

Audit, Governance and Standards Committee

Monday 3 June 2024
6.30 pm

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

Membership

Councillor Barrie Hargrove (Chair)
Councillor Cassandra Brown
Councillor Dora Dixon-Fyle MBE
Councillor Nick Johnson
Councillor Graham Neale
Councillor Andy Simmons
Councillor Michael Situ

Reserves

Councillor Gavin Edwards
Councillor Esme Hicks
Councillor Richard Leeming
Councillor Margy Newens
Councillor David Watson

INFORMATION FOR MEMBERS OF THE PUBLIC

Access to information

You have the right to request to inspect copies of minutes and reports on this agenda as well as the background documents used in the preparation of these reports.

Babysitting/Carers allowances

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Access

The council is committed to making its meetings accessible. For details on building access, translation, provision of signers or any other requirements for this meeting, please contact the person below.

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: 23 May 2024



Audit, Governance and Standards Committee

Monday 3 June 2024
6.30 pm
Ground Floor Meeting Room G02A - 160 Tooley Street, London SE1 2QH

Order of Business

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PART A - OPEN BUSINESS

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

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. CONFIRMATION OF VOTING MEMBERS

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

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

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

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

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

5. MINUTES

1 - 5

To approve as a correct record the minutes of the open section of the meetings held on 25 April 2024 and 22 May 2024.

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	Doreen Forrester-Brown, assistant chief executive, governance and assurance, to attend the committee.	
7.	INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE - INTERIM	10 - 30
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14.	MEMBERSHIP OF AUDIT, GOVERNANCE AND STANDARDS SUB-COMMITTEES FOR 2024-25	203 - 206

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: 23 May 2024



Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Thursday 25 April 2024 at 6.30 pm at 160 Tooley Street, London SE1 2QH

PRESENT: Councillor Barrie Hargrove (Chair)
Councillor Gavin Edwards
Councillor Andy Simmons

OFFICER SUPPORT: Clive Palfreyman (Strategic Director, Finance)
Cheryl Russell (Director of Resident Services)
Timothy Jones (Departmental Finance Manager)
Amarjit Uppal (Chief Accountant)
Joanne Brown (Grant Thornton; external auditor)
Aaron Winter (BDO; external auditor)
Gerald Gohler (Constitutional Officer)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors John Batteson, Dora Dixon-Fyle, Hamish McCallum and Graham Neale.

2. CONFIRMATION OF VOTING MEMBERS

The members present were confirmed as the voting members.

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

The chair drew the meeting's attention to supplemental agenda No.1 containing Appendix F which had been circulated prior to the meeting.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

5. MINUTES

The minutes of the audit, governance and standards committee of 5 February 2024 were agreed as a correct record.

6. 2022-23 STATEMENT OF ACCOUNTS INCLUDING THE PENSION FUND AND AUDIT FINDINGS REPORTS

Officers and auditors introduced the report. Members had questions for the officers and discussed issues related to the report.

Members thanked the auditors and officers for their work, and asked officers to:

- Present the draft accounts for 2023-24 to the July 2024 meeting of the committee.
- Provide information by email about whether there are any additional areas which would benefit from being looked at more closely by the committee in future audit years.
- Report back to the July meeting of the committee on the various lessons learned.
- Use a clearer numbering system for future agenda packs.

RESOLVED:

1. That the matters raised in Grant Thornton's audit findings report for the council 2022-23 (Appendix A) be considered before approval of the council main accounts.
2. That the adjustments to the council's accounts as set out in pages 37-42 of the audit findings report (Appendix A) be noted.
3. That the matters raised in the pension fund audit findings report 2022- 23 (Appendix B) be considered before approval of the Pension Fund accounts.
4. That the adjustments to the pension fund accounts as set out in pages 22- 24 of the audit findings report be noted.
5. That the letters of representation for the council and pension fund (Appendix C and Appendix D), as required by Grant Thornton in order to conclude the audit of 2022-23 statement of accounts, be approved.
6. That the Statement of Accounts 2022-23 (Appendix E) be approved.
7. That the internal audit report on an objection to the 2021-22 statement of

accounts (Appendix F) be noted, that it be recommended the Overview and Scrutiny Committee consider this matter in the new municipal year, and that officers provide a report back on this issue to the Audit Governance and Standards Committee in six months' time.

The meeting ended at 7.10 pm.

CHAIR:

DATED:



Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Wednesday 22 May 2024 at 8.00 pm at Southwark Cathedral, London Bridge, SE1 9DA

PRESENT: Councillor Barrie Hargrove (Chair)
 Councillor John Batteson
 Councillor Dora Dixon-Fyle MBE
 Councillor Gavin Edwards
 Councillor Hamish McCallum
 Councillor Graham Neale
 Councillor Andy Simmons

OFFICER SUPPORT: Virginia Wynn-Jones, constitutional team

1. APOLOGIES FOR ABSENCE

There were none.

1. CONFIRMATION OF VOTING MEMBERS

The members present were confirmed as the voting members.

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

There were none.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

5. FORMATION OF AUDIT, GOVERNANCE AND STANDARDS SUB-COMMITTEES FOR 2024-25

RESOLVED:

1. To establish the:

- a. Audit, governance and standards (standards) sub-committee
- b. Audit, governance and standards (civic awards) sub-committee.

The committee agreed to appoint members to the sub-committees at the next meeting.

Meeting ended at 8.05 pm

CHAIR:

DATED:

Meeting Name:	Audit, Governance and Standards Committee
Date:	3 June 2024
Report title:	Governance conversation: Assistant chief executive, governance and assurance
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	
From:	Assistant Chief Executive – Governance & Assurance/ Monitoring Officer

RECOMMENDATION

1. That the committee note the progress of the Members’ Code of Conduct working group review and the timelines for the final recommendations to be made to Council Assembly in 2025.

BACKGROUND INFORMATION

2. The current code of conduct has been in place since 2011. In 2021, the Local Government Association (LGA) issued a new model code of conduct for consideration by councils. In 2023 the Monitoring Officer reported to the Audit Governance and Standards Committee that it would be timely for a review of the current code of conduct in light of the LGA model code. The key consideration is whether the current code should change. Options include keeping the current code, adopting the LGA code in part or in its entirety, or amending the current code, to include some elements of the LGA code.
3. A member/officer working group was established on September 2023. This is chaired by the Monitoring Officer. Members appointed are Councillors Esme Dobson, Natasha Ennin, Sam Foster, Barrie Hargrove, Sunny Lambe and Jane Salmon. The working group is supported by officers from constitutional support and legal services. The working group has agreed the Terms of Reference and plan of work and will in time make recommendations to Council Assembly and this committee as to whether any changes should be made to the code.
4. The group has met four occasions: 30 October 2023, 29 January, 11 March and 29 April 2024, to review progress and agree the plan of work.
5. External governance trainer, Bethan Evans, has been engaged to review the current code of conduct and consider the impact of adopting the LGA code. Two virtual Member workshops were facilitated by Bethan Evans to consider

the impact of adopting the model code (or parts of it). These took place on 7 and 26 February. Around 24-28 members attended these workshops.

6. Feedback on the potential move from the current code to the LGA code has also been obtained from the Independent Persons. (These are the persons consulted by the Monitoring Officer when a complaint is made about a member).
7. A benchmarking exercise has been undertaken to look at the extent to which other London boroughs have adopted the model LGA code, in part, in full or not at all.
8. Consideration is also being given to existing protocols within the Constitution, which will also need to be amended, if the LGA model code is adopted (in part or in whole), to ensure that all relevant provisions are contained within the new code.

KEY ISSUES FOR CONSIDERATION

9. The options for consideration by the Working Group remain whether to recommend that the current code remains unchanged, or whether to adopt the LGA model code in full or in part.
10. The timetable for further work and recommendations is as follows:

Action	Date
Code of Conduct (CoC) MOWG	11 March 2024
Consultation with independent persons	April 2024
CoC MOWG	29 April 2024
Audit, governance and standards committee Update report: timetable, consultation, workshops for all members, request for guidance on where to bring updates (AGS or standards sub-committee)	3 June 2024 (planned)
CoC MOWG	12 June 2024
Draft of new CoC and Member Officer Protocols (MOP) following feedback and consultation with members, IPs and consultant	September 2024
Workshops for all members to ask for feedback on new draft CoC	Early October 2024

Action	Date
Audit, governance and standards committee Update report (if agreed in June): draft CoC, feedback from workshops Possibly sent to standards sub-committee if preferred by AGS	13 November 2024 (planned)
Final draft of CoC and MOP following feedback from AGS and workshops	January 2025
Audit, governance and standards committee Receive final draft for agreement and referral to council assembly	3 February 2025 (planned)
Constitutional steering panel Receive final draft from AGS for agreement and referral to CA	5 March 2025 (planned)
Council assembly: Sign off of final draft for implementation from beginning on 2025/26 municipal year	19 March 2025 (planned)
Workshops for all members on new CoC	April 2025

Policy framework implications

11. The council must have a code of conduct for members. The current code is considered to be lawful and compliant. The adoption of the LGA model code, in full, is likely to be most impactful in relation to disclosure of interests and withdrawal from decisions.

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

Community impact statement

12. The code of conduct sets out how members should conduct themselves when acting in their capacity as members.

Equalities (including socio-economic) impact statement

13. It is already a requirement of the current code that members deal with representations and enquiries from residents and communities fairly and impartially, with respect and in accordance with our legal obligations.

Health impact statement

14. There are no health impacts arising from this report.

Climate change implications

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

Consultation

16. This has already taken place with Members and the Independent persons. Further consultation is planned in the autumn once a draft new code is agreed by the working group.

BACKGROUND DOCUMENTS

17. Links to the current code of conduct and the LGA model code are below.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Southwark code of conduct (Southwark)	Available on the internet	S Feasey 02075257580
LGA model code of conduct (LGA)	Available on the internet	S Feasey 02075257580

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown, Assistant Chief Executive and Monitoring Officer	
Report Author	Sarah Feasey Head of Law (Communities)	
Version	Final	
Dated	24 May 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Assistant Chief Executive, Governance and Assurance	Yes	Yes
Strategic Director, Finance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team		24 May 2024

Meeting Name:	Audit, governance and standards committee
Date:	3 June 2024
Report title:	Internal audit annual report and annual statement of assurance – interim
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	
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 Southwark Council and provides an overview of the effectiveness of the controls in place for the full year.

Policy framework 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.

Further guidance

7. None required.

Climate change implications

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

Resource implications

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

Consultation

10. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

11. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix A	Internal audit annual report and annual statement of assurance – interim

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Aaron Winter, Angela Mason-Bell, BDO	
Version	Final	
Dated	23 May 2024	
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		23 May 2024

INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE - INTERIM

London Borough of Southwark

2023-24 - for presentation to the Audit, Governance and Standards Committee 3 June 2024

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SUMMARY OF 2023-24 WORK

INTERNAL AUDIT 2023-24

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

The audits that have been completed during the year are listed below, by directorate. Where the final report has not yet been issued, the status of the audit at the time of writing is stated.

Childrens and Adult Services

- Adopt London Partnership (fieldwork)
- Care Leavers
- Direct Payments
- Home to School Transport
- ICS / ICB Partnership governance and integration of services (draft)
- Legal Fees (draft)
- Pupil Registry Systems
- Supporting Families Grant

Environment, Neighbourhoods and Growth

- Estates Cleaning and Grounds Maintenance
- Estates Parking Management
- Leisure Services - Advisory
- Leisure services - Assurance (draft)
- Tree Management Services

Finance

- Accounts Receivable and Debt Management (draft)
- Budgetary monitoring and reporting (fieldwork completed, reporting underway)
- Capital Expenditure Management - General Fund
- Capital Expenditure Management - Housing Revenue Account (draft)
- Cost of Living Fund
- Home Ownership - Garages
- Housing Benefits (draft)
- Major Regeneration Programmes and Projects
- Pensions Administration

Governance and Assurance

- Corporate Facilities Management (fieldwork completed, reporting underway)
- IR35
- Payroll (draft)
- Records management
- Sickness Absence Management
- Staff Recruitment and Vetting

Housing

- Building Safety (report in QA)
- Housing Adaptations
- Social Housing Act Preparedness
- Southwark Repairs Improvement Plan
- Statutory disrepairs
- TMO - Browning Estate Management Board
- TMO - Haddonhall
- TMO - Kennington Park House Co-operative
- TMO - Fair Community Housing - Objection Review
- TMO - Two Towers Housing Co-operative (fieldwork)
- Voids

IT and Shared Service

- Asset / Hardware Management (draft)
- Shared Service Governance (draft)
- Service Review (draft)

Strategy and Communities

- Council Delivery Plan (draft)

Our internal audit work for the period from 1 April 2023 to 31 March 2024 was carried out in accordance with the internal audit plan approved by management and the Audit, Governance and Standards Committee. 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.

We have detailed the opinions of each report and key findings on pages seven to 36. 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 an individual audit level.

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

- Grant audits - for which separate letters of engagement were issued:
 - Family Hubs and Start for Life
- Transparency Reporting - we continued to provide support and challenge to the Council in meeting its obligations for reporting expenditure under the Local Government Transparency Code 2015.

Due to emerging risks and other priorities resulting in alternative reviews or delays in the start date, the following audits were deferred from 2023-24 to 2024-25, or 2025-26 where stated:

Children and Adults Services

- Commissioning of services

Finance

- Mosaic

Housing

- Contract Management
- Applications and Allocations
- Temporary Accommodation

IT and Shared Service

- Cyber Security

Strategy and Communities

- Economic Renewal Plan
- Equality, diversity, and inclusion maturity assessment (2025-26)
- Planning Applications and S106 Agreements

We have completed the programme of schools for 2023-24. We are awaiting responses to four draft reports, all other reports have been issued in final. The schools audited in 2023-24 are listed below.

- | | |
|--|--|
| <ul style="list-style-type: none"> • Alfred Salter Primary School (draft) • Bellenden Primary School • Brunswick Park Primary School • Comber Grove Primary School (draft) • Crampton Primary School • Evelina Hospital School • Friars Primary School (draft) • Grange Primary School • Hollydale Primary School | <ul style="list-style-type: none"> • Ivydale Primary School • Riverside Primary School • Robert Browning Primary School Rye Oak Primary School • St George's Cathedral RC Primary School • St James Church of England Primary School • Tower Bridge Primary School • Victory School (draft) |
|--|--|

An end of year report summarising the results and common themes arising from our school internal audit programme for 2023-24 will be presented to the Committee at the meeting on 15 July 2024.

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 2023-24

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 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. The basis for forming my opinion is as follows:

Overall, we are able to provide **Moderate Assurance** that there is a sound system of internal controls, designed to meet the Council's objectives, that controls are being applied consistently across various services. In forming our view we have taken into account that:

- In respect of the design of the controls, an opinion of moderate assurance has been provided for 28 out of the 33 assurance audits completed to date, substantial assurance provided in three areas and limited assurance opinions in two areas. Overall, the Council has maintained its control environment during 2023-24. The relative proportion of substantial assurance opinions provided for the design of the Council's controls has increased slightly from 8% in 2022-23 to 9% in 2023-24.
- In respect of the operational effectiveness of the controls, an opinion of moderate assurance has been provided for 21 of the 33 assurance audits completed to date, substantial assurance provided in four areas, limited assurance in eight areas. The relative proportion of substantial assurance opinions provided for the operational effectiveness of the Council's controls has increased from 6% in 2022-23 to 12% in 2023-24.
- 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 90% of recommendations due for implementation by the end of 2023-24 had been completed. After year-on-year improvements to 2022-23, this represents a decrease from an implementation rate of 92% in 2022-23.
- 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 higher levels of risk.
- In respect of financial performance, the general fund financial performance has been strong in the financial year 2023-24. A balanced outturn position has been achieved. There was pay, energy and inflationary pressures across all Council departments which were successfully mitigated through the Council's budget setting process, use of specific reserves earmarked for that purpose and deployment of planned contingency. The HRA saw an operational overspend of £16.4m, mitigated using £2.5m of reserves and a significantly reduced revenue contribution to the capital programme.

REVIEW OF 2023-24 WORK

The table below summarises the assurance opinions and number of recommendations of audits completed in 2023-24. Detailed findings are reported through the year to the Audit, Governance and Standards Committee in our routine progress reports.

Audit	H	M	L	Design	Operational Effectiveness
Children and Adults Services					
Adopt London South Partnership - <i>Fieldwork</i>				TBC	TBC
Care Leavers	1	3	-	Moderate	Moderate
Direct Payments	1	5	-	Moderate	Limited
Home to School Transport	2 advisory recommendations			NA - Advisory	NA - Advisory
ICS / ICB Partnership governance - <i>Draft</i>				Moderate	Moderate
Legal Fees - <i>Draft</i>	-	4	-	Moderate	Moderate
Pupil Registry Systems	-	-	1	Substantial	Substantial
Supporting Families - Grant Audit 2023-24	-	-	-	NA - Grant	NA - Grant
Environment, Neighbourhoods and Growth					
Estates Cleaning and Grounds Maintenance	-	3	1	Moderate	Moderate
Estates Parking Management	2	2	-	Limited	Limited
Leisure Services - Advisory	26 advisory recommendations			NA - Advisory	NA - Advisory
Leisure Services - Assurance - <i>Draft</i>	-	3	-	Moderate	Substantial
Tree Management Services	-	4	-	Moderate	Moderate
Finance					
Accounts Receivable and Debt Management - <i>Draft</i>	1	3	3	Moderate	Limited
Budgetary Control and Monitoring - <i>Fieldwork complete, reporting underway</i>				TBC	TBC
Capital Expenditure Management - General Fund	-	3	-	Moderate	Moderate
Capital Expenditure Management - Housing Revenue Account - <i>Draft</i>	-	2	-	Moderate	Moderate

Audit	H	M	L	Design	Operational Effectiveness
Cost of Living Fund	-	1	1	Moderate	Substantial
Home Ownership - Garages	-	5	3	Moderate	Limited
Housing Benefits - <i>Draft</i>	-	1	1	Substantial	Moderate
Major Regeneration Programmes and Projects	1	-	2	Moderate	Moderate
Pensions Administration	1	-	-	Moderate	Moderate
Governance and Assurance					
Corporate Facilities Management <i>Fieldwork complete, reporting underway</i>				TBC	TBC
IR35	14 advisory recommendations			NA - Advisory	NA - Advisory
Payroll - <i>Draft</i>	-	4	3	Moderate	Moderate
Records management	3	-	1	Moderate	Limited
Sickness Absence Management	-	2	2	Moderate	Moderate
Staff Recruitment and Vetting	-	1	2	Moderate	Substantial
Housing					
Building Safety - <i>Fieldwork completed, report in QA</i>				TBC	TBC
Housing Adaptations	-	2	1	Moderate	Moderate
Social Housing Act Preparedness	-	1	2	Moderate	Substantial
Southwark Repairs - Service Improvement Plan	-	1	1	Moderate	Moderate
Statutory Disrepairs	-	3	1	Moderate	Moderate
TMO - Browning Estate Management Board	2	7	-	Moderate	Limited
TMO -Haddonhall Cooperative	-	4	-	Moderate	Moderate
TMO - Kennington Park House Co-operative	3	3	-	Limited	Limited
TMO - Fair Community Housing - Objection Review	18 advisory recommendations			NA - Advisory	NA - Advisory
TMO - Two Towers Housing Co-operative - <i>Fieldwork</i>				TBC	TBC
Voids	1	1	-	Moderate	Limited

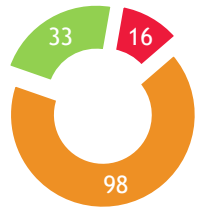
Audit	H	M	L	Design	Operational Effectiveness
IT and Shared Service					
IT - Hardware Asset Management - <i>Draft</i>	1	2	-	Moderate	Limited
IT - Service Review - <i>Draft</i>	-	2	-	Substantial	Moderate
IT - Shared Service Governance	-	2	1	Moderate	Moderate
Strategy and Communities					
Council Delivery Plan - <i>Draft</i>	-	2	-	Moderate	Moderate

SUMMARY OF FINDINGS

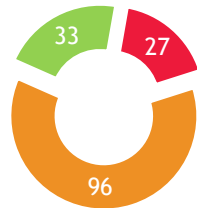
RECOMMENDATIONS AND ASSURANCE DASHBOARD

Recommendations

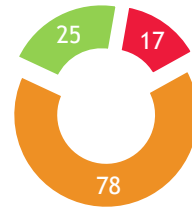
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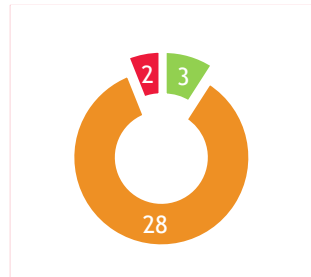
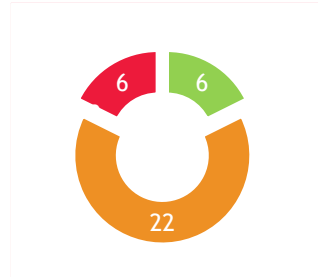
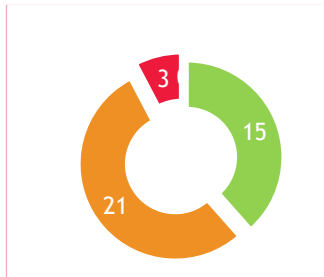
2023-24



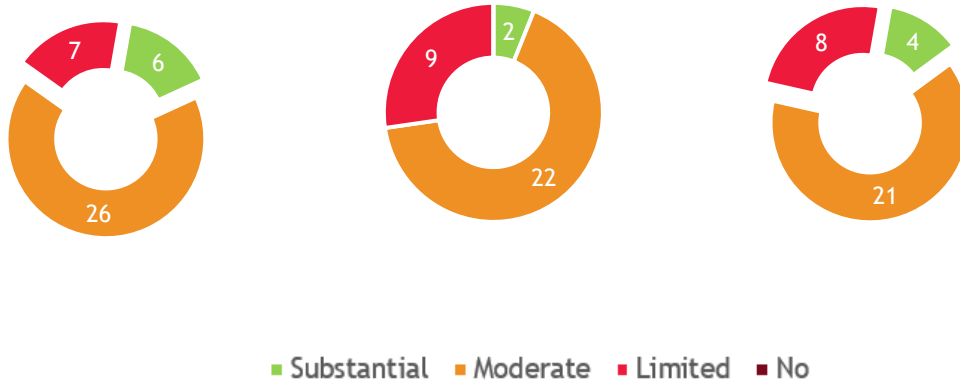
■ High ■ Medium ■ Low

These charts show the position based only upon final and draft reports issued to date, therefore are not complete. This section will be updated upon completion of all audits.

Control Design



Operational Effectiveness

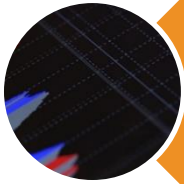


Recommendation Implementation Rate

The table below shows the percentage of recommendations implemented by the year end.

2023-24	90%
2022-23	92%
2021-22	87%
2020-21	79%
2019-20	88%
2018-19	88%

ADDED VALUE



INNOVATION

We utilised data analytics in audits where appropriate (e.g. accounts receivable, housing benefits, payroll, direct payments, tree management). This has highlighted anomalies for the Council to investigate to improve its data and accuracy and completeness of transactions. The IT audits are routinely completed by IT specialists.



RESPONSIVENESS

We have continued to be responsive, in particular completing grant certifications to meet the Council's submissions deadlines, and adapting the plan to emergent risks and priorities.

We work closely with External Audit where investigations are required, e.g. the Accounts Objections review.



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 or best practice (e.g. Social Housing Act Preparedness, Building Safety).

We identified areas where the Council can improve performance and create efficiencies (e.g. Direct Payments, Care Leavers) or where we were able to offer best practice comparisons (e.g. ICS/ICB Partnership Governance).



KEY RISK AND FINDINGS THEMES



PEOPLE, ROLES AND RESPONSIBILITIES

The Council welcomed our internal audits and provided us with strong levels of time and support during our reviews, whether delivered remotely or in-person. This demonstrates the organisation's positive approach towards internal audit and enhancing internal controls.



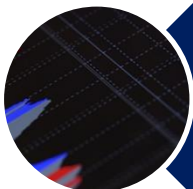
SYSTEMS & PROCESSES, TIMELINESS OF DECISIONS

Governance channels and processes were largely robust, supporting effective monitoring of internal controls.



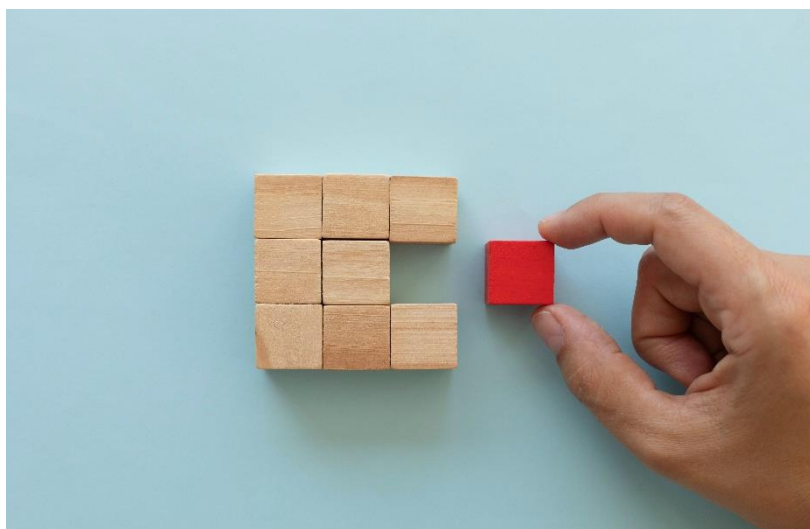
DATA AND RECORDS, PUBLIC INFORMATION

While strategies and policies were broadly in place, several were not kept up to date and consequently did not reflect the Council's actual arrangements.



GOVERNANCE AND MONITORING / FOLLOW UP

The Council has generally well designed systems in place but processes are not always followed consistently or as expected across directorates.



BACKGROUND TO ANNUAL OPINION

Introduction

Our role as internal auditors to London Borough of Southwark 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. 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 2023 to 31 March 2024 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.

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 2023-24 Internal Audit Annual Plan which has been 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 the Council's 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 3 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 contact responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

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

Management actions on our recommendations

Management were engaged with the internal audit process and provided considerable time to us during the fieldwork phases of our reviews, in some cases providing audit evidence promptly and allowing the reviews to proceed in a timely manner, including opportunities to discuss findings and recommendations prior to the issue of draft internal audit reports. Management responses to draft reports were mostly within our requested time frame, however, there were some instances where the turnaround of draft reports was slow.

Recommendations Follow-up

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

Relationship with External Audit

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. In 2023-24, we completed the advisory review in response to an Accounts objection relating to Fair Community Housing TMO, which supported External Audit's closure of the accounts for 2021-22.

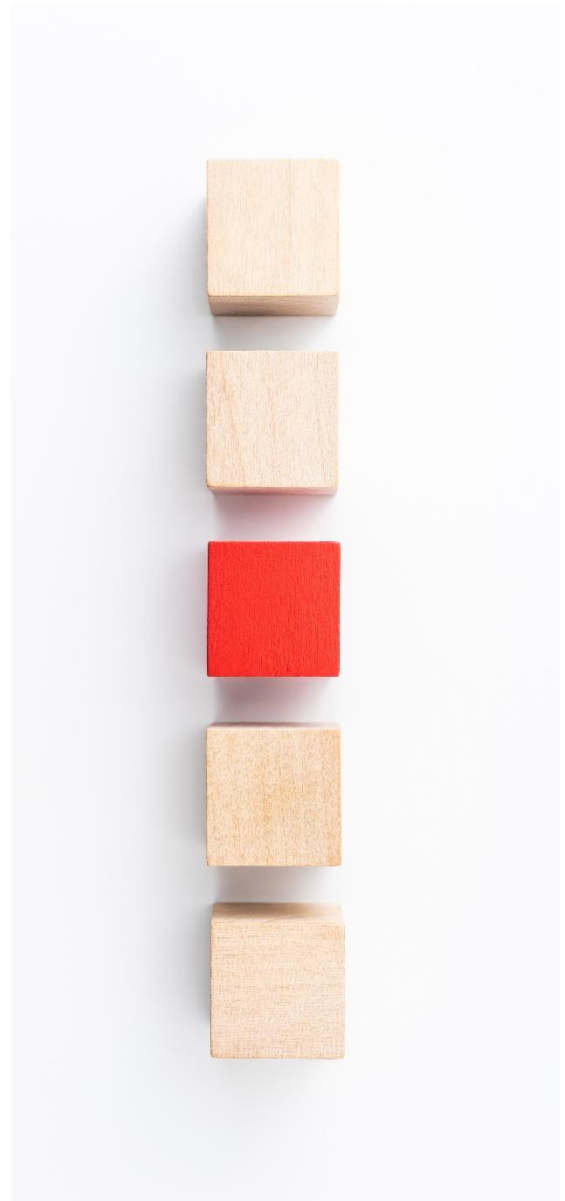
Report by BDO LLP to London Borough of Southwark

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 2023-24. 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 2023-24
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to the 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





KPI	BDO Comment	RAG Rating
Audit Coverage		
Annual Audit Plan for 2023-24 delivered in line with timetable	As reported above, we have completed the majority of fieldwork, although some audits were not completed by the end of March 2024.	
Actual days are in accordance with Annual Audit Plan - 1,030 days	All days were delivered. Where audits were deferred, these were replaced by alternative advisory or assurance reviews.	
Relationships and customer satisfaction		
Customer satisfaction reports - overall score at average of at least 3.5 / 5 for surveys issued at the end of each audit.	We have received seven survey responses in 2023-24, with an average score of 4.7.	
Annual survey to Audit, Governance and Standards Committee to achieve score of at least 70%.	We will be issuing the survey to the Committee in July 2024 upon completion of the work for 2023-24.	TBA
External audit can rely on the work undertaken by internal audit (where planned)	In 2023-24, we completed the advisory review in response to an Accounts objection relating to Fair Community Housing TMO, which supported External Audit's closure of the accounts for 2021-22.	
Staffing		
At least 60% input from qualified staff	Delivery of the 2023-24 included 62% input from qualified staff.	
Audit Reporting		
Issuance of draft report within 3 weeks of fieldwork 'closing' meeting	There were three cases where reports were issued up to five weeks after the closing meeting, where the quality assurance process fell during a holiday period.	
Finalise internal audit report 1 week after management responses to report are received.	There was one case where the report was issued 11 days after receipt of the management response, where the quality assurance process fell during the Summer holiday period.	
90% recommendations to be accepted by management.	Recommendations are largely accepted as proposed in the closing meeting. We work with management to agree appropriate actions to address the risk if the specific recommendations are not feasible.	
Information is presented in the format requested by the customer.	Where requested (eg this annual report), we have amended our report formats.	

Audit Quality		
High quality documents produced by the auditor that are clear and concise and contain all the information requested - measured within customer satisfaction surveys	We have received seven survey responses as at the end of the year, five providing a rating of 5 and two providing a rating of 4 out of five with regards to the quality of our outputs.	
Positive result from any external review	We have not been subject to an external review this year. However, the outcome of the BDO cold review was the highest rating of 1 'Meeting Expectations', with no advisory or improvement points raised.	

APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

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:**AARON WINTER**

+44 (0)7442 851 860
Aaron.Winter@bdo.co.uk

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Meeting Name:	Audit, governance and standards committee
Date:	3 June 2024
Report title:	Internal audit progress report
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	
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 2023-24 internal audit plans.

Policy framework 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.

Further guidance

7. None required.

Climate change implications

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

Resource implications

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

Consultation

10. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

11. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix A	Internal audit annual report and annual statement of assurance – interim

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Aaron Winter, Angela Mason-Bell, BDO	
Version	Final	
Dated	23 May 2024	
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		23 May 2024

INTERNAL AUDIT PROGRESS REPORT

London Borough of Southwark

2024/2025 - for presentation to the Audit,
Governance and Standards Committee 3 June 2024

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2. Summary of internal audit plan 2023-24	4
3. Schools internal audit programme 2023-24	10
4. Executive summaries of reports finalised since the last meeting	11
5. Summary of recommendations status	30
Appendix 1: Internal audit definitions	50



SUMMARY OF INTERNAL AUDIT WORK

INTERNAL AUDIT

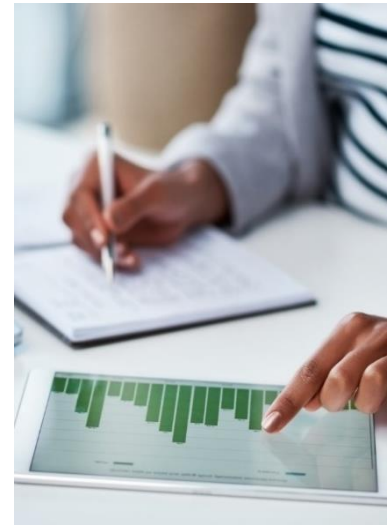
This report informs the Audit, Governance and Standards Committee of progress against completion of the 2023-24 internal audit plans. It summarises the work we have undertaken, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards.

Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

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.



2023-24 INTERNAL AUDIT PLAN

The status of the audits commenced to date for 2023-24 is outlined within section 2 of this report. At the time of writing, work is substantially completed and in the majority of cases, draft or final reports have been issued. We are aiming to have issued all final reports by the end of June 2024. A final annual report for 2023-24 will be presented to the Committee on 15 July 2024.

Where reports have been finalised since the last meeting of the Committee, the executive summaries are included in section 4.

2023-24 INTERNAL AUDIT PROGRAMME FOR SCHOOLS

We have completed the programme of schools for 2023-24. We are awaiting responses to four draft reports, all other reports have been issued in final.

A schedule of status and internal audit opinions for 2023-24 is included in section 3 of this report. The annual schools summary report will be presented to the Committee on 15 July 2024.

2024-25 INTERNAL AUDIT PLAN AND SCHOOLS PROGRAMME

We have confirmed the specific timings with the lead officers for the majority of the audits in the plan for 2024-25 and we are making good progress on the audits scheduled for quarter one. School site visits for the Summer term have been confirmed.

A full status report for the 2024-25 internal audit plan will be included in our progress report to be presented to the Committee on 15 July 2024.

FOLLOW UP

Since our last report in February 2024 the Council has increased its recommendation implementation rate from 85.6% to 89.6%. However, several recommendation target dates for 2022-23 audits are continuing to be revised, which is preventing a higher implementation rate. The remaining longstanding recommendations from previous years yet to be fully implemented have reduced in number.

Summary information and the status of recommendations that have not been completed is included in section 5.

NON-INTERNAL AUDIT WORK COMPLETED SINCE THE LAST MEETING

Risk Management - during 2023-24, we continued to provide administrative support to the Council on its risk management arrangements across the directorates. For 2024-25, this service has been paused whilst the Council reviews its risk management arrangements.

Transparency Reporting - we continue to provide support and challenge to the Council in meeting its obligations for reporting of expenditure under the Local Government Transparency Code 2015. No issues to prevent publication of the information have arisen.

RESULTS OF BDO INTERNAL QUALITY REVIEW

Cold review is an integral component of BDO's quality and risk requirements and requires all streams to have a process in place for engagements to be independently reviewed. The purpose of the cold review is to evaluate whether assignments and projects are being managed in compliance with the Firm's and stream's quality and risk procedures. It also demonstrates our commitment within our strategic framework to high quality, independence, and ethics, and ensures that we meet the Public Sector Internal Audit Standards.

The London Borough of Southwark was selected for cold review for 2023/24. The review involved an initial self-assessment against the required standards by the Engagement Lead (Aaron Winter) and Client Manager (Angela Mason-Bell) and provision of evidence to support assertions made. The evidence was reviewed by a Senior Manager in a team independent to PSIA reporting into the Director for Quality and Risk within Digital & Risk Advisory Services. The assessment was then moderated by a Panel comprised of Partners and Directors.

We are pleased to report that the highest rating of 1 'Meeting Expectations' was assigned, with no advisory or improvement points raised.

2. SUMMARY OF INTERNAL AUDIT PLAN 2023-24

The table below includes the status of audits commenced to date and outlines all agreed work at the time of writing. For those audits not yet at reporting stage, the table is split by directorate. 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						
Capital Expenditure Management - General Fund	Strategic Director, Finance/ Chief Accountant	✓	✓	✓ Final Report	Moderate	Moderate
Direct Payments	Director, Adult Social Care	✓	✓	✓ Final Report	Moderate	Limited
Estates Cleaning and Grounds Maintenance	Director, Environment	✓	✓	✓ Final Report	Moderate	Moderate
Family Hubs and Start for Life	Director, Childrens Services	✓	✓	✓ Final Report	NA Grant audit	NA Grant audit
Home Ownership - Garages	Director of Customer and Exchequer Services	✓	✓	✓ Final Report	Moderate	Limited
Home to School Transport	Director of Education	✓	✓	✓ Final Report	NA Advisory	NA Advisory
Housing Adaptations	Director of Asset Management	✓	✓	✓ Final Report	Moderate	Moderate
IR35	Director, People and Organisational Development	✓	✓	✓ Final Report	NA Advisory	NA Advisory

Audit	Director / Audit Sponsor	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
Leisure Services - Advisory	Director of Leisure	✓	✓	✓ Final Report	NA Advisory	NA Advisory
Parking Management and Estates Management Parking	Strategic Director, Environment, Neighbourhoods and Growth	✓	✓	✓ Final Report	Limited	Limited
Pupil Registry Systems	Director of Education	✓	✓	✓ Final Report	Substantial	Substantial
Sickness Absence Management	Assistant Chief Executive - Governance and Assurance	✓	✓	✓ Final Report	Moderate	Moderate
Social Housing Act Preparedness	Director of Resident Services	✓	✓	✓ Final Report	Moderate	Substantial
Southwark Repairs - Service Improvement Plan	Director of Asset Management	✓	✓	✓ Final Report	Moderate	Moderate
Statutory Disrepairs	Director, Asset Management	✓	✓	✓ Final Report	Moderate	Moderate
Supporting Families - Grant Audit (April to July 2024 claims)	Director, Children and Families	✓	✓	✓ Final Report	NA Grant audit	NA Grant audit
Supporting Families - Grant Audit (Augst to September 2024 claims)	Director, Children and Families	✓	✓	✓ Final Report	NA Grant audit	NA Grant audit
Supporting Families - Grant Audit (October to December 2024 claims)	Director, Children and Families	✓	✓	✓ Final Report	NA Grant audit	NA Grant audit

Audit	Director / Audit Sponsor	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
Tenancy Management Organisation - Accounts Objection Review	Strategic Director, Housing and Strategic Director, Finance	✓	✓	✓ Final Report	NA Advisory	NA Advisory
TMO - Haddonhall Co-operative	Director, Resident Services	✓	✓	✓ Final Report	Moderate	Moderate
Tree Management Service	Director, Leisure	✓	✓	✓ Final Report	Moderate	Moderate
Voids	Director of Resident Services	✓	✓	✓ Final Report	Moderate	Limited
FINAL REPORTS - EXECUTIVE SUMMARIES INCLUDED IN THIS PROGRESS REPORT						
Care Leavers	Director, Children and Families	✓	✓	✓ Final Report	Moderate	Moderate
Cost of Living Fund	Strategic Director, Finance	✓	✓	✓ Final Report	Moderate	Substantial
IT - Shared Service Governance	Chief Digital and Technology Officer	✓	✓	✓ Final Report	Moderate	Moderate
Major Regeneration Programme and Projects	Director of Planning and Growth	✓	✓	✓ Final Report	Moderate	Moderate
Pensions Administration	Pensions Manager	✓	✓	✓ Final Report	Moderate	Moderate
Records Management	Assistant Chief Executive Governance and Assurance	✓	✓	✓ Final Report	Moderate	Limited

Audit	Director / Audit Sponsor	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
Staff Recruitment and Vetting	Director, People and Organisational Development	✓	✓	Final Report	Moderate	Substantial
Supporting Families Grant (January 2024 to March 2024 claims)	Director, Children and Families	✓	✓	Final Report	NA Advisory	NA Advisory
TMO - Browning Estate Management Board	Director, Resident Services	✓	✓	Final Report	Moderate	Limited
TMO - Kennington Park Co-operative	Director, Resident Services	✓	✓	Final Report	Limited	Limited
DRAFT REPORTS ISSUED						
Accounts Receivable and debt management	Director, Customer and Exchequer Services	✓	✓	Draft Report 14 May 2024		
Capital Expenditure Management - Housing Revenue Account	Director, Finance	✓	✓	Draft Report 13 Feb 2024		
Council Delivery Plan	Assistant Chief Executive, Strategy and Communities	✓	✓	Final Report		
Housing Benefits	Director, Customer and Exchequer Services	✓	✓	Draft Report 20 May 2024		
ICS / ICB Partnership governance and integration of services	Joint leadership role with the ICB	✓	✓	Draft Report 22 May 2024		

Audit	Director / Audit Sponsor	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
IT - Asset / Hardware Management	Chief Digital and Technology Officer	✓	✓	✓ Draft Report 21 May 2024		
IT - Service Review	Chief Digital and Technology Officer	✓	✓	✓ Draft Report 15 May 2024		
Legal Fees	Director, Children and Families / Assistant Chief Executive - Governance and Assurance	✓	✓	✓ Draft Report 30 Apr 2024		
Leisure Services - Assurance	Director, Leisure	✓	✓	✓ Draft Report 20 May 2024		
Payroll	Director, Customer and Exchequer Services	✓	✓	✓ Draft Report 16 May 2024		
Children and Adult Services Directorate						
Adopt London Partnership	Director of Childrens Services / Director of Finance	✓	✓			

Audit	Director / Audit Sponsor	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
Finance Directorate, including IT audits						
Budgetary Monitoring and Reporting	Director, Finance	✓	✓ Fieldwork completed	✓ Reporting underway		
Housing Directorate						
Building Safety	Assistant Director, Building Safety	✓	✓	✓ Report in QA		
Two Towers TMO - Advisory	Director, Resident Services	✓	✓			
Governance and Assurance						
Corporate Facilities Management	Assistant Chief Executive, Governance and Assurance	✓	✓ Fieldwork completed	✓ Reporting underway		

3. Schools internal audit plan 2023-24

School	Status	Design	Operational Effectiveness
2023-24			
Bellenden Primary School	Final Report	Moderate	Moderate
Brunswick Park Primary School	Final Report	Moderate	Moderate
Crampton Primary School	Final Report	Moderate	Moderate
Evelina Hospital School	Final Report	Substantial	Moderate
Grange Primary School	Final Report	Moderate	Moderate
Hollydale Primary School	Final Report	Substantial	Moderate
Ivydale Primary School	Final Report	Moderate	Moderate
Riverside Primary School	Final Report	Moderate	Moderate
Robert Browning Primary School	Final Report	Substantial	Moderate
Rye Oak Primary School	Final Report	Moderate	Moderate
St George's Cathedral RC Primary School	Final Report	Moderate	Moderate
St James Church of England Primary School	Final Report	Moderate	Moderate
Tower Bridge Primary School	Final Report	Substantial	Moderate
Friars Primary School	Draft Report 20 March 2024		
Alfred Salter Primary School	Draft Report 2 April 2024		
Comber Grove Primary School	Draft Report 12 April 2024		
Victory School	Draft Report 16 May 2024		

4. EXECUTIVE SUMMARIES OF REPORTS FINALISED SINCE THE LAST MEETING

Care Leavers April 2024		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	1
		Moderate	Moderate	Medium	3
				Low	-
Purpose of review:	To provide assurance over the adequacy of the design and operational effectiveness of the controls in place to ensure that the statutory duties for individuals leaving the Council’s care, and / or transitioning from children to adult social care are met.				
<p>Background:</p> <p>Local Authorities have a duty under the Children (Leaving Care) Act 2000 to help young people who have been looked after to move from care into living independently in as stable a manner as possible by assessing and meeting their care, employment, education, and training needs. The responsible local authority is the one which last looked after an eligible or relevant young person and retains its responsibility wherever the young person may be living in England or Wales. The duties of the responsible local authority include:</p> <ul style="list-style-type: none"> • Keeping in touch with all its care leavers who qualify for these support arrangements, including those aged 18-21, and beyond in some cases, including the assignment of a Personal Adviser • Preparing and regular reviewing a Pathway Plan, an agreement between the child and the authority as to what their needs are, future plans are and how the authority will support those needs and assist in fulfilling the plans. • Providing vacation support and accommodation to assist care leavers in higher education, assistance with employment and the costs of education and training support. • Providing far higher levels of support than simply cash, especially by working across Departments to fulfil their role as corporate parents, the Council will be able to ensure that vulnerable young people receive the care and help they need to grow into independence. <p>Areas of strength:</p> <ul style="list-style-type: none"> • Mosaic, the Council’s social care management system, has been used to identify pathway plans falling due and to record the work social workers and personal assistants and client finance undertake with, and on behalf of, care leavers. Carestore was being used as a filing system to support the Mosaic system. • The latest technology, Microsoft Power BI was being used effectively to analyse and share insights via interactive reporting via a dashboard, complete trend analysis, facilitate supervision of case work, report annually to DfE regarding care leavers and monitor young people who have recently left care and confirm that they were receiving the support they need. 					

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- There were dedicated specialist social workers for housing, and education, including apprenticeships. Care leavers were actively encouraged to pursue higher education.
 - Our review of the outcomes and well-being measurement published by the DfE each year of the proportion of young people not in education, employment, or training (NEET) in Southwark against other London boroughs and England as a whole showed Southwark to be in a comparably favourable position:
 - Southwark: 19%
 - Camden: 20.3%
 - Lambeth: 26.9%
 - Lewisham: 30.2%
 - (London: 21.3%, England: 25.8%)

Areas of concern:

- From our review of a sample of 15 pathway plans for care leavers / those transitioning from children to adult social care we identified that the pathway plans were approved in accordance with a needs assessment, however, three of the pathway plans were reviewed late. We were unable to ascertain the root causes for the delays and these were not noted on the individuals' files.
- For the same sample, we sought to confirm that they had received the required legal documents and found that:
 - In five cases, the pathway plan recorded that the care leaver's passport and/or birth certificate had not been provided.
 - In thirteen cases the care leavers had not been provided with their health histories.
 - In none of the cases had the young people been offered a consultation with the Looked After Children (LAC) nurse to identify any outstanding health needs and to help the care leavers to manage these by offering advice, signposting to other support services, or by making appropriate referrals.
- There were five cases with concerns with regard to the suitability and quality of the accommodation in 2023-24, especially the temporary accommodation provided.
- The Supervision Policy, which includes standards and guidance on management oversight, was developed in 2019-20, and last signed off by the Divisional Management Team in January 2021. Our review of the same sample of 15 care leavers identified two cases where the Mosaic data relating to management oversight was not evident on the file.

Cost of Living Fund April 2024		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	-
		Moderate	Substantial	Medium	1
				Low	1
Purpose of review:	To provide assurance over the adequacy and effectiveness of the control framework to ensure that the Fund operates as intended.				
Background:	<p>One of Southwark Council's Delivery Plan commitments since 2022-23 has been to support low-income households at risk of hardship due to the higher cost of food, energy, and other essentials, by creating a new Southwark Cost of Living Fund. In 2022-23, c.£8m of support was provided. The fund for 2023-24 was c.£11m, comprising four main grants: One-off cost of living payment (£3.5million), Holiday Free School Meals (£3.5million budget), Top Ups to School Uniform Grants (£80k), Energy Bill Support Payments (£950k). Residents can seek support from the Cost-of-Living fund in two ways. The Community Referral Pathway allows voluntary and community sector organisations, faith groups, schools, other social landlords, or elected Members to refer vulnerable households to the fund. Via the Residents Application Route, people on low incomes but not receiving means-tested state welfare benefits may apply directly to the Council's fund - online or by phone.</p>				
Areas of strength:	<ul style="list-style-type: none"> We confirmed that the Council's policies and work instructions in place for the management of the Cost of Living grants were comprehensive and had been file shared to relevant officers via the Cost of Living Programme's Microsoft Teams group. For a sample of 15 one-off payments from the Council's 2023 Energy Support grant, we confirmed for all cases that payees were eligible residents, resident and account identification details between the Northgate Extracts and the Council's payments transactions report were consistent with each other and the values of the payments were correct as per the Council's policies and procedures. The Council was operating well-established corporate procedures in place for the prevention of duplicate payments and fraudulent claims. For a sample of five schools, we confirmed that the Council had received datasets from schools with details of eligible students. For a sample of eight School Uniform Top Up Grant payments and seven Energy Bill Support payments, we confirmed that in all cases, Post Office vouchers had been issued for the correct amounts as per the grant's policy and for the correct purpose. We confirmed that discussions with schools to encourage redemption from parents had taken place (free meals). We were also provided with evidence of expired vouchers being reissued to eligible residents (energy grants). Work instructions for the application and referral process for the Community Referral Pathway and the Residents Application Route were found to 				

be clear and comprehensive.

- We confirmed that daily checks, as described in the Council’s referral processing instructions, had taken place for the period selected for testing.
- We reviewed the Council’s customer query records for issues raised by residents to the Council’s customer service function and confirmed that issues were addressed and resolved within two weeks of submission as per the Council’s targets.

Areas of concern:

- In two out of nine policies/procedures, for the Council’s procedures around issuing payments and responding to queries, and for the work instructions for the processing and checking of referral forms, we were not provided with evidence of approval or review of the work instructions being used. In two cases, the Council’s policies, and work instructions for CRP referrals and CRP & RAR query responses were evidenced as reviewed within the last year, however we identified that the responsible officers were not appropriate positions for the review or approval of work instructions. There was also no formal policy in place with regards to the budget monitoring and reporting undertaken with regards to the Cost of Living Fund.
- From our review of a sample of the three Cost of Living Board meetings in the period February to March 2024, we identified that whilst actions and issues were evidenced as raised by the Service Development Officer and the Programme manager, this was not performed on a consistent basis, with actions having not been evidenced as resolved, and in two cases, having not reflected the actions for all relevant officers.

IT - Shared Service Governance April 2024		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	-
		Moderate	Moderate	Medium	2
				Low	1
Purpose of review:	To provide assurance that the Inter Authority Agreement (IAA) and other governance for the Shared Technology Service was for purpose, has been implemented and serves the needs of the Council.				
<p>Background:</p> <p>Shared Technology Services (STS) is a shared ICT service that supports local authorities in Brent, Lewisham, and Southwark, in addition to the Local Government Association, Lewisham Homes and the Department for Housing and Pensions. London Borough of Brent and London Borough of Lewisham established a shared ICT service in April 2016. The respective Cabinets approved the Councils entering into an interim inter-authority agreement which was signed on 31 March 2017. This provided the framework within which all parties were able to explore and define a three-way shared service proposal as well as the responsibilities for each of the Council's. An Inter Authority Agreement (IAA) sets out the agreed services to be provided by STS, including service desk management, end user services, infrastructure support, telecommunications and network services, project management and strategy and development support. A Joint Committee and a Joint Management Board (JMB) has been established to discharge executive functions on behalf of the three boroughs as they relate to joint activities or areas of common concern in relation to the provision of ICT infrastructure and related supporting services. There is an Operational Management Board (OMB) in place which reports to the Joint Management Board.</p> <p>Areas of Strength:</p> <ul style="list-style-type: none"> • Shared Technology Service (STS) had an appropriate governance structure established to manage the operational activities of STS. • The IAA describes a shared service internal and external dispute resolution process to report any issues to the Joint Committee as and when they are identified. • We noted that any changes to the services described in the IAA are raised at the OMG by the Council and reflected into the annual update of the IAA which then gets approved by the Joint Board. The Service Level Agreements (SLAs) were last amended in 2021 as part of the previous Target Operating Model (TOM). • The IAA includes partnership principles and the agreed strategic outcomes for the Shared ICT Service (SICTS) to build a solid platform for transformation, deliver a quality service, provide great value-for-money, and forge a lasting partnership. • We confirmed that the STS Technology roadmap from 2021- 2026 outlines the investment that will be required to meet the future direction of services within Datacentres, Data Centre Networks and Campus Networks, End User Experience Modernisation, Cyber Protection and Service Improvement. 					

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- A STS Strategy had been drafted for 2023-2026, focused on developing a secure, reliable, and cost-conscious service which always strives for improvement, enabling partners' digital ambition. The Strategy covers the challenges, objectives and commitment for Service & Technology, Cyber Security, Financial Value, Wellbeing and Environment (This draft was discussed with the lead councillors who are the sponsors of the Strategy and is planned to be ratified at the next Joint Committee).
 - The STS Strategy specifies the following core elements that are managed by STS and the areas that are to be managed by the individual partner councils.

Areas of Concern:

- There is insufficient clarity on the roles and responsibilities around project cycle, engagement in technical design and assurance and cyber security.
- The Procurement protocol as defined within the IAA has not always been followed by STS.

Major Regeneration - Programme and Projects March 2024		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	1
		Moderate	Moderate	Medium	-
				Low	2
Purpose of review:	To provide assurance on the major regeneration projects including project management arrangements, procurement and contract management, and project governance with regards to this area of significant expenditure and priority for the Council.				
<p>Background:</p> <p>Over the last two decades, the Council has implemented a range of ambitious urban regeneration and development programmes which helped turn the borough from the 12th most deprived in the UK (out of 326) to the 41st. The Council aims to build on this success and ensure that all the residents and neighbourhoods can access the benefits of regeneration now and in the future. Informed by the Southwark Conversation, the Council adopted an initial Southwark Regeneration Framework in September 2017, which encompasses three primary objectives: a borough wide approach to improving the wellbeing of current and future generations, a One Council and partnership approach to ensure all assets are used and aligned effectively to bring about improved wellbeing across the borough, and wellbeing as a primary outcome of all the work. The Southwark Plan 2022 sets out the Council’s objectives to continue to revitalise places and neighbourhoods to create new opportunities for residents and local businesses, to promote wellbeing and reduce inequalities so that people have better lives in stronger communities. As of January 2023, the Council was undertaking 33 major regeneration projects amounting to £485m approximately.</p> <p>Areas of Strength:</p> <ul style="list-style-type: none"> The Council Delivery Plan (CDP) outlines the priorities and commitments of Southwark Council for regeneration from 2022-2026. There is an accompanying Sustainable Growth Board for monitoring of the CDP and progress of all the regeneration plans ongoing in the borough. The CDP is an action plan, which drives the work of the entire Council and focuses their resources and time to ensure they are pulling together to make the borough fairer, greener, and safer for all residents. It ensures that the Council is working towards social regeneration which is defined on the Council’s website as ‘when areas of the Southwark borough are positively transformed so that regeneration works for all’. The Social Regeneration Framework (2018) priorities have been included in the CDP. As part of the agreement of the CDP, Cabinet receive an annual performance report on the delivery of progress of the plan. We have reviewed the 2022-2023 annual report which provides information on each of the seven priorities and highlighted all the positive progress that the Council had achieved in the year, working towards their planned outcomes mentioned in the CDP. It is clear to see which priorities they managed to address from the CDP. The CDP has clear outcomes the Council wishes to address by 2026, and this information is easily accessible on the Council website. We established that aside from the overall annual CDP progress reports, projects have their own monitoring and reporting processes. Depending on the project, there are different monitoring processes in place, such as monthly senior management meetings or quarterly Cabinet meetings, tailored and implemented on an ad hoc basis. 					

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- In our analysis of progress reports, we found that budget spend, and financial performance were documented across all four sampled projects, facilitating the identification of potential overspending risks and the need for additional capital funding.
 - The CDP, which is monitored on a quarterly basis internally, through the corporate team is also reported to Cabinet where it is further scrutinised.
 - The 'Corporate Reporting App' is an online platform used by Southwark to report metrics on their CDP when required. The app not only improves efficiency and user experience but also enhances data accuracy and transparency within Southwark Council. By automating the data input process and providing clear metrics, the app enables smoother communication between the corporate performance team and department heads. This fosters a collaborative environment where performance against metrics is readily accessible, allowing for proactive decision-making and timely interventions if needed. Furthermore, the app's integration with Lead Member Briefings and Cabinet meetings streamlines the reporting process, ensuring that discussions are well-informed and focused on addressing any challenges promptly. Overall, the adoption of the 'Corporate Reporting App' represents a strategic investment in enhancing organizational effectiveness and promoting data-driven decision-making across the Council.
 - From our review of four projects we found that three had sufficient monitoring in place to identify any poor performance, with actions being raised appropriately.
 - We found sound controls regarding approvals and payments to be operating.
 - We confirmed adequate procurement processes that comply with the Council's Fairer Future Procurement Framework Policy 2022 were in place and evidenced through the Gateway approval process.

Areas of concern:

- Whilst some risk registers for the sampled projects are present, there is limited formalised discussions about the risk registers. For one of the sampled projects, the contractors have withheld the risk register when requested by the Southwark Programme Manager. Both the informal discussions and unavailable risk registers increase the risk of managers not being able to monitor and manage potential issues to projects.
- Contract monitoring is not fully effective due to project plans not being easily accessible to key staff members because of multiple changes of management. As a result, it is difficult to ensure that monitoring is conducted as planned.
- Quality issues for projects are not being sufficiently captured in meetings and discussions with the Council and developers. The use of the digital system by developers for updating issues has resulted in reduced oversight from Council managers as they do not have access to the digital system.

Pensions Administration May 2024		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	1
		Moderate	Moderate	Medium	-
				Low	-
Purpose of review:	To provide assurance over the new Civica UPM system and associated processes embedded following the change in system are being utilised.				
<p>Background:</p> <p>The London Borough of Southwark Pension Fund (the Fund) is part of the national Local Government Pension Scheme (LGPS). The London Borough of Southwark is the 'Administering Authority' for the Fund and has delegated responsibility for the management of all aspects of the Fund, including administration, communication, and good governance. The Administering Authority is responsible for the local administration of the Fund, which comprises over 50 employers and approximately 25,000 LGPS members in total (including active, deferred and pensioner members). The Council has an approved Pensions Administration Strategy Statement for the Fund. The aim of the strategy (which is currently under review pending wider consultation) is to ensure both the Administering Authority and employers are fully aware of their responsibilities under the Fund, and to ensure the standards expected by the Pensions Regulator are met. On 31 March 2023, there were 7,647 active members contributing to the Fund and 8,512 pensioners or dependants who were in receipt of an annual pension. Member contributions to the Fund in 2022-23 was £62.4 million and the total asset value of the Fund was £2 billion. The majority of pension contributions are collected and managed through the principal employer, which is the Council. The Pensions Advisory Panel (PAP) and Local Pension Board (LPB) provide investment advice, governance, and oversight to ensure the Council follows the Pensions Administration Strategy. The Council uses the system Civica UPM to manage the pension fund and pensioner payroll, a system which has been in operation since May 2022. Since September 2023, pension payments to overseas pensioners have been made through Convera (formerly part of Western Union) on behalf of the Council.</p> <p>Areas of Strength:</p> <ul style="list-style-type: none"> Processes are designed to enable the efficient completion of pensions related tasks. Process maps are available for the processes held within the UPM system. A sample of five process maps was reviewed and found to match the testing completed for other risk areas of the scope of this review. Updates to the UPM system are applied on the test server. Tests are completed and then approved by the team prior to uploading onto the main live system. Two substantive updates to the UPM had been implemented since April 2023. We confirmed for both of these that the correct process had been followed including testing on the test server, subsequent approval, and full implementation on the main live system. Users are added to the system based on requests from team managers. We reviewed all users on the system and found 46 total accounts. We found that 26 were AON users, who are undertaking some backlog work for the Council, this was an expected number, and no issues were identified. The remaining 20 were Council employees, including eight who had system access, and eight who had the ability to authorise processes within the system. We confirmed that all were users were current employees and all had access appropriate for their roles. 					

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- It was not possible to receive a report detailing all amendments to standing data, however we were able to receive information relating to all bank account changes since April 2023. While this is a limitation of the scope, bank account changes are the key risk area for amendments, and this was utilised as an alternative for testing and assurance is provided over the process. A sample of ten was tested and we confirmed that they had been processed correctly with correspondence sent to the pensioner where necessary confirming the change.
 - It was not possible to receive a report of all Council opt outs of the pension scheme as these are processed as refunds and are marked as such in the system. The sample of 10 refunds from April 2023 was selected for testing from which we identified three opt outs. In the three opt out cases, the correct process had been followed, including completion of the opt out form and other documentation, and appropriate segregation of duties.
 - For the same sample of 10 refunds we confirmed for all cases that a refund claim form was completed, a calculation completed and processed by one officer, and approved by a second ensuring segregation of duties. Nine of these were processed in a timely manner. For one claim, the employee left a primary school in August 2022, however the leaver was not notified to the pensions team until July 2023. The refund was calculated in August 2023 and sent out to the leaver in August 2023, but was not received until October 2023. This was paid in the next available single payment run in November 2023.
 - For a sample of overseas pensioners we found that payments were being made to the Council's partner Convera, and the correct reference was attached to ensure they were paid correctly to the recipient.
 - For a sample of pensioners who had died after April 2023, we found that all 10 were notified to the pensions team promptly, including by phone or weekly checks of the Gov.UK Tell Us Once system used by the Council. These were all actioned promptly, and correspondence sent out with required information, and once this was received final calculations made and approved before being shared with next of kin.

Areas of concern:

- While payments had been made correctly to overseas pensioners, an annual existence check through issuing life certificates had not been completed for any pensioners paid by the Council. The Council currently pays pension payments into 72 overseas bank accounts.

Records Management February 2024		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	3
		Moderate	Limited	Medium	-
				Low	1
Purpose of review:	To provide assurance over the adequacy and effectiveness of the Council's controls with regards to its data retention policy and procedures, covering electronic and physically held records.				
Background:					
<p>The Council in conjunction with an external consultant, maintain a Retention and Disposal Schedule. This is supported by a Corporate Records Management Policy and a Records Management Good Governance Guide, all of which are available to view by all officers on the Council's intranet. The Council stores some documents in an Iron Mountain storage facility. The Council has a record of all the files which are held off site so that these can be retrieved as and when required. There is a schedule highlighting a review/ destruction date for documents held by each of the departments which are to be destroyed accordingly. This area was last audited in 2020 where we provided an overall assurance opinion of substantial assurance for the design of the control framework and moderate assurance for the operational effectiveness of the controls in place. We noted one high priority recommendation to enhance processes.</p>					
Areas of Strength:					
<ul style="list-style-type: none"> • The Council has comprehensive and up to date Data Protection and Data Retention Policies and schedules which we confirmed were readily accessible to employees and Council members through The Source. Data retention and deletion timings were included in the Council's information asset register. • The Council has a comprehensive and up to date Retention and Disposal schedule, which details the disposal methods for both physical and electronic records. • The Council has an information asset register, which was last updated in 2021. • We reviewed a sample of ten records from the Council's information asset registers and confirmed that they were complete and appropriately classified and retained in accordance with the Council's Retention and Disposal Policy. • Records of assets of continuing value are retained through an off-site storage facility, Iron Mountain. We confirmed that comprehensive and up to date disposal processes were documented. We performed a walkthrough of Iron Mountain's Connect System and confirmed that a comprehensive record, detailing their respective cost centres, departments, transit and data history, and destruction dates, was in place. 					

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- We reviewed the arrangements for the transit of data between the Council and Iron Mountain and verified that there are appropriate security measures (such as enhanced DBS checks for staff, bar code labels and tamper evident seals) in place to protect data in transit.
 - We performed a walkthrough of the Contract Manager's activities for managing the contract between the Council and Iron Mountain and confirmed that the Contract Manager raises any concerns regarding the contracts, they are in contact with the customer service team on a weekly basis. We found that the service level KPIs for 2022-23 had been achieved on all performance measures, and for 2023-24, all had been achieved to date.

Areas of Concern:

- A number of the Council's policies and procedures were outdated or did not have a scheduled review date.
- We reviewed a sample of records from the Council's information asset registers and identified that there was no process in place for the monitoring of disposal dates for some records, which was not in line with the Council's Retention and Disposal schedule.
- We reviewed a sample of records from the Council's information asset registers and identified that evidence for the deletion of data was not retained for some records, leaving us unable to confirm whether the date of deletion had been in line with the Council's Data Retention and Disposal schedule.
- We did not receive evidence, and therefore could not complete the relevant testing for a number of sample records and systems from the Council's information asset register. The list of records and systems where evidence was requested can be found in the Appendix - Sample testing results.

Staff Recruitment and Vetting April 2024		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	-
		Moderate	Substantial	Medium	1
				Low	2
Purpose of review:	To provide assurance over the adequacy and effectiveness of the Council's recruitment processes relating to pre-employment checks and controls.				
<p>Background:</p> <p>To recruit the most suitable employee and to safeguard the Council from any negative impact caused by the recruitment of an individual, the Council should carry out appropriate and proportionate pre-employment checks to determine the suitability of a candidate. CIPD guidance suggests the following checks should be performed: Right to work, Criminal record, Medical, Professional qualifications, References, Online and social media. Pre-employment checks must be carried out in accordance with the six data protection principles as set out within the Data Protection Act 2018. An external review of the Council's resourcing function was recently completed by Evolving Solutions, which made several recommendations for improvement.</p> <p>Areas of Strength:</p> <ul style="list-style-type: none"> The Council has a Recruitment policy in place which is currently under review drawing on the advice of Xpert HR, which is a third party HR service, who will enable the council to benchmark the policy with good practice and updated government legislation. The policy currently outlines the pre-employment checks and procedures for staff involved with the recruitment process to follow. We confirmed that staff involved in the recruitment process are required to complete the Recruitment and Selection training. We verified that key staff members involved with staff recruitment have completed this training and there is a log in place to reflect this. Council guidance states that safer recruitment training should be completed by at least one panel member who is involved in a recruitment exercise. HR staff monitor who has or has not completed the training. Officers who have not completed the training will receive a prompt through the learning management system to complete and attend the training. At the moment, the procedure for non-compliance of mandatory training is currently under review. All staff are required to undergo safeguarding checks as written out in the Safeguarding Standards in Recruitment policy. We reviewed a sample of 15 starters from April 2023 to December 2023. In all instances, we noted that right to work documents and a DBS check was provided. In 12 instances, an application form was completed adequately by the applicant, with the other three staff members being TUPEd members so application forms were not required as they were completed for the previous business they worked for. In 12 instances, a medical check was completed in a timely manner, prior to the commencement date, relevant qualifications were provided, and checks and applications were approved by the hiring manager prior to employee start dates. This information was not required by the Council for the three TUPE'd employees. We confirmed DBS rechecks occur annually for all temporary staff, with the Matrix system sending out an alert when a re-check is required. We confirmed that the DBS re-checks are not outlined in any policy that the Council has currently. However, we were advised that this will be included in the current HR policies under revision. We also confirmed that if there is a breach in the initial DBS checks, the Matrix system will inform the hiring 					

manager and contract specialist. The Manager would then complete a risk assessment form which is authorised by the Head of Service or Director, prior to the individual commencing work.

- We confirmed that the Council has a matrix system which completes checks for agency staff and flags up if any documents do not pass the pre-employment checks. The checks are sent to the Council and monthly meetings are taken to review the flag as one of the KPIs the Council is required to monitor. A KPI spreadsheet is in place to monitor KPIs monthly, and an action log is used to monitor and record the outcomes of the monthly meetings.

Areas of Concern:

- We reviewed the Recruitment policy and confirmed that the role of social media is not outlined in the recruitment process. This should be detailed to ensure that recruiting staff follow standardised procedures and are not at risk of breaching the General Data Protection Regulation.
- The Council's policies were last reviewed in 2013, prior to the appointment of the current Director of People and Organisational Development and Head of Resourcing. We noted that the policies are currently under review informed by the advice of a third-party provider. The Council's policies and procedures are benchmarked against best practices and legislation from 2013. The Council should ensure that the Recruitment policy is reviewed regularly and updated every two years to reflect any changes to legislation and best practice.
- We confirmed that the Council has decided not to perform DBS re-checks for permanent members of staff. Re-checks are not currently outlined in any policy, although it is to be noted that the policies are currently under review.

Supporting Families Grant Claims 1 January 2024 to 31 March 2024 March 2024		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	-
		N/A - Advisory	N/A - Advisory	Medium	-
				Low	-
Purpose of review:	In accordance with the Supporting Families Programme Guidance, we sought to verify a representative sample of 10% families that the Council has supported, before the claim is submitted, to confirm the eligibility of the payments by results being claimed.				
<p>Background:</p> <p>The Supporting Families Programme launched in March 2021 and builds on the previous Troubled Families programme. Its focus is on building the resilience of vulnerable families, and on driving system change so that every area has joined up, efficient local services which are able to identify families in need and provide the right support at the right time. Supporting Families is committed to strong multi-agency local partnerships in every area with mature local and national data systems. This means investing more in good practice, overcoming barriers to data-sharing, and involving the voice of families in service design and commissioning. The programme falls under the joint remit of the Government’s Department of Education and the Department for Levelling Up, Housing and Communities. The programme’s aim is to have a positive impact for individual families, across public services and for the rest of society. The guidance 2022-25, issued by MHCLG, applies to the Council’s claims from 31 July 2023 and has been applied in this audit. The Council receives £800 for each claim under the Payment by Results process. The total number of claims for 2023-24 was 750, resulting in grant funding of £600,000. This compared favourably to the original anticipated number of 676 claims and grant funding of £540,800.</p> <p>Conclusions and Findings:</p> <ul style="list-style-type: none"> • For the period 1 January 2024 to 31 March 2024, we reviewed a sample of 21 claims. We verified with reference to evidence that the summary of extracts and data correspond to the reasons why the family is considered a successful outcome. • For each child of school age in the family, we confirmed that they achieved at least two consecutive terms of attendance over 90%. Of our sample, we identified no exceptions to prevent submission. • For a sample of seven cases, we identified no discrepancies between the source data and the successful outcome assertions provided by the Council. 					

TMO - Browning Estate Management Board May 2024		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	2
		Moderate	Limited	Medium	7
				Low	-
Purpose of review:	To provide assurance over the adequacy of the design and operational effectiveness of the controls in place relating to the TMO's operational and financial processes, such as financial management, procurement, and statutory compliance, including health and safety, fire risk assessment and asbestos.				
<p>Background:</p> <p>The Council funds the TMOs to run services and provides local offices. TMOs employ their own staff to provide the housing management services for the residents. The Council has a Modular Management Agreement (MMA) in place with each TMO, and these agreements are monitored on behalf of the Council by the Tenant Management Initiatives (TMI) team within the Housing Department. The agreements outline the services that each party is responsible for in the management of housing stock. TMOs are distinct legal bodies, with the protection of limited liability for members. An elected Management Committee, comprising local tenants and leaseholders, runs the TMO and represent the residents and set the priorities. Any savings a TMO makes can be spent in line with the wishes of the local community. There is a total of 498 flats at the Browning Estate Management Board.</p> <p>Areas of strength:</p> <ul style="list-style-type: none"> • The MMA stated the TMO shall provide the Council with a copy of the accounts and balance sheet for the previous financial year audited by a qualified auditor. We confirmed the Council received this for four out of the last 5 years. • We obtained the housing stock condition surveys for all properties managed by FHCS. We reviewed the surveys, and they show stock condition data including information on when attributes were installed, had works done and when they are next due for repair. The surveys did not make any recommendations regarding notices of dilapidation. • There was a comprehensive and up-to-date Finance Policy, Standing Orders and Financial Regulations which have been approved by the Management Committee and clearly outline all aspects of procurement, approval, and financial limits. • We confirmed that membership of the TMO Management Committee is in accordance with the terms of reference. • We confirmed that adequate processes are in place and records maintained for the identification and collection of rental income. Our sample testing confirmed that arrears are being managed and debts recovered in accordance with agreed procedures. • We confirmed that the cheque book is locked in the safe. The usage of the cheque book is effectively monitored through physical review and monthly bank reconciliations. • From our sample testing of general repairs, we confirmed that works orders had been raised and that invoices on file had been annotated with the quality checks undertaken. We concluded that works were allocated in line with the Council's required priorities. 					

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- From our sample testing, we confirmed that valid and signed tenancy agreements were on file and that the necessary pre-tenancy checks had been completed, such as ID and bank checks.
 - We confirmed that the process for overtime was clearly documented within the financial procedures, and through sample testing that this had been followed, including being signed by the employee and then authorised by the Estate Manager.
 - We reviewed the process for leasing to prospective tenants as outlined within the MMA and confirmed that the TMO retained all correspondence and completed all required checks prior to the award of the property.
 - The MMA outlines the arrangements between the Council and the TMO in terms of managing leaseholders and service charges, which we found to have been followed.

Areas of Concern:

- We found that works orders and invoices were not raised and authorised in line with the MMA and financial procedures.
- Credit/debit card expenditure was not reviewed and signed as approved by the appropriate delegated authority as per the financial standing orders.
- Budget monitoring was not being completed monthly and it had not been subject to Management Committee review.
- Works had been completed by contractors on the approved list, however, this was not current and had not been regularly reviewed and approved by the Management Committee. No original contracts and supporting documentation had been retained.
- The Management Committee terms of reference did not outline the key governance requirement such as the roles and responsibilities of members, frequency of meetings and quorum requirements were not documented.
- The Management Committee meetings were not undertaken monthly. The meetings were not consistently minuted to show discussions and formal actions to take forward and to be followed up at subsequent meetings.
- Not all members of the Management Committee had signed a declaration of interest form.
- A training plan for Management Committee members is not in place, to ensure that gaps of skills are being identified in a timely manner.
- The TMO has an equal opportunity, staff appraisal, grievance and disciplinary policies and procedures, however these were not reviewed or approved in the last 12 months.

TMO - Kennington Park House Co-Operative February 2024		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	3
		Limited	Limited	Medium	3
				Low	-
Purpose of review:	To provide assurance over the adequacy of the design and operational effectiveness of the controls in place relating to the TMO's operational and financial processes, such as financial management, procurement, and statutory compliance, including health and safety, fire risk assessment and asbestos.				
<p>Background:</p> <p>The Council has a Modular Management Agreement (MMA) in place with each TMO, and these agreements are monitored on behalf of the Council by the Tenant Management Initiatives (TMI) team within the Environment and Leisure Department. The agreements outline the services that each party is responsible for in the management of housing stock. TMOs are distinct legal bodies, with the protection of limited liability for members. An elected Management Committee, comprising local tenants and leaseholders, runs the TMO and represent the residents and set the priorities. Any savings a TMO makes can be spent in line with the wishes of the local community. There is a total of 40 flats at Kennington Park House Co-operative.</p> <p>Areas of strength:</p> <ul style="list-style-type: none"> • The cheque book was securely stored and is regularly monitored through reconciliations. • Our testing confirmed that debts were being recovered in accordance with agreed procedures. • The TMO had implemented a satisfaction form for when repairs were completed. • We reviewed the process for leasing to prospective tenants as outlined within the MMA and confirmed that the TMO retained all correspondence and completed all required checks prior to the award of a property. • The MMA outlined the arrangements between the Council and the TMO in terms of managing leaseholders and service charges, which we found to have been followed accordingly. <p>Areas of concern:</p> <ul style="list-style-type: none"> • Budget monitoring was not being completed on a monthly basis and there was no evidence that the financial position had been subject to routine oversight by the Management Committee. • The finance policy was last reviewed in March 2015 and requires updating to reflect current practice. 					

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- From our sample testing, we found that works orders and invoices were not raised and authorised in line with the MMA and financial procedures, and invoices were not signed in line with the requirements of the Finance Policy prior to payment.
 - A central log of work repairs at the TMO was not being maintained. Therefore we were unable to complete our test to confirm if works orders were being raised in a timely manner and required quality checks had been undertaken on completed jobs.
 - A standalone terms of reference is not in place for the Management Committee. Therefore, key governance requirement such as the roles and responsibilities of members, frequency of meetings and quorum requirements are not documented.
 - The equal opportunity and staff appraisal policies had not been reviewed and re-approved in the last 12 months.
 - Not all members of the Management Committee had signed a declaration of interest form.

5. SUMMARY OF RECOMMENDATIONS STATUS

The chart shows the relative percentages for each year from 2020-21 to 2023-24.

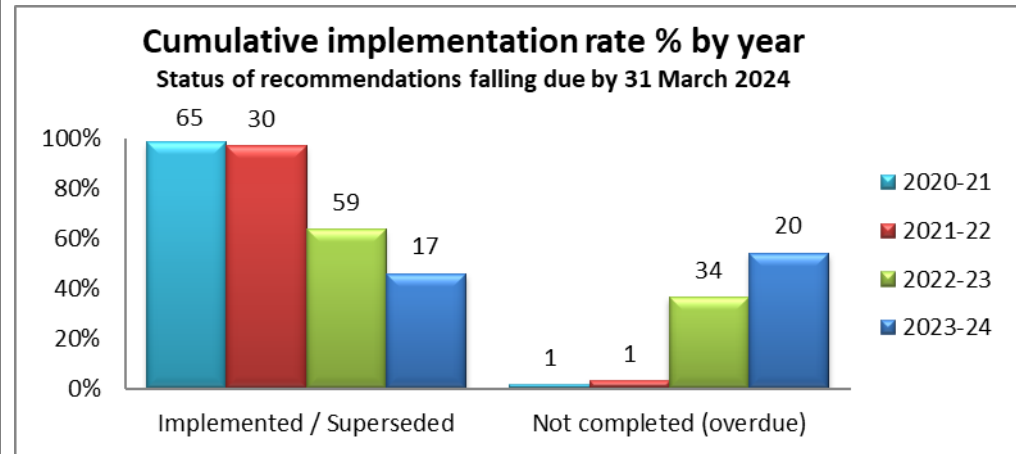
Of the 536 high and medium recommendations relating to 2017-18 to 2023-24, that have fallen due as of 31 March 2024, we have confirmed with reference to evidence that 480 have been fully implemented or superseded, representing 89.6%, an increase on the rate of 85.6% reported in February 2024.

However, several recommendation target dates for 2022-23 audits continue to be revised multiple times, which is preventing a better implementation rate. The remaining longstanding recommendations from previous years yet to be fully implemented have reduced in number.

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 - LONGSTANDING IN PROGRESS

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		
Environment, Neighbourhoods and Growth Directorate									
2020-21 South Dock Marina <i>Please refer to latest update.</i>	1	-	-	-	-	1	-	0%	June 2022 November 2022 March 2023 March 2024 June 2024

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									
2023/2024 Hospitality and Gifts Register and Registers of Interests	3	-	-	-	-	-	3	0%	March 2024 September 2024
2022-23 Member Officer Protocol	2	-	-	-	-	1	1	0%	October 2023 March 2024 No update received
2023/2024 Overtime Review (Advisory)	3	-	-	-	-	-	3	0%	March 2024 June 2024
2022-23 Payroll and HR	2	-	1	-	1	-	-	50%	July 2023 September 2023 January 2024

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		
									March 2024 December 2024
2022-23 Supplier Resilience	5	1	3	-	1	-	-	80%	August 2023 October 2023 January 2024 October 2024
Childrens and Adults Directorate									
2022-23 SEND Finance	7	-	1	4	2	-	-	14%	January 2024 May 2024 June 2024
2022-23 Mental Health	2	-	1	-	1	-	-	50%	October 2023 December 2023 March 2024 June 2024
2022-23 Safeguarding Adults	2	-	-	-	2	-	-	0%	November 2023 January 2024 March 2024 August 2024
Environment, Neighbourhoods and Growth Directorate									
2022-23 Library Services	4	-	3	-	1	-	-	75%	September 2022 April 2023 July 2023 September 2023 December 2023 March 2024 June 2024
2022-23 Cemeteries and Crematoria	4	-	3	-	1	-	-	75%	30 June 2023 December 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		
									March 2024 May 2024
2022-23 Markets	3	-	-	-	3	-	-	0%	September 2023 April 2024 June 2024
2022-23 No Recourse to Public Funds	3	1	2	1	2	-	-	100%	3 July 2023 31 August 2023 3 November 2023 June 2024 - awaiting evidence
2022-23 Parking Management and Estates Parking Permits	5	1	-	2	2	-	-	20%	January 2024 March 2024 August 2024
Finance Directorate									
2022-23 Insurance	2	-	-	-	2	-	-	0%	December 2022 July 2023 September 2023 January 2024 March 2024 May 2024
2022-23 Accounts Payable	3	1	1	-	1	-	-	67%	July 2023 September 2023 April 2024 May 2024
2022-23 Housing Rents	4	-	2	-	2	-	-	50%	October 2023 February 2024 March 2024 August 2024

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		
Housing Directorate									
2022-23 TMO - Brenchley Gardens	8	-	-	7	1	-	-	0%	November 2023 March 2024 September 2024
2023-24 Voids	2	1	-	-	1	-	-	50%	April 2024 July 2024
2023-24 TMO - Haddonhall	4	-	1	-	3	-	-	25%	March 2024 September 2024

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 these have been provided. The table excludes recommendations that have not fallen due or where no update has been provided.

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
Governance and Assurance Directorate		
2023-24 - Hospitality and Gifts Register and Registers of Interests (Officers)		
<p>We recommend the environment and leisure log is utilised across all areas detailing all gifts even those that do not breach the threshold.</p> <p>Medium</p>	<p>Director of People and Organisational Development March 2024 September 2024</p>	<p>We were advised by the Director of People and Organisational Development that the format of the Hospitality and Gifts register will be standardised drawing on good practice, including the log historically maintained by the (then named) Environment and Leisure directorate. The due date for this action has therefore been revised in discussion with management.</p>
<p>a) Guidance for staff and the induction process should be updated to confirm that where officers or managers change role within the year that they should complete a declaration of interest if applicable. The induction process should also be updated to include further training on DOIs and gifts and hospitality.</p> <p>Medium</p>	<p>Director of People and Organisational Development March 2024 September 2024</p>	<p>We were advised by the Director of People and Organisational Development that the Guidance for staff has been updated to reflect this requirement and the Induction process is still yet to be updated. The due date for this action has therefore been revised in discussion with management.</p>
<p>a) The officers required to complete declarations of interest should be expanded to include all social workers and agency workers.</p> <p>c) Guidance available to staff in relation to gifts should be updated to include case studies so managers are more easily able to understand obligations with this guidance also including disposal of any gifts.</p> <p>Medium</p>	<p>Director of People and Organisational Development March 2024 March 2025</p>	<p>We were advised by the Director of People and Organisational Development that the Guidance for the following:</p> <p>a) A pilot Declarations of Interest project is underway in Children and Adult services. As part of the pilot, all staff in all roles (including social workers, agency workers and contractors) are required to complete a declaration. The period for declarations to be completed opened on 1 March and will close on 26 April. After this time, the pilot will be evaluated and learnings fed into council-wide changes, which will be introduced the following year.</p> <p>b) Case studies are to be developed.</p> <p>The due date for this action has therefore been revised in discussion with management.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
2023-24 - Overtime Review (Advisory)		
<p>1.2 An overarching overtime policy should be created covering all the services within the Council. The Council should ensure that consistent processes are applied across the divisions. This policy should include at least the following:</p> <ul style="list-style-type: none"> • How to request overtime • Who can request overtime • Who can approve overtime • What documentation should be retained as evidence • Time frame within which overtime claims should be made <p>Medium</p>	<p>Director of People and Organisational Development March 2024 September 2024</p>	<p>We were advised by the Director of People and Organisational Development that work is underway to review overtime usage, focused initially on the housing directorate. An overarching policy or guidance will be developed. However, the timeframe for this needs to be extended given other competing priorities for policy, pay and reward resource. The due date for this action has therefore been revised in discussion with management.</p>
<p>2.2 Overtime reporting and monitoring should be encouraged at a department level to ensure the issue of excessive overtime claims can be dealt with at a local level, which can provide additional insight into tackling the problem across the Council.</p> <p>Medium</p>	<p>Director of People and Organisational Development March 2024 June 2024</p>	<p>We were advised by the Director of People and Organisational Development that the monthly reports on overtime are in development. HR Business Partners will be responsible for sharing these with senior leaders on a regular basis. The due date for this action has therefore been revised in discussion with management.</p>
<p>3.1 The planned review of the Trade and Craft Agreement 2021 should involve stakeholders from across the Housing directorate, including the Head of Building Services, to ensure a desirable outcome for all stakeholders.</p> <p>Medium</p>	<p>Director of People and Organisational Development April 2024 March 2025</p>	<p>We were advised by the Director of People and Organisational Development that the planned review of the Trade and Craft Agreement 2021 has not yet begun. The revised target date for completing this review, which will be undertaken via negotiation with trade unions. The due date for this action has therefore been revised in discussion with management.</p>
2022-23 Payroll and HR		
<p>1. The review of the overpayments procedure document should be completed to ensure guidance regarding sufficient and timely recovery action is in place. This recommendation was raised in the 2021/22 audit and has rolled over into this audit.</p> <p>2. Staff should be briefed on the reviewed procedure to ensure it is adhered to. This recommendation was raised in the 2021/22 audit and has rolled over into this audit.</p>	<p>Head of HR Operations/Principal SAP Officer 1 October 2023 January 2024 March 2024 December 2024</p>	<p>1. The Head of HR confirmed that this requirement has been incorporated into a wider programme of work to document all payroll processes. This work is underway. The due date for this action has therefore been revised to September 2024.</p> <p>2. Aligned with the above work the Head of HR operations reminded all colleagues in the payroll and transaction teams of the protocol and its application. The work underway to document all payroll processes will be incorporated into induction and training processes for the team, following its completion. The due date for this action has therefore been revised to December 2024.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>3. The Council should introduce a KPI to ensure recovery action for overpayments is monitored, such as a KPI for the time taken for overpayments to be added to the managed debt process.</p> <p>Medium</p>		<p>3. A meaningful KPI and reporting framework will be submitted to the Director of People and Organizational Development for approval. The due date for this action has therefore been revised to September 2024.</p>
2022-23 Supplier Resilience		
<p>7.1 Ensure all contracts include Key Performance Indicators to measure the performance of the supplier.</p> <p>7.2 Ensure all contract managers regularly monitor performance of the supplier in line with the contract.</p> <p>Medium</p>	<p>Chief Officers / CMT Strategic Director of Finance and Assistance Chief Executive - Governance and Assurance</p> <p>August 2023 September 2023 January 2024 March 2024 October 2024</p>	<p>The Head of Procurement advised that a review of Contract Management has been on-going since November 2023. It is presenting findings and recommendations on next steps to CMT 23 January 2024. The Procurement Act scheduled date to come into force is currently October 2024 and will entail more guidance around KPIs and reporting, as well as planning for future pipeline procurements as part of the preparation for these statutory requirements.</p> <p>The due date for this action has therefore been revised in discussion with management.</p>
Children's and Adults Directorate		
2022-23 Safeguarding Adults		
<p>Team management should complete quarterly sample checks to ensure referrals are completed and documented appropriately. Where issues are identified training should be implemented for the team or individuals to ensure these are resolved.</p> <p>Medium</p>	<p>Team Manager - Safeguarding and DOLS - Adult Social Care</p> <p>31 August 2023 January 2024 March 2024 August 2024</p>	<p>The Principal Social Worker and Strategic Lead for Safeguarding Adults and DoLS advised that the incoming Safeguarding and DoLS team manager joined us toward the end of February 2024. They have begun reviewing S42(2) Safeguarding Enquiries that are in excess of the recommended time frames. Part of this review has been to look at the quality of these and recommend training/ improvements. Once this work is complete a quarterly Safeguarding quality audit will be set up. The due date for this action has therefore been revised in discussion with management.</p>
<p>The Performance and Quality Team should undertake monthly audits focusing on safeguarding to ensure that any issues are identified and resolved by the team.</p> <p>Medium</p>	<p>Team Manager - Safeguarding and DOLS - Adult Social Care</p> <p>31 August 2023 January 2024 March 2024 August 2024</p>	<p>As above.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
2022-23 Mental Health		
<p>2.1 The Council should complete a review of all placements currently ongoing and ensure that any placements that have been in place for longer than 12 months have been subject to an annual review which has been passed to Panel for review.</p> <p>2.2 The next review date following the initial assessment should be included into Mosaic to allow for reports to run detailing when placements are close to being due for an annual assessment. This should be communicated with the Performance & Quality Data Team so they can include this information in the management information currently provided. If this is not feasible due to the functionality of Mosaic, then we recommend that spot checks should be carried to ensure that placements have been reviewed annually.</p> <p>Medium</p>	<p>Heads of Service / MOSAIC - manager September 2023 November 2023 March 2024 To be followed up prior to September 2024 AGSC</p>	<p>We were advised the following by the Service Manager:</p> <p>2.1 We continue to work towards achieving this and have prioritised those people who due an annual review. As of Sept 2023, 154 cases have had review in the past 12 months. Teams are making good progress to achieve this recommendation. This will also be an objective embedded in team and service plans. A relatively new SLaM Review team are now working closely with ASC to support this objective.</p> <p>2.2 Business Support Staff for each team can run reports which identify when reviews are coming up and use this data to ensure reviews take place on time. Generic review data for each service is shared as part of the performance dashboards shared by PDQ at SMT.</p>
2022-23 SEND Finance		
<p>2.1 The SEND Finance Team should ensure that invoices are paid within the terms set by the placement providers and in accordance with the terms and conditions of the Dedicated Schools Grant in relation to top-up funding. Where there are delays in making a payment or the invoice is disputed, the reason for the delay should be recorded on the invoice and the spreadsheet and the provider should be notified of when to expect a payment.</p> <p>2.2 Payments should be made more frequently, for example, termly at least, to those providers who are currently only paid twice a year. Consideration should be given to the following to assist in the payment of invoices more frequently: use of Mosaic system; raising of blanket Purchase Orders to providers; encouraging providers to join a framework where they are paid a monthly amount.</p> <p>2.3 The consolidation of the data in the Capita system will help to improve the accountability and approval to mitigate the risk of inappropriate payments. In addition, the production of regular aged creditors report would assist in the follow-up of non-payments to providers.</p>	<p>Assistant Director for SEND January 2024 May 2024 To be followed up prior to July 2024 AGSC</p>	<p>We were advised by the Business and Finance manager the following updates:</p> <p>A detailed end-to-end review of the SEND finance processes, tracking and monitoring arrangements has been completed.</p> <p>Outcomes:</p> <p>1 - From 2 finance officers in March 2023 to 4 finance officers and a senior finance officer (12-month interim agreement with a business case for permanent recruitment)</p> <p>2 - Started the DocuSign project that will allow us to send out SLAs to almost 500 settings simultaneously at the start of each term. This will be followed by a purchase order and potentially automated payment runs. The value of the PO will be updated each term to reflect changes. We expect this project to be completed by the end of Summer Term. Most of the backlog has been cleared. We expect it to be cleared by the end of June.</p> <p>In addition, we have been advised that some of these actions have been completed, which we have requested evidence before we can mark as complete.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
High		
<p>4.1 The SEND Finance Team should record details of payment onto the spreadsheet and the amounts outstanding for the remaining of the year. The student ID number should be used as reference for each payment to allow easy reconciliation of the payment amount to the child. Providers should be instructed to quote the Student ID on all invoices prior to being sent to the Council to allow the invoices to be matched to the child.</p> <p>4.2 Regular reconciliations, on a termly basis at least, should be undertaken of payments made on SAP against payments made as per the spreadsheet and Capita system. The reconciliations should be reviewed by a second officer for completeness and accuracy</p> <p>High</p>	<p>Assistant Director for SEND January 2024 May 2024 To be followed up prior to July 2024 AGSC</p>	<p>We were advised by the Business and Finance manager the following updates:</p> <p>4.1 SEND Finance has been using Student IDs since 01.04.23 to process payments Funding Data is entered on Capita. The funding information is reconciled for each setting. All schools will be provided with Student IDs via the DocuSign project otherwise an alternative system/process will be required. We plan to move away from invoicing because it is not efficient.</p> <p>4.2 The team has additional resources. (1 senior finance officer and 4 finance officers). This has reduced some of the pressure and will help with a more manageable workload going forward. Reconciliations are always reviewed by a second officer for completeness and accuracy.</p> <p>In addition, we have been advised some of these actions have been completed, which we have requested evidence before we can mark as complete.</p>
<p>5.1 Spot checks should be undertaken on a periodic basis on a sample of cases to confirm that data is accurate on the spreadsheet, the Costing Form and Capita system. Evidence of these checks should be maintained.</p> <p>5.2 Local procedures should be developed to include the maintenance of the spreadsheet and the spot checks. This should be used as a training guide for new officers and a refresher guide for existing officers</p> <p>Medium</p>	<p>Assistant Director for SEND January 2024 May 2024 To be followed up prior to July 2024 AGSC</p>	<p>We were advised by the Business and Finance manager the following updates:</p> <p>5.1 All the data is now on Capita. SEND finance can log disputes on the system. The disputes are checked/reviewed by coordinators. The finding disputes report can be downloaded by anyone however we have decided to organise regular meetings with coordinators to review the disputes report (twice per month)</p> <p>5.2 The team has attended at least 2 Capita training sessions.</p> <p>In addition, we have been advised some of these actions have been completed, which we have requested evidence before we can mark as complete.</p>
<p>7.1 The inaccuracies noted in the sample above should be investigated and the spreadsheet updated.</p> <p>Medium</p>	<p>Assistant Director for SEND January 2024 May 2024 To be followed up prior to July 2024 AGSC</p>	<p>We were advised by the Business and Finance manager the following updates:</p> <p>Capita is updated regularly. SEND finance reconciles the account for each school and logs funding disputes on the system to be resolved by the coordinators.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
		In addition, we have been advised some of these actions have been completed, which we have requested evidence before we can mark as complete.
Environment, Neighbourhoods and Growth Directorate		
2020-21 South Dock Marina		
<p>Both the Council and Marina should work together in order to agree a solution towards paperless working. Whilst we also recognise that the Marina does not have immediate capacity to deploy resources to scan all documentation, this is something that the Marina and Council should consider over the medium-long term to ensure all paper documentation has been scanned to either the Havenstar system (pending relevant modules and system upgrades) or the Marina's shared drive.</p> <p>Medium</p>	<p>Harbour Master</p> <p>June 2022</p> <p>April 2024</p> <p>June 2024</p>	<p>We were advised by the Divisional Business Manager that the Marina Management Software went live on 1 April 2024. All customer records will be held on software. All historic information will be scanned to current customer records. Expected completion of scanning historic data to customer records is June 2024. The due date for this action has therefore been revised in discussion with management.</p>
2022-23 Library Services		
<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>September 2023</p> <p>December 2023</p> <p>March 2024</p> <p>June 2024</p>	<p>We were advised by the Libraries and Heritage Manager that the Cashless payments has been implemented at a test site pending roll out to all sites. However there remains some issues with the system and its functionality with the library self-service kiosks which are still being resolved and tested between our IT teams and the self service provider. It is now anticipated that roll out of the cashless payments to all libraries will be completed by June 2024 pending no further issues. Current cash collection services and procedures are operating as normal with no issues reported.</p>
2022-23 Cemeteries and Crematoria		
<p>2.1 Our review supports consideration of developing an e-Booking Service, so applicants can book an appropriate slot and track their appointments online easily, safely, and securely.</p> <p>Medium</p>	<p>Bereavement Services Manager</p> <p>30 September 2023</p> <p>To be followed up in December 2023</p> <p>March 2024</p> <p>June 2024</p>	<p>We were advised by the Bereavement Services Manager that this action is Currently still progressing this with IT to move to vendor hosting, DPIA approvals were gained at the end of November and testing will commence shortly. With a view that the process should be completed and implemented by the end of March 2024. Unfortunately, there have been some delays with this and therefore the HLD is being reviewed this week by TDS. Therefore, a revised date has been set for this action in discussion with management.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
2023-24 Climate Strategy		
<p>1.1 The action plan should be reviewed and, where possible, updated with specific quarterly deadlines.</p> <p>1.2 Quarterly reporting should be completed regularly at the Directors and Officers Groups to ensure a continuous supply of data is available to enable increased reporting to the public dashboard.</p> <p>Medium</p>	<p>Climate Change & Sustainability Director July 2024</p>	<p>We were advised the following: From 2024-25 onwards the Climate Change Team is moving to an internal live version of the Climate Action Plan, where updates are captured on an ongoing basis through the year.</p> <p>The future governance of the Officer and Director groups is being reviewed to ensure how effective data updates can best be captured alongside escalation of risk and appropriate mitigation. The public dashboard will only be updated annually following the annual report that is taken to Cabinet.</p>
<p>A process should be put in place to gather feedback on the projects and confirm the carbon emissions achieved for each of these. This should be gathered and reported as part of the quarterly updates to Director and Officer Groups, and Cabinet annual reporting process.</p> <p>Medium</p>	<p>Climate Change & Sustainability Director December 2023 July 2024</p>	<p>We were advised that the process has commenced as part of projects funded via the Climate Capital Fund and will be included, where possible, in quarterly and annual updates.</p>
2022-23 No Recourse to Public Funds		
<p>1.1 The Council should Investigate fully the reasons why officers do not complete case reviews on time.</p> <p>1.2 Additional controls, such as enhanced strategic oversight and increased monitoring and reporting of reviews, should be introduced to ensure timely completion of case reviews.</p> <p>1.3 A resourced plan should be put in place to address the backlog of overdue reviews and to ensure that sufficient resources are available to complete future reviews on time.</p> <p>High</p>	<p>NRPF Management Team 3 July 2023 31 August 2023 3 November 2023 To be followed up in June 2024</p>	<p>The Community Support Team manager advised us that these actions are in progress:</p> <p>1.1 - Staff changes meant some cases were not completed on time. These vary between staff leaving the council, staff sickness and induction of new staff. The team are implementing that line managers discuss reviews status with their cohort at each supervision.</p> <p>1.2 - The project officer will review the team's Master Case List to ensure better recording which can give increased oversight on a monthly basis. The NRPF team are starting service development to streamline reporting primarily from Mosaic, which kicked off on 16 August 2023.</p> <p>1.3 - As above, the team will be meeting the Divisional Business Manager to look at service development for streamlining the service. We are awaiting evidence to support implementation of these recommendations.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>2.1 Regular performance monitoring and reporting should be reintroduced, to report the following information:</p> <ol style="list-style-type: none"> 1. Number of NRPF cases. 2. Number of households. 3. Types of Support 4. Length of Support 5. Analysis of trends / comparisons to previous data periods 6. Outstanding / overdue reviews <p>2.2 Additional officers should be trained on how to monitor and report performance information to provide resilience in case the Community Support Manager is absent for an extended period.</p> <p>Medium</p>	<p>Community Support Team Manager</p> <p>3 July 2023 31 August 2023 6 November 2023</p> <p>To be followed up in April 2024 To be followed up in June 2024</p>	<p>The Community Support Team manager advised us that these actions are in progress:</p> <p>2.1 - Per the updates provided for actions 1.2 & 1.3, this action is in progress and commenced on 16 August 2023.</p> <p>2.2 - The NRPF team will be reviewed performance in manager's meetings, with an action plan meeting to be held week beginning 6 November 2023.</p> <p>We are awaiting evidence to support implementation of these recommendations.</p>
<p>3.1. A monthly quality control process should be introduced to test a sample of decisions to ensure officers save supporting documentation and the corrects checks have been completed.</p> <p>3.2. Officers should be reminded of the importance of evidencing the decisions they make to confirm compliance with procedures and legislation.</p> <p>Medium</p>	<p>NRPF Management Team</p> <p>3 July 2023 October 2023 November 2023</p> <p>To be followed up in April 2024 To be followed up in June 2024</p>	<p>The Community Support Team manager advised us that these actions are in progress:</p> <p>3.1 - The team have started case monitoring reviewing cases over 5 years old. Managers are to implement quality control as from October 2023 by reviewing a sample of referrals from July to September.</p> <p>3.2 - Case checklist will be implemented - will review checklist for implementation from November 2023.</p> <p>We are awaiting evidence to support implementation of these recommendations.</p>
2022-23 Markets		
<p>1.1 The Council should review the Markets policy and outline the delegated authority level to remove temporary and permanent licences.</p> <p>1.2 Guidance should be created detailing the documentation to be provided by permanent, temporary traders and operators. This should be published on the Council's website and referred to internally by the Markets Team when conducting documentation checks.</p> <p>Medium</p>	<p>Markets and Street Trading Manager</p> <p>Autumn 2023 January 2024 June 2024</p>	<p>Update is not due yet, the following were the previous updates we were advised.</p> <p>1.1 Any changes agreed will be taken to licensing Committee in June 2024 after consultation with traders.</p> <p>1.2 The online booking and applications for temp traders and private operators has been implemented. The traders are now booking their weekly / daily pitches and paying through FGL.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>2.1 When the annual renewal process is undertaken for the upcoming financial year, a review of all ongoing traders' files should be undertaken to ensure that all supporting documentation has been provided and it is current. If any missing documents are identified, these should be requested prior to the permit being renewed. A confirmation of the review should be provided to the Markets and Street Trading Manager. The renewed licence should be subsequently uploaded on the FGL system.</p> <p>2.2 During the annual renewal process, if insufficient documents are provided by traders, the trader account should be changed from 'live' to 'not live' to achieve consistency in record keeping.</p> <p>Medium</p>	<p>Markets and Street Trading Manager Autumn 2023 April 2024 Awaiting evidence</p>	<p>We were advised of the following update that the Online permit application now online as well as renewals. All 2024 licences renewed online. However, we are awaiting evidence.</p>
<p>3.1 The debt recovery procedure document should be updated to include the requirement of attaching all correspondence with the trader on the SAP system, to ensure the Corporate Income & Debt Management Team have adequate information to pursue debts.</p> <p>3.2 The Markets Team should request an update from the Corporate Income & Debt Management Team on a quarterly basis and record this on the list of traders, to ensure that debtors are not missed, and debt recovery actions are initiated.</p> <p>3.3 The Commercial and Administrative Officer should request SAP access to download electronic reports of debtor accounts. If this is not feasible, then these reports should be requested from the Environment & Leisure Finance Team on a monthly basis.</p> <p>Medium</p>	<p>Markets and Street Trading Manager Autumn 2023 April 2024 Awaiting evidence</p>	<p>We were advised of the following updates: The FGL system has had teething problem. Ongoing discussions to resolve issues and hoping this will be resolved by the end of May. However, we are awaiting evidence.</p>
2022-23 - Parking Management and Estates Parking Permits		
<p>1.1 Establish a clear governance framework for parking services, with clear responsibility and accountability for all key financial and operational tasks, including reporting lines for the following:</p> <ul style="list-style-type: none"> • Issuing and administering permit applications • Call centre operations relating to parking. • School crossing patrol officers • Dealing with the early stages of representations and appeals and related correspondence 	<p>Estate Parking Portfolio Holder December 2023 March 2024 Awaiting evidence</p>	<p>We were advised that the recommendation has been implemented however, we are awaiting evidence.</p> <p>The following are the previous updates from January 2024:</p> <ul style="list-style-type: none"> • The contact centre has an action plan in place regarding the issuing/administration of parking applications. • Agreed action plan for implementation and compliance following meeting with parking team and finance. • Schedules of parking fees and charges have been checked and

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<ul style="list-style-type: none"> Debt management and the associated follow up of untraceable vehicles. Updating and checking the annual schedules of parking fees and charges, price increases and variations, coming into effect ahead of each financial year once approved by Cabinet. <p>1.2 Develop a clear and comprehensive organisational structure chart and ensure this is maintained.</p> <p>High</p>	<p>.</p>	<p>will be implemented following cabinet approval.</p> <ul style="list-style-type: none"> To be implemented - discussion held to discuss the effectiveness of the current arrangement. The Council are exploring the viability of merging street and estate parking services under one service to address the blurred lines in the organizational structure. Further discussions are planned.
<p>3.1 Introduce checklists for staff for each parking permit type to guide the completion of appropriate validation checks including the collection, scanning, and indexing of appropriate proof prior to issuing the estates parking permits, ensuring that all proof supplied must be in the same name and address as the permit application.</p> <p>3.2 Introduce quality monitoring control procedures to confirm the validation of the estates parking permits granted to ensure all proof supplied is complete and in the same name and address as the permit application. We recommend that this is undertaken on a sample basis across the range of permit types, monthly. Any high error rates should be discussed, and actions agreed to improve this in future.</p> <p>3.3 Develop a policy and procedure on giving refunds.</p> <p>3.4 The quality monitoring control procedures should include checking for any duplicate permit applications occurring to ensure these are corrected monthly.</p> <p>3.5 Obtain a list of staff with Dash system access. Review staff system access to ensure the access permissions are appropriate in accordance with roles and responsibilities.</p> <p>High</p>	<p>Sean Conway/ Ade Aderemi</p> <p>September 2023</p> <p>March 2024</p> <p>August 2024</p>	<p>We were advised of the following updates:</p> <ul style="list-style-type: none"> Local processes have been revised and will be iteratively revised to accommodate any changes to the Estate Parking application. The policy for Estate Parking requires sign off by the service owner. The ability to implement changes is predicated on the implementation of the new Imperial parking solution. The ability of the Contact Centre to triage and process Estate Parking applications effectively is dependent on the availability of adequate resources, as outlined in the audit report. <p>The due date for this action has therefore been revised in discussion with management.</p>
<p>5.1 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 should be scheduled.</p> <p>Medium</p>	<p>Robert Egueye/Finance Team</p> <p>November 2023</p> <p>March 2024</p> <p>August 2024</p>	<p>We were advised the of the following, that Finance reported some data was received from EN&G for year-end purposes, however, there is still improvements to be made in this area. Ongoing discussion between Finance and ENG for EN&Gs to complete write off reports for anything over 6 years.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
The due date for this action has therefore been revised in discussion with management.		
Finance Directorate		
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>Medium</p>	<p>Corporate Risk and Insurance Manager</p> <p>October 22 July 2023 September 2023 January 2024 March 2024 June 2024</p>	<p>We were advised that there is currently no change in the position at this time and will be revisited at the next quarterly review meeting in May 2024. The position will therefore be reviewed again in June 2024, ahead of the next AGSC.</p> <p>The following was the previous update:</p> <p>Part a) - We were advised that the Strategic Director of Finance asked the Chief Digital and Technology Officer to conduct a review of current cyber security provisions in place and provide a report partly to see if the Council could meet the minimum insurer requirements as a starting point. This is an ongoing piece of work with the area still being explored. A cyber liability policy can be expensive with insurers often requiring fairly high deductibles, so the Council also needs to be clear on the benefit of putting one in place if there is a large element of self-insurance. We agreed that the position of this action will be reviewed in 2024 for further updates.</p> <p>A further update was provided in January 2024 that this item is still under review, however the Council is not yet in the position to seek quotes with insurers.</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 September 2023 December 23 March 2024 June 2024</p>	<p>We were advised that the Council aims to complete the first round of claims review in June after 6 months of the new system / coding claims. Therefore, a revised date has been set for this action in discussion with management.</p>
2022-23 Accounts Payable		
<p>3.1 Quarterly reports are currently run to identify instances of POs being raised retrospectively as well as invoices being paid after</p>	<p>Head of Financial Control and Processing</p>	<p>The Head of Financial Control and Processing advised that: Transactional Finance now will inform all senior managers and senior</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>more than 30 days. These are shared with Departmental Finance Managers and Business Managers (budget holders). As late payment of invoices (without reasons being provided) is a recurring issue, further escalation of the quarterly reports is required. Exceptions to required practice should be reported to each Directorate Management Team, and a summary presented to the Corporate Management Team. A revised communications strategy from the FC&P Team, as well as a change in the ‘tone from the top’, would help to raise awareness and understanding of the issue and facilitate good practice going forward across all levels of staff.</p> <p>3.2 Repeat offenders in the quarterly reports should be followed up so that root causes can be identified, and support provided as needed.</p> <p>3.3 A reminder should be sent out to officers, particularly towards year-end (which is when officers are most likely to make this mistake), to refrain from making payments that are invoiced at a future date.</p> <p>Medium</p>	<p>30 June 2023 September 2023 February 2024 March 2024 June 2024</p>	<p>finance managers across the Council and provide them with all the information - they can then follow up on these or speak to the repeat offenders under their control. A Year End Purchasing Aged Report will also be provided to the Director of Finance based upon the past years performance in April 2024.</p>
<p>2022-23 Housing Rents</p>		
<p>1.1 The Operations Manager Income (Council Tax) and the Former Tenant Arrears team should carry out a review of all pending former tenant arrears cases to ensure that these are being actioned (i.e., there should be no cases unactioned on the system for over three months, and actions should be reviewed to determine whether they are appropriate).</p> <p>1.3 In addition to the proposed report of aged debt cases, the Operations Manager should design an indicative recovery timetable to provide officers with guidelines (as all cases are unique) and key performance indicators to work towards.</p> <p>1.5 The proposed timetable for write offs should include guidelines on the length of time cases should be left on hold (after the former tenant deceased, for example) before being allocated to an officer, to mitigate the risk that the case is overlooked for an extended period.</p> <p>Medium</p>	<p>1.1 Operations Manager Income (StepByStep) September 2023 January 2024 March 2024</p> <p>1.3 Operations Manager Income (StepByStep) October 2023 February 2024 March 2024</p> <p>1.5 Operations Manager Income (StepByStep) July 2023 December 2023 March 2024</p>	<p>We did not receive a response to our request for an update on 27 March 2024 and a reminder on 24 April and 9 May 2024.</p> <p>We were previously advised the following:</p> <p>The Operations Manager advised that the revised delivery date for these three actions should be updated to March 2024, due to their contingency on action 1.1.</p>





Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
	All to be followed up in June 2024	
<p>2.1 The missing tenancy agreements should be located, or terms and conditions should be re-agreed, signed, and stored electronically.</p> <p>2.2 A review should be completed to confirm that signed agreements are saved on file for other tenants.</p> <p>2.3 Tenancy accounts on Northgate should be created, and payment allocated, before the start of the tenancy. The Council should introduce annual spot checks to ensure that this is the case.</p> <p>Medium</p>	<p>2.1 - Implemented at time of report</p> <p>2.2 and 2.3</p> <p>Resident Services Manager</p> <p>July 2023</p> <p>October 2023</p> <p>To be followed up in June 2024</p>	<p>We did not receive a response to our request for an update on 27 March 2024 and a reminder on 24 April and 9 May 2024.</p> <p>We were previously advised the following:</p> <p>We were advised by the Operations Manager that checks carried out with Rents in August 2023 found several tenancy agreements had not been uploaded to EDMS in a timely manner. This has been brought to the attention of Resident services for the next review in October 2023. We received no response to our request for an update in January 2024, therefore this action will be followed up alongside the above recommendations 1.1 and 1.2, in June 2024.</p>
Housing Directorate		
2022-23 Brenchley Gardens TMO		
<p>The TMO should ensure that all existing properties and newly let properties are subject to an annual gas servicing check which is completed by a Gas Safe registered engineer and the certificate is retained. Further, a central compliance gas servicing log should be created and updated once properties have had a gas service check to ensure that those which are due can be easily identified.</p> <p>High</p>	<p>Estate Manager</p> <p>December 2023</p> <p>31 March 2024</p> <p>September 2024</p>	<p>The TMI advised us of the following:</p> <ul style="list-style-type: none"> • BGMA operations have been in suspension since September 2023. The TMO office has been closed since that time as the organisation had no employed staff to manage / deliver business objectives / responsibilities; considering this BGMA has not progressed recommendations from the BDO audit. • An interim manager has recently been appointed. • The manager will be attending BGMA committee on 18/4/2024. The manager will also be meeting with the chair and TMO manager on 19/4/2024 to discuss / agree a priority work programme which will include the completion of BDO audit recommendations.
<p>The TMO should ensure that budget monitoring reports are produced each month, including the use of reserve and surplus fund, and should be shared at the monthly Management Committee meetings and ensure that all discussions including approval of the annual budget and reasons for variations are adequately documented.</p> <p>High</p>	<p>Estate Manager</p> <p>November 2023</p> <p>31 March 2024</p> <p>September 2024</p>	<p><i>See manager comments above.</i></p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>The TMO should ensure that all works order and invoices are raised approved and retained in an organised manner to ensure the procurement process is in line with the Councils requirements and MMA between the TMO and the Council.</p> <p>The TMO should also review the systems for maintaining records relating to the procurement activity and consider automating the process where possible.</p> <p>High</p>	<p>Estate Manager/Housing Assistant December 2023 31 March 2024 September 2024</p>	<p><i>See manager comments above.</i></p>
<p>The TMO should implement a central repairs log which lists all repairs across the properties at Brenchley Gardens. The log should include the results of any quality checks completed and if any follow up action was identified.</p> <p>A works order should be raised for all repairs which is authorised in line with the MMA between the Council and the TMO and linked to the procurement of the works if not under an ongoing contract.</p> <p>High</p>	<p>Estate Manager/Housing Assistant January 2024 31 March 2024 September 2024</p>	<p><i>See manager comments above.</i></p>
<p>The TMO should ensure that a tenancy agreement between the Council and the tenant, nomination letter, reasons for placement and identification checks are completed prior to the award of the property to an individual. These checks should all be retained on the individuals personal file should the Council require evidence of their completion.</p> <p>High</p>	<p>Estate Manager/Housing Assistant June/July 2023 30 November 2023 31 March 2024 September 2024</p>	<p><i>See manager comments above.</i></p>
<p>The TMO should ensure that all pre-employment checks are completed prior to the appointment of a new started and should ensure that all documentation is securely retained in the individual's personnel file.</p> <p>High</p>	<p>HR Provider - City Interim/ Estate Manager June 2023 30 November 2023 31 March 2024 September 2024</p>	<p><i>See manager comments above.</i></p>
<p>The Estate Manager should review the control account statement monthly to identify properties which are currently in arrears. Those which have been identified should have a formal letter sent to their address advising them of the arrears and a paid it needs to</p>	<p>Estate Manager/ Accountant Arrears Management - July 2023 30 November 2023</p>	<p><i>See manager comments above.</i></p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>be paid by. Where payment cannot be made, an action plan should be produced to reduce the arrears.</p> <p>Further, properties currently in arrears should be report to the Management Committee to ensure adequate oversight and scrutiny of action plans in place for these properties.</p> <p>High</p>	<p>31 March 2024 September 2024 New System - Jan 2024 31 March 2024 September 2024</p>	
<p>The TMO should ensure that the monthly Management Committee meetings are formally documented to show discussions. The minutes should include any actions identified and the timeframe for implementation, along with evidence of discussion on key areas of the TMO.</p> <p>Medium</p>	<p>BGMA Chair/ Secretary May 2023 30 November 2023 31 March 2024 September 2024</p>	<p><i>See manager comments above.</i></p>
2023-2024 TMO - Haddonhall		
<p>The TMO should ensure that all works order invoices are approved to ensure the procurement process is in line with the TMOs financial procedure that sets out the appropriate authorisers and financial delegations.</p> <p>Medium</p>	<p>Estate Manager, Treasurer and Vice Treasurer Ongoing</p>	<p>The Estate Manager advised us the following: The TMO has accepted & implemented recommendation to comply with TMO policy. A Quarter 4 monitoring visit (end of April / May 2024). The TMI Officer will gather evidence of compliance, invoices for last 3 goods & service requisitions.</p>
<p>3.1 All HR policies and procedures should be reviewed and subject to Management Committee approval on an annual basis, to ensure that all specified content remains accurate and up to date.</p> <p>3.2 A performance management or competency framework should be implemented to support the staff in measuring their performance, recognising, and rewarding high performance, supporting staff development, and identifying and addressing under performance.</p> <p>Medium</p>	<p>Estate Manager and Chair 31 March 2024 September 2024</p>	<p>The Estate Manager advised us the following: TMO feedback, "Policy currently in draft. To be presented to the management committee for discussion and approval at their next meeting in May 2024". TMO handbook should include terms & conditions of employment including the performance management framework. The review of all policies & procedures is an on-going project and is a standing item agenda at TMO management committee meetings. A review of all risk & services policies for HR, performance management will undertake.</p>
<p>Declarations of interests should be completed, signed, and dated by all Committee Members at the earliest opportunity and retained by the TMO.</p> <p>Medium</p>	<p>Estate Manager and Secretary June 2024</p>	<p>The Estate Manager advised us the following: This is still outstanding. With the TMO to provide still provide signed copied of declarations of interests for all committee members.</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.

RECOMMENDATION SIGNIFICANCE DEFINITION

RECOMMENDATION SIGNIFICANCE

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:**AARON WINTER**

+44 23 8235 9209
Aaron.Winter@bdo.co.uk

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Meeting Name:	Audit, Governance and Standards Committee
Date:	3 June 2024
Report title:	2023-24 Annual report of the Corporate Anti-Fraud Team, Finance and the Special Investigations Team
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	n/a

RECOMMENDATION

1. That the audit, governance and standards committee note the annual report of the Corporate Anti-fraud Team (CAFT) and the Special Investigations Team (SIT) for the year 2023-24.

BACKGROUND INFORMATION

2. The work of the anti-fraud team at the council has previously been reported by BDO, as part of the internal audit and anti-fraud progress report. BDO provided management support to the council's anti-fraud team but with the permanent appointment of a Corporate Anti –Fraud Manager, the council is able to provide the strategic advice and management overview in-house.
3. This report summarises the work of the Corporate Anti-Fraud Team and Special Investigations Team for the year 1 April 2023 to 31 March 2024.

KEY ISSUES FOR CONSIDERATION

2023-24 Investigations

4. The table below summarises the Corporate Anti-Fraud Team investigations in 2023-24. The total number of cases was 237 across the year, compared with 276 in 2022-23.

Summary of the anti-fraud caseload 2023-24

2023-24	Corporate	Anti-Fraud	Housing		Right to Buy		Blue Badges	
			Waiting List		Open	Closed	Open	Closed
C/f	Open	Closed	Open	Closed	Open	Closed	Open	Closed
	28		4		2		13	
April	11	7	5	4	5	3	0	0
May	11	7	6	6	1	2	1	0
June	9	7	7	4	4	3	2	2
July	12	10	6	6	1	4	1	0
Aug	3	3	1	5	0	0	1	0
Sept	6	6	0	5	2	1	1	0
Oct	11	16	9	9	4	3	3	2
Nov	3	5	8	4	2	1	2	2
Dec	2	2	11	7	3	5	0	1
Jan	5	1	5	5	3	1	1	14
Feb	4	2	6	6	2	4	1	1
Mar	2	0	3	3	2	1	2	1
Total	107	66	71	64	31	28	28	23

5. A new case reporting system has been introduced which has resulted in changes to the status of some cases or re-classification, with some cases consolidated, others are placed on hold, awaiting further information or investigation, before a decision is taken on how to progress them.

Corporate Anti-Fraud investigations

6. Corporate anti – fraud investigations are usually minor in nature and include areas such as declaration of interests, overtime and working hours issues. Of the 107 cases outlined in the table, 66 have been closed in the year, 24 are active and 17 are on hold.

Housing waiting lists

7. The Team undertakes reviews of the housing waiting list and also homelessness applications which are a cause for concern such as suspicious supporting documents i.e. pay slips, bank statements, contrived overcrowding in order to be placed on the housing list.
8. In 2023-24, the team received 67 referrals, with 4 carried over from the previous year. There are 7 cases outstanding at the end of the year, pending requests for additional information.
- 38 cases were denied. Information obtained suggested that the applicant had provided false information regarding their circumstances to gain housing, or they have not provided sufficient evidence in response to enquiries.
 - 3 cases had no further action.

- 5 cases were referred back to the housing department, as the applicant failed to respond to enquiries, or transferred to another department for further investigation.
- 7 cases are under review at the information gathering phase i.e. awaiting a home visit or awaiting information from the applicant, an interview etc.
- 17 have been recommended to be maintained and agreed that the applicant should remain on the housing list.
- 1 case was withdrawn by the applicant.

Right to Buy (RTB)

9. The council checks 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. When referrals are received, the team reviews the source of cash funding and makes a recommendation to the RTB team. For each case denied or withdrawn a standard cash 'saving' to the council is assumed at £127,900.
10. Between 1 April and 31 March 2024 there have been 29 referrals and 2 carried forward from the previous year.
 - 26 cases have been reviewed and referred back to the RTB Team to progress the application.
 - 2 cases have been denied. The total value of the potential discount stopped was £255,800.
 - 2 cases were withdrawn by the applicant, following the referral. The total value of the potential discount stopped was also £255,800.
 - 1 case is waiting further information concerning the source of the funding.
11. The team further identified a potential subletting issue and the case was denied for RTB. This was referred to the Special Investigations Team (SIT) who have since served a 'Notice to Quit' and the property has been recovered.

Blue Badge

12. The Corporate Anti-Fraud Team (CAFT) support referrals for 'Blue Badge' fraud and misuse as part of an Environment and Leisure initiative which outsources the investigation and prosecution of Blue Badge irregularities to an external contractor, BBFI. Cases where blue badges are issued outside the borough are forwarded to the issuing authority.
13. Blue Badge Fraud Hotline cases in April 2023-March 2024.

Closed No Further Action 20

Closed Transferred Out	3
Under investigation	5
Total	28

(13 Blue Badge CAFT referrals were carried forward from 2022/23)

For those that are described as 'No Further Action', the cars were not found to be using a Blue Badge. For those that are described as 'Transferred Out', the cars were not identified as using a Blue Badge, but were deemed to need further review and monitoring so placed on the BBFI system.

14. The proactive, BBFI foot Patrols (not referrals) confiscated 117 Blue Badges from April 2023 to March 2024. 69 have been returned to the customer or to other local authorities. 38 cases have been referred for prosecution (awaiting a court date) and 10 cases have been issued either a Penalty Charge Notice (PCN), paid a release fee for Tows (£250) or issued a warning letter for misuse of a badge.

National Fraud Initiative (NFI)

15. Data matching involves comparing computer records held by one organisation against other computer records held by the same or another organisation to see how far they match. The match can be an exact match or a very close match. Where a match is found, there may be an inconsistency that requires further investigation.
16. The Cabinet Office released the latest 'data matches' in January 2023 (data is released every 2 years). The matches relate to a number of areas including Blue Badges, Payroll to Payroll, Council Tax Reduction, Housing Tenancy and Concessionary travel. The initial risk score is based on two factors.
- (i) Risk Logic – a set criteria for each dataset combination which indicates when a fraudulent outcome is more likely to occur and;
 - (ii) Footprint Score – a set of criteria associated with the number of times an individual appears across all NFI data at the address and informs a risk.
17. A combination of risk logic and footprint score produces a final risk score for each match. The council prioritises matches above 50% of the final risk score. The fraud risk identified 4,387 matches.

High Risk	858
Medium Risk	1,731
Low Risk	1,457
Nil	341

18. The current progress/status of the matches identified are as follows:

Processed matches	4,203
Cleared	3,469
Frauds	12
Errors	722
Total sums recoverable	£273,697

19. The council has a mandated duty to submit Electoral Registry and Council Tax data to The Cabinet Office National Fraud Initiative (NFI) on an annual basis. This data is uploaded to the NFI in January and returned the same month. This match identifies addresses where the householder is claiming a council tax single person discount on the basis that they live alone, yet the electoral register suggests that there is more than one person in the household aged 18 or over
20. There were 6,192 matches reported in the annual dataset, 3,043 have been processed, with 689 frauds identified, with an estimated recovery of £349k. The Anti-Fraud Team works continues to work closely with the Income Operations and Exchequer Services to ensure accuracy of the data and compliance with single person discount regulations.
21. A further check identifies addresses where the householder is claiming a council tax single person discount (SPD) on the basis that they are the only occupant over 18 years of age, yet the electoral register suggests that there is somebody else in the household who is already, or is approaching, 18 years of age. 15 frauds have been identified with an estimated recovery of £18k.
22. Allegations concerning council tax fraud received via the Fraud Hotline are disseminated to the relevant team for confirmation and action.

Housing Tenancy Fraud 2023-24

23. The Special Investigation Team (SIT), are based within the council's 'Residents Services' department. The team investigates 'housing tenancy fraud' for housing stock that the council owns, manages and is responsible for. This includes cases of unlawful subletting, non-occupation, succession, assignment, mutual exchange, right to buy and housing register application fraud, unless otherwise agreed. The total number of investigations is detailed in the table below, with the value of housing tenancy fraud prevented by the team at over £1.96m.

Summary of Housing Tenancy Investigations 2023-24

2023-24	Investigations Opened	Investigations Closed	Properties Recovered	Tenancy Prevented	RTB prevented	Other Positive outcomes
C/f	402					
April	10	24	2	2	0	0
May	13	14	0	1	1	3
June	19	15	3	3	0	1
July	3	15	0	0	0	0
August	14	6	1	1	0	1

2023-24	Investigations Opened	Investigations Closed	Properties Recovered	Tenancy Prevented	RTB prevented	Other Positive outcomes
September	40	13	2	0	0	1
October	109	84	0	0	0	2
November	61	45	0	1	0	4
December	19	16	0	0	0	0
January	68	28	2	0	1	4
February	31	32	2	2	0	1
March	32	30	2	2	1	5
Total	548	276	14	12	3	22

24. In addition, to these investigations, the Special Investigations Team (SIT) has:-

- Undertaken checks, where legislation allows, in support of the work by area housing management and legal services to recover properties from illegal occupation.
- Provided information to support the work of the Residents Services in 38 cases during the financial year.
- Served a total of 19 Notices to Quit or Notices Seeking Possession as a result of investigations conducted and have referred 13 cases to legal services.
- Continued to work on housing tenancy related matches under the NFI. Over the 2 year period there has been 2,435 housing tenancy data matches, of which there are 154 open investigations and a further 1,379 matches to be reviewed.
- Data matched approximately 37,500 tenancies in March 2024 in preparation for Residents Services conducting intelligence led tenancy audits in 2024-25.

Staffing, Recruitment and Training

25. The planned recruitment exercise to the CAFT has been successful. The posts of Fraud Team Manager and Fraud Trainee have been filled. The remaining two vacancies will be recruited in 2024-25. The SIT has a compliment of a manager and 8 investigations officers. One officer is currently undertaking training to professionally qualify as Accredited Counter Fraud Specialist. A full review of team training needs, including refresher training, is currently being undertaken.

Policy framework implications

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

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

27. 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

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

Health impact statement

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

Climate change implications

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

Resource implications

31. This report is not considered to have direct impact on resource implications.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

32. None required

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Tim Jones, Director of Corporate Finance	
Report Author	Paul Bergin, Corporate Anti-Fraud Manager	
Version	Final	
Dated	22 May 2024	
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, Finance	n/a	n/a
Cabinet Member	No	No
Date final report sent to Constitutional Team	24 May 2024	

Meeting Name:	Audit, governance and standards committee
Date:	3 June 2024
Report title:	External audit plan & strategy for Southwark Council 2023/24
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	
From:	Strategic Director of Finance

RECOMMENDATION

1. That the audit, governance and standards committee note the external audit plan for 2023-24 for Southwark council, as attached at Appendix A.

BACKGROUND INFORMATION

2. The purpose of the report at Appendix A is to provide an overview of the risk assessment and planned audit approach for the statutory audit of the council, for those charged with governance.

Policy framework implications

3. The reports are not considered to have direct policy framework implications.

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

Community impact statement

4. This reports are not considered to have a direct impact on local people and communities. However, good financial management and reporting arrangements are important to the delivery of local services and to the achievement of outcomes.

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. There are no direct resource implications in this report.

Financial implications

9. This report is financial in nature but does not give rise to any direct costs.

Legal Implications

10. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Government Act 1972, part 2 of the Audit Commission Act 1998 and the regulations made there under.

Consultation

11. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

12. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Department of Finance files	Finance Department, Second Floor, Tooley Street	Amarjit Uppal 0207 525 4578

APPENDICES

No.	Title
Appendix A	External Audit Plan & Strategy – Southwark Council 2023-24

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Fleur Nieboer, Phillip Kent; KPMG LLP	
Version	Final	
Dated	20 May 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Assistant Chief Executive Governance & 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	23 May 2024	

Southwark Council

DISCUSSION DRAFT

Report to the Audit, Governance and Standards
Committee

Audit plan and strategy for the year ending 31 March 2024

3 June 2024

Introduction

To the Audit, Governance and Standards Committee of Southwark Council

We are pleased to have the opportunity to meet with you on 3 June 2024 to discuss our audit of the financial statements of Southwark Council (the Council), as at and for the year ending 31 March 2024.

We have been appointed as your auditors by Public Sector Audit Appointments Ltd. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO Code of Audit Practice. The NAO is consulting on a new Code of Audit Practice for 2023/24, therefore this plan will remain draft until the finalisation of that Code.

This report outlines our risk assessment and planned audit approach. Our planning activities are still ongoing and we will communicate any significant changes to the planned audit approach. We note that an audit opinion has not been expressed on the prior period, once the prior period audit opinion has been expressed we will communicate any significant changes to the planned approach.

We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

We are also appointed as auditor to the Southwark Pension Fund. We will issue a separate audit plan in relation to the pension fund audit.

The engagement team

Fleur Nieboer, FCA, is the engagement partner on the audit and is responsible for the audit opinion. She has over 20 years of industry experience.

Philip Kent, ACA, is the engagement senior manager responsible for your audit. He has over five years experience in the Local Government sector and nine years of experience in public sector audit.

Yours sincerely,

Fleur Nieboer

7 May 2024

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Significant risks and other audit risks	5
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How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls; and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner.

The audit undertaken in the current year is dependent on the finalisation of the previous auditor's work over historical financial statements.

We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.



Overview of planned scope including materiality



Our materiality levels

We determined materiality for the Council's financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of total expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as stability of legislation, lack of borrowing, and lack of shareholders when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality £9.03m / 65% of materiality driven by our increased assessed level of risk of undetected misstatements as we learn more about the Council's financial systems and processes in this first year.

We will report misstatements to the Audit, Governance and Standards Committee including:

- Corrected and uncorrected audit misstatements above £695,000.
- Errors and omissions in disclosure (corrected and uncorrected) and the effect that they, individually and in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

Control environment

The impact of the control environment on our audit is reflected in our planned audit procedures. Our planned audit procedures reflect findings raised in the previous year and management's response to those findings.

- Other than for cash, we are not anticipating placing reliance on the Council's internal controls as part of our audit work.

File review

We will undertake an appropriate prior year file review following the issuance of the final opinion by the previous auditors.

Materiality

Materiality for the financial statements as a whole

£13.9m

1.0% of total expenses

Procedures designed to detect individual errors at this level

£9.03m

65% of materiality

Misstatements reported to the Audit, Governance and Standards Committee

£695k



Overview of planned scope including materiality (cont.)



Timing of our audit and communications

We will maintain communication led by the engagement Partner and Senior Manager throughout the audit. We set out below the form, timing and general content of our planned communications:

- Discussions with management in October 2023 to discuss key matters about the Council;
- Audit, Governance and Standards Committee meeting on 3 June 2024 where we present our audit plan;
- Status meetings with management on a monthly basis where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues;
- Closing meeting with management in September 2024 where we discuss the auditor's report and any outstanding deliverables; and
- Audit, Governance and Standards Committee meeting in September/October 2024 where we communicate audit misstatements and significant control deficiencies.

We anticipate issuing our audit opinion prior to Christmas 2024, subject to the outcome of ongoing DLUHC and NAO consultations into local government external audit arrangements. We will agree a final timetable with you upon the completion of those consultations..

Using the work of others and areas requiring specialised skill

We outline below where, in our planned audit response to audit risks, we expect to use the work of others such as Internal Audit or require specialised skill/knowledge to perform planned audit procedures and evaluate results.

Others	Extent of planned involvement or use of work
Internal Audit	We will review the work of internal audit as part of our risk assessment procedures but will not place reliance on their work.
KPMG Real Estate Valuation Centre of Excellence (REVCoE)	We will use KPMG valuation specialists to assess the work performed by the Council's valuer over the valuation of land and buildings.
IT Audit	We will use our IT Audit team to understand how the Council uses IT in financial reporting, and the key processes and governance in place over those IT systems.
Data & Analytics	We will use our data and analytics specialists to analyse the Council's journal entries, and produce dashboards to help us identify high risk journal entries to test. The specialists will also produce a risk assessment dashboard showing key issues (if any) with the configuration of the Council's SAP system.
KPMG Pensions Centre of Excellence	We will use our actuarial specialists to review the assumptions used to calculate the Council's defined benefit obligation balances, as well as to assess the work performed by the Council's actuaries.

Significant risks and other audit risks



Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the business, the sector and the wider economic environment in which the Council operates.

We also use our regular meetings with senior management to update our understanding and take input from internal audit reports.

Due to the current levels of uncertainty there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate this to the Audit, Governance and Standards Committee.

Value for money

We are required to provide commentary on the arrangements in place for ensuring Value for Money is achieved at the Council and report on this via our Auditor's Annual Report. This will be published on the Council's website and include a commentary on our view of the appropriateness of the Council's arrangements against each of the three specified domains of Value for Money: financial sustainability; governance; and improving economy, efficiency and effectiveness.

For further details, see page 17.

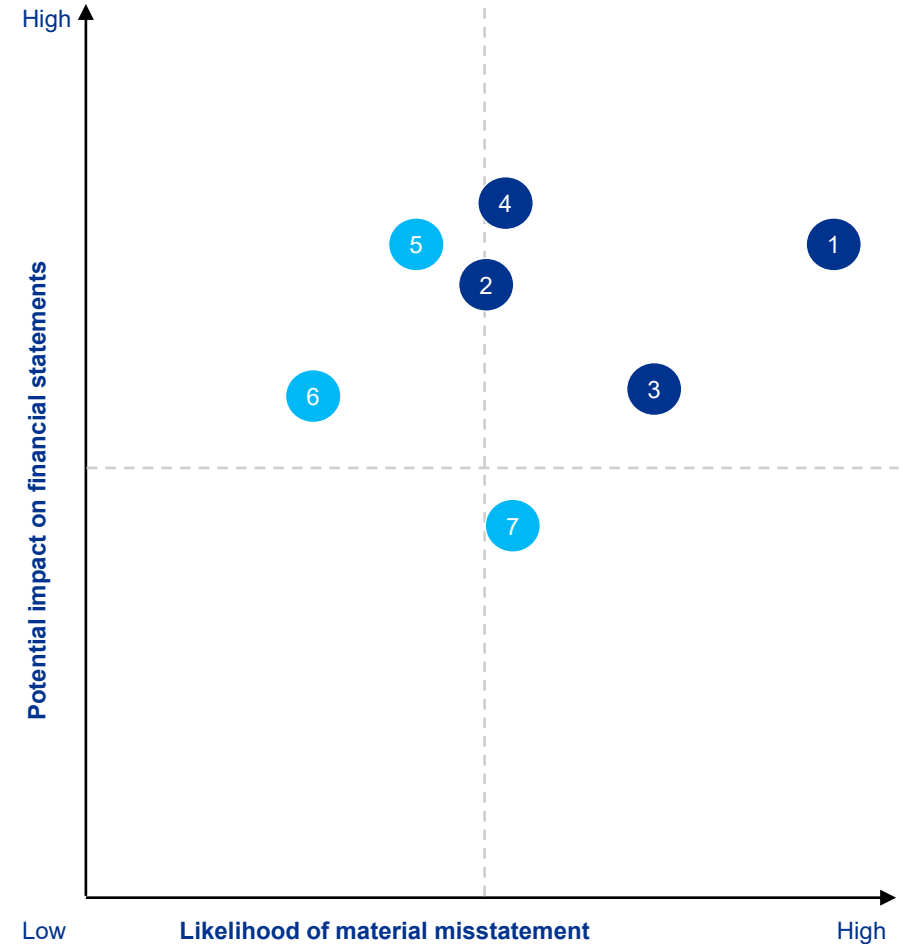
Significant risks

1. Valuation of land and buildings
2. Management override of controls
3. Valuation of post retirement benefit obligations
4. Fraud risk over HRA expenditure recognition

Other audit risks

5. Valuation of investment property
6. Accuracy and valuation of PFI liabilities
7. Presentation of IFRS 16 pre-transition disclosures

Key: # Significant financial statement audit risks # Other audit risk
 ○ Change compared to prior year
 ▼



Audit risks and our audit approach (cont.)



1 Valuation of land and buildings

Risk of error related to the incorrect calculation of valuation adjustments for housing dwellings and other land & buildings



Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council is re-valuing all its estate this year on account of the appointment of a new external valuation firm. The value of the estate at 31/3/24 was £3.4bn for dwellings and £1.5bn for other land and buildings.

A risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the engaged valuer. This is on account of the judgement involved in the selection of assumptions including, but not limited to identification of beacon dwellings; obsolescence adjustments; modern equivalent asset assumptions; and alternative site assumptions.

In assessing this risk we noted the large value of misstatements related to this area in the 2022/23 accounts, including due to issues with the quality of the listings of properties; and due to the valuation being prepared at an interim date and rolled forward.

As the Council's valuation firm is new, we have are still to understand their methodology and assumptions. Therefore we will revise this risk once we have a deeper understanding of their approach.



Planned response

We will perform some or all of the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of Cluttons, the valuers used in developing the valuation of the Council's properties at 31 March 2024;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will assess the completeness and accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions (to be determined) within the valuation as part of our judgement;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will utilise our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology and assumptions utilised; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)



2

Management override of controls

Fraud risk related to unpredictable way management override of controls may occur



Significant audit risk

Professional standards require us to communicate the fraud risk from management override of controls as significant.

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We have also identified weaknesses in the control environment for journal entries, including over-privileged user access to the Council's general ledger system.



Planned response

Our audit methodology incorporates the risk of management override as a default significant risk. We will perform the following procedures:

- Assess accounting estimates for bias by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias;
- Evaluate the selection and application of accounting policies;
- Evaluate the design and implementation of controls over journal entries and post closing adjustments;
- Evaluate the design and implementation of controls in place for the identification of related party relationships;
- Test the completeness of the related parties identified and ensure any transactions arising with those parties are appropriately disclosed within the financial statements;
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates;
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual; and
- We will analyse all journals through the year using data and analytics and focus our testing on those with a higher risk, such as journals which reduce the amount of housing revenue account (HRA) expenditure posted during the final financial close down process.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Audit risks and our audit approach (cont.)



3

Valuation of post retirement benefit obligations

Risk of error related to the incorrect valuation of defined benefit plan liabilities



Significant audit risk

The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.

In addition, the Council's pension memberships are in a net surplus position, leading to judgements being required as to the quantum of any asset ceiling which should be calculated, and hence whether an asset should be recognised on the balance sheet.

The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.

We have identified this in relation to the Southwark Local Government Pension Scheme. Due to the size of the liability for the London Pension Fund Authority membership being small compared to materiality, we have not identified this risk in relation to that membership.



Planned response

We will perform the following procedures:

- Understand the processes the Council has in place to set the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Perform inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agree the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluate the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenge, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirm that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Consider the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions;
- Assess the level of surplus that should be recognised by the Council; and
- Assess the impact of a new triennial valuation model and/or any special events, where applicable.

Audit risks and our audit approach (cont.)



4 Fraud risk over expenditure recognition – HRA expenditure understatement^(a)

Fraud risk related to the manipulation of housing revenue account expenditure



Significant audit risk

Professional standards require us to identify a rebuttable significant risk of fraud related to expenditure recognition, reflecting the limited ability for public sector bodies to manipulate revenue (which is more common in the private sector) whilst still being subject to financial performance targets.

The Council's Housing Revenue Account (HRA) balance is experiencing financial sustainability pressure, particularly in the short to medium term. At 31 March 2023, the value of the HRA was £19.5m, which was a 27% reduction compared with the prior period. The Council has recently introduced a recovery plan to bring the HRA back into financial health.

Councils are not permitted to deplete the HRA (or general fund) balance, and therefore the sustainability issues in the HRA, alongside a need to deliver the HRA recovery plan, may create pressure to fraudulently overstate the closing HRA balance through under-recognition of expenditure incurred. This would either be through inappropriately capitalising costs that should be expensed, or incompletely recognising liabilities for costs incurred in the year.

Whilst we have not identified any actual or suspected fraud, we have identified the HRA as the area where the risk of fraudulent financial reporting is greatest so have elected not to rebut the fraud risk at this stage of our planning. We will keep this under review as our work at the Council progresses.



Planned response

We will perform the following procedures in order to respond to the significant risk identified:

- We will evaluate the design and implementation of controls for developing manual HRA expenditure accruals at the end of the year to verify that they have been completely and accurately recorded;
- We will inspect a sample of invoices of HRA expenditure, in the period just after 31 March 2024, to determine whether expenditure has been recognised in the correct accounting period;
- We will inspect journals posted as part of the year end close procedures affecting HRA expenditure that decrease the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence; and
- We will inspect a sample of capital additions to HRA assets to assess whether the item is eligible for capitalisation and whether the split (if any) of an invoice between revenue and capital has been correctly calculated and recorded.

Note: (a) Presumed risk that professional standards require us to assess in all cases and which can be rebutted if there is no entity-specific significant risk relating to expenditure recognition.

Audit risks and our audit approach (cont.)



5

Valuation of investment properties

Risk of error related to the incorrect valuation of investment properties



Other audit risk

The Council's investment property portfolio of £343m includes a number of commercial rent units, including a large real estate scheme near the Council's offices in London Bridge.

Under the Code these are considered 'Investment Properties' due to the intention of maximising rental values or capital appreciation. The standard requires this class of assets to be valued at each year end.

The valuation is subject to movements based on current market conditions which contain a heightened degree of uncertainty, in particular for commercial offices.

Also, dependent on the type of valuation undertaken, there are a number of assumptions used in the valuation of the assets which are subjective, and could impact the overall valuation at the year end and movement during the year.



Planned response

We will perform the following procedures:

- Review the portfolio of investment properties, focussing on the accounting treatment and disclosure of these in the financial statements;
- Use KPMG valuation specialists to review the valuation of the Council's investment properties;
- Assess the competence, experience, and independence of the Council's valuation firm;
- Consider the reasonableness of assumptions that have been made against benchmark data; and
- Verify the accuracy of underlying data, such as tenancies and property details.

Audit risks and our audit approach (cont.)



6 Accuracy and valuation of PFI liabilities

Risk of error related to the incorrect recording of liabilities arising from assets funded through the private finance initiative



Other audit risk

As at 31 March 2023 the Council has PFI liabilities totalling £76m and assets purchases through PFI totalling £79m.

PFI schemes are based on complex financial models which, aside from needing to mirror the contractual terms, contain assumptions about future events – namely inflation.

There is a risk, due to the complexity of the financial models, that the value of the PFI liabilities recognised in the financial statements are incorrect.



Planned response

We will perform the following procedures:

- For a sample of PFI schemes, agree inputs of the model to the underlying contract, reading the contract to ensure all pertinent contractual terms are included within the model;
- Re-calculate the model, testing the validity of the formulas inherent to the model and ensuring that the model correctly calculates the different types of charges and the closing liability each period; and
- Re-calculate the financial statement disclosures in reference to the tested models.

Audit risks and our audit approach (cont.)



7 Presentation of IFRS 16 pre-transition disclosures

Risk of error related to the incorrect presentation of disclosures related to the implementation of the IFRS 16 Leases standard



Other audit risk

In accordance with the CIPFA Code, the Council is required to adopt IFRS 16 Leases from the 31 March 2025 year-end.

The Code requires that the Council produces either quantitative or qualitative disclosures in the 31 March 2024 financial statements setting out the anticipated impact of the transition to IFRS 16.

Under the new standard, the Council will be required to recognise right of use assets and lease liabilities relating to operating leases which are currently held off balance sheet. There are also changes to the accounting of finance leases but there is less impact compared to the operating leases because finance leases are already held on balance sheet.

Whilst the value of the operating leases is small (at 31 March 2023, the future minimum lease payments were under £10m), the new disclosures related to the transition to the new standard are risky because:

- The Council has not previously been required to prepare this kind of disclosure before;
- There can be difficulties in establishing the completeness of the list of assets; and
- There are complexities in the identification of leases that are affected, including peppercorn leases.



Planned response

We will perform the following procedures:

- Inquire of management to understand whether the Council intends to prepare quantitative (and if so, the value) or qualitative disclosures;
- Inquire of management to understand how the Council plans to transition to IFRS 16, and assess whether the transition plan is appropriate; and
- Assess whether the disclosures made are in line with the CIPFA Code, our understanding of the Council, and the transition plan described to us by management.

If the Council decides to prepare quantitative disclosures which are material, additional procedures will be required.

Audit risks and our audit approach (cont.)



Revenue – rebuttal of significant risk

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Due to the nature of the revenue within the Council, we have rebutted this significant risk. We have set out the rationale for the rebuttal of key types of income in the table below.

Description of income	Nature of income	Rationale for rebuttal
Council tax	This is the income received from local residents paid in accordance with an annual bill based on the banding of the property concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of properties in the area and the fixed price that is approved annually based on a band D property: it is highly unlikely for there to be a material error in the population.
Business rates	Revenue received from local businesses paid in accordance with an annual demand based on the rateable value of the business concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of businesses in the area and the fixed amount that is approved annually: it is highly unlikely for there to be a material error in the population.
Fees, charges and other service income	Revenue recognised from receipt of fixed fee services, in line with the fees and charges schedules agreed and approved annually.	The income stream represents high volume, low value sales, with simple recognition. Fees and charges values are agreed annually. We do not deem there to be any incentive or opportunity to manipulate the income.
Government grants and contributions	Predictable income receipted primarily from central government, including for housing benefits.	Grant income at a local authority typically involves a small number of high value items and an immaterial residual population. These high value items frequently have simple recognition criteria and can be traced easily to third party documentation, most often from central government source data. There is limited incentive or opportunity to manipulate these figures.

Audit risks and our audit approach (cont.)



Expenditure – rebuttal of significant risk

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered.

Having considered the risk factors relevant to the Council and the nature of expenditure within the Council, we have determined that, with the exception of the risk already identified in the HRA (see risk 3), a significant risk relating to expenditure recognition is not required.

Specifically, the financial position of the Council, (whilst under pressure) is not indicative of a position that would provide an incentive to manipulate expenditure recognition and the nature of expenditure has not identified any specific risk factors, as set out below:

Matter considered	Detail of findings	Conclusion
Medium-term financial strategy	The Council has an ample general fund reserve balance at 31 March 2023 and over the three year period of the Medium Term Financial Strategy for 2024-25 to 2026-27 presented to full Council in March 2024, the Council requires minimal use of earmarked reserves and has an immaterial (c. £11m) shortfall by the end of the three year period. There is no heightened financial pressure on the Council's general fund and no clear incentive to over or understate expenditure in order to maintain financial sustainability.	Other than the identified significant risk in relation to the housing revenue account, we have rebutted the presumed significant risk of fraud in relation to expenditure recognition.
Capital programme	The Council's capital programme, as presented to full Council in March 2024, is forecasting an underspend on the capital programme for 2023/24 due to a slippage of capital schemes into 2024/25, with a c. £1 underspend in the capital programme by the end of 2034. Whilst the underspend during 2024 may yield an opportunity to fraudulently capitalise costs and reduce expenditure during 2023/24, the lack of financial pressure during the financial year and the longer-term balanced position for the capital programme suggests this is unlikely.	
Minimum Revenue Provision	We have considered the Council's Minimum Revenue Provision (MRP) policy for potential indicators of manipulation to either over or understate the general fund revenue outturn. Our analysis of historic MRP charges and the 2023/24 policy found it to be in line with our understanding of the legislative requirements, and we have seen no indication of an aggressive MRP policy being in place.	

Other significant matters related to our audit approach



Impacts of climate risk and climate change disclosures

We will evaluate management's assessment of the potential financial implications of climate risk on the financial statements, including estimates and disclosures.

As part of our procedures on other information, we will obtain and read your climate change disclosures. We will consider whether there is a material inconsistency between this information included in the annual report and the financial statements, or with our knowledge obtained in the audit; or whether this information appears to be materially misstated.

Going concern

Under NAO guidance, including Practice Note 10 - A local authority's financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

However, financial sustainability is a core area of focus for our Value for Money opinion.

Value for money risk assessment



Value for money



Our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility is to conclude on significant weaknesses in value for money arrangements.

The main output is a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

Risk assessment processes

Our responsibility is to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

Reporting

Our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

Financial sustainability

How the body manages its resources to ensure it can continue to deliver its services.

Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

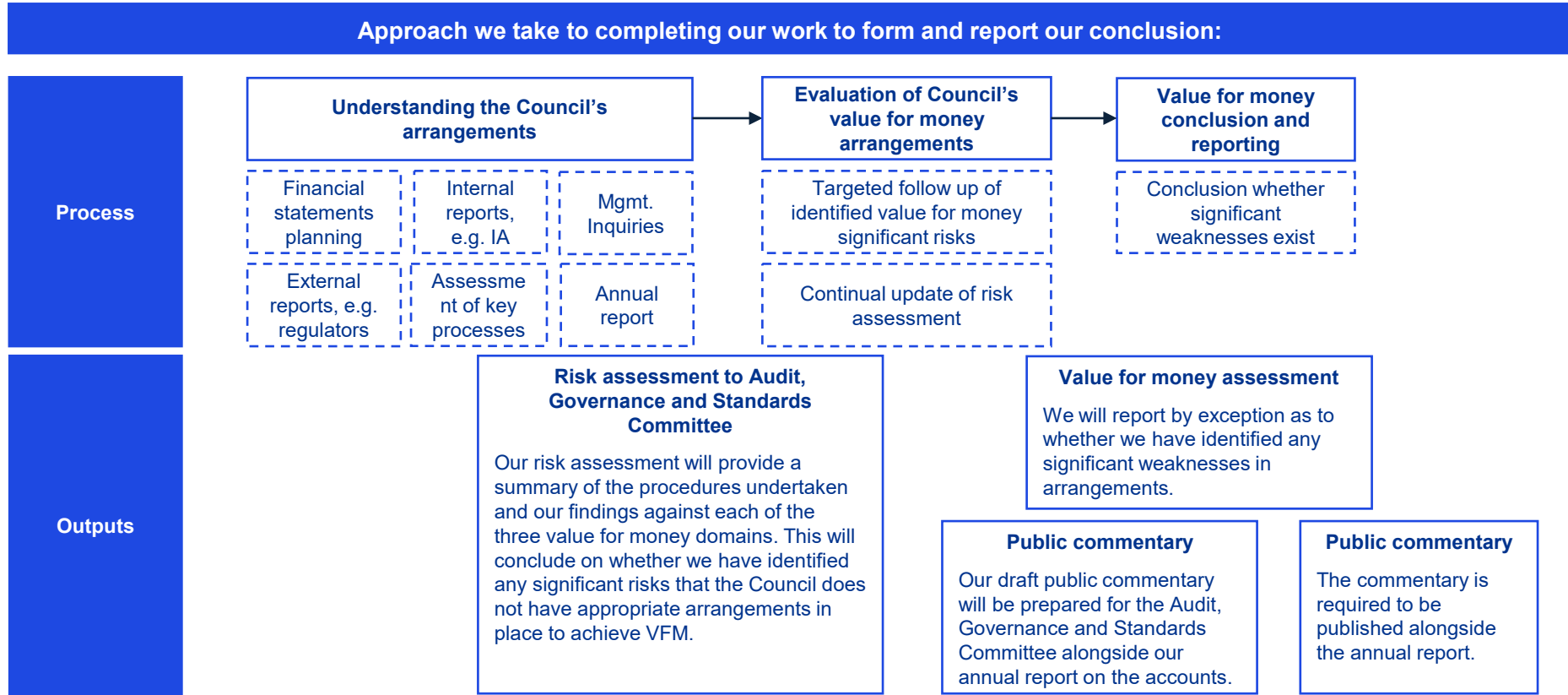
Progress

Our work to assess the Council's value for money arrangements are underway. At this stage we anticipate significant Value for Money risks related to the following:

- Financial sustainability and governance of the Council's Housing Revenue Account on account of the long-standing financial pressures it faces;
- Contract management and on account of adverse media and internal audit findings involving major works, including at Devon Mansions and the Canada Estate; and
- TMO management on account of adverse media, internal audit findings, and matters reported to us involving control over historic payments made to a TMO.

We will provide further detail of our proposed procedures once we complete our risk assessment procedures.

Value for money



Appendix



Mandatory communications



Type	Statements
Management's responsibilities (and, where appropriate, those charged with governance)	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
Auditor's responsibilities	Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
Auditor's responsibilities – Fraud	This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.
Auditor's responsibilities – Other information	Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.
Independence	Our independence confirmation at page 25 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement partner and audit staff.

Mandatory communications – additional reporting



Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We also have responsibilities which come specifically from acting as a component auditor to the NAO. In considering these matters at the planning stage we indicate whether:



Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily



We have identified issues that we may need to report



Work is completed at a later stage of our audit so we have nothing to report

We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Matter	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date.
Provide a statement to the NAO on your consolidation schedule		This "Whole of Government Accounts" requirement is fulfilled when we complete any work required of us by the NAO to assist their audit of the consolidated accounts of DLUHC.
Provide a summary of risks of significant weakness in arrangements to provide value for money		We are required to report significant weaknesses in arrangements. Work to be completed at a later stage.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

Audit cycle & timetable



Our schedule

Key:

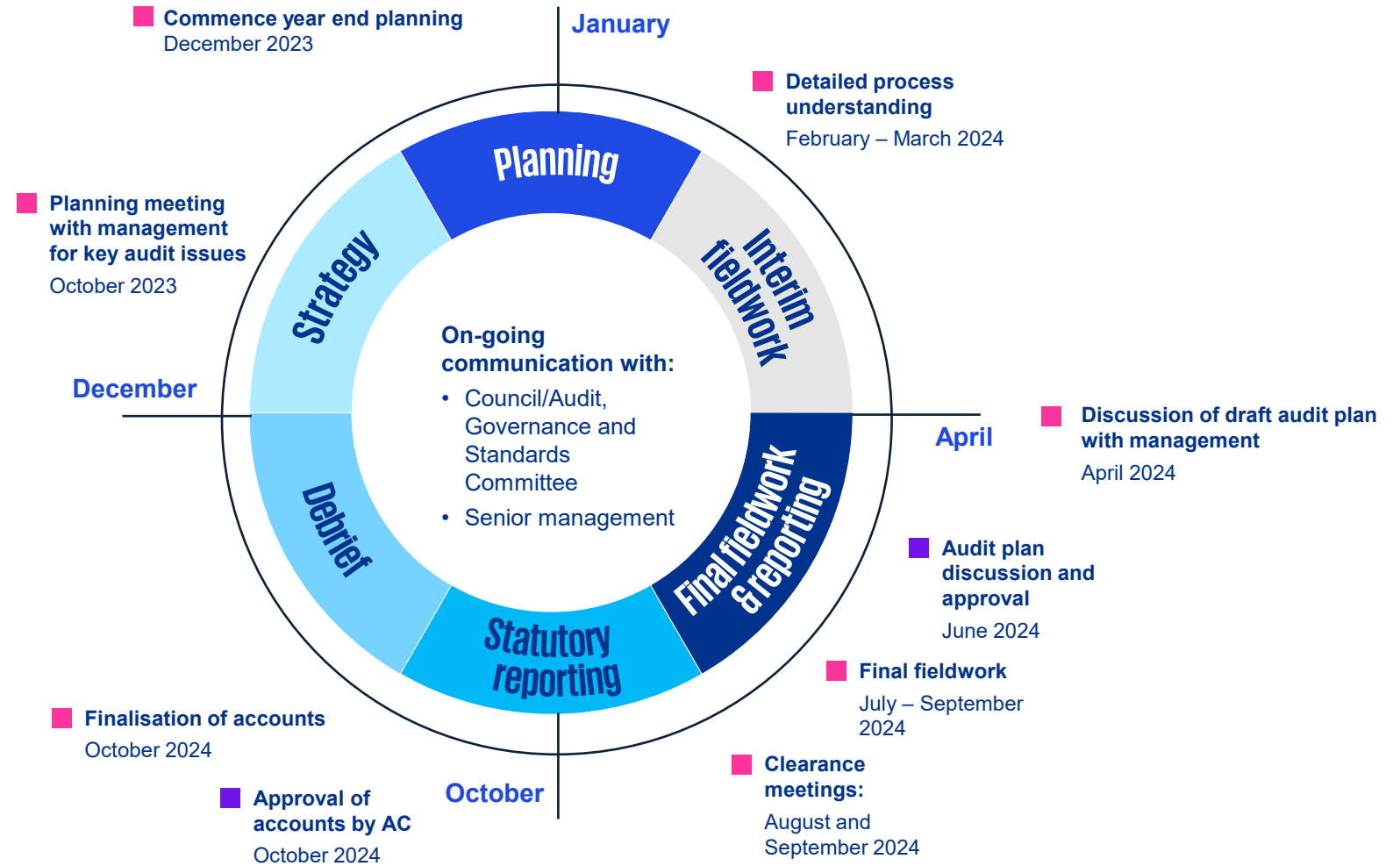
- Timing of AC communications
- Key events

We have worked with management to generate our understanding of the processes and controls in place at the Council in its preparation of the Statement of Accounts.

We have agreed with management an audit cycle and timetable that reflects our aim to sign our audit report during October 2024.

This being the first year of KPMG as auditor we have undertaken greater activities to understand the Council at the planning stage. This level of input may not be required in future years and may change our audit timings.

Given the large amount of consultation happening in regard to the scope and timing of local government this audit schedule may be subject to change.



Fees

Audit fee

The table below summarises our agreed fees for the year ending 31 March 2024. The fees quoted are exclusive of VAT.

	2023/24
Financial statements	555,885
Total audit fees	555,885
Non-audit fees	-
• Teachers' Pension Scheme return	6,000
• Pooling of Housing Capital Receipts return	6,000
• Housing Benefit Subsidy return	50,000
Total KPMG fees	617,885

The scale fee for our audit of the pension fund audit is £75,403.

As per PSAA's Scale Fees Consultation, the fees do not include new requirements of ISA 315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud). The fees also exclude any additional work which may arise from our Value for Money risk assessment. Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.

Billing arrangements

Fees will be billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

Basis of fee information

In line with our standard terms and conditions the fee is based on the following assumptions:

- The Council's audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied; A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-forms as necessary. Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

Any variations to the above plan will be subject to the PSAA fee variation process.



Confirmation of Independence



We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Audit, Governance and Standards Committee members

Assessment of our objectivity and independence as auditor of Southwark Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard.

As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

The conclusion of the audit engagement partner as to our compliance with the FRC Ethical Standard in relation to this audit engagement is subject to review by an engagement quality control reviewer, who is a partner not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out on the table overleaf.

Confirmation of Independence



Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2024	Value of Services Committed but not yet delivered
Other Assurance Services	Agreed upon procedures in relation to the housing benefit subsidy return.	Self review Management	<ul style="list-style-type: none"> The work is performed by a separate engagement team to the audit team, and the work is not relied on within the audit file. Our work does not involve judgement and are statements of fact based on agreed upon procedures. 	Fixed	-	50,000
	Agreed upon procedures in relation to the teachers pension scheme return.	Self review Management	<ul style="list-style-type: none"> The work is performed by a separate engagement team to the audit team, and the work is not relied on within the audit file. Our work does not involve judgement and are statements of fact based on agreed upon procedures. 	Fixed	-	6,000
	Agreed upon procedures in relation to the pooling of housing capital receipts return.	Self review Management	<ul style="list-style-type: none"> The work is performed by a separate engagement team to the audit team, and the work is not relied on within the audit file. Our work does not involve judgement and are statements of fact based on agreed upon procedures. 	Fixed	-	6,000

Confirmation of Independence (continued)



We have considered the fees charged by us to the Council and its affiliates for professional services provided by us during the reporting period. Total fees charged by us can be analysed as follows:

	2023/24 (to date)
	£'000s
Audit of Council	556
Audit of Pension Fund	75
Total audit fees	631
Other assurance services	62
Total non-audit services	62
Total KPMG fees	693

Application of the Auditor Guidance Note 1 (AGN01)

The anticipated ratio of non-audit fees to audit fees for the year at the time of planning is 0.1 : 1, or 11% which is compliant with Auditor Guidance Note 1 (AGN01). We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

Application of the FRC Ethical Standard 2019

That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit, Governance and Standards Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit, Governance and Standards Committee of the Council and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

Audit team and rotation



Your audit team has been drawn from our specialist local government audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit partner and firm.



Fleur Nieboer is the partner responsible for our audit. She will lead our audit work, attend the Audit, Governance and Standards Committee and be responsible for the opinions that we issue.



Philip Kent is the senior manager responsible for our audit. He will co-ordinate our audit work, attend the Audit, Governance and Standards Committee and ensure we are co-ordinated across our accounts and use of funds work.



Angus Percival is the in-charge responsible for our audit. He will be responsible for our on-site fieldwork. He will complete work on more complex section of the audit.

To comply with professional standards we need to ensure that you appropriately rotate your external audit partner. There are no other members of your team which we will need to consider this requirement for:



This will be Fleur's first year as your engagement lead. She is required to rotate every five years, extendable to seven with PSAA approval.

ISA (UK) 315 Revised: Overview



Summary

In the prior period, ISA (UK) 315 Revised “Identifying and assessing the risks of material misstatement” was introduced and incorporated significant changes from the previous version of the ISA.

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after **15 December 2021**.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

What impact did the revision have on audited entities?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard’s scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

Implementing year 1 findings into the subsequent audit plan

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity’s audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.

ISA (UK) 240 Revised: changes embedded in our practices



Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor's responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Area	Our approach following the revisions
Risk assessment procedures and related activities	<ol style="list-style-type: none"> 1. Increased focus on applying professional scepticism – the key areas affected are: <ul style="list-style-type: none"> • the need for auditors not to bias their approach towards obtaining evidence that is corroborative in nature or excluding contradictory evidence, • remaining alert for indications of inauthenticity in documents and records, and • investigating inconsistent or implausible responses to inquiries performed. 2. Requirements to perform inquiries with individuals at the entity are expanded to include, amongst others, those who deal with allegations of fraud. 3. We will determine whether to involve technical specialists (including forensics) to aid in identifying and responding to risks of material misstatement due to fraud.
Internal discussions and challenge	<p>We will have internal discussions among the audit team to identify and assess the risk of fraud in the audit, including determining the need for additional meetings to consider the findings from earlier stages of the audit and their impact on our assessment of the risk of fraud.</p>

FRC's areas of focus

The FRC released their [Annual Review of Corporate Reporting 2022/23](#) in October 2023. In addition, they have released three thematic reviews during the year should be considered when preparing reporting for the current financial period.

The reports identify where the FRC believes companies should be improving their reporting. Below is a high level summary of the key topics. We encourage management and those charged with governance to read further on those areas which are significant to the Council.



Reporting on the effects of inflation and other uncertainties

This year's Annual Review of Corporate Reporting identifies that companies continue to face significant economic and geopolitical uncertainty and annual report and accounts should therefore tell a coherent story about the impacts on the business and the assumptions the company has made in preparing the financial statements.

The FRC notes that interest rate rises in response to persistent inflation, the related impact on consumer behaviour, and limited growth present a particularly challenging environment for companies. Financial reporting needs to set out the impact of these issues on their business, and the assumptions which underpin the values of assets and liabilities in financial statements. Significant changes in discount rates and future cash flows are expected as a result and they should be highlighted.

The impacts of uncertainty on companies' narrative reporting and financial statements are numerous, but the FRC sets out its clear disclosure expectations for 2023/2024:

- Disclosures about uncertainty should be sufficient to meet relevant requirements *and* for users to understand the positions taken in the financial statements.
- The strategic report should give a clear description of the risks facing the business, the impact of these risks on strategy, business model, going concern and viability, and disclosures should be cross-referenced to relevant detail in the report and accounts.
- Transparent disclosure should be provided of the nature and extent of material risks arising from financial instruments.

Preparers should take a step back to consider whether the annual report, as a whole, is clear, concise and understandable and whether additional information, beyond the requirements of the standards, is necessary to understand particular transactions, events or circumstances.



Climate-related reporting

Climate-related reporting continues to progress with the new Companies Act requirements, effective for periods commencing 6 April 2022, requiring more entities to include climate-related financial disclosures within the annual report. These are largely aligned with the Taskforce on Climate-Related Disclosures (TCFD) recommendations, but do not include the 'comply or explain' provision for items that would have a material impact on the entity.

Climate-related risks remains an area of ongoing focus for the FRC as they embed the review of these disclosures into their routine annual reviews. The FRC has highlighted that it expects companies to provide improved disclosure explaining the linkage between narrative reporting on uncertainties such as climate change, and the assumptions made in the financial statements.

In respect of TCFD disclosures, the FRC notes that sustainability reporting requirements continue to evolve and companies are still at very different stages in their reporting in this area. The FRC expect in scope entities to provide a clear statement of consistency with TCFD which explains, unambiguously, whether management considers they have given sufficient information to comply with the framework in the current year. Companies must, in any case, comply with the new mandatory requirements for disclosure of certain TCFD-aligned information.

In relation to the specific thematic on metrics and targets they highlighted five areas of improvement:

- the definition and reporting of company-specific metrics and targets, beyond headline 'net zero' statements;
- better linkage between companies' climate-related metrics and targets and the risks and opportunities to which they relate;
- the explanation of year-on-year movements in metrics and performance against targets;
- transparency about internal carbon prices, where used by companies to incentivise emission reduction; and
- better linkage between climate-related targets reported in TCFD disclosures and ESG targets disclosed in the Directors' Remuneration Report.

FRC's areas of focus (cont.)



Impairment of assets

Heightened economic uncertainty, high inflation and higher interest rates have resulted in more instances of impairment or reductions in headroom, prompting the need for more detailed disclosures under IAS 36. The FRC notes that many of the queries it has raised with companies in the past year would have been avoided by clearer, more complete disclosures.

Disclosures should provide key inputs and assumptions applied, along with relevant values and sensitivity information where impairments could arise from reasonably possible changes in assumptions.

Assumptions should be consistent with information provided elsewhere in the annual report and with the wider economic environment; where there are inconsistencies, these should be explained.

Discount rates should be consistent with the assumptions in the cash flow projections, particularly in respect of risk and the effects of inflation.

Judgements and estimates

Most of the FRC's queries related to estimation uncertainty, and often involved disclosures which either did not contain sufficient information to be useful, or which appeared inconsistent with disclosures given elsewhere.

Disclosures should explain the significant judgement and provide quantified sensitivities where there is a significant source of estimation uncertainty. This includes judgements relating to the going concern assessment and accounting for inflationary features, including the use of discount rates. Sensitivity disclosures should be meaningful for readers, remain appropriate in current circumstances, explaining significant changes in assumptions and the range of possible outcomes since the previous year.

The FRC highlights the need for disclosures to clearly distinguish between estimates with a significant risk of a material adjustment to carrying amounts within the next year, and other sources of estimation uncertainty.

Cash flow statements

Cash flow statements have again been an area where the FRC have raised many queries and it remains one of the most common causes of prior year adjustments. Most queries raised by the FRC relate to unusual or complex transactions which have not been appropriately reflected in the cash flow statement.

Companies should ensure that descriptions of cash flows are consistent with those reported elsewhere in the report and accounts, with non-cash investing and financing transactions being excluded, but disclosed elsewhere if material.

In addition, companies should ensure that cash flows are appropriately classified between operating, financing and investing, and cash flows should not be inappropriately netted. Cash and cash equivalents should comply with the relevant definitions and criteria in the standard.

Strategic report and other Companies Act 2006 matters

Strategic reports should focus not only on financial performance but should also explain significant movements in the balance sheet and cash flow statement. They should articulate the effect of principal risks and uncertainties facing the business, including economic and other risks such as inflation, rising interest rates, supply chain issues, climate-related risks and labour relations.

In addition, the FRC reminds companies that they should comply with the legal requirements for making distributions and repurchasing shares including, where relevant, the requirement to file interim accounts to support the transaction.

Financial instruments

Companies should ensure that the nature and extent of material risks arising from financial instruments (including inflation and rising interest rates), and related risk management, are adequately disclosed.

This includes disclosures being sufficient to explain the approach and significant assumptions applied in the measurement of expected credit losses, including concentrations of risk, and assessments should be reviewed and adjusted for forecast future economic conditions.

The effect of refinancing and changes to covenant arrangements should be explained, with information about covenants being provided unless the likelihood of a breach is remote.

Lastly, the FRC reminds companies that cash and overdraft balances should be offset only when the qualifying criteria have been met.

FRC's areas of focus (cont.)



Income taxes

Following their thematic review last year, the FRC reminds companies that the nature of evidence supporting the recognition of deferred tax assets should be disclosed, and should factor in any difficult economic environment.

Additionally, companies should ensure tax-related disclosures are consistent throughout the annual report, uncertain tax positions are adequately disclosed, and material reconciling items in the tax rate reconciliation are presented separately and appropriately described.

Provisions and contingencies

Clear descriptions of the nature and uncertainties for material provisions or contingent liabilities, the expected timeframe and the basis for estimating the probable or possible outflow should be provided.

Inputs used in measuring provisions should be consistent in the approach to incorporating inflation, and details of related assumptions should be provided.

Revenue

Where variable consideration exists, companies should provide sufficient disclosure to explain how it is estimate and constrained.

Accounting policies and relevant judgement disclosures should be provided for all significant performance obligations. Those disclosures should address in sufficient detail the timing of revenue recognition, the basis for recognising revenue over time and the methodology applied.

Lastly, the FRC reminds companies that inflationary features in contracts with customers, and the accounting for such clauses, should be adequately disclosed and clearly explained.

Presentation of financial statements and related disclosures

The FRC expects companies to disclose company-specific information to meet the overall disclosure objectives of relevant accounting standards, and not just the narrow specific disclosure requirements of individual standards. They set out a clear expectation that additional information (beyond the minimum requirements of the standards) should be included where needed.

Fair value measurement

Fair value measurement has returned this year as one of the FRC's top ten issues raised in their correspondence with companies, and this has been the topic of a [thematic review](#). Common queries raised include the omission of sensitivity disclosures and the quantification of unobservable inputs into fair value measurements.

The FRC reminds companies that they should use market participants' assumptions, rather than their own, in measuring fair value.

Thematic reviews

During the year FRC has issued Thematic reviews on the following topics:

- Climate-related metrics and targets
- IFRS 13 Fair value measurement
- IFRS 17 Insurance contracts – Interim disclosures in the first year of application


2023/24 review priorities

The FRC has indicated that its 2023/24 reviews will focus on the following sectors which are considered by the FRC to be higher risk by virtue of economic or other pressures:

 Travel, hospitality and leisure

 Construction materials

 Retail and personal goods

 Gas, water and multi-utilities

KPMG's Audit quality framework



Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

■ Commitment to continuous improvement

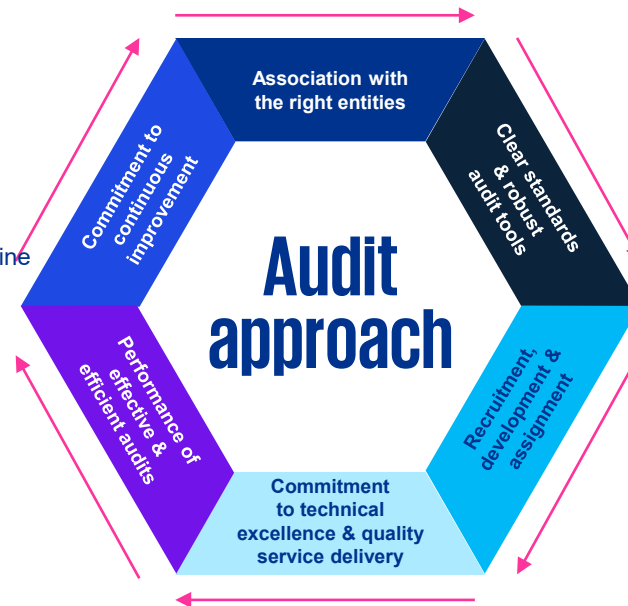
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



■ Association with the right entities

- Select entities within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists



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Document Classification: KPMG Public

Meeting Name:	Audit, Governance and Standards Committee
Date:	3 June 2024
Report title:	Draft Annual Governance Report 2023-24
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	n/a

RECOMMENDATION

1. That the audit, governance and standards committee note the draft Annual Governance Statement (AGS) 2023-24 as attached at Appendix 1.

BACKGROUND INFORMATION

2. The Accounts 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 or September.
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.

Policy framework implications

11. There are no policy implications in the proposals in this report.

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

Community impact statement

12. 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

13. There are no direct equalities implications in the proposals in this report.

Health impact statement

14. There are no direct health implications in the proposals in this report.

Climate change implications

15. There are no direct climate change implications in the proposals in this report.

Resource implications

16. There are no direct resource implications in this report Insert text

Consultation

17. There was no consultation.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix 1	Draft Annual Governance Statement 2023-24

AUDIT TRAIL

Lead Officer	Tim Jones, Director of Corporate Finance	
Report Author	Geraldine Chadwick	
Version	Final	
Dated	23 May 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Assistant Chief Executive, Governance and Assurance	No	No
Strategic Director, Finance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	23 May 2024	

Appendix 1

Annual Governance Statement 2023-24

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Introduction

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 diagram below.

Core principles of the CIPFA/SoLACE framework



Key elements of the council's governance arrangements

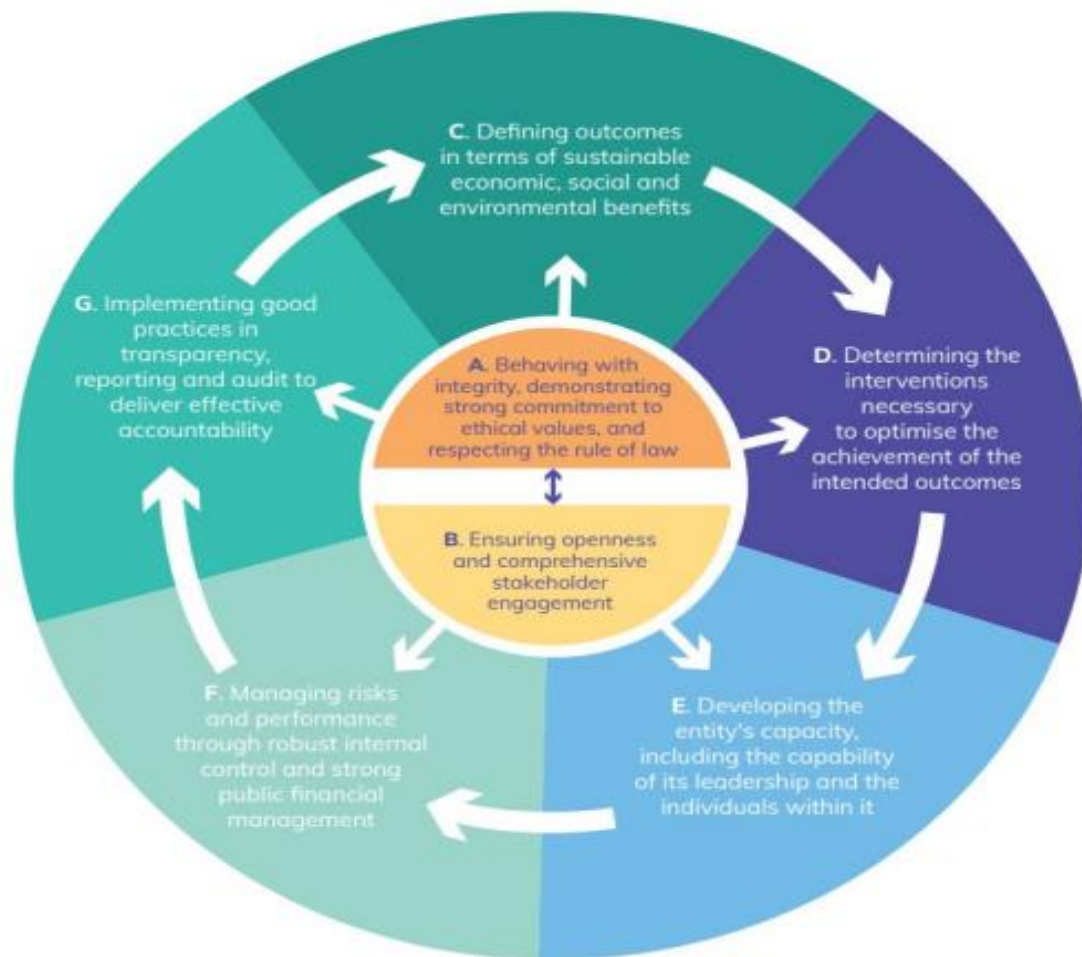
3.1 The governance framework at Southwark Council comprises the systems and processes, culture and values which the council has adopted in order to deliver on the above principles. The council has a separate code of governance, which is consistent with the principles of the CIPFA/SoLACE framework (2016). This has been updated and the revised code was reported to the audit, governance and standards committee in February 2024.

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 The CIPFA Advisory Note, 'Local audit delays and the publication of the annual governance statement' (December 2023) defines an assurance framework as (Figure 1):

'The means by which leaders, managers and decision makers can have confidence that the governance arrangements that they have approved are being implemented, operating as intended and remain fit for purpose.'

Figure 1: Establishing an effective assurance framework



3.4 For good governance to function well, the CIPFA Advisory Note, highlighted the need for organisations to encourage and facilitate a high level of robust challenge. The Corporate Peer Challenge undertaken in October 2023, enabled leaders and members to have an external assurance of the governance arrangements in place. The recommendations and action plan arising from the review has provided a welcome steer to enhance and strengthen those arrangements.

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. The council has assessed compliance with the FM Code since its introduction and compliance is reported every year 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 2024 and up to the date of the approval for the statement of accounts.

Constitution and Committees

3.7 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 reviews services provided by the council and its partners. The scrutiny officer promotes and supports the council's scrutiny functions. The Centre for Governance and Scrutiny were commissioned by the council in August 2022 to provide a health check of the council's scrutiny function. The findings of the review were reported in April 2023, with comments that *'scrutiny had a good foundation in Southwark'*, and suggested a number of recommendations to enhance the scrutiny function. The council agreed to all of the recommendations, has an action plan in place and aims to implement the recommendations over the two year period 2023-24 and 2024-25.

3.10 The council delivery plan 2022-26 is published on the council's website. In addition, the council is working with residents and partners to develop a borough wide strategy 'Southwark 2030' and 'Future Southwark' to further focus council priorities in the longer term.

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, through ward forums, 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 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 such as tackling the rising cost of living, delivering quality 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 The council delivery plan was agreed in September 2022 alongside the [Fairer Future medium term financial strategy 2022-23 to 2026-27](#), allowing the council to make best use of the financial resources available and to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders. The medium term financial strategy is updated regularly and monitoring reports are presented to cabinet in July, October, November and December prior to the formal budget setting process.

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 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 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 chief 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 2023-24 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 2022-23.

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 audit, governance and standards 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.

4.3.6 The annual report on corporate risk and risk management arrangements which were presented to the 5 February 2024, 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.

4.3.7 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 2024 were:

- Housing Revenue Account (HRA) financial sustainability;
- Capital programme and major projects;
- Asset management and building safety;
- Acute socio- economic factors;
- Cost of living;
- Medium term financial planning;
- Cyber security, IT, Data and information management;
- Schools and education;
- Health and Safety;
- Climate emergency;
- Recruitment, retention, resources and capacity;

- Health and Social Care Act;
- Legal and regulatory- government policy;
- Failure of key provider;
- Fraud;
- Unforeseen major event.

There is an ongoing review of the risk register to reflect the new corporate structure and to reflect the corporate focus on finance, procurement and business continuity. Business continuity planning has been enhanced across the council and aligned with the council's emergency plan, which is agreed annually by Cabinet. The overall change is a slight decrease in corporate risk from 2022-23, however, the sustainability of the housing revenue account has been added as a significant increasing risk in 2023-24.

4.3.8 The audit governance and standards committee formal review of their performance. The committee assessed its work and performance against the CIPFA's 'Position Statement 2022'¹ at the February 2024 committee and will consider ways to implement continuous improvement, through the CIPFA evaluation checklist at the June 2024 committee.

4.3.9 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 2023-24, the committee has had in-depth series of reports on the in-sourcing of the council's leisure services and updates on IT cyber security and members enquiries services.

4.3.10 Members confirmed that the reports and governance discussions enabled them 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 2023-24, the audit, governance and standards committee continued to invite Strategic Directors, the Assistant Chief Executives and the Chief Executive to discuss their departments' governance arrangements. These 'governance discussions'

¹ CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

provided in depth details of departmental governance arrangements, departmental risk registers, associated controls and mitigations and allowed committee members to discuss and challenge particular governance issues. These discussions will continue into 2024 -25 with a renewed focus on key risk areas.

4.3.12 The review of compliance with the CIPFA Financial Management (FM) Code 2023-24, reported to the audit, governance and standards committee in June 2024. 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.

4.3.13 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. This has been particularly pertinent as the number of authorities facing acute financial difficulties (and consequent issuing of a 'Section 114' notice), has significantly increased in recent years. The overall findings across all local authorities in 2023, showed a pattern of falling reserves and increases in social care expenditure. The index showed Southwark Council to be at 'low risk' for the level of general fund reserves and ranked as low risk on the 'reserve sustainability' measure and rated good for children's social care. The areas highlighted in the June 2024 report was the long term financial sustainability of the housing revenue account (HRA) and the levels of external debt. Section 6.2 and 6.4 provides further discussion on the financial sustainability of the council's HRA.

4.3.14 Southwark Council corporate peer challenge. In October 2023, the Local Government Association (LGA) undertook a review of the council to enable a sector led approach to continuous improvement and transparency. The report included eleven recommendations. In response to the recommendations, the council has created an action plan, which assigns senior officer responsibility for delivery for specific actions and a timeframe for delivery. The council is also developing a new internal change programme called 'Future Southwark' to deliver these improvements and to follow on from the long term ambitions and priorities of the council. The Chief Executive discussed the report findings and action plan at the January 2024 cabinet and the February 2024 audit, governance and standards committee.

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

6.1 The specific governance issues are addressed in the following sections:

- Issues highlighted in the 2022-23 annual governance statement: actions and outcomes
- Emerging governance issues in 2023-24
- Areas of Significant Change : looking forward to 2024-25 and the medium term

Issues highlighted in the 2022-23 Annual Governance Statement: Actions and Outcomes

6.2 The follow up of the governance issues highlighted in 2022-23 are discussed in paragraphs 6.2.1- 6.2.26 and summarised in Table 1.

Table 1: Summary of Governance Issues and Actions taken

Governance issues Identified in 2022-23 Annual Governance Statement	Action	Section and paragraph
Housing – HRA Housing – Temporary accommodation	Housing Revenue Account (HRA) – Long term financial sustainability plan agreed at cabinet Temporary accommodation- subject to additional scrutiny, enhanced monitoring and mitigating action plans	6.2.1- 6.2.5
Southwark Stands Together (SST)	SST continues to be a key priority for the council. Ethnicity Pay Gap strategy a focus in 2023-24.	6.2.6-6.2.7
Cost of Living Crisis	The council’s response to the crisis has been to support 83,000 households	6.2.8-6.2.11

Southwark 2030	Renewed focus on long term transformation and re-focus of council priorities through Southwark 2030 and Future Southwark	6.2.12 – 6.2.13 and Section 6.4
Staffing -Reorganisation of the council's senior management structure - recruitment and retention of staff	Phase one was completed in 2022-23 and Phase two completed in 2023-24 Recruitment and retention of staff remains challenging	6.2.14-6.2.16
External audit	External audit delays – accounts for 2021-22 and 2022-23 have been signed off in April 2024. New auditors Grant Thornton have commenced the 2023-24 audit of accounts	6.2.17-6.2.19
Climate Emergency	Action Plan established	6.2.20- 6.2.22
Other Council Services	Reform of Adult Social Care – delayed until October 2025 by government Dedicated Schools Grant (DSG) – The council is on track with the SEND management plan and there is a reduced DSG deficit as at 31 March 2024. In-sourcing of council's leisure services was delivered as planned in June 2023. Performance Monitoring and regular reporting the audit committee.	6.2.23-6.2.26
Local government funding and macro-economic climate	Response to uncertain government funding levels post the next general election by strengthening the short, medium and long term financial strategies	Section 6.3 and 6.4

Housing - Housing Revenue Account (HRA)

6.2.1 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 crisis, restrictions to available income, debt charges and inflationary pressures continue to have 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.

6.2.2 The government imposed restrictions on the rent rises for social housing, at 7% in 2023-24, and prior to this intervened to reduce social rents by 1% p.a. for the 4 years commencing April 2016. In addition, the HRA has faced unprecedented financial pressures such as additional unfunded regulatory burdens arising from the Fire and Building Safety Acts, exceptionally high inflation in construction markets, and the tripling of interest rates between December 2021 and December 2023. The continuing financial pressures on the housing revenue account have been closely monitored by the council and reported to cabinet throughout 2023-24.

6.2.3 As reported at cabinet in June 2024, the HRA outturn for 2023-24 was an in-year net overspend of £16.4m, with reserves of just £16.9m as at 31 March 2024. Given the size of the council's HRA, reserves should be in the region of £50m. The council have taken immediate action to ensure the ongoing sustainability of the account, by drafting a 10 year HRA Recovery Plan in two phases. Phase 1 seeks to swiftly reduce revenue spend through a range of activities in order to prevent further deterioration in the financial position. Phase 2 seeks to restore HRA budgets to a sustainable level and increase reserves to a prudent level. The plan outlines the rebuilding of reserves from 2028-29.

6.2.4 Phase 1 will require additional borrowing to fund the asset management programme, where costs are currently in excess of the available budget, and due in part by the unfunded costs arising from changes to legislation. This additional borrowing will be paid off over the lifetime of the HRA Recovery Plan, to ensure that long term borrowing is only used to deliver new homes. In addition, the council is putting in place other available measures to reduce the need to borrow, such as curtailing or pausing projects that are funded by borrowing and increasing resources through disposing of uneconomic assets. Section 6.4 discussed the medium term HRA financial outlook.

Housing - Temporary accommodation

6.2.5 Southwark is a leading authority on homeless prevention recognised nationally. However, the cost and demand for temporary accommodation remains unremitting, driven by the growing national homelessness crisis, unaffordable private sector rented accommodation and government restrictions on Local Housing Allowance (LHA) rates meaning welfare benefits no longer cover the cost of private

rented accommodation. These budgetary pressures were closely monitored in 2023-24 by a cross departmental board taking practical steps to increase the supply of appropriate housing solutions. Monitoring of this high pressure area and appropriate mitigating actions will continue into 2024-25.

Southwark Stands Together (SST)

6.2.6 Southwark Stands Together (SST) is the council's ambitious programme of work to tackle racism and promote anti-racist practice, both within the council and our community. The programme continues to be one of the council's most important priorities, with progress overseen by a board chaired by the Chief Executive and attended by members of the Corporate Management Team (CMT) and trade union representatives. Recordings of each board meeting are made available on the council's intranet where they can be viewed by any employee.

6.2.7 During 2023-24, programme activity included the development of a new ethnicity pay gap strategy, which is a commitment in the Council Delivery Plan (CDP). The strategy development process included analysis of anonymised Human Resources (HR) data over the period 2018-19 to 2022-23, and engagement with over 1,000 employees through a combination of surveys, focus groups, and co-design workshops. The council's ethnicity pay gap has reduced from 12.6% in 2018-19 to 9.3% in 2022-23. Our new strategy is designed to build on this progress and continue reducing the council's pay gap. Delivery of the strategy has been incorporated into the wider programme plan for SST.

Supporting the most vulnerable through the 'Cost of Living' crisis

6.2.8 In the Spring Statement 2023, the Institute for Fiscal Studies (IFS)² commented that the overall outlook for public finances remained difficult. Although inflation overall was declining, it was still above average pay growth and taxes continued to rise to their highest ever level. In these circumstances, the IFS predicted that households would continue to feel pain in the longer term, and the cost of living crisis continued throughout 2023-24.

6.2.9 Despite a decline to 3.2% by March 2024, inflation still remains higher than the government's target of 2%. The IFS³ reported a decline in household income driven by a fall in workers real incomes, from inflation outstripping wages, frozen tax thresholds and reductions in average benefit payments - which has been only partially offset by the universal energy rebate and cost of living payments. The Office for Budget Responsibility (OBR) predicted a similar economic outlook. The IFS⁴ predicted that average disposable income would be lower at the next election than at the last,

² [Spring Budget 2023 response | Institute for Fiscal Studies \(ifs.org.uk\)](https://www.ifs.org.uk/publications/1254)

³ 'Living standards since the last election'; (IFS 21 March 2024)

⁴ Living Standards, Poverty and inequality in the UK' (IFS) 21 March 2024

which would disproportionately impact on lower income households and would be further exacerbated by the widening gap between those near the top of the income distribution and those at the bottom of the income distribution. The IFS concluded that this parliament has been 'dismal' for material living standards and suggests that this posed a significant challenge for the next government. This outlook would in turn, will create further challenges for the council, as demand for support from residents is unlikely to reduce and additional and adequate funding of public services remains uncertain.

6.2.10. The council pledged to continue to tackle the cost of living crisis for residents through the 'Cost of Living Fund' using both government grants and council resources to provide help with bills. During 2023-24, the council delivered extensive support to many residents, while prioritising those on the lowest incomes and most vulnerable to cost of living impacts. The total value of support distributed was above £10m. Low-income households with children received the most support – including Holiday Free School Meals and expanded eligibility for term-time free school meals for secondary school children. Others receiving support from the fund included pensioners, those with disabilities and older single adult households - especially those on low incomes but not claiming or eligible for welfare benefits.

6.2.11 By working even more closely with our voluntary, community and faith sector partners, we successfully extended the reach of the fund to include our most marginalised or hard-to-reach communities – thanks in part to much greater engagement with our Latin American and African communities. In the autumn and winter, more than sixteen thousand referrals were received through a 'community referral pathway' from dozens of community partners. A larger and more diverse set of partners than last year included emergency food providers, mental health charities, schools, churches, mosques, tenant associations, advice agencies, mutual aid groups and local councillors. In 2023-24 the council supported more than 83,000 households through the cost of living crisis including at least 16,000 households with children providing help with bills – especially food, energy and council tax bills. In addition, the council has provided additional support to those on low incomes to gain access to the best advice. Not all advice had a financial outcome but the average financial gain for all those households receiving one-to-one advice from the 'Southwark Energy Savers' service was estimated at more than £1,300.

6.2.12 The government announced on the 6 March 2024 that the Household Support Fund Grant (HSF) would be further extended for 6 months to September 2024. The council is currently considering options for how to target this funding in the most effective and innovative ways in 2024-25 to support our most vulnerable residents. It is expected that this will be the last tranche of government support for the cost of living crisis. Prior to this support, the council had its own Scheme – the Southwark Emergency Support Scheme- which will continue to support the most vulnerable residents.

Southwark 2030 and Future Southwark

6.2.12 The council continues to commit to a shared long term vision of the future, despite an uncertain economic climate. The Southwark 2030 strategy is in the last phase of development, its aim to reinforce the council's priorities and focus on a change programme. The strategy will be reported to July 2024 cabinet followed by an outcomes framework and action plan in autumn 2024. A new 'Future Southwark' programme has been developed which will support the organisation in delivering the change and improvements required to deliver the vision and goals of the 2030 strategy.

6.2.13 This 'Future Southwark' change programme was agreed in February 2024 by the Corporate Management Team (CMT) and included the case for change, the programme approach, a high level timeline and the programme governance. Future Southwark sets out an ambitious programme, with a framework to measure programme outcomes, based on the council's values. The delivery is by phases, with phase 1 including:-

- a review of corporate resources
- a people powered plan to set out how the council retains and attracts staff
- transformation priorities in line with Southwark 2030
- a strategy for accommodation
- the delivery of the Corporate Peer Challenge action plan.

Phase 2 will be launched in 2024-25, and will focus on the delivery of the 2030 strategy.

To support this programme, significant progress has been made with the appointment of the Director of People and Organisational Development, increasing the staffing of the Human Resources (HR) and drafting a new 'People Power Strategy' to support transformational change and meet the objectives of the corporate delivery plan.

Staffing - Re-organisation of the council's senior management structure

6.2.14 The council has undertaken a comprehensive senior management reorganisation to ensure that officer leadership capacity is aligned to the priorities and commitments in the Council Delivery Plan. Following the implementation of a first phase of reorganisation in 2022-23, a second phase was completed in 2023-24. The council's Corporate Management Team now consists of the following roles:

- Chief Executive
- Strategic Director, Children and Adult Services
- Strategic Director, Environment, Neighbourhoods and Growth
- Strategic Director, Housing
- Strategic Director, Finance

- Assistant Chief Executive – Strategy and Communities
- Assistant Chief Executive – Governance and Assurance
- Strategic Director, Integrated Health and Care – this role is shared with, and jointly funded by, the South East London Integrated Care Board

6.2.15 Other significant aspects of the second phase of senior management reorganisation include the following changes:

- the transfer of education functions into the Children and Families division to enable an integrated children’s services model
- the transfer of procurement functions to the Finance directorate

As part of the planned implementation of the new structure, the Strategic Director of Environment, Neighbourhoods and Growth has been temporarily filled via an acting up arrangement and the Director of Planning and Growth is temporarily reporting to the Strategic Director of Finance.

Staffing: Recruitment and retention of staff

6.2.16 Recruitment and retention of council employees continues to be an important priority. The council has completed a comprehensive review of its approach to recruitment and agreed to invest in a new resourcing service designed to provide hiring managers with specialist expertise in marketing job vacancies and directly sourcing candidates. The new team was established in March 2024 and its impact will be measured by a range of metrics, including the council’s recruitment success rate, i.e. how often advertised roles are filled. In addition, the council has commenced the development of a new workforce strategy – currently titled our “people power plan” – which is designed to ensure the council is doing the right things to recruit, develop and retain a highly performing workforce that can effectively meet the needs of residents and communities. The new strategy and associated delivery plan are due to be launched in autumn 2024.

External Audit

6.2.17 The council is part of the Public Sector Audit Appointments (PSAA) national scheme which appoints the council’s external auditors. KPMG was appointed to act as the external auditors for five years from 2023-24, replacing the previous auditors, Grant Thornton.

6.2.18. Currently, there is significant uncertainty, accounting technicalities and capacity issues in the external audit market, with delays nationally to signing off local authority accounts. As at 31 December 2023, the backlog of outstanding opinions stood at 771⁵. The Department of Levelling

⁵ [Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/local-audit-delays-joint-statement-on-update-to-proposals-to-clear-the-backlog-and-embed-timely-audit)

up, Housing and communities (DLUHC) proposed a solution to this to clear the outstanding historical audit opinions and to ensure the delays do not return. The legal 'backstop date' by which point all audited accounts up to and including 2022-23 has to be published is 30 September 2024. The council has published ahead of this date in April 2024.

6.2.19 To support the recovery of the system, CIPFA are consulting on changes to the Code of Practice on Local Authority Accounting to reduce the burden of the external audit for 2023-24 and 2024-25, building on recommendations of the Redmond Review⁶. For 2023-24, accounts need to be published by 31 May 2025. KPMG have started the interim audit for 2023-24 and are expected to complete well within this backstop.

The Climate Emergency

6.2.20 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 also working toward moving the borough as a whole towards carbon neutrality by 2030. The cost of the borough being carbon neutral is estimated at £3.9bn, so the council will need central government to increase funding available if it is to fully meet this challenge.

6.2.21 The council committed resources to a dedicated climate change team in 2022. The team is now in place, and is focused on delivering a very ambitious action plan.

6.2.22 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, there are significant pressures on the council's housing budget. These pressures will make it all the more challenging to find funding to start to decarbonise our housing stock – an issue which is being shared across the country. Good governance in the council is essential to identify and manage these issues.

Council Services

6.2.23 The reform of adult social care has been delayed for another 2 years to October 2025. The planned funding for these reforms has been recycled and is being used to fund existing social care demands in 2023-24 and 2024-25. There is a risk that the implementation of these reforms will not be fully funded as the previous earmarked funding has been used for existing demand pressures.

6.2.24 The council entered into a formal Safety Valve Agreement with the Department for Education (DfE) at the end of the 2022-23 financial year. This is a major programme, put in place by the

⁶ [Redmond Review.pdf \(publishing.service.gov.uk\)](#)

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 commits the council to reach an in-year balance on the Dedicated Schools Grant (DSG) by 2024-25 and eliminating that deficit by 2026-27, with the support of Safety Valve funding. Upon entering into the agreement, the council received an initial grant of £9.2m in 2022-23 with an additional £3.77m released by the DfE throughout 2023-24 following the acceptance of successful monitoring reports. The cumulative deficit has been reduced to £9m at year end.

6.2.25 The SEND improvement programme integrates delivery of the transformational SEND Strategy alongside successfully meeting the conditions of the Safety Valve Agreement. The programme is overseen by the multi-agency SEND Strategic Partnership Board supported by the council led SEND and Inclusion Quality and Improvement Board, which is responsible for driving the operational improvement on behalf of the Partnership Board. Additional assurance is provided by the direct oversight of both the Strategic Directors for Children's and Adults Services and Finance of the progression and delivery of the actions required to achieve the financial targets contained in the agreed DSG Management Plan.

6.2.26 The in-sourcing of the council's leisure facilities took place as planned in June 2023, when over 400 staff were TUPE transferred into the council. Work has continued to ensure robust governance is in place, including regular formal reporting in 2023-24 to the audit, governance and standards committee, budget and performance monitoring, internal audit scrutiny, as well as significant service-based systems and processes being embedded. Harmonisation of contracts was achieved in April 2024, for those staff who wished to transfer onto Southwark terms and conditions.

Governance areas emerging in 2023-24

6.3 During the year we have identified the following areas summarised in Table 2 and discussed in paragraphs 6.3.1- 6.3.6.

Table 2: Summary of emerging governance Issues and actions taken

Governance Issues emerging in 2023-24	Action	Section and paragraph
Peer Review	Action plan reported to Cabinet	6.3.1-6.3.5
Cyber Security	Ongoing	6.3.6

Peer Review

6.3.1 In October 2023, the council welcomed a team from the Local Government Association (LGA) to undertake a Corporate Peer Challenge. This is a highly valued improvement and assurance tool that is delivered by the sector for the sector. A team of senior local government councillors and officers undertook a review of key finance, performance and governance information to provide robust, strategic challenge and support. It is an added level of overall assurance.

6.3.2 The outcome of the review, the recommendations and the action plan were reported to cabinet in February 2024⁷. Overall, the review stated that the London Borough of Southwark was a good council, with prudent financial management, with a well owned council delivery plan working to deliver new strategic priorities.

6.3.3 The peer review acknowledged that finances were stable, with a good level of reserves. But recognised that the council would not be immune to the challenges across local government for long term sustainability and trends across the sector towards increasing spending. The most urgent of these for Southwark was the HRA and the large capital housing investment programme, increasingly affected by interest rate pressures and construction inflation.

6.3.4 The areas that the peer challenge highlighted as potential focus areas included the housing repairs service, due to the council's very large housing stock and the resultant significant pressures in terms of the demand for and cost of repairs and maintenance. Other key areas highlighted were

⁷ Agenda item 7, 'Southwark Council Corporate Peer Challenge' 5 February 2024.

the ambitions for the new 2030 Strategy, which will require a number of transformation programmes, including a digital strategy, a focus on performance outcomes and improvements to resident access for requests, complaints, Freedom of Access (Fol) and Subject Access Requests (SARs).

6.3.4 Following the recommendations, an action plan was developed to ensure the council moved in a direction of continuous development and improvement. These recommendations were consolidated under three broad headings:-

- Strategic direction of the council
- Service specific recommendations
- Future southwark capacity and corporate infrastructure

Detailed work streams have been put in place, with strategic lead officers assigned responsibility for achieving key milestones within defined timescales.

6.3.5 Many of the recommendations related to work that was already underway. These were:-

- Three year medium term financial strategy (MTFS)
- Council Delivery Plan (CDP)
- Housing Repairs Improvement
- HRA recovery plan

Cyber security

6.3.6 Attempted cyber-attacks are a significant and on-going risk for local government. The council has been subject to a recent cyber incident. The occurrence was isolated and only involved a minimal amount of non-sensitive data. Recognising the importance of our on-line security and that of our systems, the council is continually reviewing and improving its cyber protection measures to ensure the security and privacy of our community's digital environment against changing threats. All council staff are required to undertake mandatory cyber security training to ensure that staff are aware of the importance of this area and how attacks can happen. This proactive approach aims to reinforce our commitment to safeguarding against any future cyber challenges.

Areas of significant change – looking forward to 2024-25 and the medium term

6.4 The council also faces a number of areas of significant change that will require consideration and action as appropriate in 2024-25 and the medium-term. Significant issues we have identified are summarised in Table 3 and discussed in paragraphs 6.4.1 -.

Table 3: Looking forward to 2024-25 and the medium term

Areas of Significant Change 2024-25	Action	Section and paragraph
Housing Revenue Account (HRA) – medium and long term sustainability	Agreed HRA recovery plan in the medium and long term	6.4.1-6.4.2
Elections	Planned resourcing of two elections	6.4.3
Medium term funding of local government	The council's medium term financial strategy is set with prudent assumptions on future resources and updates reported regularly to cabinet	6.4.4-6.4.6
Statutory changes to Procurement	The council is preparing legislative changes in procurement	6.4.7-6.4.8
Replacement of the Enterprise Resource Planning (ERP) System	Replacement of ERP system has been well planned	6.4.9-4.6.11
Ongoing Improvements in governance	Series of strategies in the medium term	6.4.12

Housing Revenue Account (HRA) sustainability

6.4.1 The 2023-24 outturn position was a gross overspend on tenant facing budgets of £31.3m which was partially offset by finance underspends, showing a final adverse variance of £16.4m. The council's Housing Revenue Account (HRA) remains under severe financial strain. It should be noted that the pressures on the HRA are not unique to Southwark. The impact of external factors noted in paragraph 6.2.2, although impacting on all councils responsible for social housing, has a more pronounced impact for Southwark, given the size of its social housing stock.

6.4.2 A clear suite of actions have been agreed through the 'HRA Recovery Plan' including a housing repairs improvement programme, an end to end review of void properties and the refresh of the asset management strategy. Governance arrangements have been strengthened through spending controls and a review of the department's scheme of management. Specific actions will be reported to cabinet in June 2024 and subject to regular and robust monitoring. In 2024-25 and in the long term, the HRA sustainability will continue to be a council strategic priority.

Elections

6.4.3. There are two major elections scheduled for 2024-25 the Greater London Assembly which took place in May 2024 and a Parliamentary Election by January 2025. The increased levels of postal votes and the move to voter ID presents a risk within the democratic process. The council has planned and adequate resourcing of the election team, an experienced elections team and clear leadership in place.

Medium term funding of local government

6.4.4 In the Spring Budget on 6 March 2024, the Chancellor, Jeremy Hunt, made few significant changes to public spending. The next spending review is due after the general election (scheduled to be before January 2025), which presents significant uncertainty to the future policy direction of a new parliament.

6.4.5. The IFS⁸ suggests that for any incoming government the macroeconomic climate in the medium term will be challenging and the options for turning things round will be limited without greater than expected growth in national income per capita. Household income remains lower than in 2019, the tax burden the highest since 1948, and the prediction is that low growth coupled with high debt interest will create extremely difficult choices for the next parliament. The IFS predicts that real growth per person of 1% over all public services to 2028-29, translates to cuts to unprotected areas, such as local government, of up to 3.5% per year. With population estimates rising more than

⁸ [Spring Budget 2024: IFS presentations | Institute for Fiscal Studies](#)

expected, the pressure on public budgets per person might be even higher. The recent announcement of increasing defence spending will add additional pressure on public finances and suggests that unprotected areas such as local government could equate to cuts of 4% per year⁹.

6.4.6. Funding levels over the next 4 years is likely to be severely strained. The council's three year medium term financial plan 2024-25 to 2026-27 has taken these predictions into consideration and presents a prudent view of government funding levels. A report to cabinet in July 2024 will update the Medium Term Financial Plan for the period 2025-26 to 2027-28. The three year savings targets will be closely monitored and any emerging cost pressures (together with mitigating actions) will be dealt with in a timely and constructive manner.

Statutory Changes to Procurement

6.4.7 The Procurement Act 2023, due to come into effect in late 2024, is set to be a significant change to the way local authorities procure goods, works and services as well as framework agreements and concessions contracts. Briefly, there will be tighter legislative controls and prescribed levels of required transparency across the whole procurement process including:

- The codification of the National Procurement Policy Statement (NPPS) which allows the government to set wider policy objectives to which it expects public procurement to contribute.
- Mandatory publishing of contract details including the performance of the contract through a set of Key Performance Indicators (KPIs) for larger contracts.

6.4.8. The procurement framework for Southwark will be reviewed in late 2024, taking account of the both the requirements of the new procurement regulations and the corporate vision - Southwark 2030. It will also carefully consider how to support local businesses, ensure the council delivers value for money to residents, within a clear and consistent governance framework. In addition, the council has established a work stream around the development of an organisation-wide social value policy covering both procurement and planning, which will be delivered and monitored through this renewed framework.

Enterprise Resource Planning (ERP) system

6.4.9 Southwark has used the current Enterprise Resource Planning (ERP) system 'SAP' for HR and Payroll, Finance and Purchase to Pay since 1999. The council is currently undertaking a procurement exercise to replace the existing system. This is a major organisational transformation programme of systems, structure, culture, processes and procedures. The council

⁹ [Empty defence spending promises are a shot in the dark | Institute for Fiscal Studies \(ifs.org.uk\)](https://www.ifs.org.uk/news/empty-defence-spending-promises-are-a-shot-in-the-dark)

will commence procurement in June 2024 subject to appropriate approval, and in line with sound governance arrangements with implementation expected to commence May 2025 and estimated to take approximately 2 years to implement.

6.4.10 The transformation programme has a strong governance structure in line with a programme of its size and complexity, including sponsorship by the Strategic Director of Finance and led by a programme director and delivered through four distinct work streams of

- HR
- Finance including Purchase to Pay
- Technology
- Procurement

6.4.11 The council has identified the major risks, issues and mitigations which affect the programme in the areas of procurement, data, culture change, costs and timescales.

Ongoing improvements in Governance

6.4.12 As discussed above, the council continues to commit to a shared long term vision of the future through Future Southwark and Southwark 2030. This vision embraces a one council approach with good governance embedded at each stage and in the actions and behaviours of council staff and members. In the medium term, the vision has been translated into a series of approaches to support this transformation process and good governance arrangements. These include:

- (i) A newly formed Corporate Change Board to oversee the Future Southwark Programme and cross council transformation activity. Integrated reporting on key council change programmes has been established to ensure that the organisation understands the synergies between programmes, is assured of delivery, develops connections and supports cross council collaboration.

The fundamental purpose of this work has been to shift to a whole-organisation approach around three themes;

- How we work; the approaches, tools, policies, values, ways of working and behaviours that we will need for the future
- Where we work; making sure we have fit for purpose places for work, and that they are professionally managed and maintained
- Our skills for work; the skills, teams, methods and infrastructure that we need to be fit for the future

- (ii) Reviewing progress of the council delivery plan (including lessons learned from current transformation activity) and performance monitoring systems to reshape the transformation activity whilst ensuring alignment with the emerging vision and ambition set out by Southwark 2030.
- (iii) Departments have refreshed their business plans to capture the key departmental priorities, with quarterly monitoring, through departmental management teams, of the most significant departmental KPIs (focused on strategic, operational, financial and workforce priorities). Risk registers and business continuity plans have also been updated.
- (iv) The council's responses to Freedom of Information and Subject Access Requests highlighted in the peer review, will be subject to an audit will be carried out in spring 2024 with an improvement plan implemented across all services. There will be additional regular reporting to the Corporate Management Team (CMT) to allow corporate oversight on all areas.
- (v) A review of the member code of conduct is underway with the full participation of all members. A working group has been established chaired by the Monitoring Officer and two workshops with members has taken place. The plan is to have a revised code of conduct by March 2025.
- (vi) Following a review of governance arrangements for Safeguarding undertaken by the Independent Chair of the Children's & Adults Safeguarding Partnerships, the arrangements for governance around the statutory community safety partnership have been refreshed and a new Partnership board launched on a par with the Children's and Adults Partnerships. This board will oversee compliance with the statutory duty across the partnership. Among other things that Board will play a key role in the Serious Violence Duty which came into force in January 2023 and will sign off a partnership strategy and strategic needs assessment of Domestic Abuse.
- (vii) An updated review of capital governance with the establishment of a new Capital Board, which will assess new capital projects in terms of priority and affordability

Conclusion

8.1 The council has been hugely impacted by the macro-economic climate, high inflation and interest rates and the consequent ongoing cost of living crisis in 2023-24. This annual governance statement details how the council have responded to these external pressures as well as highlighting particular areas of risk. Additional assurances, transformation and improvement plans have proactively been put in place to ensure that Southwark council remains resilient and ensures robust governance arrangements are in place to meet future challenges and changes.

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

Chief Executive
Date:

Kieron Williams

Leader of the Council
Date:

DRAFT

Meeting Name:	Audit, Governance and Standards Committee
Date:	3 June 2024
Report title:	Compliance with CIPFA Financial Management code
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	

RECOMMENDATION

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

BACKGROUND INFORMATION

2. CIPFA published the 'CIPFA Financial Management Code' ('FM Code') in autumn 2019. The purpose was to support and improve councils' financial resilience enabling them to better meet unforeseen demands on services and to manage unexpected shocks and provide a strong foundation to manage the 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 FM Code came into effect from 1 April 2020 with authorities encouraged to work towards compliance in the financial year 2020-21; with full compliance by 2021-22. The council has reported yearly to this committee on the council's compliance with the Code.

KEY ISSUES FOR CONSIDERATION

CIPFA FINANCIAL MANAGEMENT CODE

5. The purpose of the FM code is to provide a strong foundation from which to manage financial resilience. This was particularly relevant for local authorities during the unexpected financial shock of the Covid-19 pandemic and currently, through the need to support the most vulnerable residents through the cost of living crisis.
6. In addition, the number of authorities facing acute financial difficulties (and consequent issuing of a 'Section 114' notice), has significantly increased in recent years. Although the circumstances that lead to these difficulties are unique to each authority, the background context has been the same - sharp cuts to funding during the austerity years, with demand for services rising substantially and more recently, high levels of inflation and interest rates.
7. To ensure financial resilience, CIPFA highlights the importance of a robust medium term financial plan supporting the authority's corporate strategy and priorities, strong governance, and effective monitoring and reporting, which are tested through compliance with the FM Code. Council assembly agreed a three year medium term financial strategy in February 2024 for 2024-25 to 2026-27. This strategy has focussed on identifying savings and potential budget pressures, over the three year period together with identifying council wide transformation programmes to reconfigure services to support the council's priorities.
8. The FM Code provides a standardised framework to assess financial all aspects of financial management and resilience. The council has reviewed compliance against the code for the 2023-24 financial year. Appendix A provides the details of compliance against each FM standard, by reviewing the required evidence and assessing how the council meets these standards.
9. The FM Code assessment highlights the risk to the housing revenue account (HRA) and its long term sustainability. The external auditor's annual audit report considered at the February 2024 audit, governance and standards committee, highlighted this same concern. The issue has been reported to cabinet and to council assembly in February 2024 and have highlighted the financial pressures facing the sustainability of the HRA, together with a set of approaches and phased actions to ensure its long term sustainability.
10. 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 2023 CIPFA financial resilience index which uses data from the Department of Levelling Up, Housing and Communities (DLUHC) revenue and outturn data for 2022-23, together with the judgement on children's social care and the external auditor's value for money assessment.
11. The overall findings across all local authorities in 2023, showed a pattern of falling reserves and increases in social care expenditure. The index showed

Southwark Council to be at 'low risk' for the level of general fund reserves and ranked as low risk on the 'reserve sustainability' measure and rated good for children's social care. The areas ranked as high risk included the level of external debt. To maintain financial resilience with high levels of debt, CIPFA maintain that it is essential to have strong governance and good financial management.

Policy framework implications

12. There are no policy implications in the proposals in this report.

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

Community impact statement

13. 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

14. There are no direct equalities implications in the proposals in this report.

Health impact statement

15. There are no direct health implications in the proposals in this report.

Climate change implications

16. There are no direct climate change implications in the proposals in this report.

Resource implications

17. There are no direct resource implications in this report Insert text

Consultation

18. There was no consultation.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
PFS files	Finance, Second Floor, Tooley Street	Geraldine Chadwick

APPENDICES

No.	Title
Appendix A	CIPFA Financial Management Code 2023-24

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Geraldine Chadwick, senior finance manager.	
Version	Final	
Dated	23 May 2024	
Key	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	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team	23 May 2024	

Appendix A CIPFA Financial Management Code 2023-24

Review of Southwark Council's compliance with the CIPFA Financial Management Code 2023-24

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Governance and financial management style (C, D, E)	8
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Appendix A CIPFA Financial Management Code 2023-24

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.

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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

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		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

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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 January 2024, 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 2024, links to council priorities 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 <p>Changes in reporting are due to come into force following the Procurement Act 2023 including the requirement 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"> - 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>public contract performance against KPIs for larger contracts. CMT are reviewing the contract management plans to ensure VfM.</p> <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>
B The authority complies with the <i>CIPFA Statement on the Role of</i>	5 principles.	-Compliance with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2015)

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p><i>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>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>and CIPFA’s Statement on the Role of the Head of Internal Audit in Public Services Organisations (CIPFA, 2010) – as confirmed in the annual governance statement</p> <ul style="list-style-type: none"> -Member of the Corporate Management Team -Attendance at all cabinet meetings, and council assemblies. Actively engaged in budget and policy and resources strategy. -Sound financial management, reviewed against the CIPFA resilience index and comparative data -Finance function staffed mainly through long term permanent staff with good levels of knowledge and experience. -Director of Corporate Finance and deputy Section 151 officer, CIPFA qualified and 12 years experience in Southwark - Clive Palfreyman, CFO , CIMA qualified, in post since May 2023, experienced London local authority director of finance

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Governance and financial management style

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>C The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control</p> <p>Key questions</p> <ul style="list-style-type: none"> • Does the leadership team espouse the Nolan principles? • Does the authority have in place a clear framework for governance and internal control? • Has the leadership put in place effective arrangements for assurance, internal audit and internal accountability? • Does the leadership team espouse high standards of governance and internal control? • Does the leadership team nurture a culture of effective governance and robust internal control across the authority? 	<p><u>Governance structure</u> (terms of reference, scheme of delegation, conduct at meetings). Transparent constitution that’s available to public</p> <p><u>Clear arrangements for assurance and accountability</u></p> <ul style="list-style-type: none"> -internal audit planning and reporting -risk management -effective audit committee -recommendations from external auditor acted upon promptly <p><u>Ensuring high standards of governance and internal control</u></p> <ul style="list-style-type: none"> -code of conduct for leadership team -register of interests -constructive challenge (audit, scrutiny and oversight committees, stakeholder engagement) -realism bias (robust analysis of data , evidence based savings, robust decision making procedure) 	<p><u>Governance structure</u></p> <ul style="list-style-type: none"> -Member and officer protocol -Constitution – updated January 2024 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>

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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>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
		<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, 3 year budget 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. Performance management system and appraisals</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>D The authority applies the CIPFA/SOLACE <i>Delivering Good Governance in LG: Framework</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 updated and agreed at the audit governance and standards committee in February 2024. The annual governance statement demonstrates adherence to the CIPFA code.</p> <p>AGS draft was reviewed by the corporate management team in May 2023 and audit, governance and standards committee in June 2023. The AGS was approved in July 2023. The AGS detailed the sustainability of resource use, identified risks and mitigations.</p> <p>Open and transparent process reported and discussed at audit standards and governance committee. Looks to continuous improvement ethos and reviews external factors</p> <p>Departmental directors review annually the governance and assurance arrangements of their departments with reference to departmental risk registers, audit reports and internal and external reviews.</p> <p>Scrutiny of ethical decision-making forms an integral part of scrutiny of members' function</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>E The financial management style of the authority supports financial sustainability</p> <p>Key questions</p> <ul style="list-style-type: none"> Does the authority have in place an effective framework of financial accountability? Is the authority committed to continuous improvement in terms of the economy, efficiency, effectiveness and equity of its services? Does the authority’s finance team have appropriate input into the development of strategic and operational plans? Do managers across the authority possess sufficient financial literacy to deliver services cost-effectively and to be held accountable for doing so? Has the authority sought an external view on its financial style, for example through a process of peer review? Do individuals with governance and financial management responsibilities have suitable delegated powers and appropriate 	<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> <ul style="list-style-type: none"> -requires leadership that focuses on strategic direction and sets correct tone (accountable, supports performance through MTFS) -people with correct competencies (business partnering, budgets robust on accrual basis, accurate financial transactions, reporting and forecasting accurately) -processes that support strategy 	<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. Changes in reporting are due to come into force following the Procurement Act 2023 including the requirement to public contract performance against KPIs for larger contracts. CMT are reviewing the contract management plans to ensure VfM.</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 (temporary accommodation, NRPF, medium term financial risks to changes in local government funding) and AGS reiterate the</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>skills and training to fulfil these responsibilities?</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) impact the financial plan.</p> <p>Finance department well qualified and experienced staff members. Business partnering, regular 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 – Corporate Peer Challenge (CPC) undertaken in October 2023. And post review action plan.</p>

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Long to medium term financial management

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>F The authority has carried out a credible and transparent financial resilience assessment</p> <p>Key questions</p> <ul style="list-style-type: none"> • Has the authority undertaken a financial resilience assessment? • Has the assessment tested the resilience of the authority’s financial plans to a broad range of alternative scenarios? • Has the authority taken appropriate action to address any risks identified as part of the assessment? 	<p><u>Financial resilience assessment</u></p> <p>The authority must explore the sensitivity of its financial resilience to alternative plausible scenarios for key drivers of costs, service demands and resources focusing on the LT</p> <p>Assessment needs to be credible (undertaken by qualified and experienced person/team; - independent of the authority itself;-with evidence from interviews and documentation)</p> <p>Assessment needs to be transparent (overseen by authority leadership team or committee; terms of reference; clear report and recommendations)</p> <p>Factors within the assessment statement</p> <ul style="list-style-type: none"> -getting routine management right (annual budget, assigning to budget holders, regular budget monitoring and actions to address variations, reported to senior management) -planning and managing capital resources well (capital strategy, asset management plan, regular reporting) 	<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>

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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 4 years. SDF has reviewed the data for 2022-23. Reserves sustainability has been highlighted as low risk for Southwark. Highlighted as higher risk are areas that are already known</p> <ul style="list-style-type: none"> • Gross external debt (from HIP borrowing) • Potential for BR reset reducing resources • VfM assessment of HRA sustainability.
<p>G The authority understands the prospects of sustainability and reported to members</p> <p>Key Questions</p>	<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>P and R strategy 3 year report to 2026-27 refreshed remit, reported to Cabinet most recently in February 2024 Scenario planning- and options and identification of efficiency savings to enable sustainable finances whilst</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 sufficiently robust understanding of the risks to its financial sustainability? • 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>Alongside this there will be a financial strategy (which could be part of the strategic plan) which focuses on how the authority will finance their aims, strategies and activities set out in the 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>assessing and incorporating service demand commitments into long-term planning.</p> <p>Climate change strategy to 2030.</p> <p>The refreshed capital programme reported to the cabinet (Feb 2024 and approved at council assembly in Feb 2024)</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</p> <p>All cabinet members have a responsibility to ensure that risk is well managed, with the Cabinet Member for Communities, Democracy and Finance having specific accountability for corporate risk management. All departments have departmental risk champions and the</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<p>The development of longer-term financial strategies can be characterised by the use of Scenario planning in contrast to forecasts. This should represent plausible scenarios and reject 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>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>Departmental reviews of cost basis on a risk basis.</p> <p>The budget report sets out 3 year plans.</p>
<p>H The authority complies with the <i>CIPFA Prudential Code for Capital Finance in Local Authorities</i></p> <p>Key Questions</p> <ul style="list-style-type: none"> • Has the authority prepared a suitable capital strategy? • Has the authority set prudential indicators in line with the Prudential Code? • Does the authority have in place suitable mechanisms for monitoring its performance against the prudential indicators that it has set? 	<p><u>Capital Strategy</u></p> <p>There should be a capital strategy in place that sets out the long-term context in which capital expenditure and investment decisions are made and that gives due consideration to risk and reward and to impact on the achievement of the authorities priorities.</p> <p>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 	<p>Draft Treasury Strategy 2024-25 report, which meets the requirements of CIPFA’s Treasury Management and Prudential Codes (2021-24), is considered by audit, governance and standards committee in November 2023 meeting, prior to approval by council assembly in February 2024..</p> <p>The investment strategy has been informed by advice from an external treasury advisor, updated in February 2024</p> <p>Key areas highlighted are the council’s borrowing strategy and debt management activity. A policy of internal borrowing from</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<p>to the authorities policies on capitalisation</p> <ul style="list-style-type: none"> • A long-term view of capital expenditure plans where long term is defined by the financing strategy of, and risk faced by the authority with reference to the life of projects/assets. • Overview of asset management planning and any restrictions the authority may face in terms of borrowing, funding or capital finance <p>Debt, borrowing and treasury management</p> <ul style="list-style-type: none"> • A projection of external debt and the use of internal borrowing to support capital expenditure, provisions for the repayment of debt, • The authorised limit and operational boundary for the following year • The authorities approach to treasury management including processes in place to ensure effective due diligence 	<p>reserves to temporarily fund capital expenditure where possible. The council has borrowed externally from PLWB in 2023-24. Interest rates have increased significantly this year, though borrowing through PWLB remains the cheapest and most efficient source of external debt.</p> <p>Capital programme governance arrangements are currently being reviewed and enhanced (Feb 2024)</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> <p>The annual investment management strategy 202-25, states the council’s investment objectives and investment limits.</p> <p>Annual Minimum Revenue Provision Statement 2024-25.</p> <p>Capital strategy – 2022-23 to 2030-31 aligns with Council Delivery Plan, specifies core principles and a governance framework. Long-</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<p>and defining risk appetites in respect of such activity</p> <p>Commercial activity</p> <ul style="list-style-type: none"> • Approach to commercial activities ensuring effective due diligence <p>Other long-term liabilities</p> <ul style="list-style-type: none"> • Overview of the governance process <p>Knowledge and skills</p> <ul style="list-style-type: none"> • Summary of the knowledge and skills available to the authority <p>The authority should set up prudential indicators for the forthcoming and following years before the beginning of the financial year.</p> <p>The CFO is required to establish procedures to monitor performance against all forward-looking indicators.</p> <p>Specify prudential indicators for capital expenditure, external debt and affordability.</p>	<p>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>I The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans</p> <p>Key Questions</p> <ul style="list-style-type: none"> • Does the authority have in place an agreed medium-term financial plan? • Is the medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy? • Has the medium-term financial plan been prepared on the basis of a robust assessment of relevant drivers of cost and demand? • Has the medium-term financial plan been tested for resilience against realistic potential variations in key drivers of cost and demand? • Does the authority have in place a suitable asset management plan that seeks to ensure that its property, plant and equipment including infrastructure assets contribute effectively to the delivery of services and to the achievement of the authority’s strategic aims? 	<p><u>The Medium-Term Financial Plan</u></p> <p>The MTFP is a translation of the authority’s strategy into the near plan and provides a critical link between the authorities’ financial strategy and service delivery.</p> <p>For an effective medium term financial plan it should be</p> <ul style="list-style-type: none"> • Be integrated with the authorities service plans and its capital strategy • Respond to uncertainty in the authorities funding regime • Translate the authorities longer-term aims into the medium term • Be developed in a robust manner • Integrate suitable drivers of demand and cost (PESTLE analysis) • Be subjected to sensitivity analysis to allow any vulnerabilities to be identified (probability spread, regression analysis) <p>The asset management plan might include</p>	<p>P and R strategy report to 2026-27 refreshed remit, reported to Cabinet in February 2024. 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>Climate change strategy to 2030.</p> <p>The refreshed capital programme reported to cabinet (Feb 2024)</p> <p>Fairer future vision and principles / Council Delivery Plan</p> <p>Renewed Asset management plan (January 2021 Cabinet), which sets a policy framework and aligns with the council’s strategic corporate priorities,</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>

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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"> • An overview of the authorities asset portfolio • Assessment of the condition and performance of the assets held • The authorities priorities for maintaining, enhancing, adding to and divesting from its asset portfolio • The actions that will be taken to achieve these priorities, together with the outputs and outcomes that are to be achieved • The resources necessary to maintain and improve the asset’s portfolio and how it will be secured • Timescales and responsibilities for the actions identified 	<p>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
The Annual Budget		
<p>J The authority complies with its statutory obligations in respect of the budget setting process</p> <p>Key Questions</p> <ul style="list-style-type: none"> • Is the authority aware of its statutory obligations in respect of the budget-setting process? • Has the authority set a balanced budget for the current year? • Is the authority aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so? 	<p><u>Statutory requirements regarding Budget-Setting</u></p> <ul style="list-style-type: none"> • Local Government Act 2000 requires councils to approve the annual budget, on the recommendation of the executive or equivalent, together with the associated council tax demand • Local Government Act 2003, Section 25 requires the S151 officer to report on the council's robustness of their estimates made in the annual budget and on the adequacy of the proposed financial reserves assumed in the budget calculations. <p>Setting a robust and sustainable budget (in accordance with Local Government Finance Act 1992)</p> <ul style="list-style-type: none"> • The expenditure that the authority estimates it will incur in the year in performing its functions 	<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 2024-25 despite years of austerity and inflationary pressures. The budget report (Feb 2024 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>

Appendix A CIPFA Financial Management Code 2023-24

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<ul style="list-style-type: none"> • 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 £2.4m 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? • Does this report accurately identify and consider the most significant estimates used to prepare the budget, the potential for 	<p>Identify how estimates are made e.g.</p> <ul style="list-style-type: none"> • The level of demand for individual services • Staff pay levels and pension scheme contribution levels • Interest rates, likely returns on financial investments and other capital finance issues • Pressures on major capital projects • The level of funding received through council tax and other sources 	<p>Budget report by the Strategic Director of Finance details</p> <ul style="list-style-type: none"> • The 2024-25 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. • Staff pay awards, inflation, savings and commitments • Funding through CT and BR and fees and charges • Highlighted fragility of HRA

Appendix A CIPFA Financial Management Code 2023-24

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>these estimates being incorrect and the impact should this be the case?</p> <ul style="list-style-type: none"> • ☒ 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"> • 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 	

Appendix A CIPFA Financial Management Code 2023-24

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>Stakeholder engagement and business plans</p>		
<p>L The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget</p> <p>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 Delivery Plan, 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>Consultation on budget through multi ward meetings.</p> <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.</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 residents,</p>

Appendix A CIPFA Financial Management Code 2023-24

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
		community organisations and businesses throughout the borough.
<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 informative manner that gives clear 	<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 GW0 and GW1 reports</p> <ul style="list-style-type: none"> - peer-review and post action plan -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

Appendix A CIPFA Financial Management Code 2023-24

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>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 	

Appendix A CIPFA Financial Management Code 2023-24

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.

Appendix A CIPFA Financial Management Code 2023-24

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 via the council delivery plan and organisational performance review. The performance against these is reported to the cabinet in the annual</p>

Appendix A CIPFA Financial Management Code 2023-24

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>Director of Corporate Finance is responsible for BSM.</p> <p>Regular update of risk of DSG deficit balance: currently at £14.5m</p> <p>Balance sheet projection model is maintained for current and following three years on a rolling basis. This combines data from the capital programme, debt maturities, reserves and provisions estimates and other key drivers of cash movements. This is used in inform medium term borrowing and cash management decisions to ensure long term sustainability.</p>

Appendix A CIPFA Financial Management Code 2023-24

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) 	<p>Daily cash balance projections are produced on a rolling 12 month basis.</p> <p>Corporate Debt Monitor produced monthly to measure debt collection performance and flag up areas for concern to service areas</p> <p>Provisions for bad debt reviewed and updated regularly based on latest collection performance and other intelligence from services</p>
	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 style="text-align: center;">Key Questions</p>	<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 (<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 Clive Palfreyman , CFO since May 2023</p>

Appendix A CIPFA Financial Management Code 2023-24

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<ul style="list-style-type: none"> Is the authority's CFO aware of their responsibilities in terms of the preparation of the annual financial statements? Are these responsibilities included in the 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? 	<p>accounting policies/prevention of fraud/reasonable estimates</p> <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>Accounts prepared on time and in compliance demonstrated by past external audit reports</p>
<p>Q The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions</p> <ul style="list-style-type: none"> Is the authority's leadership team provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget? 	<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>	<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 2023-24 was balanced despite inflationary pressures.</p>

Appendix A CIPFA Financial Management Code 2023-24

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<ul style="list-style-type: none"> • Is the information in these reports presented effectively? • 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"> • Is the final outturn position broadly in line with the budget? • 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>Performance of services scrutinised in budget monitoring</p> <p>Reserves stable.</p> <p>Some slippage on the capital programme but planned action to achieve long term targets.</p> <p>Capital programme refreshed and approved by council assembly Feb 2024</p>

Meeting Name:	Audit, Governance and Standards Committee
Date:	3 June 2024
Report title:	Annual report on the work and performance of the audit, governance and standards committee in 2023-24
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	

RECOMMENDATIONS

That the audit, governance and standards committee:

1. note the outcome of the CIPFA self-evaluation questionnaire.
2. consider and agree the approaches for committee development in Table 1.

BACKGROUND INFORMATION

3. The annual report on the performance of the audit, governance and standards committee was presented to the February 2024 audit, governance and standards committee. There were two recommendations:
 - That the annual report on the work and performance of the committee be forwarded to all councillors. This has been undertaken on 1 May 2024.
 - That the committee members be invited to undertake the CIPFA assessment questionnaire and a summary brought back to the June 2024 committee. Paragraphs 4 to 7 give a brief summary of the outcome of the questionnaire.

KEY ISSUES FOR CONSIDERATION

4. This report summarises the findings of the CIPFA self-assessment of good practice for audit committees. Where an audit committee has a high degree of performance against the CIPFA good practice principles, it is an indicator that the committee is soundly based and has a knowledgeable membership.
5. The questions were structured under the headings:
 - Audit committee purpose and governance
 - Functions of the committee
 - Membership and Support
 - Effectiveness of the committee

6. Assessment of good practice, was scored from 'fully compliant' to 'major improvement' as a numerical score. The combined average median score was 158/200- which is midway between fully compliant and minor improvement – a good result.
7. The table below shows the possible areas for further development.

Table 1	
Areas for further development	Suggested Approach
Committee Members to meet privately with the auditors	<p>The council's external auditors has changed to KMPG from Grant Thornton. BDO are the council's internal auditors.</p> <p>It may be useful to meet with the auditors as part of a training session.</p>
Evaluation of skills and training of committee members.	<p>Ensure relevant knowledge and skills of existing members and consider whether there are any gaps that could be met from training or selection of members (including independent members)</p> <p>There is training available from the LGA and CIPFA</p> <p>Link to councillor training – includes audit committee training</p> <p>LGA councillor training</p> <p>Link to CIPFA training course in June 2024 (also available in September 2024)</p> <p>CIPFA webinar training</p>

Policy framework implications

8. There are no policy implications in the proposals in this report.

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

Community impact statement

9. 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

10. There are no direct equalities implications in the proposals in this report.

Health impact statement

11. There are no direct health implications in the proposals in this report.

Climate change implications

12. There are no direct climate change implications in the proposals in this report.

Resource implications

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

Consultation

14. Committee members were invited to complete the CIPFA assessment of the performance of the committee

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
5 February 2024 Audit, governance and standards committee report. agenda item 18,	Agenda item 18, 5 February audit,, governance and standards committee	Virginia Wynn-Jones 020 7525 7055

AUDIT TRAIL

Lead Officer	Tim Jones, Director of Corporate Finance	
Report Author	Geraldine Chadwick	
Version	Final	
Dated	23 May 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Assistant Chief Executive, Governance and Assurance	No	No
Strategic Director, Finance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	23 May 2024	

Meeting Name:	Audit, Governance and Standards Committee
Date:	3 June 2024
Report title:	Membership of audit, governance and standards sub-committees for 2024-25
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
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 2015-16 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 2024.

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

Community impact statement

17. 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.
18. The council is committed to promoting civic engagement and good relations in our communities. The awards attract media interest and recognise the voluntary work of a number of people and organisations within Southwark, thus strengthening community cohesion.

Equalities (including socio-economic) impact statement

19. There are none.

Health impact statement

20. There are none.

Climate change implications

21. There are none.

Resource implications

22. There are none.

Consultation

23. None required.

APPENDICES

No.	Title
	None

BACKGROUND DOCUMENTS

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

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown, Assistant Chief Executive – Governance and Assurance	
Report Author	Virginia Wynn-Jones, Principal Constitutional Officer	
Version	Final	
Dated	14 May 2024	
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	14 May 2024	

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

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

COPIES

COUNCILLORS

Councillor Barrie Hargrove (Chair) 1
 Councillor Cassandra Brown By email
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 Councillor Nick Johnson By email
 Councillor Graham Neale 1
 Councillor Andy Simmons 1
 Councillor Michael Situ By email

RESERVES

Councillor Gavin Edwards By email
 Councillor Richard Leeming By email
 Councillor Esme Hicks By email
 Councillor Margy Newens By email
 Councillor David Watson By email

OTHER COUNCILLORS

Councillor Stephanie Cryan By email

GOVERNANCE AND ASSURANCE

Sarah Feasey By email
 Doreen Forrester-Brown By email

COMMUNICATIONS

Louise Neilan By email

CONSTITUTIONAL TEAM

Virginia Wynn-Jones 2

INDEPENDENT PERSONS

Ms Natasha Jindal By email
 Ms Amrit Mangra By email
 Mr Gary Roberts By email

FINANCE

Clive Palfreyman By email
 Tim Jones By email
 Geraldine Chadwick By email
 Amarjit Uppal By email

BDO (Internal Auditors)

Aaron Winter By email

GRANT THORNTON

Joanne Brown By email
 Grant Thornton
 110 Bishopsgate
 London EC2N 4AY

Nick Halliwell By email
 Grant Thornton
 110 Bishopsgate
 London EC2N 4AY

KPMG

Via Finance By email

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