

Audit, Governance and Standards Committee

Tuesday 6 June 2023

6.30 pm

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

Membership

Councillor Barrie Hargrove (Chair)
Councillor John Batteson
Councillor Gavin Edwards
Councillor Sarah King
Councillor Hamish McCallum
Councillor Graham Neale
Councillor Andy Simmons

Reserves

Councillor Cassandra Brown
Councillor Sam Foster
Councillor Kimberly McIntosh
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: 26 May 2023



Audit, Governance and Standards Committee

Tuesday 6 June 2023

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 - 7
	To approve as a correct record the open minutes of the meetings held on 6 February 2023 and 20 May 2023.	

Item No.	Title	Page No.
6.	GOVERNANCE CONVERSATION: MICHAEL SCORER	
	Michael Scorer, strategic director of housing and modernisation, to discuss departmental governance.	
7.	MEMBER ENQUIRIES REVIEW UPDATE	8 - 11
8.	EXTERNAL AUDIT VERBAL UPDATE	
	Grant Thornton to update the committee.	
9.	INTERNAL AUDIT AND ANTI-FRAUD PROGRESS REPORT: JUNE 2023	12 - 64
10.	INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE 2022-23: DRAFT INTERIM REPORT	65 - 109
11.	DRAFT ANNUAL GOVERNANCE STATEMENT 2022-23	110 - 133
12.	COMPLIANCE WITH CIPFA FINANCIAL MANAGEMENT CODE	134 - 170
13.	FORMATION OF AUDIT, GOVERNANCE AND STANDARDS SUB-COMMITTEES FOR 2023-24	171 - 174

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: 26 May 2023



Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Monday 6 February 2023 at 6.30 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

OFFICER SUPPORT: Althea Loderick, chief executive
Duncan Whitfield, strategic director of finance and governance
Doreen Forrester-Brown, director of law and governance
Ben Plant, director of HR
Stephanie Bryan, HR
Tim Jones, finance
Geraldine Chadwick, finance
Toni Ainge, director of leisure
Dave Pugh, leisure
Laura Sandy, risk management and insurance
Greg Rubins, BDO
Virginia Wynn-Jones, constitutional team

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Emily Tester.

2. CONFIRMATION OF VOTING MEMBERS

The members present were confirmed as the voting members.

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

There were none.

The chair agreed to vary the order of business to hear item 11 before item 10, and item 6 after item 11.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

5. MINUTES

The minutes of 22 November 2022 were agreed as a correct record.

6. GOVERNANCE CONVERSATION: ALTHEA LODERICK

Althea Loderick, the chief executive, presented to the committee. The committee had questions for the chief executive.

The committee thanked the chief executive for attending.

7. LEISURE INSOURCING - PROGRESS UPDATE

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

Officers undertook to look into the anecdotal issues with the swimming pool in Dulwich and update members by email.

RESOLVED:

That the information in the report and attached appendix to the report is noted.

8. PROGRESS REPORT ON THE WORK OF INTERNAL AUDIT AND ANTI-FRAUD

BDO presented the report. Members had questions for the auditors.

RESOLVED:

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

9. INTERNAL AUDIT PLAN AND STRATEGY FOR INTERNAL AUDIT AND INTERNAL AUDIT CHARTER

BDO presented the report. Members had questions for the auditors.

RESOLVED:

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

10. FEEDBACK ON INDUCTION PROCESS FOR NEW MEMBERS 2023

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

Members undertook to email Ben Plant, HR director, with feedback on the induction programme.

Officers undertook to consider and respond to feedback offered by members in supporting current training and future induction programmes.

Officers undertook to bring back the members' induction programme for the 2026 elections to the committee earlier in the design process, in early/mid 2025.

RESOLVED:

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

11. RISK MANAGEMENT AND INSURANCE

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

RESOLVED:

That the audit, governance and standards committee note the annual report on corporate risk and insurance.

12. REVIEW OF COMPLAINTS MADE UNDER CODE OF CONDUCT

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

Officers undertook to circulate the report to all councillors with a confirmation of how to get in touch with the monitoring officer and her team for support and advice.

RESOLVED:

That the audit, governance and standards committee note the report.

13. REPORT ON OPERATIONAL USE OF REGULATION OF INVESTIGATORY POWERS ACT

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

Officers undertook to confirm that test purchases do not fall under RIPA legislation and reporting requirements.

RESOLVED:

That the audit, governance and standards committee note the information relating to the use of RIPA in 2022.

14. ANNUAL WORK PROGRAMME FOR THE FOLLOWING YEAR (2023-24)

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

Officers undertook to request the head of scrutiny to email members with the results of the scrutiny review.

Members supported inviting those officers whose audit implementation dates have slipped, as recommended by internal audit, to attend the committee.

Members requested specific topics to be added to the agenda:

- June 2023: Members' enquiries
- November 2023: Leisure insourcing or IT
- February 2024: Leisure insourcing or IT

RESOLVED:

1. That the audit, governance and standards committee considered the proposed draft work programme for 2023-24 and made amendments to arrangements as set out in the minutes.
2. That the audit, governance and standards committee, subject to any requested changes, agreed the work programme for 2023-24 set out in Appendix 2 of the report.

15. ANNUAL REPORT ON THE WORK AND PERFORMANCE OF THE AUDIT, GOVERNANCE AND STANDARDS COMMITTEE IN 2022-23

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

RESOLVED:

1. That the audit, governance and standards committee forward this report on its work and performance in 2022-23 to all councillors.
2. That the committee consider the template self-assessment form and respond to the statements.

At the close of the open session of the meeting, the chair and committee voted their thanks to Duncan Whitfield for his support through the years, and wished him well in his departure from Southwark Council.

16. NOMINATIONS OF NON-VOTING CO-OPTED MEMBERS OF THE CIVIC AWARDS SUB-COMMITTEE FOR 2022-23

The committee considered the nominations for the positions of co-opted members of the audit, governance and standards (civic awards) sub-committee outlined in closed Appendix 1 and agreed to select three of the nominations plus the position held for the Civic Society.

17. NOMINATIONS OF NON-VOTING CO-OPTED MEMBERS OF THE CIVIC AWARDS SUB-COMMITTEE FOR 2022-23: CLOSED

Meeting ended at 9.05 pm

CHAIR:

DATED:



Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Saturday 20 May 2023 at 1.00pm at Southwark Cathedral, London Bridge, London SE1 9DA

PRESENT: Councillor Barrie Hargrove (Chair)
Councillor John Batteson
Councillor Gavin Edwards
Councillor Sarah King
Councillor Hamish McCallum
Councillor Graham Neale

OFFICER SUPPORT: Virginia Wynn-Jones, constitutional team

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Sarah King.

2. CONFIRMATION OF VOTING MEMBERS

The members present were confirmed as the voting members.

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

There were none.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

5. FORMATION OF AUDIT, GOVERNANCE AND STANDARDS SUB-COMMITTEES FOR 2023-24

RESOLVED:

1. That the audit, governance and standards (standards) sub-committee be established for 2023-24.
2. That the audit, governance and standards (civic awards) sub-committee be established for 2023-24.
3. That all other business be remitted to the next meeting of the audit, governance and standards committee.

Meeting ended at 1.05 pm

CHAIR:

DATED:

Agenda Item 7

Item No. 7.	Classification: Open	Date: 6 June 2023	Meeting Name: Audit, Governance and Standards Committee
Report title:		Member Enquiries review update	
Ward(s) or groups affected:		All	
From:		Director of Customer and Exchequer	

RECOMMENDATION

1. That the audit, governance and standards committee note the update to member enquiries.
2. That the audit, governance and standards committee invite officers to attend in six months to update on the performance and progress of the review detailed in the report.

BACKGROUND INFORMATION

3. This report is presented by Michelle Peake, Head of Specialist Services. Specialist Services are responsible for the logging and distribution of Member Enquiries and complaints. The team also assist where possible in ensuring enquiries are responded to on time. Within Specialist Services also sits the complaints team, who respond to stage 2 complaints and Ombudsman cases.
4. The Complaints Policy outlines the Council's approach to handling complaints including performance metrics and standards. This has recently been reviewed following the issue of guidance from the Housing Ombudsman to ensure we are adhering to their Complaint Handling Code.
5. The performance standard for Member Enquiries requires that enquiries are responded to within 10 working days. Work is underway to provide greater clarity on the process for Member Enquiries, review existing processes and associated supporting systems. This is outlined in further detail below.
6. The purpose of this report is to provide the panel with performance information on Member Enquiries and to update on the work taking place to improve the service.

KEY ISSUES FOR CONSIDERATION

Performance

7. Member Enquiries received

Department	2022-23	2021-22	2020-21
Chief Executive	320	335	350

Department	2022-23	2021-22	2020-21
Children & Adults	407	122	NA*
Environment, Neighbourhoods & Growth	2691	2880	2854
Finance & Governance	494	385	472
Housing	4980	4292	4042
Total	8892	8014	7717

* Due to a change in reporting we are unable to report on Children and adults member enquiries pre November 2021

8. Year on year there has been an increase in enquiries received. From 2021/22 to 2022/23 there has been a 10% increase. The increase has been attributed in the main to the current cost of living crisis, some residual delays due to ongoing Covid implications and service specific related issues such as repairs – impact of supply line reductions/reductions in trade resources.

9. Cases closed on time

Department	2022-23	2021-22	2020-21
CE	71%	49%	51%
EN&G	83%	77%	76%
F&G	76%	91%	93%
H&M	76%	90%	91%
Total average	78%	84%	84%

10. Performance in 2022/23 has dropped and is below the 90% target. Where there are service-specific issues these are being addressed.

11. However, it is acknowledged that the performance of Member Enquiries is not at the required level. A number of wider actions are underway to improve performance, not only in Member enquiries but also complaints:

- All staff have been reminded that if a response to a member enquiry or complaint cannot be responded within time then a detailed holding must be sent, giving an update on the actions taken to date.
- Any overdue cases are being chased with the service to ensure that timely responses or updates are sent.
- Where there are service specific issues such as higher volumes of complaints within repairs – a review of capacity within existing teams and resources are underway to ensure improvements are made in the short term and maintained.
- Reporting at a high level has been adopted with reports now quarterly to CMT and lead member briefings.

12. A thorough review of complaints (incorporating Member Enquiries) is underway – this follows the Specialist Services team moving to the Customer and Exchequer Division within the Finance Directorate. The review will report its findings and recommendations to the Cabinet Member for Communities,

Democracy & Finance.

13. The full review will cover and ensure:
- A corporate and consistent approach to complaints handling across the Council.
 - A review of existing processes to ensure they meet the needs of the Council.
 - Review of technology supporting the current complaints process.
 - Volumes and capacity of teams to deliver responses within agreed timelines, this also includes a high importance being put in to quality assurance.
14. To enable this the review will have a particular focus on quality and performance, ensuring not only are SLAs are achieved such as acknowledgements within 3 working days and responses within 10 working days, but also:
- There is sufficient (increased) qualitative governance through quality checks.
 - Ensuring robust processes are in place to minimise response times.
 - ensuring holding responses with sufficient updates are sent,
 - Detailing clear workflows to escalate to senior management where appropriate.
15. As part of the review, it is anticipated learning from complaints will have more of an importance, including ensuring where appropriate measures are in place to prevent issues from reoccurring.
16. Communication across the department will also be reviewed ensuring effective corporate governance and shared knowledge is captured across the Council.

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

Community impact statement

17. 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

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Consultation

22. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

23. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
N/A		

APPENDICES

No.	Title
N/A	

AUDIT TRAIL

Lead Officer	Dominic Cain, Director of Customer and Exchequer	
Report Author	Michelle Peake, Head of Specialist Services	
Version	Final	
Dated	24 May 2023	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Assistant Chief Executive – Governance and Assurance	No	N/A
Strategic Director of Finance	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		24 May 2023

Item No. 9.	Classification: Open	Date: 6 June 2023	Meeting Name: Audit, governance and standards committee
Report title:		Internal audit and anti-fraud progress report: June 2023	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance	

RECOMMENDATION

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

BACKGROUND INFORMATION

2. This report informs the Audit, Governance and Standards Committee of progress against completion of the 2022-23 internal audit plan.

Policy implications

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

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

Community impact statement

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

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Consultation

9. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

10. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix A	Internal audit and anti-fraud progress report

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Greg Rubins, Angela Mason-Bell; BDO	
Version	Final	
Dated	24 May 2023	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Assistant Chief Executive, Governance and Assurance	No	N/A
Strategic Director of Finance	No	N/A
Cabinet Member	No	No
Date final report sent to Constitutional Team	24 May 2023	



INTERNAL AUDIT AND ANTI-FRAUD PROGRESS REPORT

London Borough of Southwark

For presentation to the Audit, Governance and Standards Committee

6 June 2023



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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 and 2023-24 internal audit plans. 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 designated audit 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 and annual report

The status of the audits commenced to date for 2022-23 is outlined within section 3 of this report. We are aiming to issue final reports for all work relating to 2022-23 by 30 June 2023.

Where reports have been finalised since the last meeting of the Committee, the executive summaries are included in section 5.

Our draft interim annual report and head of internal audit opinion for 2022-23 is included on the agenda under separate cover.

The final annual report will be presented to the Committee at its meeting on 17 July 2023.

Internal audit programme for schools

The fieldwork for all 2022-23 schools' audits has been completed and we are in various stages of quality assurance and reporting. 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 for 2022-23 will be presented to the Committee at its meeting on 17 July 2023.

We have agreed a work programme with the Director of Education for 2023-24 that will meet the assurance needs of the Council, planning is underway for commencement of delivery in June 2023.

Internal audit plan 2023-24

The status of the audits commenced to date for 2023-24 is outlined within section 4 of this report.

Follow-up

As part of finalising each audit report, we agree with management the actions that will be taken in response to each finding and recommendation, including 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 Directorate Management Team with a request for an update on the status

and evidence to support implementation. Limited substantive testing is also completed where this is appropriate.

We are pleased to report that the recommendation implementation rate has increased from 87% to 89% since our last progress report in February 2023. We are awaiting updates and provision of evidence for several audits; therefore, we anticipate that the actual implementation rate will be greater than 89% in our final annual report for 2022-23.

Non Internal Audit assurance work completed since the last meeting

Risk Management - we continued to provide administrative support to the Council on its risk management arrangements across the directorates.

Transparency Reporting - we continued to provide support and challenge to the Council in meeting its obligations for reporting of expenditure under the Local Government Transparency Code 2015.

Family Hubs and Start for Life - we completed a grant claim audit for the Council, to provide third party assurance to the Department for Education that the funding had been spent in accordance with the terms and conditions as set out in the Grant Determination letters.

Finance and Governance Service Reviews - we carried out a series of reviews on the functioning of areas within the remit of the former Strategic Director of Finance and Governance, with the objective of identifying areas working well and those where risks might be better addressed, or improvements made. An advisory report has been issued to the new Strategic Director, Finance for consideration.

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

2022-23	Corporate Anti-Fraud		Housing Waiting List		Right to Buy		COVID-19 Referrals	
	Open	Closed	Open	Closed	Open	Closed	Open	Closed
C/f	17		10		3		27	
April	5	5	5	9	5	2	0	0
May	11	10	7	5	4	5	0	0
June	4	3	2	6	2	5	0	0
July	9	8	9	3	0	1	0	2
August	18	17	9	13	4	2	0	19
September	11	10	2	5	3	5	0	4
October	12	7	10	7	9	2	0	0
November	13	21	8	5	6	9		
December	6	6	11	11	3	3		
January	0	3	7	9	6	7		
February	3	2	4	5	4	3		
March	1	4	3	5	3	6		
Total	110	96	87	83	52	50	27	25

The figures represent investigations from 1 April 2022 to 31 March 2023

Corporate Anti-Fraud investigations

There are currently 23 active Corporate Anti-fraud Team investigations. These can be briefly summarised as follows:

Chief Executives	2 cases
Children and Adult Services	9 cases
Environment, Neighbourhoods and Growth	1 case
Housing	4 cases
Finance	7 cases

Plus 21 Blue Badge cases, which are being supported as part of an Environment, Neighbourhoods and Growth directorate initiative)

Fraud and Verification

Corporate Anti-Fraud Team conduct 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.

From 1 April to 31 March 2023 FVT received 87 referrals:

- 29 have been recommended to be maintained.
- 28 have been denied.
- 8 have been transferred out for review by another team.
- 12 have no further action.
- 4 have been withdrawn by the applicant.
- 2 were rejected.

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.

From 1 April to 31 March 2023 there have been 52 referrals:

- 43 were reviewed and no further action was required,
- 2 withdrawn by applicant.
- 4 denied,
- 1 resulted in a NTQ (Notice to Quit) being served.

Open cases will be carried forward to 2023-24.

National Fraud Initiative (NFI)

The Cabinet Office - National Fraud Initiative (NFI) 2022/23 Exercise released the data matches in January 2023. The review of matches is currently undertaken by CAFT supported by various services.

Staff & Recruitment

Between January and April 2023, the team had reduced capability due to sickness absence and the seconded Counter Fraud trainee, returning to their substantive post.

A recruitment exercise is planned to recruit staff to various posts including Corporate Anti-Fraud Team Manager, Senior Investigator and Fraud Trainee.

Training events January to March 2023

- Awareness training delivered to various service users in the interpretation of credit reference data. (40 attendees).
- Money Laundering Regulations awareness refresher training to RTB Team
- CAFT invited to present Money Laundering Regulations awareness training to Tri-Borough of Wandsworth, Sutton, and Merton (122 participants).
- Money laundering Regulations funding awareness Training delivered to Orion Housing association. (40 participants)
- RTB awareness training - Reviewing Funding Sources, delivered to Tri Borough, Merton, Wandsworth, and Sutton (30 participants) outlining the information review of funding to better assist the assessment process.
- ID Scanner training delivered to various teams i.e., RTB, Housing and HR

3. SUMMARY OF WORK IN PROGRESS 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	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
FINAL REPORTS - PREVIOUSLY PRESENTED TO THE AUDIT, GOVERNANCE AND STANDARDS COMMITTEE						
Adult Learning Services	Director, Education	✓	✓	✓ Final Report	Moderate	Substantial
Buyback of Properties	Director, Customer and Exchequer Services	✓	✓	✓ Final Report	Substantial	Substantial
Complaints	Director, Customer and Exchequer Services	✓	✓	✓ Final Report	Moderate	Moderate
Contracts Register (continuation work)	Assistant Chief Executive - Governance and Assurance	✓	✓	✓ Final Report	Moderate	Limited
EU Project URBACT Thriving Streets - Phase 3 - Grant Audit	Director, Environment	✓	✓	✓ Final Report	NA Grant audit	NA Grant audit
Finance and Governance Service Reviews (Advisory)	Strategic Director, Finance and Governance	✓	✓	✓ Final Report	NA Advisory	NA Advisory
General Ledger	Director, Customer and Exchequer Services	✓	✓	✓ Final Report	Moderate	Moderate
Protect and Vaccinate Funding - Grant audit	Director, Finance	✓	✓	✓ Final Report	NA Grant audit	NA Grant audit
IT - Software licence management	Chief Digital and Technology Officer	✓	✓	✓ Final Report	Limited	Limited

Audit	Director / Audit Sponsor	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
Special Education Needs (SEN)	Director, Education	✓	✓	✓ Final Report	Moderate	Moderate
Supporting Families - Grant Audit	Director, Children and Families	✓	✓	✓ Final Report	NA Grant audit	NA Grant audit
TMOs - Use of Reserves	Director, Resident Services	✓	✓	✓ Final Report	Moderate	Limited
FINAL REPORTS - EXECUTIVE SUMMARIES INCLUDED IN THIS PROGRESS REPORT						
Cemeteries and Crematoria	Director, Leisure	✓	✓	✓ Final Report	Moderate	Moderate
Children's Quality Assurance Unit	Director, Children and Families	✓	✓	✓ Final Report	Moderate	Moderate
Mental Health Services	Director, Adult Social Care	✓	✓	✓ Final Report	Moderate	Moderate
No Recourse to Public Funds	Director, Communities	✓	✓	✓ Final Report	Moderate	Limited
DRAFT REPORTS ISSUED						
Accounts Payable	Director, Customer and Exchequer Services	✓	✓	✓ Draft Report 19-May 2023		
Building Control	Director, Planning and Growth	✓	✓	✓ Draft Report 26-May 2023		
Community Engagement	Director, Communities	✓	✓	✓		

Audit	Director / Audit Sponsor	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
				Draft Report 19-May 2023		
Covid-19 Pandemic Expenditure	Director, Commissioning	✓	✓	✓ Draft Report 16-Dec 2022		
Housing Rents	Director, Customer and Exchequer Services	✓	✓	✓ Draft Report 19-May 2023		
Markets	Director, Environment	✓	✓	✓ Draft Report 21-Apr 2023		
Member Office Protocol	Assistant Chief Executive - Governance and Assurance	✓	✓	✓ Revised Draft Report 31-Jan 2023		
New Homes Programme	Director, Asset Management	✓	✓	✓ Draft Report 26-May 2023		
Overtime	Director, People and Organisational Development	✓	✓	✓ Draft Report 19-May 2023		
Parking Management & Estates Parking Permits	Director, Environment	✓	✓	✓ Draft Report 23-May 2023		
Payroll and HR	Director, People and Organisational Development	✓	✓	✓ Draft Report 18-May 2023		

Audit	Director / Audit Sponsor	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
Private Sector Licensing	Director, Environment	✓	✓	✓ Draft Report 19-May 2023		
Public Health - Tobacco Control	Director, Public Health	✓	✓	✓ Draft Report 18-May 2023		
SEND Finance	Director, Education	✓	✓	✓ Draft Report 19-May 2023		
Supplier Resilience - Council wide review	Assistant Chief Executive - Governance and Assurance	✓	✓	✓ Draft Report 12-May 2023		
FIELDWORK						
Hospitality and Gifts Register, Register of Interests	Assistant Chief Executive - Governance and Assurance	✓	✓	Draft Report in QA		
Pensions Administration	Pensions Manager	✓	✓	Draft Report in QA		
IT - Applications Review	Chief Digital and Technology Officer	✓	✓ Closing meeting booked			
IT - Cloud Computing Maturity	Chief Digital and Technology Officer	✓	✓ Closing meeting booked			
Tenancy Management Organisations - Applegarth	Director, Resident Services	✓	✓			

Audit	Director / Audit Sponsor	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
<ul style="list-style-type: none"> - Brenchley Gardens - Delawyck 			Closing meetings booked			
Building Safety	Director, Asset Management	✓	✓			
Capital Expenditure Management - General Fund	Director, Finance	✓	✓			
Climate Emergency Strategy and Green Economy Plans	Climate Change and Sustainability Director	✓	✓			
Mosaic	Director, Adult Social Care and Director, Children and Families	✓	✓			
Safeguarding - Adults	Director of Adult Social Care	✓	✓			
Sickness Absence Monitoring - Council-wide review	Director, People and Organisation Development	✓	✓			

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 July 2023.

School	Status	Design	Operational Effectiveness
Charlotte Sharman Primary	Final Report	Moderate	Limited
Keyworth Primary School	Final Report	Moderate	Moderate
Southwark Inclusive Learning Service	Final Report	Moderate	Moderate
St Mary Magdalene Church of England Primary School	Final Report	Moderate	Limited
St Saviour's and St Olave's Church of England School	Final Report	Moderate	Limited
Haymerle School	Final Report	Moderate	Moderate
Peter Hills with St Mary's & St Paul's Church of England Primary School	Final Report	Moderate	Limited
Oliver Goldsmith Primary School	Final Report	Moderate	Moderate
Dulwich Wood Primary School	Draft Report - partial response received, awaiting further information		
St Joseph's Junior School	Draft Report 20-Apr 2023		
Phoenix Primary School	Draft Report 18-May 2023		
Tuke School	Draft Report 26-May 2023		
Michael Faraday Primary School	QA		
St George's Church of England Primary School	QA		
St Joseph's Roman Catholic Primary School, George Row	QA		
St Jude's Church of England Primary School	QA		
St Peter's Church of England Primary School	QA		

School	Status	Design	Operational Effectiveness
Ilderton Primary School	Reporting		
Grove Children & Family Centre	Reporting		
Crawford Primary School	Reporting		

4. SUMMARY OF INTERNAL AUDIT PLAN 2023-24

The table below outlines all agreed work at the time of writing. The status of audits commenced to date is also provided.

Audit	Director / Audit Sponsor	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
Children and Adult Services Directorate						
Adopt London Partnership	Director of Childrens Services / Director of Finance	Scoping	Q1			
Care Leavers	Director, Children and Families	Planning	Q3			
Direct Payments	Director, Adult Social Care	Scoping	Q2			
Family Hubs and Start for Life	Director, Childrens Services	✓	✓	✓	NA Grant audit	NA Grant audit
Health and Wellbeing Strategy	Director, Public Health	Scoping	Q1			
Home to School Transport	Director of Education	✓ Final ToR	29-Jun 2023			
Legal Fees	Director, Children and Families / Assistant Chief Executive - Governance and Assurance	Planning	Q2			
Pupil Registry Systems	Director of Education	✓ Final ToR	19-Jun 2023			
Service assurance / change programme review	Strategic Director, Children and Adult Services (and CAB)	Planning	Q2 / Q3			

Audit	Director / Audit Sponsor	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness

Audit	Director / Audit Sponsor	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
Supported Families - Grant Audit	Director, Children and Families	Planning	Quarterly			
School Assurance Programme	Director, Education	Planning - Programme agreed	Various			
School follow up	Director, Education	Planning - Programme to be agreed	Various			
Environment, Neighbourhoods and Growth Directorate						
Estates Cleaning and Grounds Maintenance	Director, Environment	Planning	Q3			
Leisure Services	Director, Leisure	Scoping	Q1 and Q4			
Major Regeneration Programme & Projects	Director of Planning and Growth	✓	✓			
Planning Applications and s106 Agreements	Director, Planning and Growth	✓	✓			
Tree Management Service	Director, Leisure	Scoping	Q2			
Finance Directorate						
Accounts Receivable and Debt management	Director, Customer and Exchequer Services	Planning	Q3			
Budgetary Monitoring and Reporting	Director, Finance	Planning	Q3			
Capital Expenditure Management - Housing Revenue Account	Director, Finance	✓	✓			

Audit	Director / Audit Sponsor	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
Contract Management	Head of Procurement	Planning	Q3			
Cost of Living Fund	Director, Customer and Exchequer Services	Planning	Q3			
Fairer Future Procurement Framework	Head of Procurement	Planning	Q3			
Home Ownership - Garages	Director, Customer and Exchequer Services	Scoping	Q1			
Housing Benefits	Director, Customer and Exchequer Services	Planning	Q3			
Mosaic	Director, Customer and Exchequer Services	Planning	Q4			
Payments to individuals outside of PAYE / IR35	Director of Exchequer Services / Director of HR	✓ Draft ToR	17-Jul 2023			
Payroll	Director, Customer and Exchequer Services	Planning	Q4			
Pensions Administration	Pensions Manager	Planning	Q4			
Service assurance / change programme reviews	Strategic Director, Finance	Planning	Q3			
IT - Asset / Hardware Management	Chief Digital and Technology Officer	Planning	Q3			
IT - Cyber Security	Chief Digital and Technology Officer	Planning	Q2			
IT - Service Review	Chief Digital and Technology Officer	Planning	Q4			

Audit	Director / Audit Sponsor	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
IT - Shared Service Governance	Chief Digital and Technology Officer	Planning	Q2			
Housing Directorate						
Housing Adaptations	Director, Asset Management	Scoping	Q1			
Housing Solutions - Applications and Allocations	Director, Resident Services	Planning	Q3			
Service Assurance / Change Programme Reviews	Strategic Director, Housing	Planning	Q3			
Social Housing Act	Director, Resident Services	Scoping	Q1			
Southwark Building Services - Service Improvement Plan	Director of Asset Management	✓ Draft ToR	30-May 2023			
Statutory Disrepairs	Director, Asset Management	Planning	Q3			
Temporary Accommodation Budget Recovery Board - Advisory	Director, Resident Services	Ongoing	Ongoing			
Tenancy Management Organisations (TMOs) Cyclical Reviews	Director, Resident Services	Planning	Q4			
Tenancy Management Organisation - Objection Review	Strategic Director, Housing and Strategic Director, Finance	Scoping	12-Jun 2023			
Voids	Director of Resident Services	✓	✓			

Audit	Director / Audit Sponsor	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
Strategy and Communities						
Council Delivery Plan	Assistant Chief Executive, Strategy and Communities	Planning	Q2			
Equality, diversity, and inclusion maturity assessment	Assistant Chief Executive, Strategy and Communities	Planning	Q2			
Economic Renewal Plan / Strategy	Assistant Chief Executive, Strategy and Communities	Planning	Q3			
Governance and Assurance						
Records management	Assistant Chief Executive / Director, HR, FM, and ICT	Planning	Q2			
Staff recruitment and vetting	Director, People and Organisational Development	Planning	Q3			
Integrated Care System						
Partnership governance and integration of services	Joint leadership role with the ICB	Planning	Q2			
Commissioning of services	Director, Commissioning	Planning	Q3			

5. EXECUTIVE SUMMARIES OF REPORTS FINALISED SINCE THE LAST MEETING

EL11 Cemeteries and Crematoria May 2023	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	-
	Moderate	Moderate	Medium	4
	Moderate	Moderate	Low	-
Purpose of audit:	To review the adequacy and effectiveness of the Council's governance arrangements and key operational and financial controls relating to burials and cremations.			
<p>Background:</p> <p>Southwark's Bereavement Service manages three cemeteries within the borough. Most burials take place at Camberwell New Cemetery, although it is possible to arrange burials in Camberwell Old Cemetery and Nunhead Cemetery. There are three different styles of burials available to cater for different people and different beliefs (traditional burial, lawn burial and meadow burial). There are several different graves offered at differing prices (including classic, solo and simplicity), for which the fee is the same across all three sites. Cremation is more popular than burial in the UK. The Council's Bereavement Service manages the crematorium and offers support to anyone wishing to arrange a cremation. The Council charges for burials and cremations and the charges are revised annually at the start of the financial year and approved by Cabinet. Fees and charges include those relating to cremation services, crematorium dedication memorials, purchase of exclusive right of burial, interment fees, graveside or chapel service fees, exhumations, and memorial management. The Bereavement Services takes payments for fees and charges via an online payment system - BACAS - and invoices can be generated through the system. For account holders, invoices are sent to the Council's FC&P team for raising on the Council's system.</p> <p>In August 2021, the Federation of Burial and Cremation Authorities completed a Crematorium Compliance Scheme Report for Honor Oak Crematorium and compliance scores were presented. The crematorium scored 95.9% as compared to 95% industry average.</p> <p>As well as being responsible for arranging a burial or cremation, the Bereavement Services is also responsible for the following:</p> <ul style="list-style-type: none"> • Dealing with a request or a report within five working days • Keeping cemetery and crematorium paths and roads in good condition • Ensuring all grassed areas are tidy and well kept. • Opening the cemeteries, crematoriums, and garden of remembrance 365 days a year • Holding a memorial service ever year on the last Sunday of June. <p>Areas of strength:</p> <ul style="list-style-type: none"> • Policies and procedures: The Council follows the Charter for the Bereaved outlined by the Institute of Cemetery & Crematorium Management. As a Charter Member, the Council operates in accordance with the Guiding Principles for Burial and Cremation, last updated November 2014. The Council subscribes to the Federation of Burial Cremation Authorities and the values, and Principles for Change of the UK Commission on Bereavement. 				

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- The Bereavement Service's policies, principles and procedures support the Charter and are available to all staff on a local shared drive.
 - The Council website: The Council provides clear information to residents regarding the Bereavement Services in terms of the burials and cremation arrangements and the support available; and the arrangements in place for the public at each of the Council burial grounds. The webpages are reviewed regularly and were last updated 21 June 2021 and 25 October 2022.
 - Burials and cremations arrangements: Our review of a sample of 10 burials and 10 cremations from 1 April 2022 to 23 October 2022 identified that all the final arrangements were made in accordance with the applicant's requests. A comprehensive range of Ministry of Justice (MOJ) forms are used, these were found to be fully completed with supporting documents e.g., Certificate for Burial or Cremation.
 - Fees and Charges 2022-23: These were found to be set in line with the Council's Medium-Term Resources Strategy, approved by Cabinet and published in the Council Constitution. For the sample above, we confirmed that an invoice was raised in advance for the correct amount, payment was received, and accounted for by the Bereavement Services in a timely manner.
 - Appropriate training: A wide range of staff training records are kept relevant to burial, cremation, burial ground management, grave digging, and crematory operation as well as staff training common to other commercial activities e.g., Health & Safety, Safeguarding Children and Adults, and Unconscious Bias.

Areas of concern:

- Given the nature of the activities in the crematoria, environmental legislation is of particular importance, however, the Bereavement Service does not currently have an Environmental Policy or strategy covering the cremators and cremation coffins.
- Key marketing information for customers have not been updated since 2017.
- 60% of the burials and 20% of the cremations sampled were not arranged within the typical industry timeframe of up to 10 business days of the funeral or cremation being booked, however, the reasons for delays were not documented clearly.
- The Bereavement Service's Business Continuity Plan (BCP), dated 16 October 2019, had not been tested this year to date or been updated to incorporate the lessons learned from the events of the past two years.
- New/revised monitoring arrangements and Key Performance Indicators were presented to senior management in October 2022, however, have not yet been agreed to ensure the Bereavement Service's operations have an adequate oversight, that is sufficiently comprehensive.

CAS23 Children's Quality Assurance Unit March 2023		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	-
		Moderate	Moderate	Medium	3
				Low	1
Purpose of audit:	To provide assurance over the adequacy of the design and operational effectiveness of the Council's approach to governing and monitoring the quality of the child safeguarding mechanisms, legislative compliance and the overarching framework overseen by Southwark.	Added value:	<p>We used publicly available information to provide suggestions on best practice in other Councils relating to quality assurance over child protection services. The following additional ideas and resources were shared:</p> <ul style="list-style-type: none"> • Lambeth Council - Neglect Strategy and Toolkit • Westminster Council - Children and Young People Survey • Greenwich Council - Published learning reviews 		
<p>Background:</p> <p>The UK Government legislation and regulations underpin the responsibilities local authorities have for protecting children, which includes:</p> <ul style="list-style-type: none"> • Children Acts 1989 and 2004 • Working Together to Safeguard Children Act 2018 • Keeping Children Safe in Education Act 2021 • London Safeguarding Children Procedures 2022 <p>The Council's Children's Quality Assurance Unit (CQAU) role includes performing an annual programme of quality assurance reviews to ensure that the services in place to oversee their children's welfare are operating in accordance with the legislation and regulation. This audit is concerned with the CQUA's reviews of the first three statutory functions listed above and encompassed the aspects below.</p> <p>Independent Reviewing Officers (IRO) - If a Local Authority is looking after a child, it has a duty to appoint an IRO for that child's case. The responsibilities of the IRO include:</p> <ul style="list-style-type: none"> • Ensuring that Care Plans are based on a detailed and informed assessment, up to date, effective and provide a real response to each child's needs. • Offering a safeguard to prevent any 'drift' in care planning and the delivery of services. • Monitoring the activity of the Local Authority: that Care Plans have given proper consideration and weight to the child's current views, wishes and feelings and that he/she fully understands the implications of any changes to their Care Plan • Ensuring that, having regard to age, and understanding, the child has been informed of the steps they may take under the relevant acts. <p>Child Protection Conference Chairs are accountable to the Director of Children's Services. Where possible the same person should chair subsequent child protection reviews. The Chair should meet the child and parents in advance to ensure they understand the purpose and the process.</p>					

Local authority Designated Officer - all local authority staff members have a responsibility for safeguarding and to report a concern if they believe a member of staff has behaved inappropriately towards a child. All concerns should be escalated to senior management and/or LADO. The LADO is available to discuss any concerns and to assist with what action needs to be taken to protect a child. The LADO is also available to provide advice and guidance to senior managers on the progress of cases. The LASO liaises with organisations such as the Police, Ofsted, and Social Care to ensure a thorough and fair process for all those involved.

Areas of strength:

- We confirmed that the Council's documented internal policies and procedures are compliant with the legal framework. We compared key elements of Southwark Children's Social Care Procedures with the London Safeguarding Children Procedures, Working Together to Safeguard Children and the Independent Reviewing Officer Handbook, and verified their agreement.
- There is a sound understanding of the requirements of each statutory role, as defined within the legislation, within the Children's Quality Assurance Unit.
- Child Protection Conference Chairs provide effective oversight in ensuring Child Protection Coordinator reviews are regularly convened to monitor progression. Mosaic has effective in-built Stage One, Two and Three escalation tools.
- We interviewed two Child Protection Conference Chairs, the Independent Reviewing Officer service manager, the Local Authority Delegated Officer, the Audit and Development Service Manager and the Data Manager to understand the communication channels between the teams. It was consistently fed back that communication between CQAU teams is extremely strong.
- There have been five inadequate audits across the last 12 months which raised issues around statutory compliance. We were able to verify that all of these (bar one where the family declined support) were followed up with reflective reviews with service managers.
- We reviewed the Independent Reviewing Officer and Local Authority Delegated Officer annual reports, Power BI data and interviewed Child Protection Conference Chairs and the Independent Reviewing Officer service manager to determine adequacy of resources within the teams. The Independent Reviewing Officer case load is within the guidance stipulated in the IRO handbook (no individual IRO had more than 70 cases, the maximum being 56), and the Child Protection Conference Chairs communicated that they have a fully resourced team. The Independent Reviewing Officer team were awaiting the appointment of an additional team member, and the return of an IRO on secondment - once they are in the team, they will be fully resourced.
- We tested a sample of five CQAU social workers against the Social Work England open register and found that all were registered for the current year.
- Consistent management information is in place; the Council makes sophisticated use of the Power BI software to provide quantitative analysis of statutory KPIs and additional themes. The Local Authority Delegated Officer and Independent Reviewing Officer annual reports provide a qualitative analysis of the data.
- Actions are being taken to address issues with disseminating lessons learned. Monthly quality of practice reports are presented at monthly quality assurance meetings and practice weeks have been planned for each quarter of 2023 to enhance this.
- OFSTED inspected Southwark's children's services 26-30 September 2022 and stated in their report "*Effective audit and quality assurance work has helped improve the focus, quality, and quantity of investigations (for children who need protection). As a result, practice is stronger and fewer children, and their families experience these statutory processes*".

Areas of concern:

- There is no specific scheme of management and delegations to cover the CQUA service or the levels of management reflected in the structure chart. Rather, it applies to the frontline teams managing children's cases.
- The 'Action Plan' section of the audit tool is not consistently completed. It does not contain a '*what good looks like*' section, unlike the other parts of the tool. As such, the actions listed by auditors vary in detail, number, and quality.
- Four of the eleven Child Protection Plans sampled did not meet the required time frames stipulated in the guidance. Two of these were that the child was not visited within 24 hours of the incident where delays were four and two working days respectively. Additionally, all four experienced delayed CPC conferences ranging from two to twenty three working days.
- Broader/structural themes are not as frequently discussed in monthly Quality of Practice reports, despite auditors often raising these through comments on the audit tool. The audit tracker is not being used to capture key themes picked up by the audits.
- Additionally, themes shared in quality of practice reports at the monthly quality assurance (SQUARES) meetings rely on attending management to circulate with their wider teams, which does not always occur.
- Individual team meetings are infrequently minuted meaning key actions or learnings are not documented.
- We reviewed a sample of five reflective reviews completed following inadequate audits. There is no template frequently used and one of the sample did not include any action plan.

EL35 No Recourse to Public Funds April 2023		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	1
		Moderate	Limited	Medium	3
				Low	-
Purpose of audit:	To review the adequacy of the Council's key operational and financial controls in place relating to NRPF.				
Background:	<p>Non-UK nationals are required to obtain leave to enter or remain to live in the UK, unless they have the right of abode or are exempt from immigration control. When leave to enter or remain is granted, conditions may be imposed on the person relating to their ability to undertake employment and access to public funds. No Recourse to Public Funds (NRPF) is a status that applies to non-UK nationals who have no entitlement to welfare benefits, social housing, or UK government asylum support and/or are subject to UK government immigration control as defined in section 115 of the Immigration and Asylum Act 1999. The Council has a statutory duty to provide support to people with leave to remain but no recourse to public funds, those who have an assessed care need or where failure to provide support would result in a breach of certain human rights. Assessed social care needs can include care needs arising from old age, mental or physical ill-health, being pregnant or having responsibility for children who are homeless or at risk of being homeless.</p> <p>A referral comes in to the NRPF inbox which is reviewed by a team member. Once a referral is received, the Council contacts the applicant to discuss the referral and if appropriate books an appointment. Referrals can be received into the Council through several routes, including self-referral, hospital discharges, schools, and the homelessness service. A referral form is completed regardless of the routes to enable the team to triage referrals and direct these as necessary.</p> <p>The Council provides support for 287 households, consisting of 121 cases relating to the Children Act, 136 relating to the Care Act and 30 relating to the Mental Health Act. The main interventions provided by the service relate to temporary accommodation, meeting adult social care needs, provision of subsistence and sign posting to other forms of support. A case is resolved by the family or person's immigration status changing or through the support no longer required. In the financial year 2022/23 (until the end of January 2023), the Council resolved approximately 79 cases.</p> <p>Temporary accommodation is the biggest single item of spend for the service at approximately £314k per month with the bookings made with the Council's Housing Solutions Team, followed by care services at approximately £92k per month and subsistence at approximately £90k per month. Weekly subsistence payments are made for people who cannot manage subsistence monthly. Basic subsistence payments are £60 per week for adults and £45 per week for children, however, these can vary depending upon the specific needs of the person or family. Payment for adult social care services (homecare, residential care placements) for older people or people with physical disabilities are processed by the Personal Budgets Team.</p> <p>For adults where support is being provided under the Care Act 2014, the Council has a statutory duty to undertake case reviews, as a minimum, every 12 months to confirm an individual's continuing right to receive support.</p>				

The previous internal audit in this area was completed in 2019/20 (final report issued in January 2020). We raised three findings relating to case reviews not completed periodically, claims accepted without the correct supporting documentation retained, and payments for accommodation and care processed without sufficient scrutiny and approval.

Areas of strength:

- The Council has comprehensive procedures in place governing the NRPF processes, which are regularly reviewed and available to all staff.
- We found the procedures to be materially compliant with the national guidance provided by the NRPF Network.
- Our walkthroughs of the NRPF claims, accommodation, care, and subsistence payments processes complied with the documented guidance.
- Based upon our sample of cases we could confirm -
 - Officers complete NRPF assessments for all service users, check immigration status using NRPF Connect and obtain supporting evidence from the applicant before assessments are authorised by a duty manager.
 - Officers make accommodation and subsistence payments following the completion of a care and support plan which is separately approved by the duty manager.
 - There is a separation of duties between the officer recommended care payments and the officer approving them.

Areas of concern:

Our sample testing of 15 active NRPF cases since April 2021 found the following exceptions:

- Eligibility criteria - we tested to verify that appropriate supporting documentation had been obtained to confirm eligibility criteria was met:
 - For one sample item there was no evidence the service user was given an appointment letter.
 - For five sample items there was no evidence officers completed financial background checks using a 360 Online check.
 - For one sample item, the background check was completed using an incorrect name because the applicant was falsely using the name of her sister. No further 360 Online check was completed.
- Accommodation process - we tested 15 accommodation payments made in January 2023 to verify that officers followed the documented procedures:
 - Our testing found eight payments did not match the approved amounts recorded on the Master Case List. These accommodation payments had been increased but the Council records had not been updated.
- Subsistence process - we tested 15 subsistence payments for 2022-23 to verify officers follow the correct subsistence payment process in line with documented procedures:
 - In two cases there was no evidence of manager approval, which meant we were also unable to confirm a separation of duties between the decision maker (to award subsistence) and approver.
- Case reviews - we conducted testing to confirm case reviews are completed every six months:
 - Four case reviews were due but had not been completed.
 - Case reviews were completed late for a further seven ranging from one month to eight months.

Our sample testing of five care payments for 2022-23 found that none of the payments matched the amounts the Social Worker recommended be paid and were all higher. This is due to officers using a calculator which has not been updated to show the correct care rates.

Our sample testing of two rejected NRPF cases found the following area of non-compliance with procedures:

- Supporting documentation

-
- For one there was no evidence officers gave the service user a cessation letter providing 28 days' notice and referred to mainstream services as appropriate.

We asked for the three most recent monitoring reports presented to senior management to assess whether performance was sufficiently detailed, periodically presented and contained actions to address issues. Officers advised that performance monitoring meetings did not take place in October 2022, February 2023, and March 2023. Officers provided reports for September 2022, November 2022, December 2022, and January 2023. Our analysis of the reports showed NRPf performance information was also not updated during this time (September 2022 to March 2023).

CAS06 Mental Health May 2023		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	-
		Moderate	Moderate	Medium	2
				Low	1
Purpose of audit:	To provide assurance on the adequacy of the design and operational effectiveness of the Council's governance around their mental health care provisions. Our scope planned to verify whether the Council has arrangements to provide an adequate service to residents across Southwark and incorporated a review of the effectiveness of record keeping, controls around care needs assessments, approval of care packages and agreement for payment of care costs.				
Background:	<p>Councils have statutory duties to provide social care to support people experiencing mental health problems. Section 117 of the Mental Health Act 1983 (MHA) requires councils to provide after-care services and support to people moving out of hospitals. Amendments to the Act in 2007 require them to employ approved mental health practitioners to contribute to statutory mental health assessments and MHA tribunals. The Care Act 2014 provides the framework for eligibility for social care assessment, personal budgets, and support for carers. It also sets out safeguarding duties for protecting adults at risk of abuse or neglect. Councils have powers under the Mental Capacity Act 2005 (MCA) to authorise guardianship for people discharged from hospital under the MHA, and duties to authorise deprivation of liberty safeguards (DOLS). Councils are responsible for commissioning advocates to help people express their views and to represent their interests. This includes specialist advocates to help people subject to the MHA (independent mental health advocacy - IMHA) and those under the MCA (independent mental capacity advocacy - IMCA), and general mental health advocacy under the Care Act.</p> <p>The Council commissions a Wellbeing Hub (WBH) which provides information and advice about the services available to Southwark residents that provide mental health, wellbeing advice and support. The Hub works in partnership with the Council's Adult Social Care Mental Health Team (ASCMH). WBH provide a point of access for any person who has care and support needs because of their mental health and any person who cares for someone with mental health needs. In Southwark, Child, and Adolescent Mental Health Services (CAMHS) are provided by South London and Maudsley NHS Foundation Trust (SLaM). SLaM is tasked with meeting the diagnosis, clinical and treatment needs of mental health service users in Southwark. For referrals which do not remain in the Hub, where it appears that someone may have eligible needs under the Care Act 2014 and may require social care support, then the WBH will refer to ASCMH. The ASCMH Reablement Team will contact individuals to assess their needs, find out what is most important to them and what they think could best support their needs. They will discuss options for how those needs can be met by community and statutory partners and create a plan to support that person. The team will offer a period of reablement if this is deemed to be beneficial.</p> <p>ASCMH Reablement will refer individuals to the Mental Health Care and Support Team (CAST) if they have ongoing support needs/long term needs. The Care and Support Team carries out individual assessments of eligible needs, care plans, annual reviews, and if residential or supported accommodation is required, they refer over to the Move on Support Team (MOST) who ensure needs of the individuals are being met by provided services, and support 'move on' from residential placements, after a period of 'rehabilitation', to a community setting.</p>				

Areas of strength:

- We reviewed six Panel outcome sheets used to document the meeting discussions and confirmed these were well attended by the Council, the ICB and SLaM, who review any cases previously approved by senior officer and come to a decision if a placement is required.
- We confirmed that monthly reconciliations of care cost payments were taking place between what was confirmed at Panel and what SLaM are charging. We selected the reconciliations for February 2023, January 2023 and December 2022 and confirmed that these were completed in a timely manner and costs were being reviewed and challenged if discrepancies were found.
- We confirmed through sample testing of ten care packages that they are being reviewed and appropriately assessed on an annual basis. Where appropriate, these continued or stopped accordingly.
- We confirmed that adequate management information is being sent to the Mental Health team to enable them to support needs and assessments. The Performance & Quality Data Team provides the management reports to SMT on a quarterly basis.

Areas of concern:

- Procedure documents specifically detailing the roles and responsibilities of the team are not formally documented which may have resulted in the below findings:
- Through sample testing of ten placements, we found that in four cases, the mental health assessment was not appropriately signed off with adequate segregation of duties.
- We selected a sample of ten placements and found that:
 - In two cases, an annual review of the individual's assessment had not been reviewed in the last 12 months.
 - In six cases, the annual assessment of the placement had not been reviewed by Panel.

6. SUMMARY OF RECOMMENDATIONS STATUS

Of the 447 high and medium recommendations relating to 2017-18 to 2022-23, that have fallen due as at 28 April 2023, we have confirmed with reference to evidence that 399 have been fully implemented or superseded, representing 89%, an increase of 2% from our last report to the Committee.

We have confirmed that all recommendations relating to 2017-18 and 2018-19 have been completed.

The chart shows the relative percentages for each year from 2019-20 to 2022-23.

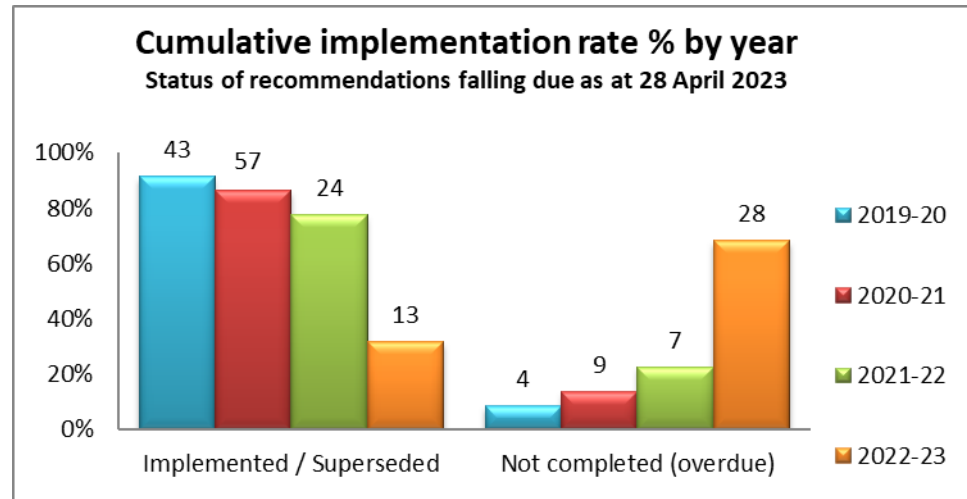
There remains some longstanding recommendations from previous years that are yet to be fully implemented, but these have now reduced in number. There are also several audits where the originally agreed implementation date has not been met and a new date has been provided. In addition, several audits 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 89%. However, without management responses and supporting evidence, we cannot confirm this.

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 WHERE NOT YET FULLY COMPLETED

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		
Assistant Chief Executive's Department - Governance and Assurance									
2020-21 Records Management	1	-	-	1	-	-	-	0%	March 2021 November 2021 June 2022 July 2023
2022-23 Complaints	2	-	-	1	1	-	-	0%	March 2023 August 2023
Assistant Chief Executive's Department - Strategy and Communities									
2021-22 Movement Policy and Plan	6	-	-	-	6	-	-	0%	September 2021 Jan 2023 July 2023
Children's and Adults Directorate									
2020-21 Payments to Children and Families	3	-	2	1	-	-	-	66%	January 2021 April 2023 Awaiting evidence
2020-21 Supported Living	3	1	1	-	1	-	-	66%	September 2021 Awaiting update
2020-21 Travel Assistance	1	-	-	-	1	-	-	0%	September 2021 March 2022 September 2022 Awaiting update
2021-22 Adoption Services	3	1	-	1	1	-	-	33%	January 2023 July 2023

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		
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, Neighbourhoods and Growth Directorate									
2019-20 S106 Agreements	3	-	-	-	3	-	-	0%	January 2024 December 2024 June 2021 Awaiting evidence - to be reviewed as part of 2023-24 audit.
2020-21 Community Infrastructure Levy	1	-	-	-	1	-	-	0%	December 2020 July 2021 Awaiting evidence
2020-21 South Dock Marina	1	-	-	1	-	-	-	0%	June 2022 November 2022 March 2023 June 2023
2022-23 Leisure Services	1	-	-	-	1	-	-	0%	July 2022 January 2023 Awaiting evidence
2022-23 Highway Maintenance	1	-	-	-	1	-	-	0%	May 2022 May 2023 Awaiting evidence

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		
2022-23 Library Services	4	-	1	-	3	-	-	25%	September 2022 April 2023 July 2023
2022-23 Licensing Audit	2	-	-	-	-	-	2	0%	April 2023 Awaiting Update and evidence to confirm implementation by year end.
Finance Directorate									
2019-20 Home Ownership - Garages	3	1	1	-	1	-	-	67%	April 2020 January 2021 November 2021 September 2022 March 2023 June 2023
2020-21 Software Asset Management	4	-	2	-	2	-	-	50%	March 2022 September 2022 December 2022 June 2023
2022-23 Insurance	2	-	-	-	2	-	-	0%	December 2022 June 2023
2022-23 Software Licensing Management	5	-	-	-	5	-	-	0%	February 2023 July 2023
Housing Directorate									
2021-22 Cooper Close TMO	3	-	1	-	2	-	-	33%	April 2022 July 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		
									Awaiting update and evidence to confirm implementation.
2021-22 Major Works	3	1	1	1	-	-	-	67%	June 2022 July 2022 March 2023 April 2023 September 2023
2022-23 IT Disaster Recovery	4	-	-	2	2	-	-	0%	June 2022 December 2022 March 2023 Awaiting update and evidence to confirm implementation by year end.

FURTHER INFORMATION ON RECOMMENDATIONS NOT YET IMPLEMENTED WHERE UPDATES WERE RECEIVED

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
Assistant Chief Executive's Department - Governance and Assurance		
2020/21 Records Management		
<p>a) Management should conduct a thorough exercise covering all systems, locations, and business areas to fully record the types of data being created and retained and to ensure all the Council's information assets were identified, with appropriate and specific information added to the asset registers.</p> <p>b) A central inventory record should be maintained and reviewed annually.</p> <p>c) Mapping of all information held needs to be completed. Management should develop and draft a more detailed plan and timescale for cleansing and mapping existing information. Following this, we recommend that the achievement of the actions recorded is regularly reviewed, as part of team meetings within Corporate Services, to ensure they stay on track and remain relevant. Once a complete map of information is developed and relevant cleansing and migration has taken place, these should be reported to the SMT.</p> <p>d) Management should review the process in place for ensuring that registers are completed and consider the introduction of an information request on a regular basis, for example monthly, to identify all departments that have not completed registers. The process should also outline specific action to be taken where staff are persistently not completing registers in a timely manner.</p>	<p>Information Governance Manager</p> <p>31 March 2024</p> <p>June 2024</p> <p>October 2024</p> <p>July 2023</p>	<p>Parts (a), (d) and (e) - Completed and evidenced in November 2022.</p> <p>Part (b) - We were advised that the IT Governance team's audit of the Council's Asset Registers will seek confirmation that retention schedules being adhered to. We have revised the due date for this to July 2023.</p> <p>Part (c) - We were advised that the proposed recommendation is not workable due to the extensive resourced required, therefore this action is not going ahead.</p> <p>Part (f) - We were advised that the e-learning module is now live. We verified this from the screenshots provided and now consider this part completed.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>e) Management should ensure that the policy and retention schedule is appropriately communicated to all the asset owners through staff bulletins or other communication channels.</p> <p>f) Management should develop a mandatory eLearning module relating to record management which should be completed annually by all staff to ensure they acknowledge and understand their responsibilities relating to record management and a formal record of this be kept.</p> <p>High</p>		
Assistant Chief Executive's Department - Strategy and Communities		
2021/22 Movement Policy and Plan		
<p>The Equity Framework should be issued to Cabinet as soon as possible for further review and approval.</p>	<p>Transport Policy Manager</p> <p>January 2021</p> <p>April 2023</p> <p>July 2023</p>	<p>We were advised by the Head of Highways that the Equity Framework has been updated and is to be included in the overarching Streets for People (ex-Movement Plan) Strategy, to be presented in draft form to Cabinet in July 2023, fully consulted in September 2023, and the final version to Cabinet for approval in December 2023.</p>
<p>The Council 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:</p> <p>(i) selecting a BAME engagement company to provide the service (this would support the Council in their current and future projects/ programmes also)</p> <p>(ii) approaching faith groups in the borough who have a large group of BAME members to complete questionnaires and/or to take part in interviews</p> <p>(iii) Advertise in the local BAME press for example The Voice Newspaper.</p>	<p>Director of Environment Response and Renewal</p> <p>July 2021</p> <p>November 2022</p> <p>September 2023</p>	<p>We were advised by the Head of Highways that the Streets for People strategy is to be subject to full public consultation in September 2023. This will be supported by the Community Engagement team. The Council will be using experience gained through the Streetspace programme and earlier consultation for the Movement Plan (Nov/Dec 2022) to better reach groups such as Black, Asian, and Minority Ethnic groups, faith groups and others that can be under-represented during such engagements.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>The Project Board should agree implementation dates for actions agreed and document these in the project board minutes via an action log. Actions should be followed up at subsequent meetings to confirm completion or discuss and record reasons for delays and new implementation dates.</p> <p>The terms of reference for the project board should be written and subject to appropriate approval.</p>	<p>Head of Highways</p> <p>July 2021</p> <p>TBC</p> <p>June 2023</p>	<p>We were advised that the Project Board for Streets for People Strategy purpose is set out in the S4P governance document.</p> <p>A Terms of Reference is currently being prepared and agreed by the Boards. We reviewed the draft version and confirmed this is due to be approved by the end of May 2023.</p> <p>We reviewed the minutes from 04/05/23 Project Board meeting and found that implementation dates were not yet included. The Head of highways advised this has been chased up on 16/05/23.</p>
<p>A sixth monthly overall reporting of the Movement Plan should be introduced.</p> <p>The Annual Report should be scheduled and included on the Forward Plan for Cabinet.</p>	<p>Transport Policy Manager</p> <p>January 2022</p> <p>Jan 23/April 23</p> <p>December 2023</p>	<p>We were advised by the Head of Highways that the draft Streets for People Strategy is due to be taken to Cabinet in July 2023. A formal final version is to be taken to Cabinet for approval in December 2023. Both Cabinet dates are recorded on the Forward Plan. 6 monthly reviews are to be commenced following December 2023 approval of the Streets for People Strategy. The Annual Report is to be produced with the first report in December 2024.</p>
<p>A high level risk of the Movement Plan implementation should be entered on to the Corporate Risk Register. Management need to identify, assess, mitigate, and review the risk(s) that may prevent the implementation of the Movement Plan</p> <p>Risk owners should be identified for the Highways programme risk register.</p> <p>Management should clearly identify the mitigations for the Highway risks that have been implemented. Where mitigations have been implemented for Highways to reduce the risks, the current risk scoring should be reported / produced if applicable.</p>	<p>Transport Policy Manager</p> <p>August 2021</p> <p>Jan 2023</p> <p>May 2023</p>	<p>We were advised that a risk register is being maintained for the Streets for People Policy, giving owners and mitigation. This is being kept as a live document during development and the final version will be entered into the delivery phase of the Streets for People programme. This will also be included in the divisional risk register.</p> <p>Entry into the divisional risk register is currently being complied and should be available by the end of May 2023.</p>
<p>The transport policies should be updated and prioritised to align with the Movement Plan.</p>	<p>Planning Policy Manager</p> <p>Head of Highways</p> <p>July 2023</p>	<p>We were advised by the Head of Highways that all relevant Transport policies including Climate Change, Air Quality, EV charging, Parking, Cycle Strategy, Kerbside Management will be incorporated or referenced in the new Streets for People Strategy. Draft strategy is to be taken to Cabinet in July 2023.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
Children's and Adults Directorate		
2020/21 Payments to Children and Families		
<p>1) Staff requesting a card to be issued should ensure that correct procedures are followed including staff completing their own application forms to ensure there is a segregation of duties between those requesting and issuing the cards. A reminder should be sent to staff confirming the correct process to be followed.</p> <p>2) Documentation should be scanned in and held in a central shared drive. A record should be established and maintained to log all staff travel and expenses cards issued, to include: the request form and approval and an email from the practice co-ordinator to the staff member confirming the card has been issued and topped up with the specified amount.</p> <p>3) Quarterly checks should be completed by service managers on issued cards to confirm that they have been issued appropriately and that documentation is retained. Where the cards have not been issued appropriately or documentation is not retained the staff member should not be eligible for a travel and expense card and the issued card should not be topped up further.</p> <p>High</p>	<p>Head of Service 9 November 2020 July 2023</p>	<p>Parts (1), (2) and (3) - Completed in February 2023. We are currently awaiting evidence for this action before marking as completed.</p>
2021/22 Adoption Services		
<p>The Council should perform an exercise to ensure it has captured the latest contact details of all adopters in addition to identifying all financial assessments which are over 12 months and ensure that a plan is developed to bring these up to date as soon as possible.</p> <p>High</p>	<p>HoS Permanence and Resources / AD Safeguarding and Care January 2022 July 2023</p>	<p>We were advised that the updates from January 2023 remain in progress, as follows: An exercise has been undertaken to ensure all contact details are up to date for adopters and all overdue financial assessments identified. The service is developing new Power BI reporting to ensure these activities are better tracked by managers in future and any issues or delays addressed through routine supervision and management meetings.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>The Council should update its policies and procedures handbook, specifically the Adoption and Special Guardianship section to reflect any changes in staff or procedures since April 2019. Additionally, the National Minimum Standards for Adoption 2011 should also be updated to consider the latest 2014 revision of the standard.</p> <p>Medium</p>	<p>HoS Permanence and Resources / AD Safeguarding and Care Dec 2021 July 2023</p>	<p>We were advised that the updates from January 2023 remain in progress, as follows: The Children & Families Division has launched a new continuous improvement plan and board which governs the delivery of projects. One workstream of the board is a full review of all divisional policies and procedures. The Head of Adopt London South is working with policy support teams to review all current policies and procedures for Adopt London South and the AD for Safeguarding and Care is reviewing the procedures in relation to the work undertaken by the Local Authority teams, with a view to completion and relaunch of policies by the beginning of 23/24 financial year. Substantial changes are planned to be updated and in line with work being undertaken by Adopt London to have consistent policies and procedures across all the areas of London.</p>
Environment, Neighbourhoods and Growth Directorate		
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 June 2022 November 2022 March 2023 June 2023</p>	<p>We were advised that IT, Finance and DPO review of completed gateway reports is to be submitted by the end of Q1.</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</p>	<p>Library Operations Manager a)/b) December 2022 February 2023 c) March 2023 June 2023</p>	<p>Parts (a) and (b) - Completed and evidenced in February 2023.</p> <p>Part (c) - We were advised by the Library Operations manager that the Operations Manual is currently being reviewed. This was completed on 28/04/23, after which it will be adopted across the library service. Formal sign off is due at the management meeting scheduled for 25/05/23.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>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>Medium</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>July 2023</p>	<p>We were advised that a list of outstanding debts has been obtained from Finance. All monies owed for last 7 years have been identified. Ongoing conversations with the finance and exchequer services debt recovery teams are occurring to develop a protocol with clear roles and responsibilities. In the meantime, the libraries operations manager is working through the list to chase outstanding debts and some monies have been recovered. Quarterly debt review meetings have now been scheduled.</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 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>Library Operations Manager</p> <p>August 2022</p> <p>March 2023</p> <p>July 2023</p>	<p>Part (a) - Completed and evidenced in October 2022.</p> <p>Part (b) - We were advised by the Library Operations Manager that a further Review of G4S service for libraries has been completed, and the operational procedures are in place and functioning as per the service level agreement. A contactless payments system is due to be implemented in Q1 of 2023/24 in libraries, to reduce cash holdings with less frequent cash collections required. Cash collection will be reviewed further after this in discussion with G4S.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
2022-23 Leisure Services		
a) The meeting minutes should record who is responsible for the action and the target date of implementation	Head of Leisure Services	This action was completed in January 2023; however, we are awaiting evidence before marking as complete.
b) An update should always be recorded for an action where the target implementation date is in the past or at the day of the meeting	January 2023 Awaiting Evidence	
c) Where an action is recorded as complete, the date of completion should be recorded for completeness. Medium		
2022-23 Highway Maintenance		
a) The engineering Manager should enhance the K2 audit framework by: <ul style="list-style-type: none"> • Publishing guidance outlining the content and expectations on how an audit should be conducted and the required skillset /qualification of inspectors. • Strengthen the narrative requirements of audits, including inclusion of an overall assurance pass rating and provide clear written justifications as to why documentation such as photos are not present. • Ensuring there is explicit clarification as to whether an audit is virtual or physical. • Details of the target number of inspection audits which should take place each month to promote a consistent comparison of KPI performance for each period. b) To enhance the coverage of K2 audit inspection, the Engineering Services Manager should periodically include a sample of random invoiced work orders to the audit schedule. Medium	Engineering Services Manager May 2022 January 2023 Awaiting Evidence	We were advised that: <ul style="list-style-type: none"> • Training and guidance information has been completed. • A Training Register has been introduced for new additions to the team for 2023/24 • Monthly KPI compliance report includes job priority timescales. • An audit is undertaken for every job where the initial job estimate varies from the Contractor’s payment request. Agreed cost variations are recorded in the job notes in Confirm. Actual recorded completion dates and job completion photos are also required prior to any payment being made. We are currently awaiting evidence for this action before marking as completed.

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
Finance Directorate		
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 September 2022 March 2023</p> <p>June 2023</p>	<p>We were advised by the Operations Manager that the garage automated waiting list and allocations programme has now been created, and testing has completed. Everything works so far, but the Council are now waiting on the i-world upgrade before putting it into live. This was due to have happened in February but has now been delayed until June.</p>
2022-23 - Insurance		
<p>a) The Risk and Insurance Manager should escalate this again with the IT shared service requesting they provide the necessary documentation to ensure the Council is able to finalise sourcing their cybersecurity insurance. If this is not provided, then this should be raised to the appropriate senior management.</p> <p>b) The Council should liaise with their insurance broker to consider whether an appropriate insurance product is available to cover climate-based risks.</p> <p>Medium</p>	<p>Corporate Risk and Insurance Manager</p> <p>Oct 22</p> <p>July 2023</p>	<p>Part (a) - We were advised that an update has recently been sought from IT as to when they can provide a response to the information requested to progress this action. Due date revised to July 2023.</p> <p>Part (b) - We were advised that there are no products covering climate-based risks at the moment therefore no further action is required.</p>
<p>On a six-monthly basis, a formal review of claims received should be undertaken identifying if there has been an increase in types of claims or locations of claims. These should be discussed at management meetings and reported to relevant departments as necessary to identify actions to mitigate the incidence of claims in the future.</p> <p>Medium</p>	<p>Corporate Risk and Insurance Manager</p> <p>December 2022 June 2023</p> <p>September 2023</p>	<p>We were advised by the Corporate Risk and Insurance Manager that the April 17, 2023 'go live' date for the new system has been delayed. As such, this action due date has been revised to September 2023. A quarterly claims update was sent to the interim Head of HR on 24 April 2023.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
2021-22 Software Asset Management		
<p>i)Management should put in place a defined Software Asset Management Policy that documents the Council’s procedures for the management of software, which should include, but not be limited to:</p> <ul style="list-style-type: none"> • The procedures for the management of different types of software, including standard software, non-standard software, and line of business software. • The procedures for the management of software assets throughout their lifecycle, including procurement, configuration, deployment, redeployment, and decommissioning. • The procedures for managing the software asset inventory, including software installation and registration and software removal. • The arrangements for the transfer of licences when required. • The roles and responsibilities of members of staff, including, but not being limited to, software misuse. • The requirement for software audits to be performed on a regular basis, including the use of any appropriate audit tools. <p>ii)The defined policy or procedure should be formally approved and communicated to members of staff and should be subject to regular review with a version control in place.</p> <p>Medium</p>	<p>Head of IT Applications</p> <p>March 2022 June 2022 December 2022 June 2023</p>	<p>We were advised that the Software Asset Management Policy drafting is currently in process and will be set for delivery 2nd June 2023.</p>
<p>i)Management should carry out an exercise for collecting details and licensing information relating to</p>	<p>Head of IT Applications</p> <p>June 2021</p>	<p>We were advised that the Corporate Application Register is now up to date with additional cloud locations and details. This is stored in SharePoint. To enhance this further, Fujitsu have been selected as a technology partner to implement solutions provided by Device 42 and</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>the Council's IT applications and update the Council's application register as necessary. This should include:</p> <ul style="list-style-type: none"> • Business owners assigned to the 53% of applications that do not currently have a business owner. • Software version number and the date it was last upgraded. • Licencing information, including license type, product keys, location of the installation CD and expiry date. <p>ii) Arrangements should be put in place for the application register to be reviewed on a more regular basis, including the requirement for application owners to report to the Head of IT Applications throughout the year with any corresponding changes documented in the register. This process should also be adopted by services who own their applications when not managed by the central IT application team.</p> <p>Alternatively, management should perform a cost benefit analysis for commissioning an automated software asset management tool to assist with software management.</p> <p>Medium</p>	<p>Sept 2022 December 2022 June 2023 September 2023</p>	<p>AppScore that will radically improve the Council's application management capabilities.</p> <p>The Discovery will be done using existing Azure Migrate tooling already in place within Southwark Council's environments and Fujitsu will aim to leverage any information currently available from that analysis. In addition, they will deploy Device42 tooling to further execute detailed discovery of the server, database, and application estate as well as capture critical dependencies and interfaces. This will further complete and enhance the information already available via Azure Migrate.</p> <p>For set-up of an online application register Fujitsu will use the AppScore tooling. AppScore is a tool for assessing application and server estates to understand detailed information on the current estate and current quality to be used to plan next steps, to facilitate potential rationalisation, migration, modernisation, and transformation to cloud activities.</p> <p>Fujitsu are using the AppScore tool to capture all relevant information in an online repository. They will use input from Azure Migrate and Device42 tooling and import that to the online AppScore repository using standard APIs available in the platform. Detailed information available from the Southwark team via documents, workshops and interview sessions will be captured in the repository as well, using online questionnaires and data import facilities. The repository functionality will facilitate ongoing migration and transformation programmes, which in this case might be a future activity following the initial set-up of the application register.</p> <p>Availability of all information in a central location provides relevant stakeholders the necessary information to provide an end-to-end view on the current estate as well as critical input for strategic roadmap planning and the potential efforts and investments required for any next steps.</p> <p>A full technical specification, proposal document and requirements specification has been shared.</p> <p>The project kick-off meeting with Fujitsu will take place in w/c 24 April 2023 with an estimated completion date of September 2023.</p>
<p>2022-23 Software Licensing Management</p>		
<p>A draft policy to cover the management of software licences will be written with specific reference to procurement of new systems, changes to contractual agreements and Starters/Movers/Leavers.</p>	<p>Head of Security and Infrastructure Feb 2023 June 2023</p>	<p>We were advised that the Software Asset Management Policy drafting is currently in process and will be set for delivery 2nd June 2023. The Software licensing management process for joiners, movers and leavers will be included that reflects changes to how new systems are procured.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>Medium</p> <p>Processes for the management of software licences, including renewal processes, handling starters/movers/leavers with input from the Council’s HR Service, liaison with business owners, storing licence agreements, monitoring licence utilisation, and updating central monitoring spreadsheets, should be formally documented, and communicated to all relevant staff.</p> <p>Medium</p>	<p>Head of Applications (London Borough of Southwark) July 2023 September 2023</p> <p>Head of Partnerships & Projects (STS) Jan 2023 (STS) July 2023 December 2023</p>	<p>We were advised that the Fujitsu kick-off meeting is from w/c 24 April 2023 with an estimated completion date of September 2023.</p> <p>A contracts management system is due to be procured by Children’s & Adults’ Services - TDS are researching whether the service can use this product alongside Children’s & Adults for Technology contracts management. The system is planned to be implemented by December 2023.</p>
<p>a) An exercise to gather licensing information and evidence relating to ‘line-of-business’ applications is undertaken. An ongoing requirement that business System Owners provide ICT with relevant license evidence at the point of acquisition should be introduced.</p> <p>b) The process to be followed when entering /amending data regarding applications in the register is documented. This should include detail on which fields must be completed and the extent of evidence that should be retained and were, e.g., licence agreements.</p> <p>c) The corporate applications register is updated and maintained thereafter to ensure that all details are accurately captured, particularly in relation to licence details, dates of last review, IT support staff, business owners and whether the application is managed by ICT or the business area.</p> <p>d) Software licence agreements are in place, securely maintained and available for inspection when required for both the Council and STS.</p> <p>Medium</p>	<p>Head of Applications July 2023</p>	<p>We were advised that once the app register is in place, the governance will be implemented by giving access to app owners directly to their apps.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>a) Management should develop a set of performance measurement metrics in relation to software licence management to ensure compliance with the terms and conditions of the licences, including:</p> <ul style="list-style-type: none"> • Renewal due dates • licenses exceeded and • under-utilisation of licences <p>b) Licence information should be regularly monitored and scrutinised to plan for demand for the ICT Service's resources and to ensure that licence conditions are complied with.</p> <p>c) Additional consideration should be given to assigning a dedicated role/resource for the co-ordination of software application contract renewals and licence monitoring, promoting liaison between the business and ICT, and enabling more efficient monitoring of software licensing activities.</p> <p>Medium</p>	<p>Head of Applications</p> <p>September 2023</p>	<p>We were advised that the Corporate Application Register is now up to date with additional cloud locations and details. This is stored in SharePoint.</p> <p>To enhance this further, Fujitsu have been selected as a technology partner to implement solutions provided by Device 42 and AppScore that will radically improve the Council's application management capabilities.</p> <p>A full technical specification, proposal document and requirements specification has been shared with the audit.</p> <p>The project kick-off meeting with Fujitsu will take place in w/c 24 April 2023 with an estimated completion date of September 2023.</p>
<p>Options for implementing automated software licensing monitoring software should be considered to reduce reliance on manually updated spreadsheets.</p> <p>Medium</p>	<p>Head of Applications</p> <p>July 2023 September 2023</p>	<p>Please see the above update.</p>
Housing Directorate		
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>Interim Head of Investment/ Building Safety Lead/Business Owner of Apex and Asset Manager</p> <p>30 June 2022 30 November 31 March 2023</p>	<p>Parts (b) and (c) - Completed and evidenced in February 2023.</p> <p>Regarding part (a), we were advised that:</p> <ul style="list-style-type: none"> • True Compliance has been signed of and is in the process of procurements (April 2023) • IT are in the process of issuing the TDA so implementation can start in April 2023.





Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<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>April 2023 September 2023</p>	<ul style="list-style-type: none"> • All compliance should be on True Compliance by September 2023 and Southwark will be able to produce complete and accurate compliance information. • All work streams PPM processes have been documented in advance of implementation. • Each area will be involved in implementing and commenting the streams related to their areas. • The Apex migration to a secure cloud platform will complete by April 2023.
2022/23 Complaints		
<p>1.1 The Council should ensure that acknowledgement letters are sent to all complainants within three working days in line with the Complaints policy. Adequate evidence of these letters should be stored on the system.</p> <p>1.2 The Council should aim to provide a decision to the complainant within the timeframes included in the Complaints policy. The investigating departments should be reminded (at least annually) of the importance of a timely response.</p> <p>1.3 The Complaints Team should offer additional training/support to the departments/service areas where a greater number of delays occur in the complaint resolution process.</p> <p>1.4 If the investigating departments need more time in providing a response due to complexities, they should ensure that they contact the complainant and inform them of the delay with an expected date when the decision will be communicated. All communications with the complainants should be stored on the system.</p>	<p>Operations Manager/Complaints Manager/ February 2023/March 2023</p> <p>August 2023</p>	<p>We are currently awaiting evidence for this action before marking as completed.</p> <p>1.1 We were advised that the council does have a target for acknowledging complaints within 3 days. For 2022/23, 71% of complaints received an acknowledgment within 3 working days. The acknowledgements are sent and stored on the case management system, icasework. We are currently awaiting evidence for this action before marking as completed.</p> <p>1.2 We were advised that a recent change in policy has meant all housing complaints should be responded to within 10 working days at stage 1. Reminders of the new changes were sent to staff. The council responded to 63% of complaints on time in 2022/23. We are currently awaiting evidence for this action before marking as completed.</p> <p>1.3 We were advised that e-learning has been developed and will be rolled out to the departments with the highest levels of complaints (Housing) within the next 3 months. Face to face training is also in development.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>1.5 A caseworker should be assigned to the case within one week of the complaint received date to ensure that the Council’s complaint resolution timeframe is achieved.</p> <p>1.6 The Complaints Team should conduct spot checks (we recommend six-monthly) on a sample of cases to assess whether all the required documentation such as an acknowledgment letter and a decision letter is retained onto the system, a caseworker is assigned within one week of the complaint received date and that a decision has been communicated within the set timeframes. If there have been delays, the Complaints Team should ensure adequate evidence of communication with the complainants is retained. The results of these spot checks and consistent non-compliance should be included in the periodic management report.</p> <p>High</p>		<p>1.4 We were advised that staff have been advised that holding responses must be sent on any cases that cannot be closed on time. The holding responses are sent and recorded on icasework. We are currently awaiting evidence for this action before marking as completed.</p> <p>1.5 We were advised that teams are made aware of the importance of dealing with complaints as quickly as possible. We are currently awaiting evidence for this action before marking as completed.</p> <p>1.6 We were advised that, as part of the complaints review commissioned by the Director of Customer and Exchequer, a quality team will be proposed to ensure quality checks are carried out on a sufficient sample of complaints. The checks will include acknowledgement, contact with the customer, holding responses if necessary, and all responses provide the information required by the ombudsman complaints handling code. We are currently awaiting evidence for this action before marking as completed.</p>
<p>2.1 The Complaints Team should introduce formal training to be offered periodically. We recommend that the training material covers at least the following areas:</p> <ul style="list-style-type: none"> • Identifying and acknowledging a complaint • Defining complaint • Investigating a complaint • Resolving complaints and communicating a decision • Capturing lessons learnt • Maintaining adequate records to support the outcome of the complaints • Local Government and Social Care Ombudsman. <p>2.2 The training material should be reviewed at least annually to ensure that the current practices are accurately captured.</p> <p>Medium</p>	<p>Complaints Manager February 2023 August 2023</p>	<p>We were advised that the e-learning has been developed and will be rolled out to the departments with the highest levels of complaints, with a view to then off to the whole Council within the next three months. Face to face training is also in development and once again will focus on high level departments, beginning with Housing.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
2022/23 Objection Review - joint responsibility of Housing, Finance and Governance and Assurance		
<p>A central document management system should be implemented to ensure that all key project documents including approvals and decisions are stored centrally and not in personal email folders.</p> <p>The CSOs should be expanded to include a section which clearly sets out a process for managing multiple single transactions under one contractor.</p> <p>A process should be implemented to regularly evaluate costs spent appointing contractors on the Safe Contractors Approved list and determine whether a formal procurement exercise should be undertaken in line with the CSO's and Fairer Future Procurement Framework. The process should be documented and should include advice sought from the procurement team.</p>	<p>Assistant Director - Governance and Assurance</p> <p>Q2 2022-23</p> <p>2023-24</p>	<p>These recommendations are to be picked up as part of a wider review of our procurement and contract management functions and CSO's, which is to be completed during 2023-24. For the first part, resources have been made available to implement and support the recommendation.</p> <p>All other recommendations relating to this review have been implemented as planned during 2022-23.</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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Item No. 10.	Classification: Open	Date: 6 June 2023	Meeting Name: Audit, governance and standards committee
Report title:		Internal audit annual report and annual statement of assurance 2022-23: Draft interim report	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance	

RECOMMENDATION

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

BACKGROUND INFORMATION

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

Policy implications

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

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

Community impact statement

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

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Climate change implications

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

significant impact on climate change.

Resource implications

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

Consultation

9. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

10. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix A	Internal audit annual report and annual statement of assurance 2022-23: Draft interim report

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Greg Rubins, Angela Mason-Bell; BDO	
Version	Final	
Dated	24 May 2023	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Assistant Chief Executive, Governance and Assurance	No	N/A
Strategic Director of Finance	No	N/A
Cabinet Member	No	No
Date final report sent to Constitutional Team	24 May 2023	




London Borough of Southwark

**INTERNAL AUDIT ANNUAL REPORT AND ANNUAL
STATEMENT OF ASSURANCE 2022-23**

DRAFT INTERIM REPORT

For presentation to the Audit, Governance and Standards Committee

6 June 2023



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SUMMARY OF 2022-23 WORK

Internal Audit 2022-23

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

All work relating to the internal audit plan for 2022-23 has been completed to at least draft report stage, and we are working with the Council to issue all final reports by the end of July 2023.

The reports that have been issued and which form the basis of the annual report for 2022-23 are listed below.

Assistant Chief Executive's Department - Governance and Assurance

- Complaints - Final
- Hospitality and Gifts - Draft
- Member / Officer Protocol - Draft
- Overtime (Council wide) - Draft
- Payroll and HR - Draft
- Sickness and Absence Management (Council wide) - Fieldwork

Assistant Chief Executive's Department - Strategy and Communities

Covid-19 Expenditure

Children and Adults Directorate

- Adult Learning Services- Final
- Children's Quality Assurance Unit - Final
- Covid-19 pandemic related expenditure - Draft
- Mental Health Services - Final
- Mosaic - Fieldwork
- Public Health - Tobacco Control - Draft
- Safeguarding - Adults - Fieldwork
- SEND Finance - Draft
- Special Educational Needs - Final

Housing Directorate

- Building Control - Draft
- Building Safety - Fieldwork
- Buyback of Properties - Final
- New Homes Programme - Reporting

Environment, Neighbourhood and Growth Directorate

- Cemeteries and Crematoria - Final
- Parking Management & Estates Parking Permits - Draft Markets - Draft
- No Recourse to Public Funds - Final
- TMO - Applegarth - Fieldwork
- TMO - Brenchley Gardens - Fieldwork
- TMO - Delawyck - Fieldwork
- TMOs - Use of Reserves - Final
- Community Engagement - Draft
- Climate Emergency Strategy - Fieldwork
- Private Sector Licensing - Draft

Finance Directorate

- Accounts Payable - Draft
- Capital Expenditure Management - General Fund - Fieldwork
- General Ledger - Final
- Housing Rents - Draft
- IT - Cloud Computing Maturity - Reporting
- IT - Software Licensing - Final
- IT - Applications Review - Reporting
- Pensions Administration - Reporting
- Supplier Resilience (Council wide) - Draft

Where a final or draft report has been issued, the purpose of each audit, assurance opinions, number of recommendations and key findings are summarised on pages eight to 33. In the final version of the annual report, these may be subject to change. However, the overall opinion for the Council will not be affected by any changes at individual audit level.

The internal audit team has also completed the following work in 2022-23:

- Finance and Governance Service Reviews - we carried out a series of reviews on the functioning of areas within the remit of the former Strategic Director of Finance and Governance, with the objective of identifying areas working well and those where risks might be better addressed, or improvements made. An advisory report has been issued to the new Strategic Director, Finance, for consideration.
- Grant audits - for which separate letters of engagement were issued:
 - Family Hubs and Start for Life
 - Protect and Vaccinate
 - Supporting Families
 - URBACT Thriving Streets EU funded project.
- Transparency Reporting - we continue to provide support and challenge to the Council in meeting its obligations for reporting expenditure under the Local Government Transparency Code 2015.

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

The following audits were deferred from 2022-23 to 2023-24:

- Council Delivery Plan
- Home to School Transport
- Major Regeneration
- Use of Consultants / IR35
- Pupil Registry Systems
- Southwark Building Services
- Voids

The internal audit programme for schools' cyclical compliance audits was carried out. At the time of writing, the fieldwork for all 2022-23 schools' audits has been completed and we are in various stages of quality assurance and reporting. The schools audited in 2022-23 is listed below.

An end of year report summarising the results and common themes arising from our school internal audit programme for 2022-23 will be presented to the Committee at its meeting on 17 July 2023.

- Charlotte Sharman Primary
- Crawford Primary
- Dulwich Wood Primary
- Grove Children & Family Centre
- Haymerle
- Ilderton Primary
- Keyworth Primary
- Michael Faraday Primary
- Oliver Goldsmith Primary
- Peter Hills with St Mary's & St Paul's Church of England Primary
- Phoenix Primary
- Southwark Inclusive Learning Service
- St George's Church of England Primary
- St Joseph's Junior
- St Joseph's Roman Catholic Primary, George Row
- St Jude's Church of England Primary
- St Mary Magdalene Church of England Primary
- St Peter's Church of England Primary
- St Saviour's and St Olave's Church of England
- Tuke

Non internal audit services provided by BDO.

The following non audit services have been provided by BDO during 2022-23:

- Risk management support
- Counter fraud support

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

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

HEAD OF INTERNAL AUDIT OPINION 2022-23

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

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

The basis for forming my opinion is:

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

Overall, we can provide **Moderate Assurance** that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently, the same opinion as in 2020-21 and 2021-22. We continue to consider this to be a positive result given the continued increased demands on services and funding challenges faced.

Our annual report and head of internal audit opinion has been prepared based on the audit work undertaken during the year. This information will be updated in the final annual report to be presented to the Committee on 17 July 2023.

In forming my view at this stage, I have taken into account that:

- In respect of the design of the controls, an opinion of moderate assurance has been provided for 15 out of the 23 assurance audits completed, substantial assurance provided in four areas and limited assurance opinions in four areas. Overall, the Council has maintained its control environment during 2022-23. However, the relative proportion of substantial assurance opinions provided for the design of the Council's controls has decreased from 38% in 2021-22 to a current 13% in 2022-23.
- In respect of the operational effectiveness of the controls, an opinion of moderate assurance has been provided for 14 of the 23 assurance audits completed, substantial assurance provided in one area and limited assurance in eight areas to date. The relative proportion of substantial assurance opinions provided for the operational effectiveness of the Council's controls has also fallen from 15% in 2021-22 to a current 4%.
- The relative proportion of high, medium, and low recommendations is consistent with previous years, and management has continued to respond positively to reports issued with adequate action plans to address the risks and issues identified. We have confirmed with reference to evidence that 89% of recommendations due for implementation by the date of reporting had been completed. This represents a slight increase from an implementation rate of 87% in 2021-21 and is the highest that we have reported since our appointment as the Council's internal auditors.

- In respect of school audits and ongoing financial pressures, the Council is taking proactive steps to manage these, and our programme of audits has been aimed at prioritising schools with high levels of risk.
- Financial performance has been strong in the financial year 2022-23. A balanced outturn position has been achieved. There was pay, energy and inflationary pressures across all Council departments which were successfully mitigated through the drawdown on specific reserves earmarked for that purpose and the use of the planned contingency. The reserves remain stable with an unallocated general fund reserve of £22m and net earmarked reserves of £209m. Although the macroeconomic outlook continues to be uncertain, the council is in a good position to meet future challenges.

REVIEW OF 2022-23 WORK

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
Accounts Payable <i>Draft Report</i>	1	3	-	Moderate	Moderate	<p>Purpose: To provide continuing assurance on the adequacy of the design and operational effectiveness of internal controls in managing accounts payable processes via SAP, to ensure that they are promptly and effectively brought into use. We reviewed the effectiveness of the processes relating to vendor set up and amendments, raising and approval of purchase orders, payment processing and approvals.</p> <p>Key findings:</p> <ul style="list-style-type: none"> No assurance could be provided in relation to accounts payable system access (whether an access request form was in place, had been appropriately signed off, and access rights were appropriate to job role) as we did not receive sufficient evidence. We compared a list of SAP users (PO approvers and inputters, and invoice inputters) against a list of leavers since 1 April 2022 and found that six users continued to have access to the system after having left the Council. We selected a sample of 20 transactions (1 April 2022 to 28 February 2023) and found that there were two incorrectly approved purchase orders (one was raised and approved by the same individual; another was approved by a staff member without the delegated authority per the scheme of management), and five purchase orders were raised after the receipt of invoices. Using the sample in Finding 2 above, we found that six invoices were paid after more than 30 days, with no reasoning provided. As part of data analytics testing, we compared the date of invoice with the payments date to identify the compliance rate of all payments made in the period 1 April 2022 to 28 February 2023. We found that payment was made within 30 days of the invoice date in 68% of transactions. (Medium)

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> Data analytics highlighted that there were vendors without bank details allocated to them on the Council's AP system, and instances where vendors with different names had the same bank details.
Adult Learning Services	-	1	3	Moderate	Substantial	<p>Purpose: To review the processes and controls in place that support effective decisions on which SALS services to offer, verifying that the right audience is being targeted and the syllabus is appropriate to ensure alignment with GLA specifications. In addition, the review determined whether the level of attendee take up is being routinely considered when undertaking decisions alongside financial viability.</p> <p>Key findings:</p> <ul style="list-style-type: none"> There were no Articles of Association for the SALS Governing Body, and their roles and responsibilities are unclear. Other areas for improvement were identified including the need for a succession plan, sharing lessons learned and improved marketing of the service.
Building Control <i>Draft Report</i>	-	1	1	Substantial	Moderate	<p>Purpose: To provide assurance over the adequacy and effectiveness of the Council's controls and approach in delivering and enforcing compliance with building control regulations.</p> <p>Key findings:</p> <ul style="list-style-type: none"> From our review of a sample of 20 building control applications in the period the following exceptions were identified: <ul style="list-style-type: none"> In two cases (Full Plan), a decision was not made within 5-8 weeks of receiving the application. In seven cases, evidence of inspections completed was not available. In four cases, evidence of application payment receipt was not available.

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
Buyback of Right to Buy Properties	-	-	-	Substantial	Substantial	<p>Purpose: To provide assurance over the adequacy of the design and operational effectiveness of the new process for the buyback 20 and 40 project. Our review also assessed how effectively the processes have been incorporated into the Council's social housing portfolio.</p> <p>Key findings:</p> <ul style="list-style-type: none"> No areas of concern were identified in respect of the risks audited and the control framework in MySouthwark Homeowners Service. We identified some issues surrounding voids which are to be reviewed as part of the 2023-24 internal audit plan.
Cemeteries and crematoria	-	4	-	Moderate	Moderate	<p>Purpose: To review the adequacy and effectiveness of the Council's governance arrangements and key operational and financial controls relating to burials and cremations.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Given the nature of the activities in the crematoria, environmental legislation is of particular importance, however, the Bereavement Service does not currently have an Environmental Policy or strategy covering the cremators and cremation coffins. Key marketing information for customers have not been updated since 2017. 60% of the burials and 20% of the cremations sampled were not arranged within the typical industry timeframe of up to 10 business days of the funeral or cremation being booked, however, the reasons for delays were not documented clearly. The Bereavement Service's Business Continuity Plan (BCP), dated 16 October 2019, had not been tested this year to date or been updated to incorporate the lessons learned from the events of the past two years. New/revised monitoring arrangements and Key Performance Indicators were presented to senior management in October 2022, however, have not yet been agreed to ensure the Bereavement Service's operations

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						have an adequate oversight, which is sufficiently comprehensive.
Children's Quality Assurance Unit	-	3	1	Moderate	Moderate	<p>Purpose: To provide assurance over the adequacy of the design and operational effectiveness of the Council's approach to governing and monitoring the quality of the child safeguarding mechanisms, legislative compliance and the overarching framework overseen by Southwark.</p> <ul style="list-style-type: none"> • There was no specific scheme of management and delegations to cover the CQUA service or the levels of management reflected in the structure chart. Rather, it applies to the frontline teams managing children's cases. • The 'Action Plan' section of the audit tool was not consistently completed. It does not contain a 'what good looks like' section, unlike the other parts of the tool. As such, the actions listed by auditors vary in detail, number, and quality. • Four of the eleven Child Protection Plans sampled did not meet the required time frames stipulated in the guidance. Two of these were that the child was not visited within 24 hours of the incident where delays were four and two working days respectively. Additionally, all four experienced delayed CPC conferences ranging from two to twenty-three working days. • Broader/structural themes were not as frequently discussed in monthly Quality of Practice reports, despite auditors often raising these through comments on the audit tool. The audit tracker is not being used to capture key themes picked up by the audits. • Additionally, themes shared in quality of practice reports at the monthly quality assurance (SQUARES) meetings rely on attending management to circulate with their wider teams, which does not always occur. • Individual team meetings were infrequently minuted meaning key actions or learnings are not documented. • We reviewed a sample of five reflective reviews completed following

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						inadequate audits. There was no template frequently used and one of the sample did not include any action plan.
Community Engagement Draft Report	-	-	3	N/A Advisory Review	N/A Advisory Review	<p>Purpose: To provide assurance on the adequacy of the design and operational effectiveness of internal controls in place to manage the identified risks in respect to Community Engagement.</p> <p>The review considered the lessons learned from the Covid-19 pandemic and how this is informing future approaches to community engagement and the impact on governance structures. It was agreed at the time of scoping that this would be an advisory review incorporating benchmarking.</p> <p>Areas to improve:</p> <ul style="list-style-type: none"> To steer officer engagement the Council has 2 key pieces of guidance, the consultation toolkit, and the engagement plan template. We reviewed both against the Local Government Association community engagement checklist to confirm all areas were incorporated into the guidance. We found the following was not mentioned in the Council's guidance: <ol style="list-style-type: none"> Monitor the responses: Keep track of the number of responses you receive so action can be taken to improve response rates if necessary. Check the responses submitted to get an indication of the issues arising. Analyse the results: Consider what story the data are telling and what this means in terms of the question asked. Calculated how many people gave certain answers and looked for any variations. You should also seek to identify any patterns, trends, or themes to help identify key issues. <p>Officers also confirmed that some of the information contained within the toolkit was out of date and did not align with the new corporate approach so needed a refresh.</p> <ul style="list-style-type: none"> Our review of the information available on the Council's Consultation and Engagement website showed officers had not refreshed the

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>following information since 2017 and therefore there is a risk it is no longer relevant:</p> <ul style="list-style-type: none"> - Let's talk about ageing well. - Let's talk about new council homes for Southwark. - Become a charity trustee. - LGBT groups. - Southwark disability forum. - Southwark multi-faith forum. <p>We also found the link for the Housing Community Involvement page no longer worked.</p> <ul style="list-style-type: none"> • We confirmed officers understood the problems arising from digital engagement during the pandemic, such as bad online behaviour from the public and planning around engagement behaviour to ensure all voices are heard. We verified officers had taken action to address the issues, for example writing additional guidance. However, there was no formalised lessons learnt process documenting the actions taken, responsible officers and date of implementation. Without this there is a risk officers do not take the full action necessary to address the identified issues.
Complaints	1	1	1	Moderate	Moderate	<p>Purpose: To provide assurance over the design and operational effectiveness of the controls relating to the Council's response to complaints, clarity of roles and responsibilities, documentation, timeliness of responses and closure of cases.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • From a sample of 20 complaints (15 Stage 1 and five Stage 2) we identified the following exceptions to the Council's policy: <ul style="list-style-type: none"> ○ In three cases, no evidence of an acknowledgement letter was available on the system.

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> ○ In 11 cases, a decision was not made for a Stage 1 complaint and communicated to the complainant within the required timeframe per the Complaints policy, delays ranged from two to 67 working days. ○ In two cases, a decision was not made for a Stage 2 complaint and communicated to the complainant within the required timeframe per the Complaints policy, delays ranged from 19 to 97 working days as at the audit testing date (7 November 2022) ○ In nine cases, a caseworker was not assigned to the case within a reasonable timeframe (within one week) which potentially could have delayed the decision to be made within the timeframes per the policy. • Due to the introduction of recent changes such as in relation to capturing the lessons learnt, the training material needs revising. Arrangements were ad-hoc and formal training arrangements were not in place.
Covid-19 pandemic related expenditure <i>Draft Report</i>	-	4	-	Moderate	Moderate	<p>Purpose: To provide assurance over the accuracy and completeness of reported spend with regards to Covid-19 related expenditure incurred by the Children and Adults Services department.</p> <ul style="list-style-type: none"> • Written policies and procedures were not developed in respect of the areas within the scope of this audit: passporting of money to providers for infection control equipment, staff purchasing PPE, distribution of payments to schools to compensate free school meal vouchers or allowable Uber Journey expenditure. • A framework was not developed, or a log maintained to capture lessons from issues encountered during the pandemic with regards to Covid-19 related expenditure, to identify improvements specific to the finance processes. • With regards to travel by Uber, we identified several exceptions to the

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>required processes:</p> <ul style="list-style-type: none"> - The 'Uber Medics Guide' requires that an individual staff risk assessment must be completed prior to travelling via Uber, and the outcome must show that it is appropriate for those individuals to work in the office or in the community. For a sample of ten journeys, we identified that no risk assessments had been completed. - There were no records to demonstrate the Uber nomination form had been completed and saved centrally. - The Uber for Business document during the pandemic stated that 'whilst on council business, you should avoid using public transport, including commuting to and from the office, then you may use the Uber Business Account and Southwark Council will cover the cost'. We identified Uber journeys that had not been completed for business use. - Monthly random sample checks had not been completed by management to verify that Uber journeys made by staff were appropriate.
General Ledger	-	2	1	Moderate	Moderate	<p>Purpose: 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.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • 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 budgets to assess whether each virement was supported by adequate documentation and was approved

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						appropriately. We identified in six cases that these were not evidenced as approved, therefore we could not assess whether these were approved appropriately.
Housing Rents <i>Draft Report</i>	-	5	3	Moderate	Moderate	<p>Purpose: The purpose of this audit was to provide continuing assurance on the adequacy of the design and operational effectiveness of internal controls in place to accurately collect and allocate housing rental income. We also undertook a follow-up of the two medium recommendations made in our 2019-20 audit of Housing Rents.</p> <p>Key findings:</p> <ul style="list-style-type: none"> We tested a sample of ten former tenant arrears to assess whether adequate and timely recovery actions were taken. In three cases, action was not timely and reasons for this were not documented in the tenant's file. While all write offs reviewed were actioned per procedure, there were significant delays before former tenant arrears cases were referred for write off (gaps of two to three years between the reason for the write off and referral for write off). We tested a sample of 15 current tenant arrears to assess whether adequate and timely recovery actions were taken. We found that in three cases, the arrears were not followed up, actioned, and monitored in a timely manner. We tested a sample of 15 new rent accounts created between April 2022 and February 2023 and found that no tenancy agreement was retained on the system in three cases. From our review of a sample of ten employee users with the ability to make amendments to rent accounts on Northgate, we found that three were no longer employed by the Council. One user had left in the past year (2022-23), we could not confirm when the remaining two had left (over a year ago). Access was granted by a manager for one employee, as per procedure. For seven employees, manager approval emails could not be traced. Access per job role was inappropriate for two users.

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> The documented procedures for rent refunds, income, and arrears (both former and current tenants) and write offs were out of date and/or not regularly reviewed. From our review of all five property deletions since 1 April 2022 we found that appropriate approval could not be evidenced for three properties. We tested a sample of 15 actions on Rent Analytics in February 2023 and found that six actions were assigned after more than two weeks (15-32 days), and the reason for this was unclear. Of the eight cases requiring escalation, one was escalated late, and another was escalated, however this had not been recorded on the system.
IT - Software licence management	-	5	-	Limited	Limited	<p>Purpose: 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> <p>Key findings:</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

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
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						<p>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.</p> <ul style="list-style-type: none"> • 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.
Markets <i>Draft Report</i>	-	3	-	Moderate	Moderate	<p>Purpose: To review the adequacy of the design and effectiveness of the Council's governance arrangements and key operational and financial controls in place relating to markets. Key findings:</p> <ul style="list-style-type: none"> • The Council's Markets Policy does not detail the application requirements for permanent and temporary traders and operators. • We reviewed a sample of 10 temporary and permanent traders and identified that in one case, a temporary permit was provided to the trader, although there was insufficient evidence of proof of address. In another instance, the permanent trader continued to trade although the trading licence was not renewed. • The Markets Team referred two out of 15 debtor accounts to the Credit Control Team for further escalation, however this was not actioned. Hence, the outstanding balances were not recovered.

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
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Member / Officer Protocol <i>Updated Draft Report</i>	1	3	-	Limited	Limited	<p>Purpose: To provide assurance that the member/officer protocol reflects good practice and that it is being operated in practice and cases where it is not working effectively are identified and addressed.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The Council's Member and Officer Protocol has not been reviewed since February 2020. The Protocol does not include guidance on how to resolve conflicts between Members and Officers and does not include information on how relationship concerns should be raised and actioned. From a review of the Council's training records, less than 50% of Senior Officers have completed mandatory training on Safeguarding, Data Protection, Corporate Induction, Unconscious Bias, and Southwark Ways of Working. We were informed that attendance of the Members' training programme is recorded but we were not provided with any evidence of this. We reviewed a sample of complaints to ensure they are handled in accordance with the Member Officer protocol and internal complaints handling process. There was no record of the progress/ all work done on each complaint making it difficult to keep track of the progress of the report and ensure the complaint has been resolved appropriately. We were not provided with the procedure on how to deal with Member enquiries, such as the review process for cases, case allocation, which service departments are involved when responding to enquiries and what methods are appropriate when communicating with customers. From a survey completed by a sample of five Members and five Officers, we found that the Members were not satisfied with the quality of responses and Officers felt they did not receive sufficient training to provide accurate responses and deal with the Members requests.
Mental Health Services	2	2	-	Moderate	Limited	<p>Purpose: To review the controls in relation to the governance, approvals, records maintained and monitoring of care packages and funding relating to</p>

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>the clients receiving the Council's mental health services by the Care & Support Team (CAST).</p> <p>Key findings:</p> <ul style="list-style-type: none"> • There was no evidence of an annual finance assessment for 7 out of 11 clients required to pay for care and the reason why one client did not pay for care was not recorded. • An annual review of the care and support plan had not been completed for two clients. • Following a change in the care and support plan personal budgets had not been updated in a timely manner for four out of ten cases tested. • In nine out of ten cases tested where personal care packages had been completed there had not been a review of expenditure to confirm whether there was a surplus of funds that needed to be repaid and that funds had been spent appropriately. A large backlog of expenditure returns dating back to 2016 have not been examined.
No Recourse to Public Funds	-	3	-	Moderate	Limited	<p>Purpose: To review the adequacy of the Council's key operational and financial controls in place relating to NRPF.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • Eligibility criteria: - we tested to verify that appropriate supporting documentation had been obtained to confirm eligibility criteria was met: <ul style="list-style-type: none"> - For one sample item there was no evidence the service user was given an appointment letter. - For five sample items there was no evidence officers completed financial background checks using a 360 Online check. - For one sample item, the background check was completed using an incorrect name because the applicant was falsely using the name of her sister. No further 360 Online check was completed.

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	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> Accommodation process: our testing found eight payments from a sample of 15 that did not match the approved amounts recorded on the Master Case List. These accommodation payments had been increased but the Council records had not been updated. Subsistence process: - in two cases from a sample of 15 there was no evidence of manager approval, which meant we were also unable to confirm a separation of duties between the decision maker (to award subsistence) and approver. Case reviews: - we conducted testing to confirm case reviews are completed every six months: <ul style="list-style-type: none"> Four case reviews were due but had not been completed. Case reviews were completed late for a further seven ranging from one month to eight months. Our sample testing of five care payments for 2022-23 found that none of the payments matched the amounts the Social Worker recommended be paid and were all higher. This is due to officers using a calculator which has not been updated to show the correct care rates. We asked for the three most recent monitoring reports presented to senior management to assess whether performance was sufficiently detailed, periodically presented and contained actions to address issues. Officers advised that performance monitoring meetings did not take place in October 2022, February 2023, and March 2023. Officers provided reports for September 2022, November 2022, December 2022, and January 2023. Our analysis of the reports showed NRPf performance information was also not updated during this time (September 2022 to March 2023).
Overtime <i>Draft Report</i>	-	3	-	N/A Advisory Review	N/A Advisory Review	Purpose: to review the adequacy of the Council's arrangements and key operational and financial controls in place relating to overtime payments. Key findings:

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						<ul style="list-style-type: none"> • There are inadequate policies and procedure documents that govern the processes in relation to overtime payments therefore insufficient guidance is in place for employees and managers especially on the timeliness of inputting claims. The Remuneration policy does not have a next review date and information on who reviewed and approved the document. • Whilst the year-to-date overtime data was being presented to the Strategic Director of Finance and Governance, the data is not analysed for trends. Monitoring and reporting on overtime is also not completed at a departmental level to help identify the root cause of the high overtime figures. The overtime data is not complete, with some employees not having details on their department and team input which would skew the results of any data analysis performed. • The [now] Housing Directorate has identified that their high overtime payments are an issue that needs to be tackled and are working towards this, but HR could provide additional support with this process and ensure the department are involved in future trade union discussions to ensure the Trade and Craft Terms and Conditions are revised to provide a fair policy that is beneficial to both the Council and the technicians.
Parking Management and Estates Parking Permits <i>Draft Report</i>	3	2	-	Limited	Limited	<p>Purpose: To review the adequacy of the Council's governance arrangements and key operational and financial controls in place relating to parking management and estates parking permits.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • Organisational structure, roles, and responsibilities: Our initial enquiries identified that the Parking services' roles, responsibilities and accountabilities, the governance framework, and key financial and operational controls for on-street and estates parking were not clear, integrated or joined up. An organisational structure chart of the Parking services governance, and key financial and operational arrangements in place was created during the audit, with several noted issues requiring

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>resolution.</p> <ul style="list-style-type: none"> • Policies and procedures: Parking management and estates parking permits policies and procedures supporting the Council's Movement (Transport) Plan 2019 - 2041 were not readily available. A folder of the policies and procedures was created during the audit. • Fees and Charges: Not all the fees and charges approved by Cabinet for the financial year 2022-23 were updated on the Council's website in a timely manner. The fees and charges for estates parking permits 2023-24 that came into effect on 1 April 2023 were updated late on the Council's website on 12 April 2023. • Applications for new and renewed estates parking permits: Our review of a sample of estates parking permits identified two out of five resident permits did not have appropriate supporting proofs of residence and vehicle ownership. Three out of five carers' permits granted did not have appropriate supporting medical evidence. All five visitor permits sampled had no evidence of validation checks. Three of five refunds given did not state the reason the refund was given. • Payments received: There is a lack of clarity regarding income budget monitoring as part of the general Parking service management monitoring and review. • Debt management: The nature and make-up of aged, bad, and uncollectable parking debts for the financial years 2019-20, 2020-21, 2021-22 and 2022-23 could not be provided. Information regarding investigation of debt (warrants) for recovery by the Parking Service's enforcement agents and appropriate follow up of untraceable vehicles could not be provided.
Payroll and HR <i>Draft Report</i>	1	2	3	Moderate	Moderate	<p>Purpose: To provide continuing assurance on the adequacy of the design and operational effectiveness of internal controls in place to manage the identified risks in respect of payroll and HR.</p> <p>Key findings:</p>

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> • Due to the merger of the payroll function with HR, we identified during the walk-through of the SAP systems that the final payroll run for April 2023 was not approved by a separate reviewing officer before being posted. • From testing a sample of five overpayments since 1 April 2022, we found that recovery action was inconsistent and recovery action timeframes in three cases were insufficient. In addition, the high priority recommendations from the KFC05 Payroll and HR audit 2021/22 had not been fully implemented and have been rolled over into the 2022/23 recommendations to ensure they are addressed. • Initial data analytics we completed on the payroll standing data identified a total of 196 employees (98 pairs) with duplicate bank details, despite them being unrelated and living at different addresses. Subsequent investigation found that the report produced had overwritten bank details for employees' job sharing. This has raised the issue of a lack of review of potential duplications in the payroll data. - Our review of the contract management process for the Zalaris contract found that the project log maintained by the Council has not been kept up to date regularly. - Our review of a sample of ten new starters found one minor exception whereby officers could not locate the notification to payroll. - From a sample of five employees acting up, we identified one employee for whom the date of act up requested on the form, the date confirmed to the employee, and the date added to SAP did not match.
Private Sector Licensing <i>Draft Report</i>	1	2	1	N/A Advisory Review	N/A Advisory Review	<p>Purpose: To assess the robustness of the key processes and controls in place for the pilot scheme around governance, projected income/saving plans, the application process, income collection and debt recovery, with a view of improving the permanent controls being in place if the scheme continues.</p> <p>Areas to improve:</p>

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> The Licensing Team had not navigated an effective method to process the invoices with the required notices attached to the applicants This was due to a lack of administrative support within the team to process invoice requests per the Council's FC&P Team's guidance. The Licensing Team also did not have a point of contact in the FC&P Team to discuss issues they were facing with the invoice request process such as sending statutory notices with the invoices and providing all the required information to set the applicant up as a vendor on the finance system to process the invoice. Due to this, the Licensing Team had not issued any invoices to any of the applicants that wanted to pay offline, therefore in December 2022, there was a backlog of over 400 invoices and licenses not issued, which held back an income of over £500,000. The invoicing issues have also led to a backlog of refunds that have not been processed for applications that were raised through the old system. Reconciliations between the Finance system, SAP, and the applications system, Metastreet, cannot be completed. The team are working with Metastreet and SAP to identify a common reference for both platforms. Assurance that income is as expected is obtained by matching the overall income on SAP with the total fees from applications on Metastreet, however a line-by-line reconciliation is not possible. The Licensing Process document was last updated in April 2022; however, it is not clear who prepared, reviewed, and approved the document. One of the procedure documents (Joint Licence holders) received was blank. Some of the procedures were signed off by the Head of Regulatory services. However, we noted that there is no consistency in the presentation of the procedures. The procedures have not been developed for debt management and processing write-offs. We have confirmed that there have been no arrears since the start of the new scheme. Therefore, no write-offs have been required or an aged debtor analysis completed. However, no procedure documents have been developed to deal with future incidents. The Team still do not have

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
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						clarity on their debt management responsibilities which they will work with the Council's Finance team to establish.
Public Health - Tobacco Control	-	1	2	Moderate	Moderate	<p>Purpose: To provide assurance that the Council has adequate and effective controls in place to help mitigate the risk that Southwark will not be smoke-free by 2030.</p> <p>We used the Tobacco Control Plan for England, the Khan Review, NICE Guidelines, and the CLear self-assessment tool to guide our testing.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • Further analysis of the latest Census 2021, Annual Population Survey and Stop Smoking Service data is required to shape initiatives to engage hard-to-reach groups. • The CLear self-assessment tool provides Local Authorities with an evidence-based approach to measure success of local action to address smoking. At the request of the Public Health team, we evaluated how the Council is meeting sections 14.1-14.3, 15.1-15.4 and 15.6. We concluded that the Council met the requirements for three out of eight questions, and the remainder are a work in progress. • Roles and responsibilities relating to tobacco control in the Public Health Division and more widely (across the Council and its partners), and how these link together, are not yet clearly defined in strategies, policies, and procedures.
SEND Finance Draft Report	4	3	-	Moderate	Limited	<p>Purpose: To provide assurance on the adequacy and effectiveness of controls in place within the SEND Finance Team with regards to the process of agreeing placement costs and making payments.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • Following approval of the EHC Plan, proposed placement and cost by the SEND Panel, a Costing Form is prepared by the SEND Team detailing the placement and cost which is authorised by a SEND Team Manager before being sent to the SEND Finance Team for inputting details onto a

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>spreadsheet to make payments to placement providers. For a sample of 16 children with SEND, one Costing Form was not authorised by the SEND Team Manager. In another two cases, the Costing Forms were authorised after the placement start date.</p> <ul style="list-style-type: none"> For a sample of 15 payments made from April 2022 to March 2023, we were unable to confirm that the payments were accurate as we were unable to reconcile the amount recorded on the invoice to the amount due as per the authorised costing form. Seven invoices were not paid within 30 days of the invoice. Payments were made after 6 weeks to 4 months of the invoice date. An internal deadline has been set by Corporate Finance for accruals to be raised by 17 April 2023 to meet the 21 April 2023 deadline for all revenue to be determined. As of 24 April 2023, the accruals for 2022/23 had not been raised, a Corporate Finance process commenced in the absence of the Business Manager and a total of £5,270,574 accruals had been identified as of 24 April 2023 with the process still yet to be complete. Whilst the spreadsheet maintained by the SEND Finance Team records details of identified funding for each child, it does not record payments. Both the SEND Finance Team and the SEND Team currently maintain separate records of payments. Records of payments made are available from SAP. However, from our sample testing, it was difficult for us to reconcile the payment on SAP to the child's record on the spreadsheet. This was in the main due to the payment reference number used by the Business and Finance Manager not being the same as the student ID number generated from Capita for each child. The Business and Finance Manager stated that a check is completed on a weekly basis between data on the spreadsheet to data maintained by SEND Team on Capita. The check is done manually, and any discrepancies are investigated/queried with the SEND Team. We were unable to confirm this weekly check being undertaken as no evidence is

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						<p>maintained.</p> <ul style="list-style-type: none"> We undertook a follow-up of two actions from the Education Budget Review undertaken by RSM for which a final report was issued in February 2020. Neither of the recommendations had been implemented.
Special Educational Needs (SEN)	1	-	2	Moderate	Moderate	<p>Purpose: 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> <p>Key findings:</p> <ul style="list-style-type: none"> 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 multi-agency 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%.
Supplier resilience <i>Draft Report</i>	2	5	1	Limited	Limited	<p>Purpose: To provide assurance on the controls in place to adequately monitor the financial and operational stability of its key third party suppliers and service providers. The audit was also to confirm there are adequate contingency plans in the event of supplier/service provider failure. The audit</p>

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
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						<p>excluded care service providers as this will be included in a future commissioning audit in 2023/24.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • During the audit we established there is a lack of strategic oversight of contract management. The Council does not: <ul style="list-style-type: none"> - Have a centralised contract management function. - Keep a list of contracts it feels are the most critical, which should be scrutinised further. The Council does define contracts as either Operational or Strategic but does not maintain a list of either. - Centrally perform ongoing creditor checks of key suppliers. - Provide regular training to contract managers about how to consistently monitor supplier resilience. • We tested a sample of 10 contracts from the contracts register including the five highest value contracts (excluding Residential Care as this will be covered by a future audit) and a random sample of five further contracts. For four contracts we were not provided with full supporting evidence. <p>Our testing to ensure the contract managers had obtained operational and financial security during the procurement process found eight had conducted the appropriate checks and retained evidence.</p> <p>We further tested to ensure contract managers had obtained and reviewed supplier's business continuity plans (BCP) and found inconsistent practices and in one case no BCP.</p> <p>We also assessed contract monitoring / review arrangements to verify they were in line with the contract and ongoing. We found inconsistent practice and no regular monitoring in three cases.</p> <ul style="list-style-type: none"> • We tested to confirm key performance indicators (KPI's) are established and regularly monitored. We found inconsistent practices and in four cases no evidence that KPIs had been established was evident.

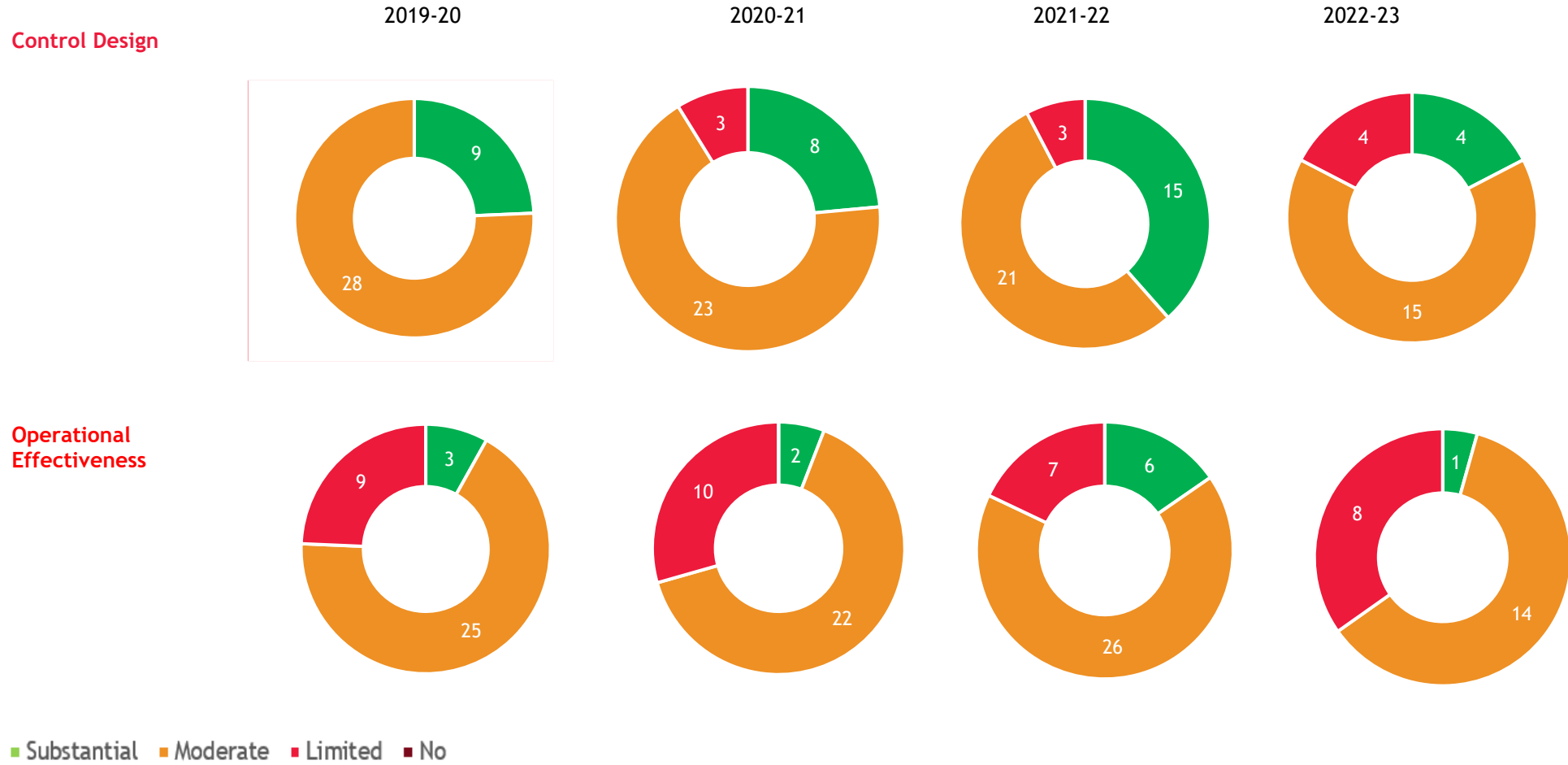
Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> We further examined whether annual performance reporting was in line with the contract management toolkit and found one case where performance reporting was last completed 18 months ago and in another case no performance reporting had been completed. We assessed the Council's arrangements against the five elements of the Governments supply chain framework, which is designed to be an aide for those looking to mitigate supply side risks in their supply chains and to support greater long-term resilience: Diversification, International Partnerships, Stockpiling, and surge capacity, Onshoring and Demand management. We found the Council only considers diversification as part of its toolkit. We evaluated the risk management arrangements and our testing showed that four of the strategic contracts did not have a supplier specific risk register and none were detailed on the departmental risk register, which acts as a compensating control if there are no supplier risk registers in place. <p>We examined departmental business continuity arrangements and found that in four cases the contracts were not listed or no BCP was in place.</p>
TMOs - Use of Reserves & Surplus Funds	1	4	-	Moderate	Limited	<p>Purpose: To provide assurance over the design and operational effectiveness of the controls relating to the cyclical maintenance allowances received for Major Works by the TMOs and the Reserve and Surplus Fund accounts being maintained and managed by the TMOs.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Five TMOs have cyclical decoration funds (total value over £1m) presented on their financial statements (period ending 31 March 2021) and have been paid this allowance since their inception, despite these TMOs opting for Option A or B in relation to cyclical decoration responsibilities. In three of the five cases payments of the allowance have stopped. Nine out of 16 TMOs did not have a separate Reserve and Surplus Fund

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>reported on their balance sheet. The MMA requires the TMOs to report Reserve and Surplus Fund separately within the financial statements.</p> <ul style="list-style-type: none"> • Kennington Park House Co-operative TMO does not have a minimum of 25% of the current financial year allowances maintained within the Reserve Fund. The allowance for the year 2020/21 was £64,804, meaning a minimum of £16,201 should be held in the Reserve Fund per best practice. The TMO's Reserve Fund only had £5,691 as of 31 March 2021, which is only 8.8% of the current financial year allowance. • Applegarth TMC has an account titled 'Contractor's Fund' reported on their financial statements with a balance of £30,850. Per the accounts, the balance represents £10,000 received from Taylor Wimpey and a grant received from the Council, less clean greener expenditure. The TMO Manager explained that this account is used as the Reserves Fund, however, there is no specific Reserves Fund account on the TMO's financial statements per the requirements of the MMA. • Cooper Close Co-operative and Haddonhall Residents TMO do not present the Reserves Fund account on their financial statements, instead an accumulated surplus account is the deemed Reserves Fund on their financial statements. • Eight TMOs did not have a separate Surplus Fund presented on their financial statements per the requirement of their MMAs. • We compared the balances of Surplus Funds (for eight TMOs where a separate Surplus Fund was presented) as of 31 March 2021 with the previous year balances as of 31 March 2020. Five TMOs did not achieve the desirable efficiencies per best practice. • For Two Towers TMC, there is a deficit of £38,697 recorded as of 31 March 2021 within the Surplus Fund. We queried the negative balance on the Surplus Fund to assess if there is a strategy to address the shortfall. We noted that a documented plan is not in place and the TMO Manager advised that it is difficult to maintain balance within the Surplus

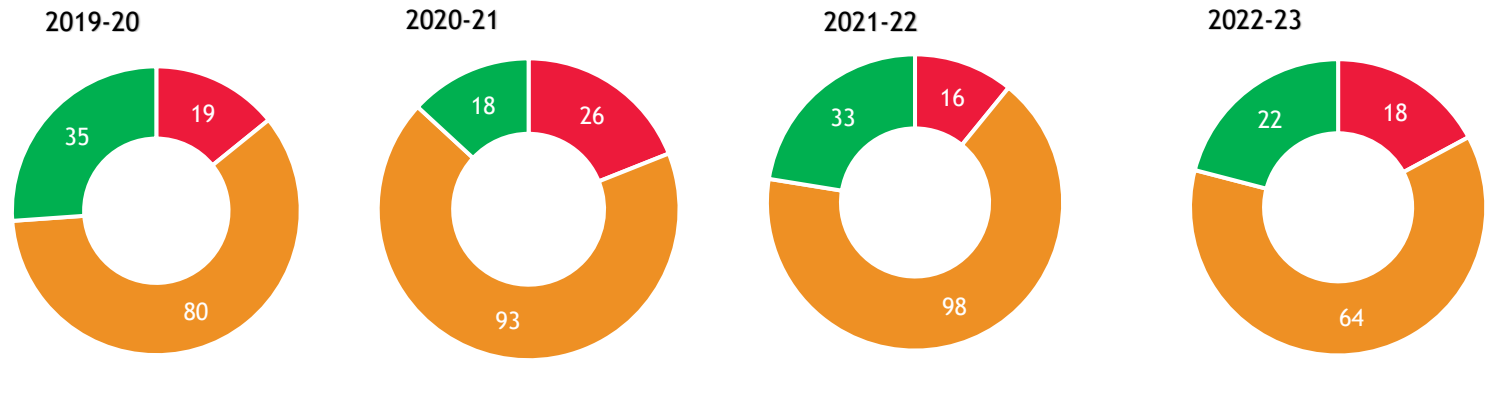
Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>Fund as payments are being made back to the Council in relation to external decoration responsibilities.</p> <ul style="list-style-type: none"> The audited financial statements for twelve out of 16 TMOs were not finalised within six months of the end of 2020/21 financial year (by 30 September 2021) per the requirement of the MMA. The delays ranged from 3 to 132 working days.

ASSURANCE OPINIONS AND RECOMMENDATIONS DASHBOARD

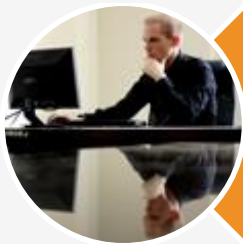
The graphs for 2022-23 will be updated upon completion of the remaining internal audits for the year and included in the final annual report to be presented to the Committee on 17 July 2023.



Recommendations



ADDED VALUE



USE OF SPECIALISTS

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



RESPONSIVENESS

We have continued to be flexible with the audit plan, undertaking detailed reviews at relative short notice, including grant certifications.



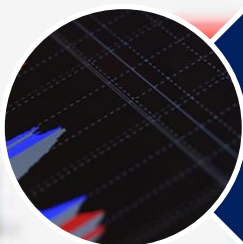
BENCHMARKING AND BEST PRACTICE

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

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

We identified areas where the Council can improve performance and create efficiencies e.g. Children's Quality Assurance, SEND Finance.

Best practice comparisons were undertaken (e.g. Building Control, Supplier Resilience, Public Health - Tobacco Control



INNOVATION

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

KEY THEMES



PEOPLE, ROLES AND RESPONSIBILITIES

This year, we have found an absence of up to date policies and procedures in a number of areas, with roles and responsibilities not clearly defined. Training programmes have lapsed in some areas. There have been changes in senior management responsibilities and reliance on key individuals continues to be apparent as funding and resources tighten further. Succession plans are not always in place. E.g. Adult Learning Services, Children's Quality Assurance Unit, General Ledger, Markets.



SYSTEMS & PROCESSES, TIMELINESS OF DECISIONS

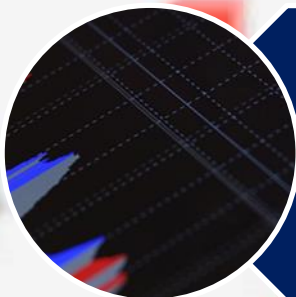
We continued to identify non-compliance with policies and procedures, both corporate Council-wide and departmental or team specific. In addition, systems access is not being reviewed in key areas. Testing identified timeliness of decisions and completeness of processes to be of concern. E.g. Accounts Payable, Building Control, Cemeteries and Crematoria, Complaints, Housing Rents, Mental Health, NRPF, Parking, SEN.



DATA AND RECORDS, PUBLIC INFORMATION

Several audits identified anomalies with the data being maintained and recording of key information and evidence to support decisions. E.g. Building Control, Children's Quality Assurance Unit, Software Management, Pensions, SEN.

In addition, the Council's web pages were found to be out of date in some areas. E.g. Community Engagement, Markets, Parking.



GOVERNANCE AND MONITORING / FOLLOW UP

Overall there are sound Governance and effective monitoring arrangements in place across the Council. However the frameworks for areas such as Contract and Supplier Management, NRPF and TMOs could be strengthened. Business Continuity Plans were not in place for key contracts.

Recommendation implementation rates have improved.

BACKGROUND TO ANNUAL OPINION

Introduction

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

Our internal audit work for the 12-month period from 1 April 2022 to 31 March 2023 was carried out in accordance with the internal audit plan approved by management and the Audit, Governance and Standards Committee, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

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

Scope and Approach

Audit Approach

We have reviewed the control policies and procedures employed by London Borough of Southwark to manage risks in business areas identified by management set out in the 2022-23 Internal Audit Annual Plan approved by the Audit, Governance and Standards Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

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

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

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

Reporting Mechanisms and Practices

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

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

Management actions on our recommendations

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

Recommendations follow-up

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

The implementation rate for previous recommendations is currently 89%. This rate is an improvement from 2021-22.

Relationship with external audit

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

Report by BDO LLP to London Borough of Southwark

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









In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides London Borough of Southwark with Moderate assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2022-23. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.





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

- All internal audits undertaken by BDO LLP during 2022-23
- Any follow-up action taken in respect of audits from previous periods for these audit areas.
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to London borough of Southwark.
- Any limitations which may have been placed on the scope of internal audit - no restrictions were placed on our work.



KEY PERFORMANCE INDICATORS

Description / KPI for Internal Audit 2022-23	Actual and comment	RAG Rating
Audit Coverage		
Annual Audit Plan for 2022-22 delivered in line with timetable	All internal audit work agreed with senior management for completion during the year has been completed. Some audits as detailed in this report have been deferred to 2023-24.	
Actual days are in accordance with Annual Audit Plan - 1,030 days	We delivered 1,058 days of internal audit work the internal audit plan, the additional days related to work carried forward from 2021-22 and audits not in the original plan (e.g grant audits).	
Relationships and customer satisfaction		
Customer satisfaction reports - overall score at average of at least 3.5 / 5 for surveys issued at the end of each audit.	We have received five survey responses relating to 2022-23 audits, providing an overall rating of 5 (exceptional) in four cases and 4 out of 5 in one case.	
Annual survey to Audit, Governance and Standards Committee to achieve score of at least 70%.	A survey will be issued during the year.	-
External audit can rely on the work undertaken by internal audit (where planned)	We completed a review following an Accounts Objection, to the specification and satisfaction of the external auditors.	
Staffing		
At least 60% input from qualified staff	KPI has been met for the year.	
Audit Reporting		
Issuance of draft report within 3 weeks of fieldwork `closing` meeting	All draft reports issued to date were within 3 weeks of the closing meeting.	
Finalise internal audit report 1 week after management responses to report are received.	All final reports issued to date were within 1 week of receipt of the complete management responses.	
90% recommendations to be accepted by management	Recommendations are largely accepted by management following the closing meeting.	
Information is presented in the format requested by the customer	We have agreed the reporting format with the previous Strategic Director of Finance and Governance.	
Audit Quality		
High quality documents produced by the auditor that are clear and concise and contain all the information requested - measured within customer satisfaction surveys	We have received five survey responses as at the end of the year, four providing a rating of 5 and one providing a rating of 4 out of five with regards to the quality of our outputs.	





<p>Positive result from any external review</p>	<p>In June 2021 an External Quality Assessment by the Institute of Internal Auditors reported that BDO LLP's Public Sector Internal Audit Team 'generally conforms' with the International Professional Practices Framework (IPPF) and the Public Sector Internal Audit Standards (PSIAS). This is the highest of the three ratings categories.</p>		
Description / KPI for Council Management and Staff 2021-22		Actual and comment	RAG Rating
<i>Response to terms of reference and reports</i>			
<p>Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within three weeks of receipt</p>	<p>With minor exceptions (usually due to leave commitments), Council management have responded in a timely manner.</p>		
<i>Implementation of recommendations</i>			
<p>Audit sponsor to implement all audit recommendations within the agreed timeframe</p>	<p>At the end of the year 89% of recommendations due had been implemented.</p>		
<i>Co-operation with internal audit</i>			
<p>Internal audit to confirm to each meeting of the Audit, Governance and Standards Committee whether appropriate co-operation has been provided by management and staff:</p> <ul style="list-style-type: none"> a) providing unrestricted access to all the Council's records, property, and personnel relevant to the performance of engagements b) responding to internal audit requests and reports within the agreed timeframe and in a professional manner c) being open to internal audit about risks and issues within the organisation d) not requesting any service from internal audit that would impair its independence or objectivity. e) providing honest and constructive feedback on the performance of internal audit 	<p>We can confirm that to date the Council's management and staff have overall cooperated as per the commitments a) to e).</p>		

APPENDIX I

ANNUAL OPINION DEFINITION

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

REPORT OPINION SIGNIFICANCE DEFINITION

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

RECOMMENDATION SIGNIFICANCE DEFINITION

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

FOR MORE INFORMATION:**Greg Rubins**

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Item No. 11.	Classification: Open	Date: 6 June 2023	Meeting Name: Audit, Governance and Standards Committee
Report title:		Draft Annual Governance Statement 2022-23	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance	

RECOMMENDATION

1. That the audit, governance and standards committee note the draft Annual Governance Statement (AGS) 2022-23 as attached at Appendix 1.

BACKGROUND INFORMATION

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

KEY ISSUES FOR CONSIDERATION

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

significant governance issues requiring management action.

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

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

Community impact statement

11. This report 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

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Consultation

16. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

17. None required.

BACKGROUND DOCUMENTS

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

APPENDICES

No.	Title
Appendix 1	Draft Annual Governance Statement 2022-23

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Geraldine Chadwick Senior Finance Manager.	
Version	Final	
Dated	24 May 2023	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Assistant Chief Executive – Governance and Assurance	No	N/A
Strategic Director of Finance	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team	24 May 2023	

Appendix 1

Annual Governance Statement 2022-23

Introduction and acknowledgement of responsibility

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

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

The principles of good governance

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

Table 1 – Core principles of the CIPFA/SoLACE framework



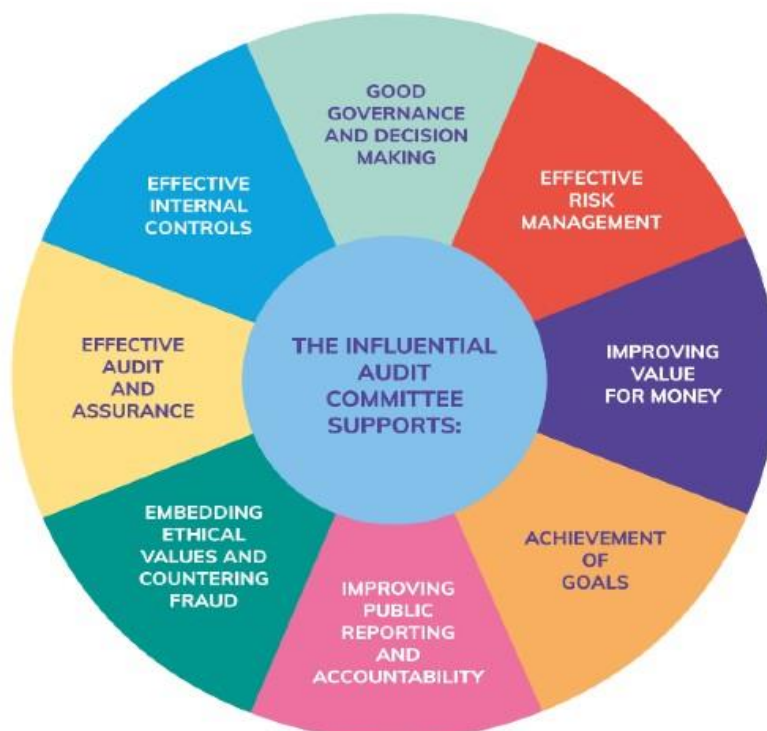
Key elements of the council's governance arrangements

3.1 The governance framework at Southwark Council comprises the systems and processes, culture and values which the council has adopted in order to deliver on the above principles. The council has a separate code of governance, which is consistent with the principles of the CIPFA/SoLACE framework (2016). This is updated each year and evidence actively collated and assessed for compliance. The Code is to be updated following changes to the senior management structure. Compliance with the revised code will be reported to the audit governance and standards committee in September 2023.

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

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

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



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

3.5 'The CIPFA Financial Management Code 2019 (FM Code) was introduced during 2020-21, to improve the financial resilience of organisations by embedding enhanced standards of financial

management. Although the implementation of the FM Code was mandatory only from 2021-22, the council assessed compliance with the Code a year before this, in 2020-21, to ensure full compliance in 2021-22. The council has established a yearly review of compliance against the FM Code which is reported to the audit, governance and standards committee.

3.6 The governance framework incorporated into this Annual Governance Statement has been in place at Southwark Council for the year ended 31 March 2023 and up to the date of the approval for the statement of accounts. Table 2 outlines the governance framework.

Table 2 – Overview of the council’s governance framework

<p style="text-align: center;">Council, Cabinet and Leader</p> <ul style="list-style-type: none"> ➤ Provide leadership, approve the budget, develop and set policy ➤ Approve the constitution which sets out how the council operates ➤ Agree council delivery plan priorities, developed in consultation with residents and stakeholders 	<p style="text-align: center;">Scrutiny and review</p> <ul style="list-style-type: none"> ➤ Scrutiny commissions review council policy and can challenge decisions ➤ Audit, governance and standards committee reviews governance and promotes and maintains high standards of conduct by councillors
<p style="text-align: center;">Decision making</p> <ul style="list-style-type: none"> ➤ All decisions made in compliance with law and council constitution ➤ Meetings are held in public ➤ Decisions are recorded on the council website 	<p style="text-align: center;">Risk Management</p> <ul style="list-style-type: none"> ➤ Risk management strategy ensures proper management of risks ➤ Risk registers identify both strategic and operational risks
<p style="text-align: center;">Corporate Management Team</p> <ul style="list-style-type: none"> ➤ Head of Paid Service is the Chief Executive and is responsible for all council staff and leading an effective corporate management team (CMT) ➤ During the latter part of 2022-23 there has been a transition to a new corporate structure, with changed responsibilities. These are described in more detail in the main report at paragraph 6.3.7 and 6.3.8 	

Constitution and Committees

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

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

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

3.10 A council delivery plan 2022-26 was presented to and agreed by Cabinet in September 2022. This is published on the council's website. In addition, the council is working with residents and partners to develop a borough wide strategy for the long term to 2030... The Council Delivery Plan is reviewed and updated according to changing statutory requirements, the evolving social and economic situation, analyses of needs and the performance of the council against its priorities

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

The Council Delivery Plan

3.12 The overall budget and policy framework of the council is set by the council assembly and all decisions are made within this framework. The council's overall policy is represented through the [Council Delivery Plan](#) which sets out the priorities and commitments to the people of Southwark. It is developed alongside the budget through consultation with residents and other stakeholders in the borough, and which sets out how the delivery plan will be achieved. The plan is centred on seven separate themes:

- Transforming our borough
- A thriving and inclusive economy
- A healthy environment
- Quality, affordable homes
- Keeping you safe
- Investing in communities

- Supporting families.

3.13 These themes describe how the council responds to local priorities – tackling the rising cost of living, building more council homes, reducing carbon emissions, creating new jobs and opportunities and protecting the borough’s mental and physical health. The plan also makes clear how the council will deliver on priorities – supporting our young people to succeed at school, ensuring our older people are cared for, keeping our streets clean and ensuring our homes and neighbourhoods are safe and well looked after.

3.14 Performance against the council delivery plan is monitored throughout the year. Progress is reviewed quarterly by the leader and respective cabinet members and is reported through an annual performance report at the end of each financial year. The council also monitors its performance through feedback from its residents and service users.

3.15 A new [Council Delivery Plan](#) was agreed in September 2022 which alongside the [Fairer Future medium term financial strategy 2022-23 to 2026-27](#) enables the council to make best use of financial resources available and to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders.

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

Performance, Policies, Risk and Financial Arrangements

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

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

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

3.20 The council’s financial management arrangements conform to the governance requirements of the CIPFA “Statement on the Role of the Chief Financial Officer in Local Government” (2016). The chief financial officer is the Strategic Director of Finance who has statutory responsibility for the

proper management of the council's finances and is a key member of the corporate management team. He formally devolves the management of the council's finances within departments to strategic directors through the Scheme of Delegation for Financial Authority and Accountability. Strategic directors further devolve decision making through departmental schemes of management. The Strategic Director of Finance also provides detailed finance protocols, financial regulations, procedures, guidance and finance training for managers and staff.

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

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

Review of effectiveness

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

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

4.3 The key elements of the review of effectiveness are:

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

4.3.2 An annual self-assessment and management assurance statement signed by strategic directors, confirming that the Code of Conduct, Financial Standing Orders and Financial

Regulations and other corporate governance processes have operated as intended within their directorates throughout the year.

- 4.3.3 The audit executive opinion to members on the adequacy and effectiveness of the internal control framework, the council's risk management and governance process. The opinion based on the interim draft annual audit report 2022-23 overall provides moderate assurance. This denotes that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently, the same opinion as in 2020-21 and 2021-22.
- 4.3.4 Internal audits have strengthened local and corporate wide arrangements. The council's improvement plan has been further embedded to enhance the risk management arrangements.
- 4.3.5 The work of the corporate governance panel (CGP) ensures that the council continues to have appropriate and fit for purpose governance arrangements that are recognised and applied across the council.
- 4.3.6 The audit, governance and standards (AGS) committee is independent and separate from the scrutiny function delivery through the Oversight and Scrutiny Committee and from the decision making committees. The audit committee provides an oversight on a range of core governance and accountability arrangements.
- 4.3.7 The annual report on the corporate risk register and risk management arrangements which were presented to the 6 February 2023, audit, governance and standards committee for discussion. The council's corporate risk register is prepared following joint assessment by officers of all departmental risks. Each department reviews their risk registers on a quarterly basis. Each risk is accompanied by a mitigation setting out the controls in place to manage risk.

The main purposes of the council's corporate risk management process are:

- To set out the most significant risks to the council in the context of multiple risks identified and managed within each department.
- Where appropriate, to consolidate common risks issues especially where cumulatively they may amount to a higher risk rating
- To ensure that single risks that may act to impact across all council services are recorded (e.g. cyber security).
- To enable risks to be effectively managed to ensure that the council meets its corporate and business objectives; and
- To alert the council to new or increasing risks that may impact on the council's ability to serve its residents and wider community

4.3.8 The top risks are those that have been assessed as ‘amber’ or ‘red’ and appear in more than one department and often require the most proactive management actions to control and mitigate these risks. The high level risks highlighted in February 2023 were:

- Acute socio- economic factors;
- Cost of living;
- Medium term financial planning;
- Schools and Education;
- Cyber security, IT, Data Information management;
- Capital Programme and Major Projects;
- Legal and regulatory- Government policy;
- Unforeseen Major event;
- Asset management and Building Safety;
- Failure of key provider;
- Climate emergency;
- Fraud;
- Health and Safety;
- Health and Social Care Act;
- Recruitment, retention, resources and capacity.

4.3.9 The AGS committee formal review of their performance. The committee assesses itself using a checklist produced by CIPFA. The February 2023 meeting concluded that the work programme in place had enabled the committee to carry out its functions effectively. In particular, that the committee had received regular internal and external audit reports. The committee approved the establishment of two standards sub-committee (civic awards and conduct) in July 2023.

4.3.10 The committee continued its approach to the consideration of governance by having additional structured reports on high risk areas and committee members continued to ask challenging questions and raise issues on matters before it. In some cases, this has resulted in further information being provided to the committee to provide the assurance sought; in others, it had resulted in an increased focus on the implementation of action plans. In particular, through the 2022-23 work programme. Members were able to be assured that:-

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

4.3.11 Departmental governance conversations. In 2022-23, the AGS committee continued to invite Strategic Directors and the Chief Executive to discuss their departments’ governance arrangements. These ‘governance discussions’ provided in depth details of departmental

governance arrangements, departmental risk registers, associated controls and mitigations and allowed Members to discuss and challenge particular governance issues.

- 4.3.12 Review of governance issues in other councils. In November 2022, the audit, governance and standards committee received an updated report on local authority ‘Public Interest Reports’ (PIRs). These cases were first brought to the attention of the committee in June 2021, summarising the findings from the Public Interest reports at Nottingham City Council, the London Borough of Croydon, and Northampton Borough Council. The updated 2022 report brought the committee up to date with the follow on report from Grant Thornton which highlighted a further ten councils who had public interest reports, statutory recommendations and other interventions such as Section 114 notices. This report concluded that some of the messages were similar to that set out previously, i.e. poor culture and governance and lack of oversight and recommended that audit committees should strive for continual improvement and regular review of potential risks.
- 4.3.13 The report also highlighted that many council finance departments have suffered from under-investment, 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
- 4.3.14 The review of compliance with the CIPFA FM Code 2022-23. The purpose of the code is to provide a strong foundation to manage financial resilience, to meet unforeseen demands on services and to manage unexpected shocks in financial circumstances. A key part of the FM Code is a review of the council’s financial sustainability against the CIPFA financial resilience index which are benchmarked across other local authorities.

Assurance statement

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

Governance issues

Governance issues highlighted in 2021-2

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

6.2 The follow up of the governance issues highlighted in 2021-22, are discussed in paragraphs 6.2.1-6.2.12. These were:-

- Cyber security
- The Covid-19 pandemic
- The council's ambitious housing programme
- Funding of local government
- The commitment to ensure Southwark is carbon neutral by 2030

Cyber security

6.2.1 The nature of the council's business activities means that there are ongoing information governance risks, including cyber security and IT network security, which continues to require careful management, particularly in the context of the IT shared service arrangements. Cyber security was an issue that was monitored in 2021-2 but remains a significant governance issue for the council. The widely publicised Capita IT cyber attack in March 2023 highlighted the risk of major IT outages and data breaches for local councils (and others). The council has a structured approach to review changing threat levels and processes to mitigate these threats including:

- A regular oversight by the shared service provider and council client to ensure that all controllable risk is managed and council services protected
- Robust system back-up, firewall, anti-virus and cyber security arrangements are in place through the council's IT team and the managed IT shared service
- Migration of software solutions to hosted managed services in the cloud
- Appropriate contractual assurance for both cloud based and hosted services
- Ensure all hardware and software is supported for security updates
- Regular maintenance and update of disaster recovery and business continuity plans
- IT capital improvement programme to continue to bring infrastructure up to an efficient and current standard
- Further development of the structure and management of IT shared services arrangements with Brent and Lewisham
- Effective policies, guidance, training and controls to ensure staff compliance, provided and updated regularly by the IT shared service
- Robust information governance arrangements including well defined Data Protection Officer and Senior Information Risk Owner responsibilities

6.2.2. The audit, governance and standards committee were updated throughout 2022-23 on the progress of the IT disaster recovery plan in response to a cyber security event or a disaster. All recommendations identified were to be resolved by March 2023.

Covid -19 Pandemic

6.2.3 The impact of the Covid-19 pandemic remained a significant risk factor in 2021-22 but key governance processes and functions were found to have been robust. The residual impact of the pandemic, however, remains in some service areas. For example, the imposition of lockdowns had a

fundamental impact on the operation and financial performance of the council's leisure services. This risk is ongoing and described in more detail in paragraphs 6.3.15 and 6.3.16.

6.2.4 The agility of council services was tested over the pandemic and this has, in some ways, allowed the council to respond quickly and effectively to the emerging cost of living crisis. Council services and financial resources that were tailored to support the vulnerable during the pandemic have been targeted to support the vulnerable again through the cost of living crisis (paragraphs 6.3.3 – 6.3.6).

The council's housing programme

6.2.5. The management of the council's housing delivery programmes continues to be an area of financial risk. The council is the largest council landlord in London and one of the biggest in the country. Safety is always the top priority. The council have drafted a new 'Asset Management Strategy', which responds to new building safety legislation and sets out the council's approach to investing in council homes, blocks and estates. This draft strategy also includes updating and 'greening' heat networks as well as moving forward with plans agreed by residents to rebuild the Tustin, Ledbury, and Aylesbury and Maydew estates.

6.2.6. The council's budget overspent in 2021-22 on temporary accommodation (TA) and through the budget challenge process a 'budget recovery board' was established to discuss, challenge and look for a way forward. Currently, there are too many households living in temporary accommodation and the council plans to build new council homes to give families somewhere secure and affordable to live. In order to keep building new council homes, the council is exploring new sources of funding, in addition to borrowing from government. The housing department is reviewing the new homes programme in light of changes with building costs, and funding availability. The Housing Delivery Board will continue to oversee the programme to ensure it remains viable and deliverable, identifying new risks and opportunities as they arise.

Local government funding

6.2.7 A highlighted risk, was the continued uncertainty around local government funding and the difficulties with planning assumptions where local government settlements were for one year only. When the council budget for 2022-23 was set in February 2022, it was based on robust and realistic assumptions that had been subjected to intense budget challenge from council members. However, it was noted that there were still significant risks, such as demand pressures on council services and the uncertainty of the wider economic environment.

6.2.8 Cabinet were regularly updated on the council's financial position in 2022-23, receiving reports on the council's financial position in July 2022, October 2022, December 2022, January 2023 and February 2023. These reports drew attention to the wider economic climate and set out possible financial scenarios for future years, culminating in the budget setting for 2023-24. Each report clearly stated the current economic climate, the risks to the council and the potential funding issues for future years and drew on the work undertaken by council members and officers through the budget challenge process. It allowed for both transparency and challenge and enabled a collaborative

approach to budget setting ensuring that the council's priorities were met whilst ensuring the financial sustainability of the council.

6.2.9 The July 2022 cabinet report highlighted the deepening cost of living crisis, rising interest rates impacting on the cost of financing the council's capital programme and the absence of any certainty of funding streams to support climate emergency plans. In September 2022, the economic outlook significantly worsened. The tax and policy changes announced in the 23 September mini-budget and subsequent U turns on corporation tax and the 45% higher rate of tax, created a rapid deterioration in the UK economy. Inflationary increases followed from the price rises in energy and the Bank of England (BoE) have responded by raising interest levels – currently at 4.5%. The October cabinet report highlighted these issues, and warned of further significant rises in interest rates to come. It was reported that additional resources would have to be factored into the budget in recognition of increased debt charges together with a review of the existing capital programme.

6.2.10 The macroeconomic climate materially deteriorated and the government had to reverse many of the policies set out in the mini budget to stabilise the economy. The Chancellor, Jeremy Hunt pledged to increase taxes to raise £35bn and reduce government spending by £24bn over 5 years. The budget was planned to encourage economic stability and consequently, a delay to many of the local government planned reforms.

6.2.11 Council budgets were squeezed by higher than expected cost pressures which reduced spending power. ONS data put inflation at 10.1% in the 12 months to March 2023. To help support council budgets additional resources for the unfunded cost inflation experienced by service departments has been factored into the 2023-24 budget together with additional contributions to risk reserves.

Southwark commitment to be carbon neutral by 2030

6.2.12 The council is delivering on a climate change strategy and action plan and continues to invest substantial resources in projects that contribute to this key priority, including the commitment to build energy efficient new homes, to provide efficient heating systems in council homes, to plant trees and to improve air quality. This continues to be a major commitment for the council.

Key governance areas in 2022-23

6.3 In 2022-23 the following governance areas have been highlighted in paragraphs 6.3.1- 6.3.19. These were:-

- Southwark Stands Together (SST)
- Cost of living crisis
- Re-organisation of the council's senior management structure
- The climate emergency
- Council services
- Southwark 2030

Southwark Stands Together (SST)

6.3.1. Southwark Stands Together (SST) affirms our commitment and pledge as a council to tackle racism, inequality and injustice, both within our communities and within the council. During 2022-2023, we established a new SST Programme Board, chaired by the Chief Executive and attended by members of the Corporate Management Team, to ensure that progress in delivering SST continues to be overseen by the most senior leaders of the council's workforce. Recordings of these meetings are made available on the council's intranet where they can be viewed by any employee.

6.3.2 In addition, we have strengthened the council's capacity to support the delivery of SST through the establishment of a new Equality and Diversity team, as well as new roles within our Human Resources (HR) and Organisational Development service, which are specifically focused on the workforce component of SST. In March 2023, we held a week of events – attended by residents and employees – to share and reflect on the progress we have made since SST was launched and reaffirm our commitment to tackling racial inequality and promoting anti-racist practice.

Cost of Living Crisis

6.3.3 Inflation and tax increases in 2022-23 contributed to an escalating 'cost of living crisis' as real income fell as a combination of high inflation outstripping wage increases and post April 2022 tax increases have squeezed incomes for many households. The Office for Budget Responsibility (OBR) anticipated that real household disposable incomes will be no higher in 2027 than they were in 2019.

6.3.4 The council prioritised support for the most vulnerable residents during the Covid-19 pandemic. In 2022-23, this support has continued with a renewed focus on supporting vulnerable residents through the cost of living crisis. The council recognised that the cost of living crisis was not short lived and that the risks to residents were so grave that a longer term response was required.

6.3.5 A Southwark Council Cost of Living Fund (SCCOLF) was created by bringing together funding from the Household Support Grant (HSG), the discretionary council tax rebate and contributions from the council. With this Fund, the council has created a support network for the most vulnerable. The council pledged support for free holiday meals for those children receiving free school meals during term time. Around 15,000 eligible children attending Southwark schools received holiday meals. Residents on low incomes could apply directly for support or be referred through the 'Community Referral Pathway'. In addition, a targeted support campaign for those mostly older residents that receive at home care packages was launched. These schemes have ensured that those most vulnerable residents have been identified and supported by the council. The 'community referral pathway' has had referrals from over 100 community organisations, including over 40 schools.

6.3.6 In addition, the council launched a new Southwark Energy Savers Service, so people on low incomes can access the best advice to keep bills down. Households facing an emergency and unable to meet the cost of fuel energy or other essentials could also apply to the Council's local welfare assistance scheme, the Southwark Emergency Support Scheme.

Re-organisation of the council's senior management structure

6.3.7 In December 2022, the Chief Executive, Althea Loderick, proposed a reorganisation of the council's senior management structure to ensure the council's officer leadership team was clearly aligned with the priorities and commitments set out in the renewed Council Delivery Plan. The proposals enabled the required leadership to continue transforming how the council works and delivered financial savings. Membership of the Corporate Management Team (CMT) has been changed to reflect this new structure.

6.3.8 The changes include:

- Establishing a dedicated Housing directorate;
- Rebuilding and consolidation of the 'corporate centre' to establish capacity to continue transforming how the council works. Enabled by creating two new Assistant Chief Executive posts;
- A dedicated Finance directorate. The Strategic Director, Finance and Governance, Duncan Whitfield, left the council and a new Strategic Director of Finance, Clive Palfreyman appointed;
- A new strategic leadership post shared with local health partners jointly funded by the council and the Integrated Care Board to enable the integration of local health and social care services;
- Renaming the Environment and Leisure directorate to 'Environment, Neighbourhoods and Growth' and transferring in the Director, Planning and Growth;

The proposals are a first phase of reorganisation. Further changes, post March 2023, are to be developed.

The climate emergency

6.3.9 The climate emergency is a major focus for the council, working in partnership with stakeholders, partners, staff and residents to tackle the effects of climate change. The council has published a Climate Emergency Strategy and Action Plan setting out how the council will become carbon neutral by 2030 and work to ensure the borough is also carbon neutral by 2030. The council has committed resources to a dedicated climate change team and the team continues to draw on a £2m reserve to deliver its work. The Action Plan is very ambitious and recognises that the resources are not in place to deliver it. The cost of the borough being carbon neutral is estimated at £3.9bn and the council will need central government to increase funding available to meet this challenge.

6.3.10 The council now considers climate impact as part of all of its decisions and plans to review how it procures to consider climate impact in procurement. The council recognises that there are challenges and often conflicting priorities. For example, meeting our commitment on building new homes, while at the same time reducing emissions. Good governance in the council is essential to identify and manage these issues.

Council Services

6.3.11 The Health and Care Act 2022 established Integrated Care Systems (ICS) which replaced the Clinical Commissioning Groups. The core ambition is to promote more joined up services and a focus on improving health. The council is part of the new South East London Integrated Care System which aims to bring together providers and commissioners of NHS services to meet the health and care requirements of their population. The implementation of the ICS has necessitated a number of changes to the council's governance arrangements. Whilst these changes are challenging, the council is well placed to support NHS colleagues, the community and voluntary sector and provider partners to ensure health provision reaches individual residents and families wherever and how they need it.

6.3.12 The council was rated 'good' by the Ofsted inspection of the council's children's services in 2022. The inspection concluded that children in Southwark who need help, protection and care continue to receive good services and as a result, children's lives are improved. It was recognised that children and their families had benefited from a strong political and corporate commitment across all areas of the council enabling significant investment in frontline staff.

6.3.13 The government set out its new plan for adult social care reform which included a lifetime cap on the amount anyone will need to spend on their personal care alongside a more generous means-test for local authority support. In the Autumn statement, these reforms have been delayed for another 2 years to October 2025 (now 10 years after the Dilnot reforms to social care and scheduled for post election). As the funding for these reforms has been recycled in the funding for existing social care demands in 2023-24, there is now a lack of earmarked funding to support these proposed reforms.

6.3.14 The council entered into a formal Safety Valve Agreement with the Department for Education (DfE) at the end of the 2022-23 financial year, which is a major programme put in place by the Department for Education (DfE) in recognition of the insufficient funding available for children and young people who have Special Educational Needs and/or Disabilities (SEND). The Programme focuses on improving SEND services in line with Southwark's SEND Strategy 2022-2025 and committed to reach an in-year balance on the DSG by 2024-25 and eliminating that deficit by 2026-27 with the support of £23m Safety Valve funding as set out in the DSG Management Plan. Upon entering into the Agreement, the Council received an initial grant of £9.2m in 2022-23 reducing the cumulative deficit at year end to £14.5m.

6.3.15 Alongside the emerging service improvement programme associated with delivering the SEND Strategy, the council has established a Safety Valve Delivery Programme to support and monitor the progression and delivery of the actions required to achieve the financial targets contained in the agreed DSG Management Plan. The Safety Valve Delivery Programme Board reports to the Budget Recovery Board, chaired by Strategic Directors.

6.3.16 The pandemic and the resultant imposition of lockdowns and currently the cost of living crisis have all come together in an perfect storm and have had a fundamental impact on the operation and financial performance of the council's leisure facilities. The council continues to prioritise the health

and wellbeing of Southwark residents. In September 2021, Cabinet approved the in-sourcing of the council's leisure facilities which will take place on 21 June 2023. Work continues to enable this including the TUPE transfer of 350 staff, health and safety compliance requirements across the sites, asset management, new ICT infrastructure and new finance systems. Robust governance arrangements have been put in place during 2022-23, to support this major insourcing, which will then also support the ongoing management and operation of the centres thereafter. An update on the progress of the progress of in-sourcing was reported to the audit, governance and standard committee in February 2023.

6.3.17 The review of the compliance with the FM code in Southwark included reviewing financial sustainability against the CIPFA Financial Resilience Index over the previous three years. The council scored as 'low risk' on the reserve sustainability measure which looks at changes in reserves over a three year period. However, the council remains in the bottom third of London authorities for reserve levels. The council remains cautious around the use of reserves as reductions in overall levels would create a significant risk for the authority.

6.3.18 The corporate risk register was updated in 2022-23 together with a refreshed risk management policy and strategy. This indicated both an increase in the number of corporate risks and some change to the type of risks faced by the council. The increase in risk is symptomatic of an extremely uncertain economic position, which impacts directly on the management, operations and financing of a local authority.

6.3.19 But despite these challenges in 2022-23, the council has continued to maintain consistent essential services for residents together with ensuring the delivery of key council commitments. The council's strong collaborative approach has continued to be effective at achieving a unified response together with key partners in the NHS and voluntary and community sectors. The continued ability of the council to adapt and change during the pandemic has led to more agile service provision during the cost of living crisis. This adds a layer of assurance to the effectiveness of the council's business continuity plans, communications strategy and governance arrangements.

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

Areas of significant change

7.1 The council also faces a number of areas of significant change that will require consideration and action as appropriate in 2023-24 and the medium-term. Significant issues identified include:

- Impact of cost of living crisis on council services 2023-24
- Housing
- Southwark 2030
- Macroeconomic outlook
- Local government funding
- Recruitment and retention of staff
- Change of external auditor

Impact of Cost of Living Crisis on council services 2023-24

7.2 In the Spring Statement 2023, the Institute for Fiscal Studies (IFS) commented that the overall outlook for public finances still looked difficult. It was expected that inflation would fall below 10% but there continues to be very high food price inflation of nearly 20%, which is of particular concern for low income families who spend a greater share of their income on food than higher income households. Growth in average total pay was 5.9% amounting to the largest falls in growth since records began in 2001. Taxes have continued to rise to their highest ever level, and tight spending is pencilled in from 2024. Households will continue to feel pain in the longer term, as even if inflation comes down, prices will remain high. Earnings lag behind inflation and the freezing of tax and national insurance thresholds will add further pain. This will create further hardship for those most vulnerable.

7.3 The government announced at the autumn statement that measures to support energy costs were to be scaled down with costs capped at £3,000 per annum (from £2,500) in 2023-24. But targeted support, through the Household Support Fund, for low income households, pensioners and those on disability benefits would be extended for a further year to March 2024.

7.4 The council has pledged to continue to tackle the cost of living crisis for residents through a number of programmes in 2023-24, using both government grants and council resources. These initiatives include:

- Further resources added to the SCCOLF for 2023-24;
- Support for fuel costs in response to the government scaling down universal support;
- Continuing access to the Southwark Energy Savers Service;
- Free school meals during the holidays for those primary age children receiving free school meals;
- Re-launch of the community pathway programme to ensure resources are targeted to those most in need;
- Expansion of the support given through the council's emergency schemes to include those on low incomes who are not entitled to benefits as well as those that are eligible;
- Continue the council's free healthy school meals provision ;
- Continuing to invest in the local voluntary sector.

Housing

7.5 Southwark is one of the largest social landlords in the country, consisting of 55,000 rented, leaseholder and freeholder homes across the borough. The cost of living and inflationary pressures over the past 6 months have had huge ramifications on the Housing Revenue Account (HRA). The HRA reflects the statutory requirement to account separately for all costs and management of the council's housing stock, offset by tenants' rents and service charges, homeowner service charges and other income.

7.6 The government have imposed restrictions on the rent rise for social housing at 7%. This has meant that rent rises have not risen in line with inflation, which will result in a cut to the overall HRA programme, given other costs have significantly increased. However the rent increase will still affect many residents where rent rises are not covered by benefits. In addition, there have been sharp

increases in fuel costs which have affected both residents paying their bills directly to energy providers, but also to our tenants on communal heating systems. This is likely to lead to a significant increase in rent arrears and will need close monitoring, especially if fuel costs do not begin to fall back down quickly.

7.7 The council needs to consider the key housing priorities going forward within a climate of limited financial resources. And at the same time, ensuring the affordability of the housing capital programme alongside a viable revenue account. This is aided by the HRA business plan which considers both revenue and capital financial projections over the short, medium and longer-term. These projections can help determine policy direction, prioritise spend programmes and mitigate against risk. The importance of the plan has significantly increased recently due to emerging funding challenges such as increased interest rates, soaring inflation, the 7% rent cap, and extensive legal obligations arising from the Building Safety Act.

7.8 The Building Safety Act 2022 requires full implementation of the Building Safety Act by October 2023. Southwark is one of the largest landlords with over 170 high-rise blocks. Notwithstanding the critical importance of these new duties to augment residents' safety, they create a substantial additional financial pressure on already constrained resources, particularly capital, both for the initial surveying programme and the cost of remediation works arising from the surveys, which is currently an unknown, but potentially significant. For 2023-24, further resources of £6.3m are earmarked within the Asset Management budget to meet a range of cost pressures and new service commitments. The increasing responsibilities and obligations around building safety will also result in the need for more training of staff, and an increased pressure on already severely stretched resources. We know we need to invest in keeping residents safe, renewing heat networks, preventing damp and mould problems, reducing greenhouse gas emissions and helping the council to be carbon neutral by 2030.

7.9 The council is currently undertaking a wholesale review of its asset management strategy, to subsume new requirements into its business planning, which will be at the expense of other less-essential programmes. Capital resources are under extreme pressure and borrowing to support the new homes programmes continues to rise with a consequent revenue financing impact on the HRA. In addition, interest rates, which have been at historic lows for a prolonged period, continue to rise, which impacts the cost at which the council can borrow. Rates are expected to rise even further in an attempt to control continuing high levels of inflation.

7.10 The council has identified closing the gap in inequalities, thriving neighbourhoods and people powered as key transforming priorities and these guide approach to the landlord and tenant relationship. The tenant forum meetings and homeowner forum meetings have been revived since the pandemic with in-person attendance allowing effective joint working with residents. The council has set up a new housing forum with attendance from the Chief Executives of housing associations with significant stock in the borough. Actions plans have been put in place to continue to improve the housing repairs service and to align the response time to complaints to the Housing Ombudsman codes.

7.11 The council is preparing for a new regulatory regime from the social housing regulator in 2024 onwards. The council has been working with Housing Quality Network to ensure we can address any identified gaps and issues to ensure the council is complying with the required standards as set by the regulator.

Southwark 2030

7.12 The council continues to commit to a shared long term vision of the future, despite an uncertain economic climate. The council has created a £3m Southwark 2030 Fund to invest in projects that will help realise the ambition of Southwark 2030. These projects will be inspired by the shared needs and desires identified through engagement with residents, community organisations and businesses throughout the borough.

Macroeconomic outlook

7.13 In the spring 2023 budget, the Chancellor, Jeremy Hunt, set out his plan for stabilising the UK economy and reducing inflation. The Chancellor's plan was essentially two separate budget planning periods. The first for the next 2 years, 2023-2025 before the general election, which retains the targets set out in the 2021 Spending Review. And the second planning period, 3 years from 2025-2028, where average government spending is planned to rise by 1% p.a. For local government, this suggests a potential cash reduction over the 3 year period 2025-28 as other government departments have already secured rises above the announced 1% (NHS/Defence). In addition, by May 2023, the Bank of England had raised interest rates for the 12th time in a row to 4.5% after UK inflation failed to drop as predicted. So it's likely that any government budget plans will be changed. A possible general election in autumn 2024 creates further uncertainty around long term economic planning so any prediction post 2025 is highly speculative.

Local government funding

7.14 The local government settlement for 2023-24 announced an average 9% increase in core spending power, to help deal with inflationary and other cost pressures together with extra funding for social care. This social care funding had been earmarked for the adult social care reforms but these were delayed until October 2025 and resources recycled to support current care pressures. There was no indication of how the delayed adult social care reforms can now be financed, so there is uncertainty as to whether the plans will go ahead.

7.15 The policy statement had suggested that this would be a two year settlement allowing for more stability and longer term planning. However, at the provisional settlement in December 2022, the proposed funding allocations were for 2023-24 only and a set of principles for funding in 2024-25. Without individual authority level allocations, a detailed 2-year budget cannot be produced with any degree of certainty.

7.16 Allocations for the Dedicated Schools Grant (DSG) were published alongside the provisional settlement but the planned policy reforms aimed at reducing the pressure on high needs budgets have not been published to date. This will be needed to ensure that high needs deficits are eliminated before the end of March 2026, when the statutory override arrangements are due to end.

Recruitment and retention of staff

7.17 The Spring 2023 statement made no announcements on public sector pay and the IFS

commented that if public sector pay continues to fall in real and relative terms to the private sector there will be a consequence in terms of recruitment, retention and service delivery. Shortages of workers due to people retiring earlier and the continuing impact of Brexit, will create further competition with private sector companies who have already adapted to this challenge by higher wages and enhanced benefits. The council will have to ensure that retention and recruitment of professional and experienced staff are prioritised. This will be essential to support the ambitious council capital programme and to drive through the commitments in the Council Delivery Plan.

Change of external auditor

7.18 The council is part of the Public Sector Audit Appointments (PSAA) national scheme which appoints the council's external auditors. KPMG has appointed to act as the external auditors for five years from 2023-24. They replace the current auditors, Grant Thornton. Currently, there is significant uncertainty, accounting technicalities and capacity issues in the external audit market, with delays nationally to signing off local authority accounts. A change to the external auditor may add to these delays and disruption in the first year of the audit in 2023-24.

Conclusion

8.1 The council has been hugely impacted by instability in the economy and the consequent ongoing cost of living crisis in 2022-23. Governance arrangements have again been tested but have found to be robust and resilient.

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

Signed on behalf of Southwark Council:

Althea Loderick

Kieron Williams

Chief Executive

Leader of the Council

Date:

Date:

Item No. 12.	Classification: Open	Date: 6 June 2023	Meeting Name: Audit, Governance and Standards Committee
Report title:		Compliance with CIPFA Financial Management code	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance	

RECOMMENDATION

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

BACKGROUND INFORMATION

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

The six principles are translated into 17 Financial Management standards.

4. The code came into effect from 1 April 2020 and authorities were encouraged to work towards compliance with the code in the financial year 2020-21; with full compliance in 2021-22. The report on compliance with the code for the financial year 2020-21 was noted at the 4 June 2021 meeting of the committee.
5. A report was noted at the audit, governance and standards committee in July 2022 which updated members on the council's compliance with the code in 2021-22.

CIPFA FINANCIAL MANAGEMENT CODE

6. The purpose of the FM code is to provide a strong foundation from which to

manage financial resilience, to meet unforeseen demands on services and to manage unexpected shocks in financial circumstances. This has been particularly relevant for local authorities during unexpected financial shocks including energy price hikes and inflation increases, creating the unexpected need to support the most vulnerable residents. Looking ahead, there is significant uncertainty in local government funding which will require authorities to make prudent provision for future reduction in resources.

7. The council has reviewed compliance against the code for the 2022-23 financial year. Appendix A details the council's compliance with each FM standard, by reviewing the guidance of evidence required and assessing how the council meets these standards.
8. The section on medium to long term financial management includes a specific FM standard – '*The authority has carried out a credible and transparent financial resilience assessment.*' (Appendix A, Section F, p 14). The council has reviewed this, as required, through the CIPFA Financial Resilience Index over the previous two years. The council's reserves are in the bottom quartile compared to other London Boroughs but as there is a small positive year on year movement is ranked as low risk on the 'reserve sustainability measure'.
9. The council will continue to review compliance with the FM code and set a path of continuous improvement in place, including placing the importance of a robust Medium Term Financial Strategy (MTFS) as a key element in sustainability.

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

Community impact statement

10. 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

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Consultation

15. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

16. None required.

BACKGROUND DOCUMENTS

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

APPENDICES

No.	Title
Appendix A	CIPFA Financial Management Code 2022-23

Audit Trail

Lead Officer	Strategic Director of Finance	
Report Author	Geraldine Chadwick, Interim Technical Accountant.	
Version	Final	
Dated	24 May 2023	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Assistant Chief Executive – Governance and Assurance	N/A	N/A
Strategic Director of Finance	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional team	24 May 2023	

Appendix A CIPFA Financial Management Code 2022-23

Review of Southwark Council's compliance with the CIPFA Financial Management Code 2022-23

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Governance and financial management style (C, D, E)	8
Long to medium term financial management (F, G, H, I)	14
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Appendix A CIPFA Financial Management Code 2022-23

Introduction

CIPFA Statement on the Purpose of the Code

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

Appendix A CIPFA Financial Management Code 2022-23

Table 1 Link between Sections, Standards and Principles			
Section		Standard	Principles
The responsibilities of the CFO and leadership team	A	The leadership team demonstrates services provide value for money	Leadership
	B	Compliance with CIPFA Statement on the role of the Chief Finance Officer in Local Government (2016)	Leadership
Governance and financial management style	C	Leadership team demonstrates in its actions and behaviours responsibility for governance and internal control	Assurance
	D	Applies CIPFA/SOLACE <i>Delivering Good Governance in Local Government: Framework (2016)</i>	Accountability
	E	Style supports financial sustainability	Sustainability
Medium to long term financial management	F	The authority has carried out a credible and transparent financial resilience assessment	Assurance
	G	The authority understands the prospects of sustainability and reported to members	Sustainability
	H	The authority complies with the <i>CIPFA Prudential Code for Capital Finance in Local Authorities</i>	Standards
	I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	Sustainability
The Annual Budget	J	The authority complies with its statutory obligations in respect of the budget setting process	Standards
	K	The budget report includes a statement by the chief finance officer on the robustness of the estimates	Standards

Appendix A CIPFA Financial Management Code 2022-23

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

Appendix A CIPFA Financial Management Code 2022-23

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>A The leadership is able to demonstrate that the services provided by the authority provide value for money (VfM)</p> <p>Key questions</p> <ul style="list-style-type: none"> • Does the authority have a clear and consistent understanding of what value for money means to it and to its leadership team? • Does the authority have suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services? • Is the authority able to demonstrate the action that it has taken to promote value for money and what it has achieved? 	<p><u>Exploring VfM</u>, and principles of VfM as the four pillars of economy, efficiency, effectiveness, equity</p> <p><u>Promote VfM</u> through,</p> <ul style="list-style-type: none"> -a clear governance structure -scrutiny arrangements -audit arrangements (remit for VfM) -corporate plan -annual budget detailing plans to deliver strategy -financial regulations -procurement regulations -contract management regulations -systematic approach to identifying and managing risk - compare VfM with others (efficiency reviews, benchmarking, peer review, monitoring of performance data, service reviews, user surveys, external assessments) -equity – equality impact assessments, engagement with service users and voluntary organisations <p><u>Demonstrate VfM</u></p> <ul style="list-style-type: none"> - Overview of governance arrangements 	<p><u>Exploring VfM</u>. Fairer futures promises Fairer future budget principles / Council Delivery Plan</p> <p><u>Promote and demonstrate VfM</u></p> <ul style="list-style-type: none"> -Clear governance structure. Constitution – updated March2023, including financial regulations -Overview and Scrutiny committee meets 6-7 times a year, examines the performance of services -Corporate plan- The Council Delivery Plan was adopted in September 2022 which sets out the commitments, measures and milestones for development in Southwark to 2026. - Annual budget in February 2023, links to fairer futures promises and budget principles and commitment to keeping CT low by delivering value for money across all services, efficiencies and improved use of resources. -Details of savings achieved and targets met through savings tracker -Procurement and contract management regulations- Fairer Future Procurement Framework approved in June 2019 and updated in January 2021 and December 2022 sets out expectations for ethical corporate behaviour, including consideration of ‘blacklisting’ activity

Appendix A CIPFA Financial Management Code 2022-23

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<ul style="list-style-type: none"> - Details of savings achieved - Results of surveys - Address in narrative reports or AGS in financial statements - Provide info via its website on VfM <p><u>Delivery VFM in services delivered by alternative mechanisms,</u></p> <ul style="list-style-type: none"> - Outsourcing - PFI - trading companies - Maintain effective 'line of sight' accountability arrangements (governance, progress monitoring) 	<p>-Contracts and grant agreements include requirements in respect of commitment to London Living Wage, Diversity Standard (approved February 2016), Ethical Care Charter</p> <p>-Comparative data across London used to inform decisions</p> <p>-Record of professional advice in reaching decisions – a record of financial, legal and procurement advice provided by officers is included in concurrence in decision reports</p> <p>-Publication of decisions, minutes and reports on the council's website</p> <p>-Publication of open data, narrative report and AGS on the website</p> <p>- Council Delivery Plan sets out the priorities and commitments to the people of Southwark until 2026. It drives the work of the council and focuses resources on the seven themes it sets out including the economy, environment, affordable homes, and safety.</p> <p>- The Southwark Plan 2019-2036 sets out the Council's commitment to development and regeneration in the Borough. To work with local people to improve neighbourhoods and create new opportunities for the future. The Council wish to provide VFM through quality social and intermediate homes, new businesses, cleaner energy and transport.</p>

Appendix A CIPFA Financial Management Code 2022-23

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>B The authority complies with the <i>CIPFA Statement on the Role of the Chief Finance Officer in Local Government</i></p> <p>Key questions</p> <ul style="list-style-type: none"> • Is the authority’s CFO a key member of the leadership team, involved in, and able to bring influence to bear on, all material business decisions? • Does the CFO lead and champion the promotion and delivery of good financial management across the authority? • Is the CFO suitably qualified and experienced? • Is the finance team suitably resourced and fit for purpose? 	<p>5 principles.</p> <p>Principle 1: Key member of the leadership team.</p> <p>Principle 2: Actively involved in all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered and aligned with the authority’s overall financial strategy.</p> <p>Principle 3: Lead the promotion and delivery of good financial management</p> <p>Principle 4: Lead and direct a finance function that is resourced to be fit for purpose.</p> <p>Principle 5: The CFO in a local authority must be professionally qualified and suitably experienced.</p>	<p>-Compliance with CIPFA’s Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2015) and CIPFA’s Statement on the Role of the Head of Internal Audit in Public Services Organisations (CIPFA, 2010) – as confirmed in the annual governance statement</p> <p>-Member of the Chief Officers team</p> <p>-Attendance at all cabinet meetings, and council assemblies. Actively engaged in budget and policy and resources strategy.</p> <p>-Sound financial management, reviewed against the CIPFA resilience index and comparative data</p> <p>-Finance function staffed mainly through long term permanent staff with good levels of knowledge and experience.</p> <p>- CFO CIPFA qualified with 18 years as CFO in Southwark.</p> <p>- In May 2023, the role was filled by Clive Palfreyman</p>

Appendix A CIPFA Financial Management Code 2022-23

Governance and financial management style

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>C The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control</p> <p>Key questions</p> <ul style="list-style-type: none"> • Does the leadership team espouse the Nolan principles? • Does the authority have in place a clear framework for governance and internal control? • Has the leadership put in place effective arrangements for assurance, internal audit and internal accountability? • Does the leadership team espouse high standards of governance and internal control? • Does the leadership team nurture a culture of effective governance and robust internal control across the authority? 	<p><u>Governance structure</u> (terms of reference, scheme of delegation, conduct at meetings). Transparent constitution that’s available to public</p> <p><u>Clear arrangements for assurance and accountability</u></p> <ul style="list-style-type: none"> -internal audit planning and reporting -risk management -effective audit committee -recommendations from external auditor acted upon promptly <p><u>Ensuring high standards of governance and internal control</u></p> <ul style="list-style-type: none"> -code of conduct for leadership team -register of interests -constructive challenge (audit, scrutiny and oversight committees, stakeholder engagement) -realism bias (robust analysis of data , evidence based savings, robust decision making procedure) 	<p><u>Governance structure</u></p> <ul style="list-style-type: none"> -Member and officer protocol -Constitution – updated March 2023 on the website. The constitution states what powers are delegated to the cabinet, committees, and individual members and what matters are reserved for the collective decision of the council. This is updated annually through a review of the constitution -Scheme of delegation sets out roles and responsibilities, links to departmental schemes and sets clear arrangements for internal control and the role of internal and external audit. Reviewed at least annually in light of legal and organisational changes. <p>Standing orders and financial regulations which are reviewed regularly</p> <p>Conduct at meetings</p> <p>Shared values guide decision making</p> <p>Whistleblowing policy</p> <p>Complaints procedure</p>

Appendix A CIPFA Financial Management Code 2022-23

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

Appendix A CIPFA Financial Management Code 2022-23

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
		<p>Standards in Public Life reported in its 2019 report <i>Local Government Ethical Standards</i></p> <p>Declarations of interests made at meetings</p> <p>Scrutiny of ethical decision making forms an integral part of scrutiny of members' function</p> <p>Championing ethical compliance at governing body level – e.g. zero tolerance of fraud and bribery</p> <p>Evidence of budget scrutiny and realistic analysis of data. Cabinet scrutiny budget strategy. Rigorous departmental budget challenge process, refined budget remit and review of budget options. Process more difficult due to one year settlement process.</p> <p><u>Culture of good governance</u></p> <p>Induction for new members and staff on the expected standard of behaviour</p> <p>Communicating shared values with members, staff, the community and partners – leader's public question time</p> <p>Southwark staff performance outcomes linked to the delivery of council commitments.</p>

Appendix A CIPFA Financial Management Code 2022-23

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
		Performance management system and appraisals
<p>D The authority applies the CIPFA/SOLACE <i>Delivering Good Governance in LG: Framework</i> (2016)</p> <p>Key questions</p> <ul style="list-style-type: none"> • Has the authority sought to apply the principles, behaviour and actions set out in the framework to its own governance arrangements? • Does the authority have in place a suitable local code of governance? • Does the authority have a robust assurance process to support its AGS? 	<p>Assess governance structures, maintain local code of governance, report publicly on compliance with code and how plans to improve (undertake in AGS)</p> <p>Adherence to the Principles of the good governance framework in the CIPFA code</p> <p>Adherence to ethical codes and rule of law</p> <p>Openness and stakeholder engagement</p> <p>Sustainable economic, social environmental benefits</p> <p>Achievement of intended outcomes</p> <p>Capability and capacity within organisation to achieve this</p> <p>Managing risks and performance</p> <p>Transparency , reporting and audit</p>	<p>The Council has a clear framework for governance and internal control.</p> <p>Local code of governance maintained. A review of the code is reported to the audit governance and standards committee, and compliance with the local code is to be taken to the committee in July 2023. The annual governance statement demonstrates adherence to the CIPFA code.</p> <p>AGS draft and final were reported to July 2022 and October 2022 meetings. Demonstrates compliance with the CIPFA code. Details the sustainability of resource use, identifies risks and mitigations to identified risks.</p> <p>Open and transparent process reported and discussed at audit standards and governance committee. Looks to continuous improvement ethos and reviews external factors</p> <p>Departmental directors review annually the governance and assurance arrangements of</p>

Appendix A CIPFA Financial Management Code 2022-23

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

Appendix A CIPFA Financial Management Code 2022-23

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<ul style="list-style-type: none"> • Has the authority sought an external view on its financial style, for example through a process of peer review? • Do individuals with governance and financial management responsibilities have suitable delegated powers and appropriate skills and training to fulfil these responsibilities? 	<p>-requires leadership that focuses on strategic direction and sets correct tone (accountable, supports performance through MTFS)</p> <p>-people with correct competencies (business partnering, budgets robust on accrual basis, accurate financial transactions, reporting and forecasting accurately)</p> <p>-processes that support strategy</p> <p>-stakeholder relationships (evidence to external stakeholders of integrity and performance)</p> <p>Peer review gives best assessment of financial management style.</p>	<p>significant internal and external risks to the council</p> <p><u>Finance Team</u></p> <p>The leadership team reviews the Medium Term financial strategy on a continuous basis. Updating formally annually and during the year as material events (local government funding / Cost of Living / Ukraine) impact the financial plan.</p> <p>Finance department well qualified and experienced staff members. Business partnering, quarterly reporting to the cabinet</p> <p>Provision of appropriate training to ensure staff have appropriate skills to support the delivery of services and transformational change as well as securing good stewardship</p> <p>Peer review – Treasurer to treasurer review which the new Finance Director is considering for 23/24. None took place in 22/23.</p>

Appendix A CIPFA Financial Management Code 2022-23

Long to medium term financial management

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

Appendix A CIPFA Financial Management Code 2022-23

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<p>-using PM effectively. (Benchmarking with other LAs; national data; internal performance information; peer review)</p> <p>-having clear plans for delivering savings (single central record of consolidated plan for savings, categorised by extent agreed/planned/ achieved; ; challenge from finance staff; oversee implementation)</p> <p>-Managing reserves well (policy on level of reserves and how they are to be used; use reserves for future activities and savings implementation and not to plug funding gaps)</p> <p>-carry out credible and transparent financial resilience assessment (guidance (p.55) gives prescriptive list of scope of assessment , documentation and relevant key</p>	<p>Single register for all savings plans – agreed by council members and revised from Sept to Feb.</p> <p>A review undertaken of the CIPFA financial resilience index over last 3 years. The council’s reserves are in the bottom third quartile compared to other London Boroughs, but as there is a positive and increasing increase year on year both the measure for the change in reserves and reserve sustainability are ranked as ‘low risk’</p>
<p>G The authority understands the prospects of sustainability and reported to members</p> <p>Key Questions</p> <ul style="list-style-type: none"> Does the authority have a sufficiently robust understanding of the risks to its financial sustainability? 	<p><u>Strategic Planning</u></p> <p>Authorities to set up long- term strategic planning usually on a rolling period of five years. This plan will set out the authorities’ vision and how it plans to achieve its vision.</p> <p>Alongside this there will be a financial strategy (which could be part of the strategic plan) which focuses on how the authority will finance their</p>	<p>P and R strategy report to 2025-26 refreshed remit, reported to Cabinet most recently in February 2023. Scenario planning- and options and identification of efficiency savings to enable sustainable finances whilst assessing and incorporating service demand commitments into long-term planning.</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<ul style="list-style-type: none"> Does the authority have a strategic plan and long-term financial strategy that adequately address these risks? Has the authority sought to understand the impact on its future financial sustainability of the strategic, operational and financial challenges that it might face (e.g. using a technique such as scenario planning)? Has the authority reported effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these for short and medium-term decision making? 	<p>aims, strategies and activities set out in the strategic plan.</p> <p>Up to ten years is a reasonable horizon for longer-term financial planning at significantly reduced level of details.</p> <p><u>Financial Strategy</u></p> <p>There are a broad range of factors that affect the authorities long-term financial success</p> <ul style="list-style-type: none"> Balance of authorities sources of income and exposures to volatile income streams Authorities cost base and to what extent costs are fixed, stepped or variable within a timeframe considered Asset Management priorities Capital Programme Policies, procedures, financial systems and processes Relationship with key stakeholders <p>The development of longer-term financial strategies can be characterised by the use of Scenario planning in contrast to forecasts. This</p>	<p>Contingency reserve of £4m for financial risk maintained</p> <p>Climate change strategy to 2030.</p> <p>The capital programme reported to the cabinet (Feb 2022, July 2022, Sept 2022, Jan 2023)</p> <p>Budget principles underpin the council’s budget decisions and seek to limit the impact of budget cuts on the most vulnerable</p> <p>Record of decision making and supporting materials – decision-making report template includes a requirement under policy implications to report on sustainability considerations where relevant</p> <p>Risk management strategy</p> <p>Asset management plan (January 2021 Cabinet) which sets a policy framework and aligns with the council’s strategic corporate priorities. Has changed to reflect financial uncertainty from austerity, the impact of Covid-19 and recovery from it and Brexit. Recognises that only essential, affordable investment is undertaken that meets strategic priorities.</p> <p>All cabinet members have a responsibility to ensure that risk is well managed, with the</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<p>should represent plausible scenarios and reject extreme scenarios.</p> <p><u>Communication to Members</u></p> <p>Authorities should communicate to members what financial sustainability is, its importance, and how the authority is going about realising and handling threats.</p>	<p>Cabinet Member for Communities, Equalities and Finance having specific accountability for corporate risk management. All departments have departmental risk champions and the Strategic Director of Finance is the corporate risk champion. All departments and business units have risk registers and all risks are allocated to an owner.</p> <p>The audit, governance and standards committee also reviews risk management arrangements.</p> <p>Earmarked reserves for possible change in LG funding review. Review of all funding streams and scenario planning for 3 levels of risk.</p> <p>Departmental reviews of cost basis on a risk basis.</p> <p>The budget report sets out Medium term and long term financial risks_</p>
<p>H The authority complies with the <i>CIPFA Prudential Code for Capital Finance in Local Authorities</i> Key Questions</p> <ul style="list-style-type: none"> • Has the authority prepared a suitable capital strategy? 	<p><u>Capital Strategy</u></p> <p>There should be a capital strategy in place that sets out the long-term context in which capital expenditure and investment decisions are made and that gives due consideration to risk and</p>	<p>Capital and Treasury Management Strategy 2023-24 report, which meets the requirements of CIPFA’s Treasury Management and Prudential Codes (2021-24), is considered by audit, governance and standards committee each year prior and in 2022-23 taken to</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<ul style="list-style-type: none"> • Has the authority set prudential indicators in line with the Prudential Code? • Does the authority have in place suitable mechanisms for monitoring its performance against the prudential indicators that it has set? 	<p>reward and to impact on the achievement of the authorities priorities.</p> <p>The capital strategy should address key themes within -</p> <p>Capital expenditure</p> <ul style="list-style-type: none"> • Overview of governance process regarding capital expenditure with links to the authorities policies on capitalisation • A long-term view of capital expenditure plans where long term is defined by the financing strategy of, and risk faced by the authority with reference to the life of projects/assets. • Overview of asset management planning and any restrictions the authority may face in terms of borrowing, funding or capital finance <p>Debt, borrowing and treasury management</p> <ul style="list-style-type: none"> • A projection of external debt and the use of internal borrowing to support capital 	<p>November 2022 meeting, prior to approval by council assembly.</p> <p>The investment strategy has been informed by advice from an external treasury advisor, updated in February 2022</p> <p>Key areas highlighted are the council’s borrowing strategy and debt management activity. A policy of internal borrowing from reserves to temporarily fund capital expenditure where possible. The council has borrowed externally from PLWB in 2022-23. Interest rates have increased significantly this year, though borrowing through PWLB remains the cheapest and most efficient source of external debt.</p> <p>Capital strategy report – overview of associated risk management of capital expenditure, financing and treasury management</p> <p>Treasury management strategy statement 2022-23 assesses the council’s financial risks from treasury activity and details the council’s net borrowing position, investments, borrowing strategy and debt management.</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<p>expenditure, provisions for the repayment of debt,</p> <ul style="list-style-type: none"> • The authorised limit and operational boundary for the following year • The authorities approach to treasury management including processes in place to ensure effective due diligence and defining risk appetites in respect of such activity <p>Commercial activity</p> <ul style="list-style-type: none"> • Approach to commercial activities ensuring effective due diligence <p>Other long-term liabilities</p> <ul style="list-style-type: none"> • Overview of the governance process <p>Knowledge and skills</p> <ul style="list-style-type: none"> • Summary of the knowledge and skills available to the authority <p>The authority should set up prudential indicators for the forthcoming and following years before the beginning of the financial year.</p>	<p>The annual investment management strategy 2023-24, states the council’s investment objectives and investment limits.</p> <p>Annual Minimum Revenue Provision Statement 2023-24.</p> <p>Capital strategy – 2022-23 to 2030-31 aligns with Council Delivery Plan, specifies core principles and a governance framework. Long-term strategy to be carbon neutral by 2030, additional funding to climate strategy.</p> <p>Commercial activity and investment property, loans and liabilities– are set out in the capital strategy report.</p> <p>Knowledge and skills set out in the capital strategy report</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<p>The CFO is required to establish procedures to monitor performance against all forward-looking indicators.</p> <p>Specify prudential indicators for capital expenditure, external debt and affordability.</p>	
<p>I The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans</p> <p>Key Questions</p> <ul style="list-style-type: none"> • Does the authority have in place an agreed medium-term financial plan? • Is the medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy? • Has the medium-term financial plan been prepared on the basis of a robust assessment of relevant drivers of cost and demand? • Has the medium-term financial plan been tested for resilience against realistic potential variations in key drivers of cost and demand? • Does the authority have in place a suitable asset management plan that seeks to ensure that its property, plant and equipment including infrastructure assets contribute 	<p><u>The Medium-Term Financial Plan</u></p> <p>The MTFP is a translation of the authority’s strategy into the near plan and provides a critical link between the authorities’ financial strategy and service delivery.</p> <p>For an effective medium term financial plan it should be</p> <ul style="list-style-type: none"> • Be integrated with the authorities service plans and its capital strategy • Respond to uncertainty in the authorities funding regime • Translate the authorities longer-term aims into the medium term • Be developed in a robust manner 	<p>P and R strategy report to 2025-26 refreshed remit, reported to Cabinet in January 2023. Scenario planning- and options and identification of efficiency savings to enable sustainable finances whilst assessing and incorporating service demand commitments into long-term planning.</p> <p>Contingency reserve of £m for financial risk maintained</p> <p>Climate change strategy to 2030.</p> <p>The capital programme reported to the cabinet (Feb 2022, July 2022, Sept 2022, Jan 2023)</p> <p>Fairer future vision and principles / Council Delivery Plan</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>effectively to the delivery of services and to the achievement of the authority's strategic aims?</p>	<ul style="list-style-type: none"> • Integrate suitable drivers of demand and cost (PESTLE analysis) • Be subjected to sensitivity analysis to allow any vulnerabilities to be identified (probability spread, regression analysis) <p>The asset management plan might include</p> <ul style="list-style-type: none"> • An overview of the authorities asset portfolio • Assessment of the condition and performance of the assets held • The authorities priorities for maintaining, enhancing, adding to and divesting from its asset portfolio • The actions that will be taken to achieve these priorities, together with the outputs and outcomes that are to be achieved • The resources necessary to maintain and improve the asset's portfolio and how it will be secured 	<p>Renewed Asset management plan (January 2021 Cabinet), which sets a policy framework and aligns with the council's strategic corporate priorities, changed to reflect financial uncertainty from austerity, the impact of Covid-19 and recovery from it and Brexit. Recognises that only essential, affordable investment is undertaken that meets strategic priorities. Includes a detailed investment strategy methodology to ensure limited resources are used effectively (Detailed criteria/ weightings/Business case) Methodology reviewed regularly through the Asset Investment Board.</p> <p>Defined decision-making processes and structures for management Planning is in place across all parts of the asset base, under the leadership of the Director of Planning and Growth</p> <p>Asset management plan sits alongside the Medium Term Financial Strategy and the Capital Investment Strategy.</p> <p>Capital programme and capital investment strategy</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<ul style="list-style-type: none"> • Timescales and responsibilities for the actions identified 	
<p>The Annual Budget</p>		
<p>J The authority complies with its statutory obligations in respect of the budget setting process</p> <p>Key Questions</p> <ul style="list-style-type: none"> • Is the authority aware of its statutory obligations in respect of the budget-setting process? • Has the authority set a balanced budget for the current year? • Is the authority aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so? 	<p><u>Statutory requirements regarding Budget-Setting</u></p> <ul style="list-style-type: none"> • Local Government Act 2000 requires councils to approve the annual budget, on the recommendation of the executive or equivalent, together with the associated council tax demand • Local Government Act 2003, Section 25 requires the S151 officer to report on the council's robustness of their estimates made in the annual budget and on the adequacy of the proposed financial reserves assumed in the budget calculations. <p>Setting a robust and sustainable budget (in accordance with Local Government Finance Act 1992)</p>	<p>Budget principles underpin the council's budget decisions and seek to limit the impact of budget cuts on the most vulnerable</p> <p>The monitoring officer is responsible to the council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with</p> <p>Balanced budget set for 2023-24 despite years of austerity and inflationary pressures. The budget report (Feb 2023 cabinet report) itemises changes in resources available, efficiencies and savings, and the impact of demand pressures and growth commitments arising from councils' priorities. Full budget report with accompanying appendices detailing the budget context, the proposals by the department and the governance process.</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<ul style="list-style-type: none"> • The expenditure that the authority estimates it will incur in the year in performing its functions • An allowance for contingencies in relation to this expenditure • The financial reserves that the authority estimates will need to raise in the year meets its estimated future expenditure • Such financial reserves might be required to fund deficits generated in previous periods 	<p>A statement included on the adequacy of the reserves. Contribution expected next year of £2.5m to balance the budget.</p>
<p>K The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves</p> <p>Key Questions</p> <ul style="list-style-type: none"> • Does the authority’s most recent budget report include a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves? 	<p>Identify how estimates are made e.g.</p> <ul style="list-style-type: none"> • The level of demand for individual services • Staff pay levels and pension scheme contribution levels • Interest rates, likely returns on financial investments and other capital finance issues • Pressures on major capital projects 	<p>Budget report by the Strategic Director of Finance and Governance details</p> <ul style="list-style-type: none"> • The 2022-23 financial performance, noting the impact of the Cost of Living crisis, high inflation, interest rates, and funding cuts, the resulting financial pressures and mitigations put into place. • A planned contingency of £4m maintained for 2022-23

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<ul style="list-style-type: none"> • Does this report accurately identify and consider the most significant estimates used to prepare the budget, the potential for these estimates being incorrect and the impact should this be the case? • ☒ Does the authority have sufficient reserves to ensure its financial sustainability for the foreseeable future? • ☒ Does the report set out the current level of the authority’s reserves, whether these are sufficient to ensure the authority’s ongoing financial sustainability and the action that the authority is to take to address any shortfall? 	<ul style="list-style-type: none"> • The level of funding received through council tax and other sources • Receipts from the sale of capital assets • The achievement of savings plans and targets <p>The authority’s financial reserves should only balance general reserves should only be used for</p> <ul style="list-style-type: none"> • Planned investment • Capital projects • Change programmes • Unexpected events such as natural disasters • Other reasonable uses for which they have been earmarked 	<ul style="list-style-type: none"> • Staff pay awards, inflation, savings and commitments • Funding through CT and BR and fees and charges

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
Stakeholder engagement and business plans		
<p>L The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget</p> <p>Key Questions</p> <ul style="list-style-type: none"> • How has the authority sought to engage with key stakeholders in developing its long-term financial strategy, its medium-term financial plan and its annual budget? • How effective has this engagement been? • What action does the authority plan to take to improve its engagement with key stakeholders? 	<p>In order to comply with this code authorities are encouraged to consider the extent of stakeholder engagement in the LT strategy/MT financial plan and annual budget.</p> <ul style="list-style-type: none"> • Identify key stakeholders • Engage effectively • Use the results of this engagement wisely <p>Where the authority has good productive strategic relationship with its key stakeholders, this level of engagement may not be necessary, providing the needs of these stakeholders are sufficiently well understood.</p>	<p>Open meetings, consultation process</p> <p>Council assembly meetings / democratic engagement events (e.g. leader’s public question time) held around the borough</p> <p>The council’s Fairer Future vision is informed by the outcome of consultations. In turn, the vision’s five principles and ten promises set out how the Council will deliver its objectives. The Council Delivery Plan, therefore, sets the framework for and is informed by business plans. Business plans at a service and functional area level highlight how the results of the consultation have impacted forward planning as appropriate</p> <p>Regular customer surveys</p> <p>Consultation in respect of key decisions and through area based meetings.</p> <p>‘Consultation engagement’ section on the council’s website includes a consultation hub, forums section</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
		<p>P and R strategy review to 2026, informed by ‘Southwark conversation’ with 3000 residents and the Council Delivery Plan consulted on to inform council priorities. In addition, consultation on the Voluntary and Community strategy was conducted to ensure that all sections of the voluntary and community sector could contribute to the development of the strategy and a series of four open Invitation listening events, recognised the need to find new ways of making the most of diminishing budgetary resources. There has also been consultation on the development of the policy and policy drafts through the Health and Wellbeing Board, Children’s and Adults’ Board, the Forum for Equalities and Human Rights, the council’s departmental commissioning network and the council/VCS Liaison Group.</p> <p>Launch of Southwark 2030. The council has created a £3m Southwark 2030 Fund to invest in projects that will help realise the ambition of Southwark 2030. These projects will be inspired by the shared needs and desires identified through engagement with</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
		residents, community organisations and businesses throughout the borough. Consultation with residents, businesses and
<p>M The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions</p> <ul style="list-style-type: none"> • Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication <i>Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal</i>? • Does the authority offer guidance to officers as to when an option appraisal should be undertaken? • ☑ Does the authority’s approach to option appraisal include appropriate techniques for the qualitative and quantitative assessment of options? • ☑ Does the authority’s approach to option appraisal include suitable mechanisms to address risk and uncertainty? • ☑ Does the authority report the results of option appraisals in a clear, robust and 	<p>Option Appraisal Methodology</p> <ul style="list-style-type: none"> • Understanding what the authority wants to achieve • Generating options • Assessing the options • Making the decision <p>Use CIPFAs ‘Option appraisal: A practical guide for public service organisations’</p> <p>Authorities also need to know when to undertake an optional appraisal - strategic importance, the time horizons, conflicting priorities, risk and uncertainty.</p> <p>When considering non-financial factors in an option appraisal, including –</p> <ul style="list-style-type: none"> • Economic appraisal • Cost-benefit analysis • Multi-criteria analysis • Impact assessments 	<p>Decision-making practices</p> <p>Fairer Future Procurement Framework – sets the framework for what the council wants to achieve. Series of gateway reports.</p> <p>Examples in 2022-23 – Gateway 1 - Procurement Strategy Approval: Contract for the Supply of Agency Workers made by Cabinet Member for Communities, Equalities and Finance in January 2023. Gateway 3 - Variation Decision Contract for the Supply of Agency Workers in January 2023 Cabinet. And Gateway 1 - Procurement Strategy Approval: Solicitors Framework to the December 2022 Cabinet meeting.</p> <p>-identified key drivers for change</p> <p>-adapted decision-making to take into consideration the impact of the Covid pandemic on the operation and financial performance of sport. Financial risk increased with the outsourcing of contracts.</p>

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

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<ul style="list-style-type: none"> • Sensitivity analysis • Optimism bias • Peer review • Post-implementation review 	
<p>Monitoring financial performance</p>		
<p>N The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability</p> <p>Key Questions</p> <ul style="list-style-type: none"> • Does the authority provide the leadership team with an appropriate suite of reports that allow it to identify and to correct emerging risks to its budget strategy and financial sustainability? • Do the reports cover both forward and backward-looking information in 	<p>In order for the leadership team to have access to the information it needs to identify emerging risks, leadership must:</p> <ul style="list-style-type: none"> • Receive reports about the right things (planning assumptions/financial performance against budgets/risks short, medium and long term plans/Performance in implementing savings initiatives • Receive reports at the right time (critical reports at right time) • Receive reported in the right format (clear/concise/accurate) 	<p>Regular reviews of activities, outputs and planned outcomes, including discussion of risks in achievability</p> <p>Annual performance reports</p> <p>The risk management strategy/policy has been formally approved and adopted and is reviewed and updated regularly</p> <p>Reports are clear, and written in a standard format. Reports are accurate and clear.</p> <p>Budget monitoring reports at period 5 and period 8 was reported to the cabinet</p> <ul style="list-style-type: none"> - Budget and actual by period, and spend includes commitments; forecast outturn.

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

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>most critical to its financial sustainability?</p> <ul style="list-style-type: none"> • Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet? • Is the authority taking action to mitigate any risks identified? • Does the authority report unplanned use of its reserves to the leadership team in a timely manner? • Is the monitoring of balance sheet risks integrated into the authority's management accounts reporting processes? 	<ul style="list-style-type: none"> • In organisational management emphasis is placed on BSM activities and considerations • BSM requirements are addressed coherently and comprehensively across all strategies and plans • BSM responsibilities are identified and assigned to appropriate people • The authorities decision making framework is effective and requires appropriate consideration of balance sheet implications • BSM has appropriate levels of assurance • Financial and operational risk management activity pays due regard to balance sheet drivers and its impact <p>In order to comply with the FM code authorities:</p> <ul style="list-style-type: none"> • Determine which elements in balance sheet pose a significant risk to its financial sustainability 	<p>performance report and is reflected in the Council Delivery Plan.</p> <p>There are also different levels of monitoring below the quarterly cabinet report, which includes local PIs</p> <p>BSM - review of general reserves and affordability Undertaken on an ongoing basis.</p> <p>Earmarked reserves are assessed each year.</p> <p>DFM (corporate) is responsible for BSM.</p> <p>Regular update of risk of DSG deficit balance: currently at £21.7m</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<ul style="list-style-type: none"> • Monitor these elements (treasury management/cash management/need for new provisions/level of reserves) • Respond promptly and proactively to any issues that these mechanisms identify (impact of performance on reserves/use of unplanned reserves/monitoring against prudential indicators) 	
	External Financial reporting	
<p>P The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the <i>Code of Practice on Local Authority Accounting in the United Kingdom</i></p> <p>Key Questions</p> <ul style="list-style-type: none"> • Is the authority's CFO aware of their responsibilities in terms of the preparation of the annual financial statements? 	<p>External financial reporting processes require statutory accounts are produced on an annual basis in accordance with</p> <ul style="list-style-type: none"> • „ the Accounts and Audit Regulations 2015 for English Authorities • Comply with Code of practice • Comply with CIPFAs statement on the role of the CFO in Local government (accounting policies/prevention of fraud/reasonable estimates 	<p>The responsibilities of the chief financial officer are set out in the constitution and are also included in the employment contract/job description, with accountability through the performance management system</p> <p>The code of practice complied with</p> <p>CFO was in post for 18 years and was recently taken over by Clive Palfreyman</p> <p>Accounts prepared on time and in compliance demonstrated by past external audit reports</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<ul style="list-style-type: none"> • Are these responsibilities included in the CFO's role description, personal objectives and other relevant performance management mechanisms? • Have the authority's financial statements hitherto been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom? 	<ul style="list-style-type: none"> • Demonstrate compliance- preparation and submission of accounts in CFO JD and annual performance targets/ submitted on time/finance team resourced to comply. 	
<p>Q The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions</p> <ul style="list-style-type: none"> • Is the authority's leadership team provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget? • Is the information in these reports presented effectively? 	<p><u>Presenting effective financial outturn information</u></p> <ul style="list-style-type: none"> • Accurate • Relevant • Granular • Analysed • Put into context <p><u>Questions for the Leadership team to ask</u></p> <ul style="list-style-type: none"> • Is the final outturn position broadly in line with the budget? 	<p>Revenue and capital outturn are reported each year to the cabinet, enabling strategic financial decisions to be taken, e.g. variations to the capital programme</p> <p>Reports detail significant variances, allow for scrutiny and are contextualised through narrative</p> <p>Outturn in 2022-23 was balanced despite inflationary pressures and all variances were contained within planned contingencies.</p> <p>Performance of services scrutinised in budget monitoring</p> <p>Reserves increased very slightly.</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<ul style="list-style-type: none"> • Are these reports focused on information that is of interest and relevance to the leadership team? • Does the leadership team feel that the reports support it in making strategic financial decisions? 	<ul style="list-style-type: none"> • How well have different services performed against budget? • Have any issues been highlighted prior to the end of the year? • Has the authority achieved its savings targets? • Is the authority’s capital programme on track? 	<p>Some slippage on the capital programme but planned action to achieve long term targets.</p>

Item No. 13.	Classification: Open	Date: 6 June 2023	Meeting Name: Audit, Governance and Standards Committee
Report title:		Formation of audit, governance and standards sub-committees for 2023-24	
Ward(s) or groups affected:		All	
From:		Assistant Chief Executive – Governance and Assurance	

RECOMMENDATION

1. That the committee appoint three members to form the audit, governance and standards (standards) sub-committee.
2. That the committee appoint a chair of the sub-committee.
3. That the committee appoint four members to form the audit, governance and standards (civic awards) sub-committee.
4. That the committee appoint a chair of the sub-committee.

BACKGROUND INFORMATION

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

PART 3K: AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

Matters reserved for decision by the conduct sub-committee

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

Matters reserved for decision by the civic awards sub-committee

41. To grant civic awards.

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

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

KEY ISSUES FOR CONSIDERATION

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

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

Co-opted members of the civic awards sub-committee

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

14. Council assembly on 8 July 2015 resolved that from the 2015/2016 civic year, the administration of the civic awards be carried out by the council pending a longer term review of the operation of the awards scheme. Officers were requested to put in place the necessary arrangements for the running of the awards within existing council resources. Council assembly in 2016 also resolved that the decisions on the granting of civic awards be delegated to a sub-committee of the audit, governance and standards committee.
15. The audit, governance and standards committee agreed at its meeting of 14 July 2016 that the membership of the audit, governance and standards (civic awards) sub-committee (henceforth "civic awards sub-committee") must include four co-opted members, two of whom must be women.
16. Recommendations for the position of co-opted members of the civic awards sub-committee will be sought from members of the audit, governance and standards committee in 2023.

Resource implications

17. There are none.

Community impact statement

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

APPENDICES

No.	Title
	None

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Southwark Council Constitution	Southwark Council, 160 Tooley Street, London SE1 2QH	Virginia Wynn-Jones 020 7525 7055

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown, Assistant Chief Executive – Governance and Assurance	
Report Author	Virginia Wynn-Jones, Principal Constitutional Officer	
Version	Final	
Dated	25 May 2023	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Assistant Chief Executive – Governance and Assurance	N/A	N/A
Strategic Director of Finance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	25 May 2023	

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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