells 020 7525 2130

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown, Director of Law and Governance	
Report Author	Allan Wells, Specialist Governance Lawyer, Legal Services	
Version	Final	
Dated	4 November 2022	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Director of Law and Governance	Yes	Yes
Strategic Director of Finance and Governance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	4 November 2022	

Item No. 13.	Classification: Open	Date: 22 November 2022	Meeting Name: Audit Governance and Standards Committee
Report title:		Members' Code of Conduct Complaints Procedure	
Ward(s) or groups affected:		All	
From:		Doreen Forrester-Brown, Director of Law and Governance and Allan Wells, Specialist Governance Lawyer	

RECOMMENDATION

1. That the audit, governance and standards committee agrees the proposed updates to the Members' Code of Conduct Complaints Procedure as indicated in Appendix 1.

BACKGROUND INFORMATION

2. The council is required by the Localism Act 2011 to have in place arrangements under which allegations that a member has failed to comply with the council's Members' Code of Conduct are investigated and determined.
3. The latest version of these arrangements was agreed in December 2016. As a result of matters arising from complaints that have been investigated since then, the Monitoring Officer considers there are some aspects of the arrangements that are not sufficiently clear and proposes some changes shown in the tracked version attached as Appendix 1.
4. Included in the roles and functions of the committee is the provision of a framework to promote and maintain high standards of conduct by councillors, co-opted members and church and parent governor representatives. This procedure forms part of that framework but as it is not part of the council's constitution it does not need to be approved by council assembly.

KEY ISSUES FOR CONSIDERATION

5. The proposed changes to the arrangements are shown in the tracked version attached as Appendix 1. In particular the following changes are proposed.
 - a. The heading for the arrangements should more clearly represent what the procedure covers.

- b. There should be provision for a letter of instruction from the Monitoring Officer when appointing an investigating officer. This should set out clearly the terms of the investigation, request an investigation plan, and include clarification about the data protection arrangements in relation to any material produced during the investigation.
 - c. Clarification about the process to be followed in the event that the Monitoring Officer agrees local resolution in a case where an investigating officer has determined that a breach of the code has occurred.
6. If the Monitoring Officer considers that a complaint should be fully investigated, it is important for all parties concerned to be clear about the ambit of the investigation. The arrangements therefore should be clear about what information is provided to the investigator in carrying out their investigation.
7. The procedure already makes provision for the draft report to be shared in confidence with the member who is the subject of the investigation, and to the complainant to enable their comments to be received. A final report is then produced which is sent to the Monitoring Officer. The Monitoring Officer considers that the letter of instruction to the investigator should specifically deal with any documentation supplementary to the report, eg notes of interviews, and be clear about any confidentiality issues relating to these.
8. After an initial assessment the Monitoring Officer may decide that the matter is best dealt with by local resolution without the need for a formal investigation. The amendments to the procedure make it clear that after such a decision is made the Monitoring Officer will send out a decision notice to all parties to confirm that she will be taking this approach.
9. Similarly, in cases where an investigation is carried out, the Monitoring Officer may decide after a report is produced that the matter can be dealt with by local resolution without the need for a hearing. In such cases the procedure makes it clear that a report will then be presented to the conduct sub-committee of the audit governance and standards committee for noting but no further action would then be required by the Monitoring Officer or the sub-committee.

Actions required and next steps

10. The committee is being asked to consider the proposed changes and consider whether any further changes are appropriate. Any recommendation will then be put to the council assembly to formally approve the arrangements. This will be with a view to producing a report seeking agreement from Council Assembly in November 2022 to updated arrangements.

Policy framework implications

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

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

12. There are no specific community, equalities (including socio-economic) and health impacts arising from this report.

Climate change implications

13. There are no climate change implications arising from this report.

Legal implications

14. The council is required by the Localism Act 2011 to have in place arrangements under which allegations that a member has failed to comply with the council's Members' Code of Conduct are investigated and determined.

Financial implications

15. There are no financial implications arising from this report.

Consultation

16. The corporate governance panel, the group whips and the constitutional steering panel have all been consulted and have not made any further recommendations.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix 1	Members' Code of Conduct Complaints Procedure with tracked changes

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown, Director of Law and Governance	
Report Authors	Allan Wells, Specialist Governance Lawyer	
Version	Final	
Dated	4 November 2022	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Governance	Yes	Yes
Strategic Director of Finance and Governance	Yes	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	4 November 2022	



ARRANGEMENTS FOR DEALING WITH STANDARDS ALLEGATIONS UNDER THE LOCALISM ACT 2011

MEMBERS' CODE OF CONDUCT COMPLAINTS PROCEDURE

General rules

1. These arrangements set out how this authority will deal with a complaint that an elected or co-opted member of this authority has failed to comply with the authority's [Code of Conduct](#).
2. Under section 26 of the Localism Act 2011, the authority must have in place arrangements under which allegations that a member or co-opted member of the authority, or of a committee or sub-committee of the authority, has failed to comply with the authority's Code of Conduct can be investigated and decisions made on such allegations.

Code of Conduct

3. The authority has adopted a Code of Conduct for elected and co-opted members.

Role of the Monitoring Officer

4. The Monitoring Officer is the officer of the authority who has statutory responsibility for maintaining the register of members' interests and who is responsible for administering the system in respect of complaints of member misconduct.

Procedure for the Initial assessment

5. Complaints should be in writing and addressed to the Monitoring Officer. However, an oral complaint will be accepted where the complainant is unable to write due to a physical or mental disability or there is a language barrier. Where an oral complaint is received it will be transcribed and read back to the complainant and sent to them for their approval. Anonymous complaints will only be referred for assessment if they include documentary evidence or photographic evidence indicating an exceptionally serious or significant matter.
6. All complaints received will be logged and acknowledged, normally within 5 working days. The subject member will usually be informed that a complaint has been received against him/her unless this will not be in the public interest or it would prejudice the future investigation of the complaint.

7. The Monitoring Officer will review every complaint and, after consultation with the independent person and, where appropriate, the whips of the members groups, decide on what action to take.
8. Where the Monitoring Officer requires additional information in order to come to a decision they may ask the person making the allegations for further information and may request information from the member who is the subject of the allegation and any other persons the Monitoring Officer considers appropriate.

After the initial assessment

9. The Monitoring Officer may decide that no further action with regard to the allegation is appropriate. The Monitoring Officer will in this case send out a decision notice to the person making the allegation. The decision notice should summarise the allegation, give the decision of the Monitoring Officer and the reasons for their decision. The Monitoring Officer should aim to send out their decision notice within 10 working days of the allegation being received.
10. If the Monitoring Officer decides that a complaint warrants formal investigation the Monitoring Officer will appoint an investigating officer. The Monitoring Officer will in this case send out a decision notice to the person making the allegations, the member who is the subject of the allegation and any other persons the Monitoring Officer considers appropriate. The decision notice should summarise the allegation, give the decision of the Monitoring Officer and the reasons for their decision. The Monitoring Officer should aim to send out their decision notice within 10 working days of the allegation being received.
11. If the complaint identifies criminal conduct or breach of other regulations by any person, the Monitoring Officer ~~shall notify~~ ~~has the power to call in~~ the police or other regulatory agencies.

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Local Resolution

12. In appropriate cases the Monitoring Officer may seek to resolve the complaint informally, without the need for formal investigation. Such informal resolution may involve the member accepting their conduct was unacceptable and offering an apology, or other remedial action by the authority.

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- ~~12-13.~~ If the Monitoring Officer ~~decides that local resolution is appropriate, they~~ will in this case send out a decision notice to the person making the allegation(s), the member who is the subject of the allegation and any other persons the Monitoring Officer considers appropriate. The decision notice should summarise the allegation, give the decision of the Monitoring Officer and the reasons for their decision. The Monitoring Officer should aim to send out their decision notice within 10 working days of the allegation being received.

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- ~~13-14.~~ If the Monitoring Officer embarks on the course of informal resolution at this stage, it should be emphasised to the parties concerned that no finding has

been made on whether the subject member has failed to comply with the Code of Conduct.

14-15. Other examples of alternatives to investigations are:

- Arranging for the subject member to attend a training course.
- Arranging for the subject member and complainant to engage in a process of conciliation.
- Instituting changes to the procedures of the authority if they have given rise to the complaint.

How formal investigations will be conducted

15-16. The Monitoring Officer may appoint an investigating officer who could be:-

- A senior officer of the authority
- An officer from another local authority with a reciprocal agreement with Southwark Council to undertake each other's conduct investigations.
- Any other senior person, who is not an elected or former member of this authority, with the relevant experience to conduct an investigation.

16-17. The Monitoring Officer shall inform the following persons below that the matter has been referred for investigation:

- The member who is the subject of the allegation.
- Any person who made the allegation that gave rise to the referral
- Where appropriate, any other authority concerned.

18. When appointing an investigating officer the Monitoring Officer will send a letter of appointment which will include the following matters and anything else the Monitoring Officer considers relevant:

- Details of the complaint together with any relevant documentation and contact details of relevant parties
- The need for the investigating officer to provide an investigation plan for the Monitoring Officer
- The questions which the investigating officer is asked to address
- The data protection arrangements for any documentation obtained in the course of the investigation
- Any specific arrangements necessary where there multiple complainants and/or a number of members involved in the complaint
- The extent to which parties and any witnesses will be kept informed about the process
- Any confidentiality issues that may be relevant particularly in relation to notes of interviews
- Date for completion of the investigation report

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17-19. The investigating officer can make enquires of any person and ask any person to give such information including documentary evidence or explanation as he/~~or~~ she thinks necessary.

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18-20. The investigating officer can ask any other authority concerned to provide such advice and assistance as may reasonably be needed to assist in the investigation.

19-21. The investigating officer may ask any of the authorities concerned to afford reasonable access to such documents in the possession of that authority as appear to the investigation officer to be necessary for the purpose of conducting the investigation.

20-22. The investigating officer will give the subject member an opportunity to comment on the allegation.

24-23. The investigating officer will prepare a report, including their findings, within 3 months of the complaint being initially assessed.

The report

22-24. The report should show appropriate input from relevant persons and clearly state whether the investigating officer considers that there has been a breach of the code and which obligations of the Code of Conduct have been breached.

23-25. The investigating officer will send, in confidence, a draft copy of the report to the member who was the subject of the allegation and to the person who made the allegation to give them both the opportunity to identify any matters within the report they disagree with or which they consider require more consideration.

24-26. The investigating officer will receive any comments and having taken them into account produce the final report. The investigating officer will send their final report to the Monitoring Officer.

Where the investigating officer concludes there is no evidence of a failure to comply with the Code of Conduct

25-27. The Monitoring Officer will review the investigating officer's report and if they are satisfied that the investigating officer's report is sufficient the Monitoring Officer will notify the person making the allegation, the member who is the subject of the allegation and any other persons the Monitoring Officer considers appropriate that they are satisfied that no further action is required.

26-28. If the Monitoring Officer is not satisfied that the investigation has been conducted properly, they may ask the investigating officer to reconsider their report.

Where the investigating officer concludes there is evidence of a failure to comply with the Code of Conduct

27-29. The Monitoring Officer will review the investigating officer's report and if they are satisfied that the investigating officer's report is sufficient the Monitoring Officer will either send the matter for hearing before the conduct sub-committee of the audit, governance and standards committee ("the conduct sub-committee") or, after consulting with the independent person, seek local resolution.

Local Resolution [after investigation](#)

28-30. The Monitoring Officer may consider that the matter can reasonably be resolved without the need for a hearing. In such a case they will consult with the independent person and also consult with the person making the allegation and seek to agree a fair resolution.

29-31. Such resolution may involve the member accepting their conduct was unacceptable and offering an apology, and/or other remedial actions by the authority.

30-32. Other examples of other remedial actions are:

- Arranging for the subject member to attend a training course.
- Arranging for the subject member and complainant to engage in a process of conciliation.
- Instituting changes to the procedures of the authority if they have given rise to the complaint.

31-33. If the member complies with the suggested resolution, the Monitoring Officer ~~will~~ ~~present a report of~~ the matter to the conduct sub-committee for ~~information noting~~, but ~~neither the Monitoring Officer nor the sub-committee~~ will take ~~any~~ ~~no~~ further action.

Hearing

32-34. If the Monitoring Officer considers local resolution is not appropriate, or the member concerned is not prepared to undertake any proposed remedial action, the Monitoring Officer will report the investigating officer's report to the conduct sub-committee which will conduct a hearing before deciding whether the member has failed to comply with the Code of Conduct and if so, whether to take any action in respect of the member.

33-35. The Monitoring Officer will send a copy of the final report to the member who is the subject of the allegation, the person who made the allegation and any other persons the Monitoring Officer considers appropriate.

34-36. The hearing would normally be heard within three months of the date on which the investigating officer's report is completed but not less than 14 days after the Monitoring Officer sends the report to the subject member.

Pre-hearing process

35-37. The Monitoring Officer will conduct a pre-hearing process, requiring the member who is the subject of the allegation(s) to give his/her response to the investigating officer's report, in order to identify what is likely to be agreed and what is likely to be in contention at the hearing; as well as what evidence is agreed and which witnesses are needed to give evidence.

36-38. The subject member may choose to present evidence and make representations either orally, or in writing and either personally or by counsel or solicitor or, with the consent of the conduct sub-committee, by any other representative.

37-39. In the event of any dispute, the chair of the conduct sub-committee will consider relevant representations and may issue directions as to the manner in which the hearing will be conducted.

38-40. The Monitoring Officer will produce a pre-hearing summary and will send a copy of this to the member who is the subject of the allegation, the investigating officer and any other persons the Monitoring Officer considers appropriate.

The conduct sub-committee

39-41. The conduct sub-committee, will decide, on a balance of probabilities, whether the allegation(s) is or are upheld. It will do so by considering the investigating officer's report and any representations by investigating officer or their representative and the written or oral representations made by the subject member, any evidence given and any other relevant issues.

40-42. The conduct sub-committee meeting will be open to the public and the press. However, the public and press may be excluded for those parts of the meeting where confidential or exempt information under Schedule 12A of the Local Government Act 1972 as amended is disclosed.

Procedure at the Hearing

41-43. The initial order of business at the meeting will be as follows:

- establishing whether the conduct sub-committee is quorate;
- introductions;
- the chair will explain how the hearing will be conducted;
- If a member, having given notice of attendance, fails to attend the hearing, the conduct sub-committee may make a determination in their absence if satisfied that there is insufficient reason for such failure or adjourn to another date where there is sufficient reason to warrant an adjournment
- consideration of any procedural issues and, in particular, any representations from the Monitoring Officer and/or the subject member as to reasons why the conduct sub-committee should exclude the press and public for any part of the meeting and determination as to whether to exclude the press and public.

Presentation by the investigating officer

42-44. The investigating officer will present the evidence which is relevant to the matter and may call any witnesses, including the complainant to substantiate any matter(s) contained in the report.

43-45. The subject member or his/her representative may ask questions of the investigating officer and of any witnesses.

44-46. The conduct sub-committee may ask questions of the investigating officer and of any witnesses.

Presentation by the subject member

45-47. The subject member or his/her representative will then have the opportunity to make representations and to present the evidence which is relevant to the

matter. The subject member or his/her representative may call any other witnesses to give evidence.

[46-48.](#) The investigating officer may ask questions of the subject member and of any witnesses.

[47-49.](#) The conduct sub-committee may ask questions of the subject member or any witness.

Views of Independent Person

[48-50.](#) The conduct sub-committee will ask for the views of the Independent Person.

[49-51.](#) The investigating officer may ask questions of the Independent Person.

[50-52.](#) The subject member or his/her representative may ask questions of the Independent Person.

Closing Statements

[51-53.](#) The investigating officer will be given the opportunity to sum up.

[52-54.](#) The subject member or his/her representative will be given the opportunity to sum up.

Consideration by the hearing committee/sub-committee

[53-55.](#) The conduct sub-committee may adjourn to consider in private all the evidence and its decision. The conduct sub-committee's legal adviser (who will be a different officer from the investigating officer) and committee clerk will retire with them to provide legal advice or advice regarding the evidence/submissions.

[54-56.](#) At any stage in the consideration of the matter the hearing sub-committee may return to ask further questions of the investigating officer or subject member or to seek further information.

Decision by the hearing committee/sub-committee

[55-57.](#) The chair of the conduct sub-committee will state the decision of the conduct sub-committee as to whether the subject member has failed to comply with the Code of Conduct.

Where the hearing sub-committee finds the subject member to be in breach

[56-58.](#) The investigating officer will be given the opportunity to comment on the most appropriate sanction.

[57-59.](#) The subject member or his/her representative will be given the opportunity to comment on the most appropriate sanction and put forward any mitigating circumstances.

[58-60.](#) The conduct sub-committee will ask for the views of the Independent Person on the most appropriate sanction.

~~59-61.~~ The conduct sub-committee may adjourn to consider in private the appropriate sanction. The chair of the conduct sub-committee will state the decision of the conduct sub-committee as to any sanction.

~~60-62.~~ Where the conduct sub-committee finds the subject member to be in breach of the Code of Conduct, the possible sanctions or a combination of sanctions available to it are as follows:

- a) censure or reprimand the member;
- b) recommend that council assembly censure or reprimand the member;
- c) recommend to the member's group leader that he/she be removed from any or all committees;
- d) recommend to the Leader of the council that the member be removed from the cabinet, or removed from particular portfolio responsibilities;
- e) instruct the Monitoring Officer to arrange training for the member;
- f) removal from all outside appointments to which he/she has been appointed or nominated by the authority
- g) withdraw facilities provided to the member by the council, such as a computer, website and/or email and internet access; or
- h) exclude the member from the council's offices or other premises, with the exception of meeting rooms as necessary for attending council, committee and sub-committee meetings.

Notification of findings

~~64-63.~~ The Monitoring Officer, in consultation with chair of the conduct sub-committee shall prepare a formal decision notice and send a copy to the following persons below that the matter has been referred for investigation:

- The member who is the subject of the allegation
- Any person who made the allegation that gave rise to the hearing
- Where appropriate, any other authority concerned.

~~62-64.~~ The Monitoring Officer, in consultation with chair of the conduct sub-committee will draw up a summary of the full written decision.

~~63-65.~~ Where the conduct sub-committee determines that there has not been a breach of the Code of Conduct, the summary will state that the conduct sub-committee found that the subject member had not failed to comply with the Code of Conduct and will give its reasons for reaching that finding; and, providing the subject member agrees, will arrange for a summary of the full written decision to be published on the council's website and in at least one local newspaper.

~~64-66.~~ Where the conduct sub-committee determines that there has been a failure to comply with the Code of Conduct but no action is required, the summary will:

- (i) state that the conduct sub- committee found that the subject member had failed to comply with the Code of Conduct but that no action needs to be taken in respect of that failure;
- (ii) specify the details of the failure; and
- (iii) give reasons for the decision reached.

65-67. Where the committee determines that there has been a failure to comply with the Code of Conduct and that a sanction should be imposed, the summary will:

- (i) state that the panel found that the member had failed to comply with the Code of Conduct;
- (ii) specify the details of the failure;
- (iii) give reasons for the decision reached, and
- (iv) specify the sanction imposed.

66-68. Where the conduct sub-committee determines that there has been a failure to comply with the Code of Conduct the Monitoring Officer will arrange for a summary of the full written decision to be published on the council's website and in at least one local newspaper.

Multiple and vexatious complaints

Multiple complaints

67-69. Where a number of complaints from different complainants about the same matter are received the conduct sub-committee may consider the complaints at the same meeting.

68-70. If this is the case, the investigating officer should be asked to present one report and recommendation that draws together all the relevant information highlighting any differences or contradictions. It should be noted however, that the conduct sub-committee must reach a separate decision for each complaint and follow the notification procedure on each one.

Vexatious complaints

69-71. The authority must consider every complaint that they receive in relation to the Code of Conduct on its own merits. However, if the complaint is vexatious it will not be considered.

70-72. Vexatious and persistent complaints may be identified through the following patterns of behaviour:

- repeated complaints making the same or broadly similar, complaints against the same member/s about the same alleged incident.
- use or aggressive or repetitive language of an obsessive nature.
- repeated complaints that disclose no potential breach of the Code.
- where there seems to be an ulterior motive for the complaint/s.

- where a complainant refuses to let the matter rest once the complaint process has been exhausted (including the review stage)

Confidentiality

77. Where a complainant wishes their identity to be withheld, the conduct sub committee can decide to do so. In reaching that decision it will need to have regard to the following:
- whether there is a risk of physical harm to the complainant if their identity is disclosed
 - where the complainant works closely with the subject member and is afraid of the consequences to their employment
 - where the complainant suffers a serious health condition and there is a medical risk associated with the disclosure of their identity. In such cases the committee may wish to obtain medical evidence in respect of this.

Complaints about members of more than one authority

78. If a complaint is made about a dual-hatted member the Monitoring Officer should check whether a similar allegation has been made to the other authority on which the member serves and a decision on which authority should deal with the particular matter must be taken by the conduct sub-committee following discussions.
79. The provisions of the council's Code of Conduct apply and members will need to declare any interests in respect of the complaint at any meeting. When members' availability is sought they will be provided with the name of the complainant and subject member and other relevant information to determine whether there are any interests. A reserve system will be used as backup.

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

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