

## **Audit, Governance and Standards Committee**

Monday 2 June 2025

6.30 pm

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

### **Membership**

Councillor Barrie Hargrove (Chair)  
Councillor Ellie Cumbo  
Councillor Dora Dixon-Fyle MBE  
Councillor Adam Hood  
Councillor Nick Johnson  
Councillor Andy Simmons  
Councillor Michael Situ

### **Reserves**

Councillor Maggie Browning  
Councillor Gavin Edwards  
Councillor Margy Newens  
Councillor David Parton  
Councillor David Watson

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### **INFORMATION FOR MEMBERS OF THE PUBLIC**

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#### **Access to information**

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#### **Contact**

Virginia Wynn-Jones on 020 7525 7055 or email: [virginia.wynn-jones@southwark.gov.uk](mailto:virginia.wynn-jones@southwark.gov.uk)

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Members of the committee are summoned to attend this meeting

**Althea Loderick**

Chief Executive

Date: 22 May 2025



## **Audit, Governance and Standards Committee**

Monday 2 June 2025  
6.30 pm  
Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

### **Order of Business**

<b>Item No.</b>	<b>Title</b>	<b>Page No.</b>
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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 - 8

To approve as a correct record the minutes of the open meetings held on 3 February 2025 and 17 May 2025.

Item No.	Title	Page No.
6.	<b>GOVERNANCE CONVERSATION: STRATEGIC DIRECTOR OF INTEGRATED HEALTH AND CARE</b>	
	Darren Summers, Strategic Director of Integrated Health and Care, to attend the committee.	
7.	<b>CYBER SECURITY &amp; THIRD-PARTY SUPPLY CHAIN MANAGEMENT UPDATE</b>	9 - 22
8.	<b>MEMBER DEVELOPMENT FRAMEWORK</b>	
9.	<b>INTERNAL AUDIT PROGRESS REPORT JUNE 2025 AND DRAFT ANNUAL REPORT AND STATEMENT OF ASSURANCE</b>	23 - 91
10.	<b>EXTERNAL AUDIT PLAN &amp; STRATEGY FOR SOUTHWARK COUNCIL 2024-25</b>	92 - 151
11.	<b>CORPORATE ANTI-FRAUD TEAM AND SPECIAL INVESTIGATIONS TEAM YEAR END REPORT 2024-25</b>	152 - 161
12.	<b>ESTABLISHMENT OF MEMBERSHIP OF AUDIT, GOVERNANCE AND STANDARDS SUB-COMMITTEES FOR 2025-26</b>	162 - 165
13.	<b>IN YEAR REVIEW OF WORK PROGRAMME 2025-26: JUNE 2025</b>	166 - 174

**ANY OTHER OPEN BUSINESS AS NOTIFIED AT THE START OF THE MEETING AND ACCEPTED BY THE CHAIR AS URGENT**

#### **EXCLUSION OF PRESS AND PUBLIC**

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

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

#### **PART B - CLOSED BUSINESS**



## **Audit, Governance and Standards Committee**

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Monday 3 February 2025 at 6.30 pm at Ground Floor Meeting Room G02A - 160 Tooley Street, London SE1 2QH

**PRESENT:** Councillor Barrie Hargrove (Chair)  
Councillor Maggie Browning  
Councillor Dora Dixon-Fyle MBE  
Councillor Graham Neale  
Councillor Andy Simmons  
Councillor Michael Situ

**OFFICER SUPPORT:** Clive Palfreyman, strategic director of resources  
Hakeem Osinaike, strategic director of housing  
Nat Stevens, Head of Governance and Tenant Management  
Aaron Winter, BDO  
Angela Mason-Bell, BDO  
Fleur Nieboer, KPMG  
Amarjit Uppal, chief accountant  
Humphrey Thompson, deputy chief accountant  
Tim Jones, director of corporate finance  
Paul Bergin, fraud manager  
Laura Sandy, corporate risk and insurance manager  
Doreen Forrester-Brown, assistant chief executive, governance and assurance  
Geraldine Chadwick, assistant director of finance (corporate)  
Virginia Wynn-Jones, constitutional team

### **1. APOLOGIES FOR ABSENCE**

Apologies were received from Councillor Nick Johnson.

### **2. CONFIRMATION OF VOTING MEMBERS**

The members present were confirmed as the voting members.

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

There were none.

#### **4. DISCLOSURE OF INTERESTS AND DISPENSATIONS**

There were none.

#### **5. MINUTES**

The minutes of the meeting of Wednesday 13 November 2024 were agreed as a correct record.

#### **6. GOVERNANCE CONVERSATION: STRATEGIC DIRECTOR OF HOUSING**

Hakeem Osinaike, strategic director of housing, presented to the committee. The committee had questions for the strategic director.

Officers undertook to publish the briefing circulated by the strategic director prior to the meeting.

Officers undertook to bring back a written report in nine months on the results of the housing department's work with TMO on their finances.

#### **7. INTERNAL AUDIT PROGRESS REPORT FEBRUARY 2025**

The internal auditors introduced the report. Members had questions for the officers.

The internal auditors undertook to include an audit on estate lighting in the 2025/26 audit plan.

The committee offered their congratulations to the treasury management team, Bankline, IT incident management, pest control, and the youth and play service for their very positive audit outcomes.

#### **RESOLVED:**

1. That the audit, governance and standards committee noted the update reports, as attached at Appendix A and B of the report.
2. That the audit, governance and standards committee agreed the indicative internal audit programme for 2025/26 as attached at Appendix C of the report.

#### **8. AUDITOR'S YEAR END REPORT ON SOUTHWARK COUNCIL 2023-24**

The external auditors introduced the report. Members had questions for the auditors.

The auditors undertook to update the text on page 30 of their report relating to officers' oversight of major works.

Officers confirmed that an action plan based on the auditors' recommendations would be brought back to the committee in July 2025.

Officers undertook to consider how best to present information on waivers to the committee in 2025/26, and to bring a response back via the work plan update.

**RESOLVED:**

That the Audit, Governance and Standards committee:

- a. Considered the matters raised in KPMG's Year End Report for the council's core financial statements 2023-24 (Appendix A of the report) before approval of the council's accounts
- b. Considered the matters raised in KPMG's Auditor's Annual Report (Appendix B of the report)
- c. Considered the matters raised in the KPMG's Year End Report for the Pension Fund 2023-24 (Appendix C of the report) before approval of the Pension Fund accounts.

**9. FINAL STATEMENT OF ACCOUNTS 2023-24**

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

The committee thanked the officers and the external accountants for their work in bringing the accounts up to date before the deadline.

**RESOLVED:**

That the Audit, Governance and Standards committee:

- a. Noted the adjustments to the council's accounts as set out in paragraph 14 of the report
- b. Noted the adjustments to the Pension Fund accounts as set out in paragraph 15 of the report
- c. Approved the letters of representation for the council and Pension Fund (Appendices A and B) as required by KPMG in order to conclude the audit of the 2023-24 statement of accounts
- d. Approved the Statement of Accounts 2023-24 (Appendix C) subject to any final changes required by the conclusion of the audit, being delegated to the Strategic Director of Resources in consultation with the Chair of the Audit, Governance and Standards committee.

**10. 2024-25 Q3 REPORT OF THE CORPORATE ANTI-FRAUD TEAM (CAFT), FINANCE AND THE SPECIAL INVESTIGATIONS TEAM (SIT)**

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

Officers undertook to confirm the risk status of concurrent working in future report.

**RESOLVED:**

That the audit, governance and standards committee note the 2024-25 Q3 report of the Corporate Anti-Fraud Team (CAFT) and the Special Investigations Team (SIT).

**11. ANNUAL REPORT ON CORPORATE RISK**

Officers introduced the report.

**RESOLVED:**

1. That the audit, governance and standards committee noted the annual report on corporate risk.
2. That the audit, governance and standards committee reviewed the current corporate risk register and provided comments to officers for their consideration prior to the publication of the register by the Strategic Director of Resources.

**12. REVIEW OF THE MEMBERS' CODE OF CONDUCT UPDATE**

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

Officers undertook to circulate the link to the consultation questionnaire so members can choose to respond. The consultation closes on 26 February 2025.

**RESOLVED:**

That the committee noted the pausing of the Review of the Members' Code of Conduct as a result of the Government's new proposals on member conduct.

**13. REVIEW OF COMPLAINTS MADE UNDER THE MEMBERS' CODE OF CONDUCT IN 2024**

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

**RESOLVED:**

That the committee noted the report.

**14. WHISTLEBLOWING COMPLAINTS AND OUTCOMES**

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

**RESOLVED:**

That the committee noted the report.

**15. REPORT ON THE OPERATIONAL USE OF THE REGULATION OF INVESTIGATORY POWERS ACT 2000**

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

**RESOLVED:**

That the committee noted the report.

**16. ANNUAL REPORT ON THE WORK AND PERFORMANCE OF THE AUDIT, GOVERNANCE AND STANDARDS COMMITTEE IN 2024-25**

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

Officers undertook to update a minor typographical error.

**RESOLVED:**

That the audit, governance and standards committee forward this report on its work and performance in 2024-25 to all councillors, subject to any amendments it wishes to make.

**17. ANNUAL WORK PROGRAMME FOR THE FOLLOWING YEAR (2025-26)**

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

Officers undertook in 2025/26 to bring reports on the following:

- Waivers
- Complaints governance, including TMO complaints
- Members' enquiries.

**RESOLVED:**

1. That the audit, governance and standards committee considered the proposed draft work programme for 2025-26 and made the above amendments.
2. That the audit, governance and standards committee, subject to any requested changes, agreed the work programme for 2025-26 set out in Appendix 2 of the report.

**18. APPOINTMENT OF NON-VOTING CO-OPTED MEMBERS OF THE CIVIC AWARDS SUB-COMMITTEE FOR 2024-25**

The committee went into closed session.

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

**RESOLVED:**



That the committee appoint the following as co-opted members of the audit, governance and standards (civic awards) sub-committee:

Christiana Opoku-Addo  
Hajia Saidat Oketunde  
Brenda Wade  
A representative of the Civic Society

Reserve: Jonathan Sedgwick

Meeting ended at 8.45 pm

**CHAIR:**

**DATED:**



## **Audit, Governance and Standards Committee**

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Saturday 17 May 2025 at 1.00pm at Southwark Cathedral, London Bridge, SE1 9DA

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**PRESENT:** Councillor Barrie Hargrove (Chair)  
Councillor Ellie Cumbo  
Councillor Dora Dixon-Fyle  
Councillor Adam Hood  
Councillor Nick Johnson  
Councillor Andy Simmons  
Councillor Michael Situ

**OFFICER SUPPORT:** Virginia Wynn-Jones, constitutional team

### **1. APOLOGIES FOR ABSENCE**

There were none.

### **2. CONFIRMATION OF VOTING MEMBERS**

The members present were confirmed as the voting members.

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

There were none.

### **4. DISCLOSURE OF INTERESTS AND DISPENSATIONS**

There were none.

### **5. FORMATION OF AUDIT, GOVERNANCE AND STANDARDS SUB-COMMITTEES FOR 2025-26**

#### **RESOLVED:**

1. That the committee established a sub-committee to consider complaints of

misconduct against elected councillors and co-opted members (the audit, governance and standards (standards) sub-committee).

2. That the committee established a sub-committee to consider civic awards (the audit, governance and standards (civic awards) sub-committee).
3. That the membership for these sub-committees be reserved for decision of the next meeting of the audit, governance and standards committee.

Meeting ended at 1.05 pm

**CHAIR:**

**DATED:**

<b>Meeting Name:</b>	Audit, Governance and Standards Committee
<b>Date:</b>	2 June 2025
<b>Report title:</b>	Cyber Security & Third-Party Supply Chain Management Update
<b>Ward(s) or groups affected:</b>	N/A
<b>Classification:</b>	Open
<b>Reason for lateness (if applicable):</b>	N/A
<b>From:</b>	Tee Patel, Head of Cyber Security Fabio Negro, Managing Director, Shared Technology Services

## RECOMMENDATIONS

1. That the audit, governance and standards committee note the actions being taken in response to the BDO Audit, and their current status.
2. That the committee note the new Head of Cyber Security in post.

## BACKGROUND INFORMATION

3. This report provides an update on the work done to address the findings identified in the BDO Cyber Security Audit, last year August 2024.
4. A lot of progress has been made on our Cyber Security activities. This includes:
  - a. **Updated 2025-2027 Cyber Security Strategy [Appendix A]** has been drafted and is currently under review.
  - b. **CJSM** – Criminal Justice Secure Mail – Completed the 349-question security questionnaire.
  - c. **BDO Audit** – one remaining audit action pending Cyber Awareness Training.
  - d. **Compliant to Payment Process Audit** (PCI DSS) – Credit / Debit Card compliance audit carried out by Blackfoot Security on our payment processing. (Pay360 | Worldpay | MS Azure | Gladstone | STS | Card Stream.)
  - e. **Security Policies [Appendix B]** – a number of security policies have been drafted and shared. Final versions will be communicated within the coming months.
  - f. **Third Party Due Diligence [Appendix C]** – Risk Ledger application has been selected to manage our third party due diligence.
  - g. **PSN Code of Connection** (CoCo) – A Pen Test, an ethical cyber security test to check our IT infrastructure for any vulnerabilities or weaknesses and make recommendations to mitigate and reduce any

risks, is scheduled for mid-June. Due by 25 November 2025 – planned kick off for compliance will start in August 2025.

- h. **Tabletop Incident Response Workshop** - had been carried out on 3 April 2025 – with processes, primary and secondary contacts updated.

5. We have committed through our Digital & Technology Strategy 2024-2026, Southwark 2030, and the Council Plan to continually improve how we manage our technology and digital services as being crucial to responding to local needs, operating with reduced budgets, and adaptive to changes in the technology world.
6. By prioritising cyber security, we can prevent potential threats, minimise risks, and ensure that our authority continues to operate effectively and securely. The safety and the integrity of our services and data are our top priorities, and strong cyber security is fundamental to achieving this.
7. We will do this by using the central government Cyber Security Framework ensuring we appropriately manage risk, protect ourselves from attack, prevent through detection and have suitably robust and expedient plans in place to minimise impact of any incident should it occur.
8. The Cyber Security Strategy (Drafted under review) [**Appendix A**] will sit within the Technology & Digital Strategy Framework underpinned by a library of policies created to ensure our staff follow the necessary practices in their duties. It places the responsibility on everyone in the organisation to ensure they actively participate in safeguarding our digital infrastructure, services and data.
9. Working with our Shared Technology Services Partner (STS), we have adopted the National Cyber Security Centre (NCSC) Cyber Assessment Framework (CAF) [**Appendix E**] as our assurance framework. In addition, our policies are aligned to the ISO 27001 Standard in Information Security Management.
10. We have started the implementation of the framework which consists of a set of 14 cyber security and resilience principles, aimed at helping organisations achieve and demonstrate an appropriate level of cyber resilience.
11. The principles define a set of top-level outcomes that describes good cyber security functions, centred on four objectives. Each principle is accompanied by a guidance for achieving the outcome and recommends some ways to tackle common cyber security challenges.
12. Alongside the internal and external audits and participation in the MHCLG CAF-lite, Technology and Digital Services have also commenced a self-assessment of the full NCSC CAF [**Appendix E**].
13. In doing so, we have completed the following:
  - Baseline of our current position in place.
  - Risk Register has been created.

- Policies and procedures have been drafted and updated.
- Extensive investment in security related tooling, people is in place.
- Staff training programme to educate and reinforce expected ways of working.
- Information Security Forum is in place to monitor open risks, cyclically re-assessed through the Audit workplan, CAF self-audits and assessments
- Continual improvement from our findings, implementing additional measures and/or recommended improvements to improve our security posture. Cyber Improvement Plan **[Appendix F]**.

## **KEY ISSUES FOR CONSIDERATION**

### **BDO Recommendation: (1) Excessive Number of Domain Admin Accounts**

**Status: Completed**

14. Admin accounts have been reviewed and updated in line with BDO recommendations.
15. A review of domain administrator accounts has been conducted, and a reduction plan is actively being implemented.
16. Ongoing oversight is maintained through regular reporting to the Operational Management Group (OMG). STS and TDS continue to work in close collaboration to ensure administrative accounts are regularly reviewed and appropriately reduced in line with best practices.

### **BDO Recommendation: (2) Non-Compliance with Anti-virus**

**Status: Completed**

17. Anti virus software for all council laptops has been deployed.

### **BDO Recommendation: (3) Cyber-security e-learning [Appendix D]**

**Status: On-going Progress**

18. To strengthen organisational awareness of information security, we have adopted the HR-led Learning Management System, Learning Pool. This platform includes a dedicated Information Security module, which will be deployed as a mandatory training requirement for all staff.
19. Completion of this training will be required by the end of July 2025.

### **BDO Recommendation: (4) Regular phishing exercise**

**Status: Implemented - On-going process**

20. Phishing exercise will be deployed after completion of the mandatory user awareness training. This is to be started from August 2025. This will provide time for users to identify scam versus genuine emails as part of the user awareness training.

**BDO Recommendation: (5) Cyber Incident Response (IR) plan****Status: Completed**

21. An Incident Response Workshop was conducted in April 2025, focusing on a simulated Domain Administrator Account Compromise scenario. The session aimed to assess responsiveness and validate incident handling procedures across teams. Key components of the workshop included:
  - Testing response times using two sample application scenarios
  - Reviewing the high-level incident response process
  - Reinforcing familiarity with the documented Incident Response Procedure
  - Confirming key points of contact and associated responsibilities
  - Identifying and documenting any process gaps or weaknesses.
22. Outcomes and identified actions were formally documented and shared with relevant stakeholders. Progress against these actions is tracked regularly to support continuous improvement of the council's incident response capability.

**BDO Recommendation: (7) Cyber Security policy [Appendix B]****Status: In Progress**

23. Considerable progress has been made in strengthening our cybersecurity governance framework:
  - A draft Cyber Security Strategy has been completed, awaiting formal approval by TDS leadership.
  - An ISO/IEC 27001-aligned policy framework has been defined, with full implementation targeted for May 2025.
24. The following draft policies have been developed to support the strategy:
  - Identity and Access Management
  - Third-Party Security
  - Asset Management
  - Application Security
  - Cloud Security
  - Risk Management Policy
25. Additionally, a Cybersecurity Risk Register has been established to track, evaluate, and treat key information security risks across the organisation.

**BDO Recommendation: (8) Admin Account Policy****Status: Completed**

26. The Privileged Access Management Policy and Password Policy have been written, formally approved, and published on the staff intranet. The Privileged Access Management Policy underwent review by the Technical Design Authority (TDA) to ensure alignment with security and architectural standards.
27. As part of ongoing access governance improvements, a detailed review of privileged account holders and associated password controls has been conducted in collaboration with the STS.

## **BDO Third Party Supply Chain Audit [Appendix C]**

**Status: Started 4 March to 30 April**

28. Report received 12 May 2025 and management responses are currently being completed.
29. The Risk Ledger application has been purchased to manage third party suppliers.
30. The following security controls will be enforced:
  - Due Diligence Checks – Pre-Engagement Assessment, Non-Disclosure Agreement (NDA), Completion of Security Questionnaire, Risk Based Approach and Central repository of the artefacts.
  - Contractual Obligations – Security Clauses, Minimum Security Controls, Right to Audit
  - Access Management – Principle of Least Privilege, Multi-Factor Authentication (MFA), Access Reviews.
  - Monitoring & Audits – Periodic Assessments, Real-Time Monitoring, Reporting Requirements.
  - Incident Response – Incident Response Plan, Notification Protocol, Collaboration and Remediation.

### **Policy framework implications**

31. There are no policy framework impacts from this report.

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

#### **Community impact statement**

32. There are no community impacts from this report.

#### **Equalities (including socio-economic) impact statement**

33. There are no equalities impacts from this report.

#### **Health impact statement**

34. There are no health impacts from this report.

### **Climate change implications**

35. As part of our commitment to environmental sustainability, our digital strategy is designed to align with the principles of responsible and eco-conscious technology management.
36. Our digital initiatives prioritise energy efficiency, emphasising the adoption of green IT practices such as Cloud utilisation, and reduction of printing.



37. We recognise the role of remote work and digital collaboration in reducing the need for physical travel, thereby contributing to lower carbon emissions.
38. Our technology and digital strategy also emphasises responsible product lifecycle management, considering the environmental impact of our technology choices from procurement to end-of-life. We are committed to minimising electronic waste through recycling programmes within the local area.

### **Resource implications**

39. None. Appropriate skills and capacity are managed accordingly within the operational budget.

### **Legal/Financial implications**

40. None. However, the actions taken to meet the findings of the BDO audit help strengthen our approach to continue to comply with legislative requirements around GDPR and Data Protection.

### **Consultation**

41. There was no relevant consultation.

### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

42. No supplementary advice was required.

### **BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
F-IT07 - Cyber Security review- FINAL Internal Audit Report	Internal Audit	<a href="mailto:Aaron.winter@bdo.co.uk">Aaron.winter@bdo.co.uk</a>
2024- Nov Cyber Update AGSC - BDO Audit - final	Internal Audit	<a href="mailto:Aaron.winter@bdo.co.uk">Aaron.winter@bdo.co.uk</a>
Latest updates 12 05 25.docx	Internal Audit	<a href="mailto:Maggie.Quigg@bdo.co.uk">Maggie.Quigg@bdo.co.uk</a>
F-IT15 - Cyber Security Controls Over Supply Chain - Draft Internal Audit Report - May 2025.docx	Internal Audit	<a href="mailto:Swetha.Saseendran@bdo.co.uk">Swetha.Saseendran@bdo.co.uk</a>

**APPENDICES**

<b>No.</b>	<b>Title</b>
Appendix A	Cyber Security Strategy
Appendix B	Cyber Security Policies
Appendix C	Third Party Supplier Management
Appendix D	User Awareness Training
Appendix E	NCSC Cyber Assessment Framework
Appendix F (1of2)	Cyber Improvement Plan
Appendix F (2of2)	Cyber Improvement Plan (continued)

**AUDIT TRAIL**

Lead Officer	Tee Patel, Head of Cyber Security		
Report Author	Tee Patel, Head of Cyber Security		
Version	FINAL		
Dated	19 May 2025		
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, Resources		Yes	Yes
Date final report sent to Constitutional Team			20 May 2025

**Appendix A - Cyber Security Strategy** – this is drafted (sample pages included as evidence) and under review by all relevant parties. Once approved this will be shared in full form with all parties.

# Cyber Security Strategy

We have drafted our Cyber Security Strategy which covers.

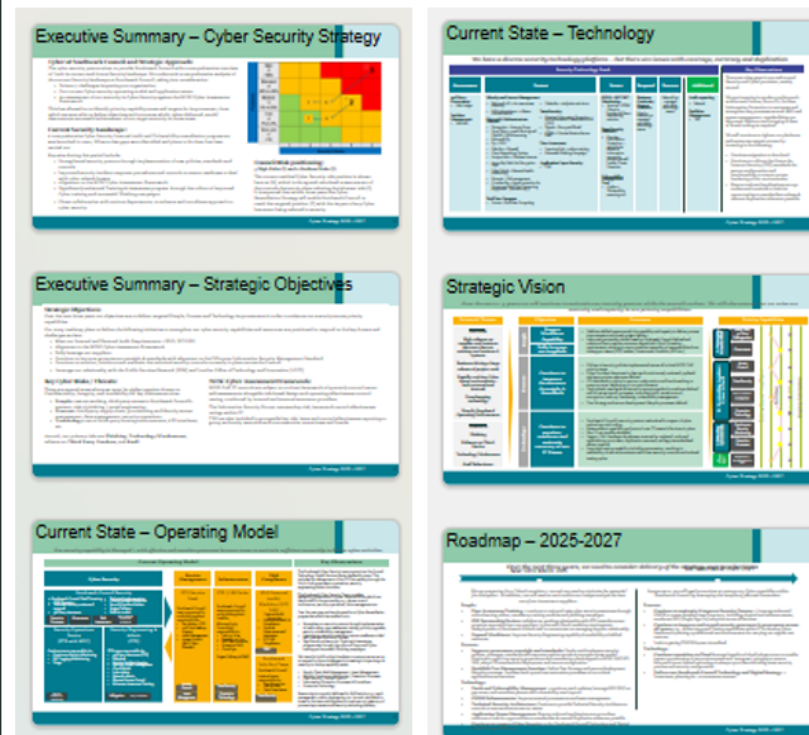
1. Executive Summary- Cyber Security Strategy
2. Strategic Objectives
3. Current State – Operating Model
4. Current State – Technology
5. Strategic Vision
6. Roadmap 2025 – 2027
7. NCSC Cyber Assessment Framework – progress has been made on a number of activities including, risk management, policies and processes. (Detailed next slide. )

## Cyber Security Strategic Objectives:

Over the next three years our objectives are to deliver targeted People, Process and Technology improvements to enhance our maturity across priority capabilities.

Our 2025 roadmap plans to deliver the following initiatives to strengthen our cyber security capabilities and ensure we are positioned to respond to the key threats and challenges we face:

- Meet our Internal and External Audit Requirements – BDO, PCI DSS.
- Alignment to the NCSC Cyber Assessment Framework.
- Fully leverage our suppliers.
- Continue to improve governance oversight & standards with Alignment to the ISO27001 Information Security Management Standard.
- Continue to monitor, reinforce and maintain the technical security controls currently in place across the Council.
- Leverage our relationship with the Public Services Network (PSN) and London Office of Technology and Innovation (LOTI).



# Cybersecurity Policies

**All Southwark security policies will be developed in line with ISO 27001:2022 (de-facto industry standard for cybersecurity).**

**Policies Drafted/Updated:**

Cyber Risk Management Policy  
IT Hardware Asset Management Policy  
Application Development and Acquisition Policy  
Cloud Security Policy  
Identity and Access Management Policy  
Joiners-Movers-Leavers Process  
Third-Party Security Policy

**To-be Updated:**

Vulnerability Management Policy  
Logging and Monitoring Policy  
Incident Response  
BCP and DR

# Third Party Supplier Management

A full Cyber Security review of all our Third-Party Suppliers is in progress.

This includes the purchase of the Risk Ledger application which will manage our 3<sup>rd</sup> Party Due Diligence.

The following security controls will be enforced:

1. **Due Diligence Checks** – Pre-Engagement Assessment, Non-Disclosure Agreement (NDA), Completion of Security Questionnaire, Risk Based Approach and Centreal repository of the artefacts.
2. **Contractual Obligations** – Security Clauses, Minimum Security Controls, Right to Audit
3. **Access Management** – Principle of Least Privilege, Multi-Factor Authentication (MFA), Access Reviews.
4. **Monitoring & Audits** – Periodic Assessments, Real-Time Monitoring, Reporting Requirements.
5. **Incident Response** – Incident Response Plan, Notification Protocol, Collaboration and Remediation.

## Appendix D

# User Awareness Training

### Current Status

3,036 have accessed the awareness training within the last quarter.

76% having completed the initial training modules – Same Password, Inadvertent Links, WhatsApp, Personal email and Credential Harvesting courses.

68% have completed the additional modules Data Privacy, Protecting Devices and Strong Password training.








Aim is to get 98% completion rate for all users to complete all course modules. This is pending clean up of our user base.

**We will be deploying HR Learning Management System – Named - Learning Pool for mandatory Information Security Awareness Training. Completion of this will be end of July 2025.**



## Appendix E

### NCSC Cyber Assessment Framework Plan

Month >>>	4	5	6	7	8	9	10	11	12	01	02	03
	2025 Q2			2025 Q3			2025 Q3			2026 Q4		
1. Establish NCSC CAF	>Develop Risk Assessment Methodology. >Implement Document Control Process. >Create 'Establish the IS Forum & Internal Audit Schedule.											
2. Implement & Operate the CAF	>Update/develop Security Incident Process. >Conduct Information Security Risk Assessment. >Roll out security awareness training.			>CAF Plan Established.								
3. Meet the CAF Control Objectives.	A. Managing Security Risk: 1 Governance   2 Risk Management   3 Asset Management   4 Supply Chain security. B: Protecting Against Cyber Attack: 5 Service Protection Policies and Processes   6 Identity and Access Control   7 Data Security   8 System Security   9 Resilient Networks and Systems   10 Staff Awareness and Training. C: Detecting Cyber Security Events: 11 Security Monitoring   12 Proactive Security Event Discovery. D: Minimising the Impact of Cyber Security Incidents   13 Response and Recovery Planning   14 Lessons Learned and Continual Improvement.											
4. Monitor & Review the CAF.	>Conduct Initial IS Forum confirm risk treatment plans and recommendations.			 >Conduct 2 <sup>nd</sup> IS Forum with input from the internal audit, and RTPs- determine acceptable risks or update RTP's for remediation.			 Conduct 3 <sup>rd</sup> IS Forum and remediate any actions from the stage 1 audit.					
5. Assessment / Audit				>Conduct Initial Internal Audit on Controls. >Conduct 2 <sup>nd</sup> Internal Audit / Gap Analysis.								
6. CAF Review & Certification.							>Certification Audit from external body (Stage 1).			>Certification Audit from external body (Stage 2).		
7. Maintain & Improve the CAF.							 >Gap Analysis. >Implement identified improvements in the CAF, take appropriate corrective and preventative actions, communicate actions, benefits realization.					
8. Post Certification – Running the CAF.										 >Post Certification – running the CAF. Regular Internal/External audit, IS Forums & risk treatments, implementations / remediation.		
Internal Audit   PCI DSS   CAF InfoSec Programme.												

## Appendix F (1 of 2)

# Southwark Cyber Improvement Plan

Month >>>	1	2	3	4	5	6	7	8	9	10	11	12
	Q1			Q2			Q3			Q4		
<b>1. Security Governance, Risk &amp; Compliance</b>	✓ Remediate Open Internal Audit Actions. ✓ Develop Risk Assessment Methodology. ✓ Establish the InfoSec Forum & Internal Audit Schedule.			• CAF Assessment Compliance • Implement Document Control Process.			Full set of security policies implemented across all critical NCSC CAF, PCI DSS and ISO27001 priority areas					
<b>2. Technical Security</b>	✓ Agree scope, schedule run and remediate Internal and External Pentest ✓ Review and reduce Domain Administrators. ✓ Carry out Technical Workshop to understand touch points.			• Southwark Council security posture maintained in respect of cyber technology and tooling • Measurement capability and control over IT Assets & Services in place • Zero Trust model embedded			Legacy / End Of Life hardware & software removed or replaced, tools and applications up-to-date, duplication removed, and apps standardised where possible			• Improved testing capability including automation, resulting in availability of test environments with clear security controls and reduced testing cycles		
<b>3. Data Protection &amp; FOI</b>	✓ Continual Support to the Data Protection, Freedom of Information and Project Teams. This includes ensuring information classification, handling, labelling and disposal policies / standards are embedded and enforced.											
<b>4. 3<sup>rd</sup> Party Risk Management</b>	✓ Fully leverage our Suppliers in driving Security. ✓ Risk / Decision Acceptance Forms			• Sufficient skilled resources with the capability and capacity to deliver process improvements and timely project delivery.			Continual monitoring of all 3 <sup>rd</sup> Parties. This includes embedding annual security compliance reviews.			• Continual monitoring of all 3 <sup>rd</sup> Parties. This includes embedding annual security compliance reviews.		
<b>5. Auditing</b>	✓ Carry out auditing on a number of areas			• Continual Access Management Reviews. • Process Reviews across sample set areas.			Access Control Reviews. BDO Audit ISO27001 Audit.			• Access Control Reviews.		
<b>6. Pentest &amp; Vulnerability Management</b>	✓ External Pentest Scoping and Action <a href="https://forms.southwark.gov.uk/fileData/">https://forms.southwark.gov.uk/fileData/</a>			• Monthly Dashboards need to be improved. Including Patch Hardware and Software deployment.			Management of Vulnerability actions			• Management of Vulnerability actions		
<b>7. Incident Response</b>	✓ A tabletop exercise is scheduled for 06 <sup>th</sup> March.			• Continue tabletop exercise and preparedness.			• Continue <u>table top</u> exercise and preparedness.					
<b>8. Information Security Awareness Training.</b>	✓ Develop Awareness training through HR LMS.			• Continual comms. Achieve 98% completion rate for the Cyber Training.			Continual comms.			• Continual comms.		



# Cyber Improvement Plan

We will continue to enhance the Cybersecurity Posture through the leveraging of Strategic Initiatives.

## **Server and Laptop Vulnerability Management**

We are pleased to announce that, following the strategic investment from Southwark and Partners, we have established a dedicated team equipped with resources and tools. This initiative significantly enhances our capability to manage and mitigate vulnerabilities across our server and laptop estate, ensuring that these risks are effectively addressed, and our security posture is strengthened.

## **Laptop Refreshment Program**

Our new laptop refreshment programme will leverage Microsoft Intune to enhance asset management. This will streamline remote management and application deployment, thereby improving our overall operational efficiency and security.

## **Leveraging Security Operations Centre (SOC) Intelligence**

The integration of our Security Operations Centre (SOC) has markedly increased our visibility into both external and internal threats. Our ongoing partnership with the NCC Group continues to evolve, providing us with critical insights and intelligence to proactively defend against potential risks. This will assist in new policy and procedures to ensure safer working practices.

## **Increased Monitoring and Detection of Network Threats**

Investment in next-generation network appliances, which offer advanced threat detection capabilities. This investment provides us with deeper insights into threats targeting our external assets and supports the expansion of our council's cybersecurity infrastructure.

<b>Meeting Name:</b>	Audit, governance and standards committee
<b>Date:</b>	2 June 2025
<b>Report title:</b>	Internal audit progress report June 2025 and draft annual report and statement of assurance
<b>Ward(s) or groups affected:</b>	All
<b>Classification:</b>	Open
<b>Reason for lateness (if applicable):</b>	N/A
<b>From:</b>	Strategic Director of Resources

### **RECOMMENDATION**

1. That the audit, governance and standards committee note the update reports, as attached at Appendix A, B and C.
2. That the audit, governance and standards committee note the draft annual report and statement of assurance 2024-25, as attached at Appendix D.

### **BACKGROUND INFORMATION**

3. This report informs the Audit, Governance and Standards Committee of progress against completion of the 2024-25 internal audit plans, including the schools annual summary report, and details the work undertaken by internal audit for London Borough of Southwark ('the Council') and provides an overview of the effectiveness of the controls in place for the full year.

### **Policy framework implications**

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

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

#### **Community impact statement**

5. This report and the accompanying accounts 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**

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

**Health impact statement**

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

**Further guidance**

8. None required.

**Climate change implications**

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

**Resource implications**

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

**Consultation**

11. There has been no consultation on this report.

**SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

12. None required.

**BACKGROUND DOCUMENTS**

Background Papers	Held At	Contact
None		

**APPENDICES**

No.	Title
Appendix A	Internal audit progress report
Appendix B	Internal audit progress report: Supplementary report – follow up status details
Appendix C	Internal audit schools annual summary report
Appendix D	Internal audit annual report and annual statement of assurance – draft

**AUDIT TRAIL**

<b>Lead Officer</b>	Clive Palfreyman, Strategic Director of Resources		
<b>Report Author</b>	Aaron Winter, Angela Mason-Bell, BDO		
<b>Version</b>	Final		
<b>Dated</b>	22 May 2025		
<b>Key Decision?</b>	No		
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>			
<b>Officer Title</b>		<b>Comments sought</b>	<b>Comments included</b>
Assistant Chief Executive, Governance and Assurance		No	N/A
Strategic Director of Resources		No	N/A
<b>Cabinet Member</b>		No	No
<b>Date final report sent to Constitutional Team</b>			22 May 2025

# **INTERNAL AUDIT PROGRESS REPORT**

London Borough of Southwark  
2024-25

For presentation to the Audit, Governance  
and Standards Committee 2 June 2025

# CONTENTS

Section	Page
1. Summary of internal audit work	2
2. Summary of internal audit plan 2024-25	4
3. Executive summaries of reports finalised since the last meeting	7
4. Summary of recommendations status	20
Appendix 1: Internal audit definitions	21
Appendix 2: Annual School Summary Report 2024-25	Separate document

# 1. SUMMARY OF INTERNAL AUDIT WORK

## INTERNAL AUDIT

This report informs the Audit, Governance and Standards Committee of progress against completion of the 2024-25 internal audit plan, approved by the Committee on 5 February 2024. It summarises the work we have undertaken, together with our assessment of the systems reviewed and the recommendations we have raised.

## INTERNAL AUDIT METHODOLOGY

Our work complies with Public Sector Internal Audit Standards.

We agree 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 the appendix to this report.

## 2024-25 INTERNAL AUDIT PLAN

Our work for 2024-25 is drawing to a close, and the status of all audits completed or in progress is outlined within section two of this report.

For those reports finalised since the last meeting of the Committee, the executive summaries are included in section three of this report.

## INTERNAL AUDIT PROGRAMME FOR SCHOOLS

We have completed the programme of schools for 2024-25. All reports have been issued in final.

The annual schools summary report for 2024-25 is attached at appendix 2 to this report.

We are discussing the approach to schools and identifying the priorities for 2025-26 with the Director of Education, School Improvement and Finance teams.

## FOLLOW UP

Of the 214 high and medium recommendations relating to 2022-23 to 2024-25 that have fallen due as of 30 April 2025, we have been able to confirm with reference to evidence that 196 have been fully implemented or superseded. This result represents an overall implementation rate of 91.6%.

The majority of recommendations that have not been implemented relate to 2023-24. Several recommendation target dates continue to be revised multiple times which is preventing a better implementation rate.

Summary information on the status of recommendations is included in section four of this report. Further details on recommendations not yet implemented in full is included in our supplementary report.

## NON-INTERNAL AUDIT PLAN WORK COMPLETED SINCE THE LAST MEETING

Risk Management - we have provided insights into the framework to use in support of the Council's development of a risk assurance framework.

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.

Tenancy Management Organisations - Cyclical External Decorations - We were commissioned by the Head of Governance and Tenant Management to conduct a review into the payment and use of the cyclical

external redecorations' allowances historically paid to relevant TMOs. This work is in progress and will continue into 2025-26.

Filming Concessions Contract - We were commissioned by the Head of Culture to undertake a commercial contract risk review of the filming concession contract and provide advice on the new pricing schedule. This work has been carried out by our Procurement Consulting team.

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

## **2025-26 INTERNAL AUDIT PLAN**

We are in the process of agreeing specific timings and scoping for the 2025-26 reviews scheduled for quarters one and two based upon the internal audit plan presented to the Audit, Governance and Standards Committee in February 2025 and feedback provided by the Committee. Specifically, we have:

- Added the Housing Estates Streets Lighting Review
- Agreed the programme of IT audits:
  - Backup and Restoration
  - Cyber Security- Vulnerabilities Management
  - Major Incident Response/Business Continuity
  - IT Application (line of business Tier 1 - system to be agreed)

As in previous years, a full status report relating to the progress of the 2025-26 plan will be included in our progress report to the July 2025 meeting of the Audit, Governance and Standards Committee.



## 2. SUMMARY OF INTERNAL AUDIT PLAN 2024-25

The table below summarises the outcome of audits relating to the 2024-25 that have been fully completed. For those audits shaded in grey, these have not previously been reported to the Audit, Governance and Standards Committee, and the executive summaries are included in section 3.

Audit	Director / Sponsor	ToR issued	Field work	QA / Reporting	Design	Operational Effectiveness
FINAL REPORTS - PREVIOUSLY PRESENTED TO THE AUDIT, GOVERNANCE AND STANDARDS COMMITTEE						
Adopt London Partnership	Strategic Director, Children and Families	✓	✓	Final	Moderate	Limited
Asset Management Statutory Compliance	Strategic Director, Housing	✓	✓	Final	Limited	Moderate
Bankline	Director, Customer & Exchequer Services	✓	✓	Final	Substantial	Substantial
Climate Emergency	Climate Change Programme Director	✓	✓	Final	Moderate	Limited
Information Requests	Assistant Chief Executive, Governance & Assurance	✓	✓	Final	Substantial	Limited
IT - Change Management	Chief Digital & Technology Officer	✓	✓	Final	Substantial	Moderate
IT - Incident Management	Chief Digital & Technology Officer	✓	✓	Final	Substantial	Substantial
Mosaic Financial System	Director, Customer & Exchequer Services	✓	✓	Final	Moderate	Moderate
Pensions Administration	Head of Pensions Operations	✓	✓	Final	Moderate	Moderate
People Power Innovation Fund	Assistant Chief Executive, Strategy & Communities	✓	✓	Final	N/A - Advisory	
Pest Control	Director, Environment	✓	✓	Final	Substantial	Substantial
Planning Applications & S106 Agreements	Director, Planning & Growth	✓	✓	Final	Moderate	Moderate
Scrutiny	Assistant Chief Executive, Governance & Assurance	✓	✓	Final	Limited	Moderate
Solace Overpayments	Director, Stronger Neighbourhoods	✓	✓	Final	N/A - Advisory	
Streets for People Strategy	Director, Environment	✓	✓	Final	Moderate	Substantial

Audit	Director / Sponsor	ToR issued	Field work	QA / Reporting	Design	Operational Effectiveness
Supporting Families - Quarter One	Director, Children & Families	✓	✓	Final	N/A - Grant	
Supporting Families - Quarter Two	Director, Children & Families	✓	✓	Final	N/A - Grant	
Supporting Families - Quarter Three	Director, Children & Families	✓	✓	Final	N/A - Grant	
TMO1 - Cooper Close	Director, Landlord	✓	✓	Final	Limited	Limited
TMO2 - Falcon Point	Director, Landlord Services	✓	✓	Final	Moderate	Moderate
TMO - Monitoring Checklist (advisory)	Director, Landlord Services	✓	✓	Final	N/A - Advisory	
TMO - Tower Towers (advisory)	Director, Landlord Services	✓	✓	Final	N/A - Advisory	
Treasury Management	Strategic Director, Resources	✓	✓	Final	Substantial	Substantial
Youth & Play Service	Director, Leisure	✓	✓	Final	Substantial	Substantial
<b>FINAL REPORTS - EXECUTIVE SUMMARIES INCLUDED IN THIS PROGRESS REPORT</b>						
Budget Monitoring & Reporting	Director, Corporate Finance	✓	✓	Final	Moderate	Moderate
Council Tax	Director, Customer & Exchequer Services	✓	✓	Final	Substantial	Moderate
Deputyships & Appointeeships	Director, Adult Social Care	✓	✓	Final	Limited	Moderate
Enforcement	Director, Environment	✓	✓	Final	Moderate	Moderate
Housing Rents	Director, Customer & Exchequer Services	✓	✓	Final	Substantial	Moderate
Mayor's Office & Expenses	Head of Constitutional Services	✓	✓	Final	Substantial	Substantial
Service Charges - Leaseholders	Director, Customer & Exchequer Services	✓	✓	Final	Moderate	Moderate
STS Financial Management	Chief Digital & Technology Officer	✓	✓	Final	Moderate	Moderate
Substance Misuse	Director, Public Health	✓	✓	Final	Substantial	Substantial
Supported Families - Quarter Four	Director, Children & Families	✓	✓	Final	N/A - Grant	
Suspense Account Management	Director, Customer & Exchequer Services	✓	✓	Final	Moderate	Moderate
TMO - Gloucester Grove	Director, Landlord Services	✓	✓	Final	Moderate	Limited

Audit	Director / Sponsor	ToR issued	Field work	QA / Reporting	Design	Operational Effectiveness
Traded Services	Director, Children and Families	✓	✓	Final	Moderate	Moderate

The table below includes the status of all remaining audits to be completed as part of the 2024-25 internal audit plan. A further update and summaries will be provided to the July 2025 meeting.

Audit	Director / Sponsor	ToR issued	Fieldwork	QA / Report
<b>CHILDREN AND ADULT SERVICES</b>				
Foster Carers	Director, Children & Families	✓	✓	
Payments to Children & Families	Director, Children & Families	✓	✓	✓ Report being drafted
<b>ENVIRONMENT, SUSTAINABILITY AND LEISURE</b>				
Highways Maintenance	Director, Environment	✓	✓	Draft Report issued 24/03/25
Street Lighting & Signs	Director, Environment	✓	✓	✓ Report being drafted
Waste Contract / PFI	Director, Environment	✓	✓	
<b>GOVERNANCE AND ASSURANCE</b>				
Corporate Facilities Management	Assistant Chief Executive	✓	✓	
Workforce Governance	Chief Executive / Assistant Chief Executive	✓	✓	✓ Report being drafted
<b>HOUSING</b>				
Housing Applications & Allocations	Director, Housing Needs and Support	✓	✓	✓ Report being drafted
Tenancy Audits	Director, Landlord Services	✓	✓	Draft Report issued 13/05/2025
<b>RESOURCES</b>				
Accounts Payable	Director, Customer & Exchequer Services	✓	✓	Report being drafted
IT - Cyber Security Controls over Supply Chain	Chief Digital & Technology Officer	✓	✓	Draft Report issued 12/05/25
<b>STRATEGY AND COMMUNITIES</b>				
Emergency Planning & Resilience	Emergency Planning & Resilience Manager	✓	✓	Draft Report issued 07/05/25

### 3. FINAL REPORTS - EXECUTIVE SUMMARIES

Budget Monitoring and Reporting					
LEVEL OF ASSURANCE	MODERATE		RECOMMENDATIONS	High	-
				Medium	2
				Low	-
<b>Purpose:</b> To review the adequacy and effectiveness of the Council’s budgetary control processes and systems, directorate, and corporate reporting.					
<b>Areas of strength:</b>					
<ul style="list-style-type: none"><li>• Our review of the budget approval and scrutiny process confirmed that it remains a pivotal component of the Council’s financial planning process. The 2024-25 final budget was debated and approved by full Council Assembly as part of Council Tax setting and approval on 21 February 2024, which was before the statutory deadline of 11 March. This ensured a balanced budget was set for 2024-25 starting on 1 April.</li><li>• Our review confirmed that the one budget amendment approved by Council Assembly on 21 February 2024 was included in the budget as a budget amendment.</li><li>• The approved budget (£1,588,813,214) income, savings, and expenditure was input to SAP in Q1. A detailed reconciliation, comparing the original approved budget and the SAP-recorded budget, and verification checks were performed by Corporate Finance to ensure the costs centre codes, general ledger accounts and project codes were input correctly.</li><li>• Our review of the budget monitoring reports for Month 7 2024-25 Forecast (M07), and M08, M09 and M10 for a sample of three departments confirmed that departmental divisional budgets were regularly monitored by Heads of Service, in conjunction with their Departmental Finance Managers.</li><li>• The total budget set included estimated efficiency savings of £10 - 13.1m in 2024 to 2026-27. The expected income, savings and how the proposed savings may impact service delivery was broken down by department as at M09.</li><li>• Review of a sample of three departments financial budget reports as of M09 identified robust review of budgets vs actuals. Considered adjustments and commitments were noted. The remaining differences were identified as key variances per area, under/overspends, and these were narrated in the context of the individual departments service plans/performance targets.</li><li>• Following a line-by-line examination of the current year position in December 2024 and January 2025, a detailed budget update report was provided to the Overview and Scrutiny Committee on 8 January 2025.</li></ul>					
<b>Areas of concern:</b>					
<ul style="list-style-type: none"><li>• Senior management, Corporate Finance, had mandated that cost centre budgets are allocated to heads of service/budget holders. However, our review identified 70 cost centre budgets that had no responsible officer recorded in the Enterprise Resource Planning (ERP) system of SAP.</li><li>• There was no comprehensive up-to-date budget holder finance guide developed and written with budget holders in mind, meaning over reliance on the knowledge and experience of the Departmental Finance Managers and Corporate Finance, and the way the Council manages its financial affairs through Finance being potentially inefficient. Our conclusion reflects the inherent risk of the prevailing economic environment and ongoing financial pressures. The moderate assurance opinion recognises the work the Council is doing to monitor, review and improve budget performance to mitigate the risk.</li></ul>					

Council Tax					
LEVEL OF ASSURANCE	SUBSTANTIAL	MODERATE	RECOMMENDATIONS	High	-
				Medium	2
				Low	2
<p><b>Purpose:</b> To provide assurance on the continuing adequacy of the design and operational effectiveness of internal controls, processes, and records in place to mitigate the identified risks relating to the collection of council tax.</p>					
<p><b>Areas of strength:</b></p> <ul style="list-style-type: none"> <li>Through sample testing of ten cases in each area below, we confirmed in all cases that the controls were operating effectively: <ul style="list-style-type: none"> <li>For property additions and amendments to valuations, VOA valuation reports were properly retained on Northgate. The additions and amendments to valuations reconciled to Northgate and were appropriately authorised. The automated input had been successful, and the correct council tax band had been applied. For properties classified as 'fail', a process sheet had been completed in full detailing the reason for failing and rectified by an officer in a timely manner.</li> <li>Council tax rates on Northgate were accurate and reconciled with the most recent bill issued. The bills were issued in a timely manner.</li> <li>For discounts, sufficient supporting evidence was retained in Northgate. The discounts had been correctly applied and authorised.</li> <li>For exemptions, sufficient supporting evidence was retained in Northgate. The exemptions had been correctly applied and authorised.</li> <li>For refunds, refund forms were completed in full, and appropriate evidence was retained in Northgate. All amounts on the forms matched the system data. Appropriate approval and segregation of duties was in place.</li> </ul> </li> <li>We confirmed for a sample of ten staff that access levels to the council tax accounts within the Northgate system were appropriate for their roles, and that all staff were current employees.</li> <li>We confirmed that monthly reconciliations between iWorld, AIM, and SAP were completed monthly with sufficient segregation of duties between the preparer and authoriser.</li> <li>For a sample of five properties where council tax amounts had been changed and recalculated, we confirmed that these were correctly calculated providing reasonings behind the change.</li> <li>For a sample of 20 properties, we confirmed that the council tax charged agreed to the band amount set for financial year 2024-25, and where applicable, adequate adjustments were made in case the tax on property was charged midway through the year.</li> </ul> <p><b>Areas of concern:</b></p> <ul style="list-style-type: none"> <li>The policies relating to debt recovery, exemptions, refunds, discounts, and disabled band reduction had not been evidenced as reviewed periodically.</li> <li>With regards to the write off policy, we identified inconsistencies between the current procedures that officers follow, and the regulations outlined. We were advised that a write-off proforma is now only required for amounts over £3,000. However, the write-off policy still states a threshold of £100. Aged Debtors were not being reviewed as per the Write-Off policy, potentially leading to inaccurate financial reporting. No formal reporting was being undertaken on debtor levels, to assess reasonableness.</li> <li>In the Council tax balancing schedule we received, the sign offs by the officers who performed and authorised the reconciliations was not evidenced.</li> <li>We were advised that a periodic check is completed on council tax schedules but a formal sign off process was not in place. We were advised that the same sign off process used for NDR could be adopted for council tax.</li> <li>In respect of arrears in one case out of a sample of ten, the system note on Northgate showed 'on hold' however, the reason was not documented.</li> </ul>					

Deputyships and Appointeeships					
LEVEL OF ASSURANCE	LIMITED	MODERATE	RECOMMENDATIONS	High	1
				Medium	1
				Low	-
<p><b>Purpose:</b> To provide assurance over the adequacy and effectiveness of the management of clients' finances where the Council acts as appointee or deputy, including approvals, records maintained on use of clients' monies and possessions.</p>					
<p><b>Areas of strength:</b></p> <ul style="list-style-type: none"> <li>There were comprehensive procedures, flowchart, information, and guidance for deputyships and appointeeships on the Council's subscription service (tri.x) including the application process, payment authorisation, agreement practice note and claiming travel expenses.</li> <li>There was a comprehensive organisational structure for social workers to refer new applications to the Client Affairs Team (CAT) for deputyship and appointeeships, and for management reporting in line with the scheme of management.</li> <li>Our review of a sample of ten applications to the Court of Protection (CoP) for deputyship and appointeeship orders confirmed compliance with the requirements of the CoP, Office of the Public Guardian (OPG) and the four-eyes principle of review and approval as part of decision making: the initial determination of incapacity assessments were carried out by social workers and were supported by a second practitioner or medical professional.</li> <li>Our review of a sample of five deputyships confirmed that the management fees were charged correctly and in a timely manner.</li> <li>Deputies were required to report each year to the OPG on the anniversary of the deputyship on the key decisions made as a deputy. Reports of the actions taken on behalf of clients in the past year were completed and monitored via an OPG Dashboard monthly. Review of the Dashboard confirmed that all reporting due was up to date.</li> <li>CAT report performance statistics to senior management monthly, including deputyship/ appointeeship requests, active cases, OPG reports due and completed, clients with prepaid cards, clients paid via cash, payment requests processed, balance of Bankline accounts, amount of deceased clients' money in Bankline and Client Monies' Service (CMS) accounts.</li> </ul> <p><b>Areas of concern:</b></p> <ul style="list-style-type: none"> <li>Our review of the CMS dashboard identified 905 open client accounts totalling £9.6m (26 November 2024). We were advised that in 2023-24, 82 new appointeeships were set up as individual client accounts, and in 2024-25, appointeeship CMS accounts had funds transferred to individual Bankline accounts. However, the service was unable to obtain or provide bank statements for the CMS or Bankline accounts in 2024-25 to demonstrate the completeness of the client accounts. We were therefore unable to confirm the accuracy and completeness of the monies held in opened, transferred, or closed accounts in 2024-25, or confirm the integrity of the performance reporting to senior management.</li> <li>Based upon our review of records maintained for our sample of ten client accounts, we identified that regular bank reconciliations are not performed, even for those with a high volume of transactions or funds over £23,250 (fee charging threshold), including clients with prepaid cards and those receiving cash payments.</li> <li>Our review of the bank mandate for client accounts identified that it included authorised signatories and call back contacts that are no longer employed by the Council.</li> <li>The CAT advised us that there were 490 client accounts with £4.6m deceased clients' monies held as of January 2025. Our review identified that there was no case file closure procedures or checklist in place to ensure final accounts are prepared and notified to family members, other stakeholders, and beneficiaries in a timely manner.</li> </ul>					

Enforcement					
LEVEL OF ASSURANCE	MODERATE		RECOMMENDATIONS	High	-
				Medium	4
				Low	-
<p><b>Purpose:</b> To provide assurance over the adequacy of procedures and controls with regards to environmental enforcement including clarity of roles and responsibilities and record keeping, plus Fixed Penalty Notices (FPNs) and receipt of fines and escalation procedures where these are not paid.</p>					
<p><b>Areas of strength:</b></p> <ul style="list-style-type: none"><li>• Appropriate and sufficient evidence was available to support the issuance of all 20 FPNs tested.</li><li>• All physically retained documentation showing FPNs issued was stored securely in a locked filing cabinet and appropriately organised in a box separated by month.</li><li>• Civica schedules and automatically notifies the Unit Support Officer based upon inbuilt workflow settings when first and second reminder letters were due to be sent to offenders (although we raised a finding relating to when these letters have actually been sent).</li></ul> <p><b>Areas of concern:</b></p> <ul style="list-style-type: none"><li>• There was no written procedure or policy for issuance of FPNs, addition of FPNs to Civica, follow up of unpaid fines, voiding FPNs, contested FPNs, or monitoring of these. There is also no debt recovery process.</li><li>• Evidence to support the issuance of FPNs was not held centrally, thus there was a risk that in the event of a dispute evidence may be lost or inaccessible.</li><li>• One sample of monthly reporting contained a numerical discrepancy in the number of FPNs compared to the detailed report. Monthly reporting does not include details on recovery of fines, issuance of reminder letters, repeat offenders or key performance indicators to aid performance monitoring.</li><li>• We were unable to obtain the appropriate data to analyse FPNs in order to identify repeat offenders. There was no process to enable officers to identify repeat offenders thus reducing the efficacy of enforcement.</li></ul>					



Housing Rents					
LEVEL OF ASSURANCE	SUBSTANTIAL	MODERATE	RECOMMENDATIONS	High	-
				Medium	4
				Low	1
<p><b>Purpose:</b> To provide continuing assurance on the adequacy of the design and operational effectiveness of internal controls in place to accurately collect and allocate housing rental income.</p>					
<p><b>Areas of strength:</b></p> <ul style="list-style-type: none"> <li>We confirmed that monthly reconciliations between iWorld, AIM, and SAP were carried out with amounts between the three systems matching without discrepancies. Reconciliations received timely approval, with both the reconciler and the approver documented.</li> <li>Through sample testing of ten new properties added to the housing stock, we confirmed that a rent calculation proforma was completed by an accountant and appropriately approved by the Senior Finance Manager, ensuring segregation of duties. The properties were accurately set up on iWorld for the tenant, address, and rental value.</li> <li>Through sample testing of five properties removed from the housing stock, we confirmed that adequate supporting documents were evidenced to justify the removal. The removals were appropriately approved and correctly treated closed on the Northgate system.</li> <li>We confirmed that Rent Analytics was effectively used to manage the housing rent function at the Council. This included weekly review and prioritisation of cases across three work streams: Prevent (arrears £0-£500), Recover (court cases), and Resolve (arrears over £500). Managers monitor progress through reports and monthly quality checks, focusing on both current and previous case handlers. The 'Thrive' system has been active for 4-5 months, and one-to-one sessions occur seven times a year to discuss individual progress.</li> <li>Through sample testing of ten weekly actions generated by Rent Analytics relating to debt recovery during the period April 2024 to November 2024, we confirmed that arrangements were actioned within two weeks, with evidence of completion provided. In one case where legal action was required, the issue was appropriately escalated, and eviction was carried out.</li> </ul> <p><b>Areas of concern:</b></p> <ul style="list-style-type: none"> <li>Our review of 15 current tenant arrears found that recovery actions were not promptly taken for three cases. No reasons were documented or provided for the lack of action.</li> <li>Our review of ten new rent accounts created found that: one tenancy agreement was incomplete, missing the signature and date page, preventing confirmation of its validity before the tenancy start date; another account showed a discrepancy between the rent amount recorded in Northgate and the tenancy agreement.</li> <li>Our review of ten refund samples found one case where the refund had not been processed for over six months, against the target of five working days. Although a monthly audit review report is conducted to identify similar cases, this particular case was not detected during the monthly review process.</li> <li>Our review of a sample of ten former tenant arrears from April 2024 to January 2025 found that recovery actions were not taken promptly for seven of the ten cases, there were no updates since the last action on the system or action until we conducted the audit testing. There were no reasons for no action being taken documented in the system.</li> <li>Our review of a sample of three employees with the ability to make amendments to rent accounts and liabilities on Northgate and found that one individual was no longer employed by the Council.</li> <li>We found that the Council's Rent Income &amp; Arrears Procedure (A) for dealing with secure tenants requires updating, as it was last revised in June 2022, with prior reviews occurring approximately every two years. The Former Tenant Arrears Recovery Procedure also requires updating, as former tenants' accounts have been moved back to rents management since September 2024. The procedure was last updated in November 2013.</li> </ul>					



Mayor's Office and Expenses							
LEVEL OF ASSURANCE	SUBSTANTIAL		RECOMMENDATIONS	High	-		
				Medium	-		
				Low	2		
<b>Purpose:</b> To review the adequacy of controls over the Mayor's office and expenses, including whether appropriate checks are in place to ensure that payments intended to be made from the charity account are transferred from the main account accordingly.							
<b>Areas of strength:</b> <ul style="list-style-type: none"><li>We confirmed that the Southwark Civic Protocols were last formally approved in May 2024 and were also updated on an ongoing basis and when required. This document outlines the structure and governance of the Mayor's office and details the roles and responsibilities of key positions.</li><li>The Council's Financial Regulations set out how financial responsibilities were managed, including processes for financial management, expenditures, and credit card use. A supporting Scheme of Management was in place, specifying financial limits, which include those for the Mayor's Office. For a sample of ten transactions, we confirmed that authorisation limits were being adhered to in practice.</li><li>A Corporate Card business case was found to be in place, granting the Mayoral Support team access to manage ad hoc expenses. A credit card reconciliation was conducted by the Executive Assistant to the Mayor and was reviewed by the Head of Constitutional Services to ensure alignment with approved expenses and protocols. The Business Support Officer (Civic Office) reviews the expenses to provide an independent validity check. Review of five credit card expenditure found in all cases that the expenditure was appropriate and in line with the authorised categories of expenditure.</li><li>The Head of Constitutional Services and Finance team analysed the previous year's spending patterns to inform the current year's budget allocations. and appropriate and effective budget setting arrangements were adopted.</li><li>Bi-monthly budget monitoring meetings were held by the Head of Constitutional Services with the Finance Team to review actual spend against budgeted amounts and future commitments. When a forecasted overspend was identified, the team identified variances and determined the need for budget adjustments. Based on this analysis, the Finance Team and the Head of Constitutional Services discussed reallocating funds from other areas to cover the overspend.</li><li>The Southwark Civic Protocols stated that gifts given in informal settings were considered personal gifts. Gift values exceeding £50 must be declared by the Mayor/Deputy Mayor. Whilst we cannot provide assurance on non-declared gifts, we were able to confirm that the previous and current Mayor's declaration of receipt of a gift had been published on the Council's website.</li><li>The Head of Constitutional Services emails all Councillors, including the Mayor/Deputy Mayor, on a bi-annual basis to remind them to submit their declarations of interests and gifts.</li></ul>							
<b>Areas of concern:</b> <ul style="list-style-type: none"><li>To enhance oversight over the credit card, the Executive Assistant to the Mayor is also required to report expenditure exceeding £100 to the Head of Constitution. However, this additional requirement has not been formally documented in the Scheme of Management.</li><li>While there is a bank mandate outlining the signatories for charity-related cheque payments, which states that there must be two signatories, we could not confirm that this control was being applied in practice, as a copies of the cheques were not retained.</li></ul>							

Service Charges - Leaseholders							
LEVEL OF ASSURANCE	MODERATE		RECOMMENDATIONS	High	-		
				Medium	3		
				Low	1		
<b>Purpose:</b> To provide assurance that the project for developing the new automated system for housing service charges is progressing as intended, such that it will meet the aims and benefits of the Council as set out in the Project Initiation Document.							
<b>Areas of strength:</b> <ul style="list-style-type: none"><li>• The Project Initiation Document (created in 2022 at the project outset) clearly outlined the scope and objectives of the project, to transfer the calculation of service charges from locally held spreadsheets to an integrated system where costs were recorded on a central database, collated for service charge purposes, and apportioned between properties. Key benefits have been considered and documented to facilitate a more streamlined analysis of charges.</li><li>• The proposed project outcome was communicated to internal stakeholders periodically through monthly Revenue Service Charge team meetings since the outset of the project and as key milestones were reached.</li><li>• We interviewed two managers and two officers within the Revenue Service Charge team on the intended project outcomes, and all expressed positive opinions that the project will either directly benefit their role, or will benefit the team, by freeing up time currently spent on manually updating and reviewing spreadsheets.</li><li>• A Project Monitor Spreadsheet was maintained, which aligned to the project updates provided in April, June, October, and December 2024. The workbook outlines the original and revised target dates, updates provided, action owners and RAG status. Updates on the project progress and target date adjustments were reviewed at the monthly project meetings.</li><li>• The Council has tested the data integrity and logic of the automation using 2021/22 actual charges data, which identified line-by-line issues to confirm data quality. The Council plan to reperform this data quality verification process for the 2025/26 Estimates Output Report.</li><li>• We were advised that additional options were also being discussed, such as the potential to apply robotics to collate and categorise data. We verified that these options were communicated via the team meeting on 4 December 2024, regarding plans to use AI to clean data. The Council was therefore demonstrating consideration of innovative technical solutions to optimise the use of staff time for analysis or other key tasks.</li></ul> <b>Areas of concern:</b> <ul style="list-style-type: none"><li>• Whilst a Project Initiation Document was created at the outset of the project, this had not been updated since to reflect any changes or additional considerations. Information regarding roles and responsibilities, project phases and recording progress using RAG ratings could be more robustly documented to capture the current phase/progress of the project and future phases. The intended data recovery and backup arrangements had also not been documented.</li><li>• An issues log was maintained to record any identified process or system issues, their progress, and any further actions required. However, associated timescales and responsible officers have not been allocated to those issues identified to date. A formal risk log had not been created.</li><li>• We identified that the 2025/26 estimates were delayed in loading, from the original target of December 2024 until February 2025. However, this had not been captured in the issues log.</li><li>• Although updates on the project are periodically shared via Revenue Service Charge team meetings, one of the two officers we interviewed was not aware of the project prior to our discussion with them. Ad hoc updates are received from Northgate, however no schedule for updates has been defined and agreed.</li></ul>							

IT - Shared Technology Service (STS) Financial Management					
LEVEL OF ASSURANCE	MODERATE		RECOMMENDATIONS	High	1
				Medium	1
				Low	1
<p><b>Purpose:</b> To provide assurance that the STS financial reporting arrangements provide transparency and engagement in order for the Council to determine whether the invoices received are accurate and based on appropriate and expected expenditure.</p>					
<p><b>Areas of strength:</b></p> <ul style="list-style-type: none"><li>• Our review of a sample of agendas and minutes from the Monthly Operational Management Group (OMG) meetings confirmed that the meetings supported good governance and communication between Southwark, STS, and the three boroughs. Key representatives from all three boroughs attended these OMG meetings.</li><li>• We found the management information packs presented to OMG meetings by STS included comprehensive metrics such as compliance (with PSN Public Sector Network, PCI Data Security Standard, and Cyber Liability Insurance), users, hardware, incidents, operational performance, service updates, and finances.</li><li>• There was a clear approval process and documentation maintained to support the checking of the validity and authorisation of expenditure incurred and billed by STS. For a sample of twenty expenditure items on the recharges report to the Council, we confirmed that transactions were supported by evidence and appropriate authorisation, were validly recharged to the Council and accurately recorded by STS.</li><li>• The monthly recharge reporting had been updated since April 2024 to include month-by-month spend for the financial year rather than just one month in isolation, demonstrating a commitment to improving transparency.</li><li>• Financial reports include detailed breakdowns of expenditure and were generated from STS accounting records.</li><li>• As at the end of November 2024 (the most recently agreed month of recharges) budgeted core costs for Southwark were £9,023,239 and forecast costs were £9,006,354, this represented a £16,885 underspend and there was also a contingency of £130,088. We considered this to be a reasonable variance, with reasonable contingency providing capacity to respond to unforeseen events that might give rise to additional expenditure.</li></ul> <p><b>Areas of concern:</b></p> <ul style="list-style-type: none"><li>• The long term and annual budgets have historically been reviewed separately leading to potential misunderstandings of the overall cost of STS services. The annual budget for the financial year 2024-25 did not include details of known capital expenditure and further recharges within the core budget. There are several capital projects for which costs are recharged by STS to Southwark and also other costs, some of which are historically known and have been charged in previous years such as agency staff and ICT hardware. As of November 2024, these recharges outside of the core budget totalled £3,481,587 for the first eight months of the year. There is a risk that excluding these from the budget may lead to an incomplete view of STS costs to be charged to the Council. This reflects an overspend that is not included in the main budget reporting and therefore is not used to compare against.</li><li>• Financial reporting was not consistently received at least three working days prior to the monthly recharge meetings. For June and July 2024, recharges reporting was only received 2 and 1 working day(s) prior to the meetings, respectively. There is a risk that there will be insufficient time to review information prior to the recharges meeting therefore leading to ineffective meetings.</li><li>• Actions from the monthly recharge meetings are not formally minuted and signed off as complete during the meetings.</li></ul>					

Substance Misuse							
LEVEL OF ASSURANCE	SUBSTANTIAL		RECOMMENDATIONS	High	-		
				Medium	-		
				Low	-		
Purpose: To review the adequacy and effectiveness of the governance and control framework in respect of delivery against the Council’s policies relating to drug and alcohol misuse. We examined the Council’s biggest substance misuse commissioned service: Change, Grow Live (CGL), and the assurance provided related specifically to the Council’s oversight and management of this provider.							
Areas of strength:							
<ul style="list-style-type: none"><li>• Robust governance and contact management processes were in place. The Council maintained regular monitoring meetings with the provider, supported by formal contract documentation, structured issue tracking through the Contact Monitoring Clarification spreadsheet, and a refreshed delivery model informed by ongoing needs assessments and service review.</li><li>• The use of the Contracted Monitoring Clarifications spreadsheet provided a structured method to track and address service issues, ensuring accountability, including specific queries raised by the Drug and Alcohol Action Team (DAAT) during contract monitoring meetings, the corresponding responses from CGL, and agreed follow-up actions with responsible officers and timescales. This was effectively captured within open and closed actions that were recorded.</li><li>• The Council followed a clear and agreed process for the novation of the contract, with the contracts law team overseeing the execution of the Deed of Novation, evidence was provided to confirm that all required signatories were obtained and properly documented.</li><li>• The Council’s 2024 Drug Strategy and Delivery Plan set out clear expectation for service delivery, supported by detailed services specifications and legal agreements outlining the respective roles and responsibilities with CGL. Regular meetings and documented actions supported consistent collaboration and performance management. The strategic objectives in the plan were actively referenced in contract management with no significant performance concerns.</li><li>• The Council had an active performance management process in place, with formal quarterly reviews and weekly liaison meetings ensuring effective oversight. Contract modifications were properly formalised and KPIs were clearly defined and regularly monitored through dashboards and meetings. Where performance was below target, narrative explanations were included in the dashboards, and follow-up actions were discussed and tracked through contact monitoring meetings, with responsibilities assigned to ensure progress.</li><li>• While the KPI data lag was acknowledged, we confirmed this was due to the national reporting timetable of the National Drug Treatment Monitoring System (NDTMS). Q1 data is not published until late September and Q2 data until late November. The Council aligned its contract monitoring cycle to follow NDTMS publication, ensuring use of up-to-date data.</li><li>• CGL’s publicity efforts were supported by website engagement analysis, social media, posters, and a targeted campaign informed by an external unmet-needs review. Monitoring of take-up was supported by regular reporting on referrals, treatment outcomes and outreach efforts.</li><li>• The Council maintained clear reporting processes on spending and value for money, with discussions at weekly DAAT and CGL meetings. Reports included the Contract Monitoring Report, Family Monitoring Report, and Rough Sleeping Monitoring Report. Reports covered treatment activity, outreach outcomes, and spending trends, including service pressures, and emerging needs and were used to inform funding decisions.</li><li>• Feedback was gathered during Contract Review Meetings via Recovery Support Service updates and discussions on care planning. An external Service User Consultation Report was commissioned to formally review service user views. The report included survey results on satisfaction with treatment and key workers, along with recommended improvements. Feedback was used to inform improvement plans and staff development, demonstrating a commitment to service user engagement and continuous improvement.</li></ul>							

Supporting Families Grant Claim - Quarter Four (1 January 2025 to 31 March 2025)					
LEVEL OF ASSURANCE	N/A - GRANT		N/A - GRANT	RECOMMENDATIONS	High - Medium - Low -
<p><b>Purpose:</b> In accordance with the Supporting Families Programme Guidance, we checked and verified a representative sample of 10% of families that the Council has supported, before the claim was submitted, to confirm the eligibility of the payments by results being claimed.</p>					
<p><b>Conclusions:</b></p> <ul style="list-style-type: none"><li>For the period 1 January 2025 to 31 March 2025, we verified for our sample of 20 claims (10%), with reference to evidence, that the summary of extracts and data correspond to the reasons why the family was considered a successful outcome.</li><li>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.</li><li>For the seven of the 20 claims (one-third of our sample), we confirmed the Council’s assertions against primary data held in Mosaic. We identified no discrepancies between the source data and the successful outcome assertions provided by the Council.</li></ul>					

Suspense Accounts Management					
LEVEL OF ASSURANCE	MODERATE		MODERATE	RECOMMENDATIONS	High - Medium 2 Low 5
<p><b>Purpose:</b> Review of the controls and administration of the Council’s suspense accounts to provide assurance that all staff followed the same policies and procedures, access levels to suspense accounts were appropriate, the number of transactions routed to suspense accounts was minimised, transactions were authorised, cleared, and transferred to the correct account timely.</p>					
<p><b>Areas of strength:</b></p> <ul style="list-style-type: none"><li>• All teams maintained lists of individuals with access to their respective suspense accounts, detailing the levels of access granted. Access was restricted to a limited number of authorised staff, and approvals were observed in most cases.</li><li>• Our testing of 20 transactions transferred from suspense accounts to specific cost centres confirmed that an appropriate separation of duties was consistently maintained across all sampled funds, including Corporate Suspense, SAP Accounts Receivable, Business Rates, Housing Rents, and Commercial Rents. Each transaction involved two roles: one individual identified and processed the transaction, while a second person authorised it. We confirmed that transactions were approved in line with delegated authority, with managers performing second level of approval. Supporting documentation provided clear evidence of compliance.</li><li>• Our review of 20 transactions from various suspense accounts, including Corporate Suspense, SAP Accounts Receivable, Business Rates, Housing Rents, and Service Charge Loans, confirmed that documentation supporting transfers out of suspense accounts was robust and satisfactory.</li><li>• All teams store supporting documentation in shared drives that were accessible to all relevant team members (confirmed via walkthrough). We reviewed screenshots to confirm that documentation was systematically organised and split by team and by month for ease.</li><li>• Our review found that root causes for entries into suspense accounts were being identified, and all teams maintain recurring payment documentation to support efficient allocation and reduce investigation time for frequently misdirected payments.</li></ul>					
<p><b>Areas of concern:</b></p> <ul style="list-style-type: none"><li>• The Guide to Suspense Account Management was not widely communicated or consistently adhered to across teams. It lacked clear ownership, formal approval, and review timelines. Current practices for transferring aged balances differed from the documented procedures.</li><li>• While access to suspense accounts was generally restricted and approved, there were inconsistencies in processes and the lack of periodic reviews to ensure access remains appropriate and up to date.</li><li>• While segregation of duties was consistently practised and evidenced, there was an absence of formal documentation outlining roles and responsibilities in the Guide to Suspense Accounts. Variability existed due to transaction complexity and operational constraints.</li><li>• There was no consistent or formalised process to analyse trends or address recurring issues.</li><li>• While some teams had effective monitoring practices, such as daily reconciliations and monthly reporting to SMT, others lacked formal reporting frameworks.</li><li>• Procedures for transferring suspense account balances to the Council’s revenue account varied across teams, with some following structured while others relied on ad hoc methods increasing the risk of aged balances accumulating, inefficiencies, and financial reporting delays.</li></ul>					

TMO - Gloucester Grove					
LEVEL OF ASSURANCE	MODERATE	LIMITED	RECOMMENDATIONS	High	1
				Medium	7
				Low	-
<p><b>Purpose:</b> 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>					
<p><b>Areas of strength:</b></p> <ul style="list-style-type: none"> <li>We confirmed that the budget was reviewed at the quarterly Finance Committee meetings. Variances were adequately explained and remedial actions discussed/followed up.</li> <li>The annual budget for 2024-25 was approved by the Board at the start of financial year.</li> <li>The Articles of Association were aligned to the Modular Management Agreement being used by the TMO.</li> <li>We confirmed that the external decorations fund (£147,578) was held in a separate ring-fenced account. The TMO does not have any plans to spend the external decorations funds as they do not require any external decorations required at present. (We did not confirm this / offer an opinion on whether external decorations are required as this was out of our scope).</li> <li>For a sample of five general repairs we confirmed that a work ticket was on file, a remittance advice was raised prior to the invoice and the works were in line with the Council's priorities.</li> <li>We confirmed that Council representatives were invited and attended the April 2024 and July 2024 Finance Committee meetings and August 2024 Management meeting.</li> <li>The training needs of staff and board members are kept under review, and every year when they attend the National Federation of TMO conferences, relevant workshops and training is attended in relation to running a TMO.</li> <li>For a sample of ten properties in arrears we confirmed that that debt collection processes were followed, and arrears were identified, managed, and reported.</li> <li>For a sample of five properties that were let between October 2023 to September 2024. we confirmed that the properties were let to appropriate individuals who met the Council's criteria and adequate identification checks were undertaken.</li> <li>We confirmed that the Council had carried out regular fire safety inspections and advised the TMO when it identified issues that required action by the TMO, as the manager of the property.</li> </ul> <p><b>Areas of concern:</b></p> <ul style="list-style-type: none"> <li>We were unable to confirm when the Scheme of Delegation and Financial Procedures were last reviewed. The TMO manager advised that they have not been reviewed in the past 12 months.</li> <li>For a sample of ten purchase transactions we were unable to verify the expenditure as invoices and / or purchase orders were not available.</li> <li>There was no approved list of contractors, and all expenditure incurred were to contractors that the Board had not formally approved.</li> <li>We were unable to confirm that bank reconciliations were being undertaken.</li> <li>The meeting of the Finance sub-committee meeting in April 2024 was not quorate due to only five members being present and therefore no decisions could be made within this meeting.</li> <li>We reviewed the TMO's Equal Opportunities Policy, and it is part of the Management Agreement contract made between the Council and Gloucester Grove TMO. The contract is dated December 2013, and we were unable to confirm whether the Equal Opportunities Policy has been reviewed</li> <li>For the one permanent new joiner in the period from September 2023 to August 2024 (the TMO manager), we were unable to obtain evidence to confirm that pre-employment checks had been completed. We found that the TMO did not have appraisal procedures in place.</li> <li>The TMO did not have appraisal procedures in place.</li> </ul>					



Traded Services					
LEVEL OF ASSURANCE	MODERATE		RECOMMENDATIONS	High	-
				Medium	2
				Low	-
<b>Purpose:</b> To review the Education Traded Services models adopted by the Council to confirm that they are appropriately managed to recover the costs incurred.					
<b>Areas of strength:</b>					
<ul style="list-style-type: none"><li>Each Traded Service was responsible for the creation and implementation of their SLA between the Council and relevant school/business for the services for which they were responsible. We reviewed the templates and an example of each of the SLAs used by the Education Business Alliance (EBA), HR, Governor, and Music Services. We found that they were comprehensive and have clearly set out the deliverables to be provided by the relevant Traded Service. The SLAs had been annually reviewed by the Head of each Traded Service and signed by the service and school or businesses. We confirmed that each Traded Service had a current SLA with between five to 25 defined obligations. We reviewed two obligations for each service and confirmed that the outlined duties had been delivered to a sample of schools and businesses by the Traded Services.</li><li>The four services reviewed had carried out a form of benchmarking against similar organisations and all SLAs either include the latest associated costs for the proposed services or contain them within supplementary materials, such as leaflets.</li><li>Each Traded Service reviewed had clearly set out the staff roles, responsibilities, and trading procedures for their own area of operation. Policy and process notes were clear which enabled consistency and clarity of operation. Roles and responsibilities of key members of staff were outlined within the SLAs that were produced by the Traded Service teams.</li><li>The budget monitoring process across Traded Services were standardised such that monthly budgetary review meetings were held between each Traded Service and a Finance Officer from the Council. Cost centre transaction lists and annual budgetary information were reviewed at the meetings with analysis of in month spend, income and annual forecasts. These were on track at the time of the review. We confirmed that these reports were produced by the Finance Officer and scrutinised by both parties, ie to provide context for any variances against budget.</li><li>Each Head of Service has a 1-2-1 meeting with the SELA Principal Advisor monthly to review financial performance and quality matters. The Principal Advisor also attends fortnightly and monthly monitoring meetings with finance colleagues, evaluating the performance of teams under the SELA banner. These meetings were documented and provide financial accountability.</li></ul>					
<b>Areas of concern:</b>					
<ul style="list-style-type: none"><li>There was no designated webpage signposting all Traded Services that the Council offers, and no overarching strategy that defined the strategic principles, financial targets, and expectations for the services. No clear policy or governance structure had been confirmed to formalise financial reporting, agree KPIs and outline management arrangements.</li><li>We tested a sample of invoices raised during 2022-23 - 2024-25 across four Traded Services and found three exceptions, which were all relating to the EBA contracts. One invoice was posted in the following financial year; one invoice was paid a month late; and one invoice was not issued at the time of the audit for services provided in 2023-24.</li></ul>					



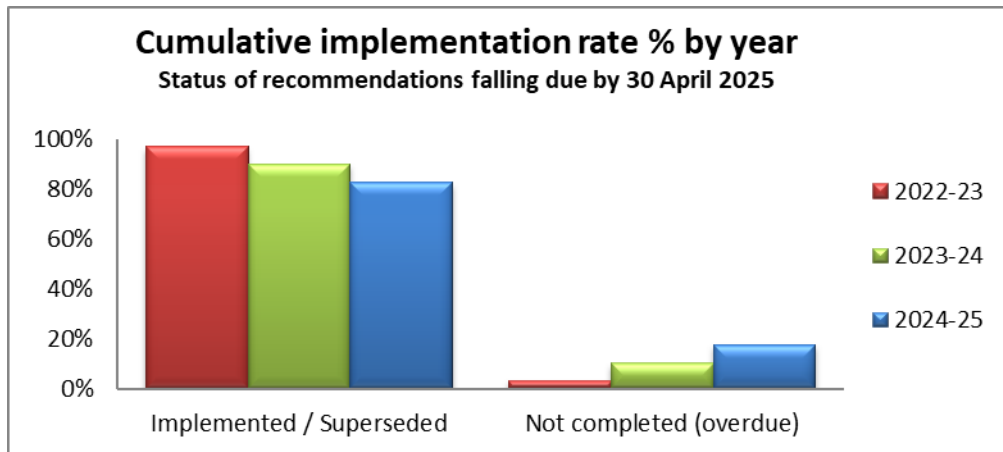
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## 6. SUMMARY OF RECOMMENDATIONS STATUS

Of the 214 high and medium recommendations relating to 2022-23 to 2024-25 that have fallen due as of 30 April 2025, we have been able to confirm with reference to evidence that 196 have been fully implemented or superseded. This result represents an overall implementation rate of 91.6%.

Several recommendation target dates continue to be revised multiple times, which is preventing a better implementation rate.





The chart below shows the relative implementation percentages with regards to recommendations raised and due for implementation across the years from 2022-23 to 2024-25.






For details of recommendations not yet fully implemented, please refer to the supplementary report: Internal Audit Follow Up Details.

# APPENDIX 1

## OPINION SIGNIFICANCE DEFINITION

LEVEL OF ASSURANCE	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION	FINDINGS FROM REVIEW
<b>Substantial</b> 	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.
<b>Moderate</b> 	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.
<b>Limited</b> 	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.
<b>No</b> 	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	
<b>High</b> 	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.
<b>Medium</b> 	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.
<b>Low</b> 	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.

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# **INTERNAL AUDIT PROGRESS REPORT:**

## **SUPPLEMENTARY REPORT - FOLLOW UP STATUS DETAILS**

London Borough of Southwark

For presentation to the Audit, Governance and  
Standards Committee 2 June 2025

# INTERNAL AUDIT FOLLOW UP - STATUS UPDATE DETAILS

Of the 214 high and medium recommendations relating to 2022-23 to 2024-25 that have fallen due as of 30 April 2025, we have been able to confirm with reference to evidence that 196 have been fully implemented or superseded. This result represents an overall implementation rate of 91.6%.

Several recommendation target dates continue to be revised multiple times, which is preventing a better implementation rate.

## SUMMARY OF RECOMMENDATIONS IMPLEMENTATION WHERE NOT YET FULLY COMPLETED

*Please note that where the previously revised implementation dates have not yet fallen due at the time of writing or we have been advised of revised dates for implementation, these recommendations will be followed up ahead of future meetings of the Audit, Governance and Standards Committee.*

Audit Area	Total H & M	Implemented		In progress		Awaiting update/ evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
Childrens and Adults Directorate									
2022-23 Safeguarding Adults	2	-	-	-	2	-	-	0%	<del>November 2023</del> <del>January 2024</del> <del>March 2024</del> <del>August 2024</del> <del>January 2025</del> August 2025
2023-24 Legal Fees	4	-	2	-	2	-	-	50%	<del>June 2024</del> <del>January 2025</del> June & September 2025
2024-25 Mosaic	2	-	1	1	-	-	-	50%	<del>February 2025</del> July 2025
Environment, Sustainability and Leisure directorate									
2023-24 Tree Management Services	4	-	3	-	1	-	-	75%	<del>July 2024</del> <del>April 2025</del> July 2025

Audit Area	Total H & M	Implemented		In progress		Awaiting update/ evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
2024-25 Climate Emergency	3	-	-	-	3	-	-	0%	<del>April 2025</del> June & October 2025
Governance and Assurance									
2022-23 Supplier Resilience	5	1	3	-	1	-	-	80%	<del>August 2023</del> <del>October 2023</del> <del>January 2024</del> <del>February 2025</del> July 2025
2023-24 IR35	8	3	4	-	-	-	1	88%	<del>July 2024</del> <del>February to May 2025</del> September 2025
Housing Directorate									
2023-24 Social Housing White Paper	1	-	-	-	1	-	-	0%	<del>July 2024</del> <del>March 2025</del> September 2025
2024-25 Asset Management Statutory Compliance	6	1	2	-	1	1	1	50%	<del>April 2025</del> June 2025  Awaiting further update /evidence
Resources Directorate									
2023-24 Cyber Security	5	2	1	1	1	-	-	60%	<del>August 2024</del> <del>December 2024</del> <del>May 2025</del> July 2025

## IMPLEMENTATION STATUS UPDATES

The table below summarises the latest updates with regards to the recommendations, where provided.

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<b>Children and Adults Directorate</b>		
<b>2021-22 Safeguarding Adults</b>		
<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>Principal Social Worker and Strategic Lead for Safeguarding Adults and DoLS Service Development</p> <p><del>August 2023</del>  <del>January 2024</del>  <del>March 2024</del>  <del>August 2024</del>  January 2025</p>	<p>We were advised by the Principal Social Worker and Strategic Lead for Safeguarding Adults and DoLS Service Development that the commencement of the quarterly audits is forecast for August 2025. This is following a delay in the implementation of revised documentation and pathways for Safeguarding following staff turnover and shortages. The team is in the final stages of developing and testing the new forms and anticipates that these should be on the live system by the end of July 2025. In the meantime, work has continued to quality assure S42(2) Safeguarding Enquiries that exceed recommended time frames.</p> <p>It is planned to introduce a Safeguarding panel in September 2025 to offer support to staff who are falling outside the timeframes recommended by the London Multi agency safeguarding policies and procedures, which are themselves due to be revised in July/ August 2025 and may therefore be subject to change.</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>Principal Social Worker and Strategic Lead for Safeguarding Adults and DoLS Service Development</p> <p><del>August 2023</del>  <del>January 2024</del>  <del>March 2024</del>  <del>August 2024</del>  January 2025</p>	<p>Regular meetings with Safeguarding Adult Managers (SAM) and operational Team Managers continue to look at over-running enquiries and case-specific or worker-specific issues, pending the implementation of planned changes to documents and referral processes.</p> <p>The Safeguarding Lead continues to meet monthly with a Safeguarding forum comprising champions from across the division to discuss current issues and concerns as well as explore new initiatives.</p> <p>As mentioned above, monthly safeguarding audits will be introduced alongside changes to Safeguarding forms and workflows and are planned for August 2025.</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<b>2023-24 Legal Fees</b>		
<p>1.1 Legal services should develop and document a comprehensive workflow / process map, including routine and complex child protection work types and levels of risk, incorporating the key stages that are undertaken for each case, and aligned to Scheme of Management, and OPM, as appropriate. In addition, the workflow / process map should be included in the OPM.</p> <p>Medium</p>	<p>Head of Safeguarding Team, Head of Law (Communities)</p> <p><del>December 2024</del></p> <p>September 2025</p>	<p>The Head of Safeguarding &amp; Community Services Legal advised us that the Team continues to work with the Care Proceedings Case Manager to update the Legal Planning Meeting and Care Proceedings Practice Guidance document 2016. The document has now been updated to Version 7 - November 2024.</p> <p>Since this update, there have been significant developments in practice guidance issued by the Courts and President of the Family Division and in case law in respect of public law care proceedings therefore further updates will need to be made to this document.</p> <p>A meeting was held with the local Central Family Court on 14 May 2025 with the Designated Family Judge and further actions from that meeting are to be incorporated into the guidance.</p> <p>The final document will be signed off by the Assistant Director for Children Services.</p> <p>Moving forwards, the expectation is that this document will be reviewed on an annual basis.</p>
<p>4.1 The practice guidance outlining the purpose and process for presenting a case to Legal Planning Meetings should be updated by Legal Services in consultation with Childrens and Adults Services.</p> <p>4.2 A Service Level Agreement should be developed to overlay the new legal fees funding structure for the work done for Childrens and Adults Services, and presented for approval to the Strategic Director, Childrens and Adults Services.</p> <p>Medium</p>	<p>4.1 - Head of Safeguarding Team, Head of Law (Communities)/ Case Manager</p> <p>4.2 - Head of Law (Communities)</p> <p><del>March 2025</del></p> <p>June 2025</p>	<p>The Head of Safeguarding &amp; Community Services Legal advised us that the original Legal Planning Meeting and are Proceedings Practice Guidance document 2016 has been updated to Version 7 - November 2024.</p> <p>In this document, the chapter on Legal Planning Meetings has already been amended but there is now an Adults Social Care Scoping meeting scheduled for May 2025 (dated to be agreed) to discuss and agree what information is needed from Adults Services for Legal Planning meetings. The chapter on LPM meetings will then be updated in line with decisions made at that meeting and reviewed with Care Proceedings Case Manager, Lesley Goodwin and final approval sought from Head of Services in Children Services.</p>



Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<b>Environment, Sustainability and Leisure</b>		
<b>2023-24 Tree Management</b>		
<p>3.1 The unique tree reference number held on the Confirm system should be reviewed and clearly linked to the case management of individual insurance claims and enquires case management.</p> <p>3.2 Procedures should be established to ensure there is a golden thread of all information captured about tree management, especially where trees may be implicated in a legal or insurance claim.</p> <p>Medium</p>	<p>Trees and Ecology Services Manager</p> <p><del>April 2025</del> July 2025</p>	<p>The Parks, Tress and Ecology Manager advised us that in recent months a lengthy service restructure has been completed and to provide operational support, a recruitment process to fill the longstanding vacant Tree Administration Officer role is underway. One of the anticipated functions of the role is to strengthen our back office and implement robust and auditable procedures for the service.</p>
<b>2024-25 Climate Emergency</b>		
<p>1.1 A decision regarding the Climate Director role should be made and a formalised governance structure put in place, including Steering and Delivery Groups as needed. The arrangements should include an agreed process for escalating actions that are routinely delayed and marked as red or amber.</p> <p>Medium</p>	<p>Climate Change Programme Director</p> <p><del>April 2025</del> June 2025</p>	<p>The Director of Climate Change Programme advised us that a decision regarding the Climate Director role is still pending. This will be considered by the new Strategic Director for Environment, Sustainability and Leisure. The Climate Director Steering group is to be re-established. A trial will commence in Q1, with the meeting running alongside the Air Quality Partnership Board, which relies on input from internal colleagues. This will allow escalation of actions as noted in the recommendation.</p>
<p>2.1 The actions captured within the Climate Resilience and Adaptation Strategy 2024 should be reviewed to ensure that they align to the Southwark 2030 Strategy outcomes of creating more green space and biodiversity other than through wider benefits, and that people and businesses switch to healthy and green transport. The results of this review should be considered as part of the Climate Change Strategy 2025 options assessment and whether a full re-write is required to align with these other documents.</p> <p>Medium</p>	<p>Climate Change Programme Director</p> <p><del>April 2025</del> October 2025</p>	<p>The Director of Climate Change Programme advised us that the review of the Climate Resilience and Adaptation Strategy (CRAS) is underway as part of the update to the Council's Climate Change Strategy, which will be taken to Cabinet in September 2025. Aligning with Southwark 2030 will be a key consideration of this piece of work.</p>
<p>3.1 The Council should utilise the identified awareness activities and training available to launch training for all staff, including Carbon Literacy for a number of staff.</p>	<p>Climate Change Programme Director</p> <p><del>April 2025</del></p>	<p>The Director of Climate Change Programme advised us that a new climate change training module is in development and has been included as a key priority within the Climate Change Team's business</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
3.2 The Council should consider including this training as part of the inductions process and should discuss this with the Director of HR and OD. Medium	June 2025	plan for 2025-26. The development of this training will be considered as part of the Director steering Group.
<b>Governance and Assurance</b>		
<b>2023-24 IR35</b>		
6.1 Ensure off-payroll working compliance is regularly reported to Senior Leadership, to ensure there is an appropriate level of oversight over off-payroll working Medium	Director of People and Organisational Development <del>July 2024</del> <del>March 2025</del> September 2025	The Director of People and Organisation Development advised us that data on outside IR35 assignments will be incorporated into the quarterly workforce reports provided to members of the Corporate Management Team.
<b>2022-23 Supplier Resilience</b>		
7.1 Ensure all contracts include Key Performance Indicators to measure the performance of the supplier. 7.2 Ensure all contract managers regularly monitor performance of the supplier in line with the contract. Medium	Chief Officers / CMT Strategic Director of Resources Assistant Chief Executive, Governance and Assurance <del>August 2023</del> <del>September 2023</del> <del>January 2024</del> <del>March 2024</del> <del>October 2024</del> <del>March 2025</del> July 2025	The Assistant Chief Executive of Governance and Assurance previously advised us that the Council's review of Contract Management was presented to CMT on 23 January 2024. The Procurement Act came into force in February 2025 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. Management has advised us of a new implementation date to put the Procurement Act into the Council's policy and procedural framework.
<b>2023-24 - Social Housing White Paper - Regulation Bill</b>		
1.1 The Council should look to review its allocations policy to ensure it is compliant with current government guidance and any specific requirements of the Social Housing Regulation Bill Service.	Service Development Manager, <del>June 2024</del> <del>March 2025</del> September 2025	1.1 The Service Development Manager provided evidence of the Draft Policy along with the consultation documents.  1.2. The new Policy is to be presented to Cabinet for approval in September 2025. It has been agreed that subsequently, the Policy will

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
1.2 The new policy should include a date for future review and assignment of responsibility for updating the policy to ensure that the policy is continually updated. Medium		be reviewed annually. A designated policy reviewer(s) will be assigned by September 2025.
<b>2024-25 - Asset Management Statutory Compliance</b>		
1.1. A report of the higher-risk residential buildings registered with the Building Safety Regulator should be readily available to Asset Management. 1.2. Clear, structured monthly procedures, including consistent month-end cut offs should be in place to ensure the comprehensiveness and quality of the asset management data, including the buildings list, units, and communal areas, requiring all of the “Big 6” checks and inspections assured, fire safety, smoke alarms and carbon monoxide alarms, asbestos safety, electrical compliance, gas safety, lift safety, water safety. 1.3. The asset management data, buildings list, occupied dwellings, property status changes should be confirmed and signed off by a delegated signatory, on a monthly basis. High	1.1. Head of Engineering & Compliance in conjunction with Head of Building Safety 1.2. Head of Engineering & Compliance 1.3. Head of Engineering & Compliance Project Sponsor and Apex Project Manager for True Compliance in conjunction with Northgate/NEC and Director and Head of Service for IT systems development support. April 2025	1.1 We have confirmed that there is live registration spreadsheet for the registered high-rise buildings with all registered information, including their BSR registration number and all available data and KBI information input to the BSR portal.  1.2 & 1.3 - <i>awaiting update</i>
2.1 A comprehensive strategy and timeframe for the implementation of True Compliance and the NEC housing module of the Northgate system should be subject to review and oversight by a senior management organisational structure and presented to Cabinet for approval. High	Head of Engineering & Compliance as Project Sponsor and Apex Project Manager for True Compliance in conjunction with Northgate/NEC and Director/Head of Service for IT systems development support. This is part of migration and closing down of Apex system April 2025	<i>Awaiting update.</i>
6.1 A comprehensive log of the qualifications and training received should be maintained and readily available for the officers who conduct the compliance checks and administration activities as part of the Golden Thread documentation (Appendix I) requirement.	6.1 Head of Engineering & Compliance in conjunction with HR Business Partner April 2025	The Manager advised us that an initial assessment of the Fire Team qualifications has been conducted at the end of Q3 2024 - so that management have a full understanding the level of competency. This included an assessment of ongoing CPD. Going forwards a full skills gaps assessment [SWOT] has been implemented to determine what are

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
Medium	<i>Awaiting evidence of implementation</i>	the requirements based on the fire competency framework which is to be implemented by legislation. This will ensure that all colleagues reach the requisite qualifications via a pathway which is linked to a fire charter.
<b>Resources Directorate</b>		
<b>2023-24 Cyber Security</b>		
<p>3 a) The Council should determine an appropriate percentage of staff that should complete the annual cyber security training (best practice would be 98%).</p> <p>b) Arrangements should be put in place for ensuring that the cyber security training is completed by all members of staff, as required, which could include:</p> <ul style="list-style-type: none"> <li>Identifying specific staff members who are required to complete the training and working with their line managers to ensure completion.</li> <li>Ensuring regular, top-down communication to increase awareness of the training.</li> <li>Requiring completion of the e-learning before issuing new devices to individuals or as part of performance and progression reviews.</li> </ul> <p>c) Initiate a data cleansing exercise to correct organisational structure anomalies and remove or consolidate duplicate accounts. This will provide a more accurate view of the compliance status.</p> <p>d) Develop enhanced reporting mechanisms that can segregate data between LBS staff and agency staff, providing clear and distinct compliance figures for each group.</p> <p>e) Improve monitoring and reporting mechanisms to ensure that all devices are consistently and effectively protected by the AV solution.</p> <p>High</p>	<p>Chief Security Officer, Shared Technology Services</p> <p><del>September 2024</del></p> <p>July 2025</p>	<p>The Head of Cyber Security advised us that:</p> <p>a and b - To strengthen organisational awareness of information security, the Council have adopted the HR-led Learning Management System, Learning Pool. This platform includes a dedicated Information Security module, which will be deployed as a mandatory training requirement for all staff. Completion of this training will be required by the end of July 2025. Training completion is at 72%.</p> <p>c and d - The approach to cleanup of user accounts is being discussed with the Council and the full cleanup and training rollout target is July 2025.</p> <p>e - AV protection has been deployed; six devices in passive mode are being remediated and laptops have been returned.</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<p>5 a) The Council should develop and implement a comprehensive cyber security policy to clearly outline the Council's approach to managing and protecting information assets from cyber threats.</p> <p>b) The policy should include, but not be limited to, the following elements:</p> <ul style="list-style-type: none"> <li>• Roles and responsibilities for cyber security within the Council and STS</li> <li>• User access controls and management</li> <li>• Data protection and privacy measures.</li> <li>• Incident response and reporting procedures</li> <li>• Third party supplier relationships</li> <li>• Regular review and updating of security measures</li> <li>• Training and awareness programs for all staff members.</li> </ul> <p>c) The policy should be communicated to all members of the Council and be readily accessible.</p> <p>Medium</p>	<p>Chief Security Officer, Shared Technology Services</p> <p><del>August 2024</del></p> <p><del>December 2024</del></p> <p><del>May 2025</del></p> <p>July 2025</p>	<p>The Head of Cyber Security advised us that the cybersecurity governance framework has been strengthened, including:</p> <p>A draft Cyber Security Strategy has been completed, awaiting formal approval by TDS leadership.</p> <p>An ISO/IEC 27001- aligned policy framework has been defined, with full implementation targeted for May 2025.</p> <p>Draft policies have been developed to support the strategy:</p> <ul style="list-style-type: none"> <li>- Identity and Access Management</li> <li>- Third-Party Security</li> <li>- Asset Management</li> <li>- Application Security</li> <li>- Cloud Security</li> <li>- Risk Management Policy</li> </ul> <p>Following approval, the policies will be implemented and communicated to staff, therefore this recommendation remains open at present.</p> <p>A Cybersecurity Risk Register has been established to track, evaluate, and treat key information security risks across the organisation.</p>
<b>2024-25 Mosaic</b>		
<p>1.1 - The Older People and Physical Disabilities Unit and the Mental Health, Learning Disabilities and All Age Disabilities Unit, should use Mosaic reports to identify service users who are due a review and then ensure that all annual reviews are allocated to social workers two months prior to the annual review due date.</p> <p>1.2 - The Transfer of Care Team should be notified of the error in relation to case 1070766 and ensure a learning exercise is completed to mitigate the risk of referring patients to the Placements Team incorrectly, who may also be ineligible for the services received.</p> <p>1.3 - The Council should ensure that Service Managers and Team Managers in the Older People and Physical Disabilities Unit and the Mental Health, Learning Disabilities and All Age Disabilities Unit use Mosaic reports to carry out regular caseload audits to ensure</p>	<p>Assistant Director, Adult Social Care / Head of Service</p> <p><del>February 2025</del></p> <p>June 2025</p>	<p>The Head of Service advised us that:</p> <p>1.1 - The OPPD service supports over 2500 people and aims to complete an annual review of these residents' care and support plans. The service takes every effort to review people as close to their scheduled review date. Due to the high number of residents, the service is unable to allocate reviews two months prior to their scheduled review date, however, the reviews do not take too long when allocated, so the service will aim to allocate a fortnight before they are due.</p> <p>1.2 - The case has been notified to the Transfer of Care Team and work is being undertaken on the rehabilitation and future care needs of the service user. Work to be completed by the end of Q1 2025/26.</p> <p>1.3 - Mosaic data is being reviewed alongside with the Performance, Development and Quality team across May and June 2025. This will</p>

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Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
that completed care and support plans are allocated to decision makers and/or to panel in a timely way. <b>High</b>		include training sessions on data quality and running reports on Mosaic and the importance of timely updates on cases and case progression.

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# INTERNAL AUDIT SCHOOLS ANNUAL SUMMARY REPORT

London Borough of Southwark

2024-25

*For presentation to the Audit, Governance and Standards  
Committee June 2025*



# CONTENTS

	Page
1. Introduction and background	3
2. Individual school assurance opinions and number of recommendations	5
3. Summary of assurance opinions & number of recommendations	6
4. Common themes arising	9
Appendix 1: Definitions of Opinion and Recommendation Significance	11

# SUMMARY OF 2024-25 WORK

## 1. INTRODUCTION AND BACKGROUND

### PURPOSE OF REPORT

This report summarises the outcomes of the London Borough of Southwark school audit programme completed during 2024-25 by BDO LLP on behalf of the Council. It draws together the assurance ratings and number of recommendations made across each risk area, highlights common themes, and compares these to those summarised in the equivalent 2023-24 report.

This report is presented to the Audit, Governance and Standards Committee, and will be shared with all schools via the School Forum.

### APPROACH TO INTERNAL AUDIT OF SCHOOLS

A cyclical plan is followed that aims to complete an internal audit of all schools over a four-year period. The programme of audits is agreed with the Director of Children and Families. A programme of 15 schools was completed in 2024-25.

The purpose of a school audit is to assess whether adequate controls are in place to help prevent financial management weaknesses within the school that could result in budget overspend or inappropriate expenditure.

The work in 2024-25 followed the same programme as that in 2023-24 and was designed to assess the design and operational effectiveness of the controls in place to mitigate the key risks in seven areas:

1. **Governance** arrangements are inadequate or not formally documented to support effective administration and decision making that is in the best interests of the school.
2. **Bank Account** controls over the school's account(s) are weak, exposing the school to potential error and/or fraud which may result in a financial loss to the school.
3. **The School's Budget** is not balanced or aimed at recovering a deficit or achieving a prudent, but not excessive, level of unspent balances resulting in inefficient use of school funds. Where the school is in deficit, a clear recovery plan is not in place.
4. **Payroll** controls are inadequate without appropriate checks and adequate segregation of duties for making changes to personnel and payroll data leading to invalid or inappropriate payments.
5. **Procurement** is not well controlled resulting in purchases of goods and services that are not appropriate or do not provide value for money.
6. **Data** is not adequately protected, allowing unauthorised access, leading to potential misuse or risk of harm to pupils and staff.
7. **Cash** is not controlled, leading to unidentified loss or theft.

The limitations to the scope of our work were as follows:

- Testing was performed on a sample basis, selected from transactions processed in the 12 months prior to the date of the audit site visit.
- The audit did not assess the adequacy of teaching arrangements at the school.

- The work of internal audit does not provide any guarantee against material errors, loss, or fraud, or provide an absolute assurance that material error, loss or fraud does not exist.

## RECOMMENDATIONS AND ASSURANCE OPINIONS

Recommendations are rated based on the risks associated with the findings arising from the internal audit work and are linked to controls that may not be in place or are not being complied with. Recommendations are rated as High, Medium, or Low priority.

We provide two overall assurance opinion, the first for the Design of the control framework, and the second for the operational effectiveness of the controls in place. The results of our work result in a rating of High, Moderate, Limited or No assurance. These ratings are based on the priority and numbers of recommendations.

For 2024/24, we rated fourteen of the fifteen schools as Moderate assurance for both the design and operational effectiveness of the controls:

- **Design** - 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 is designed to achieve system objectives with some exceptions.
- **Effectiveness** - A small number of exceptions found in testing procedures and controls. Evidence of non-compliance with some controls that may put some system objectives at risk was identified.

For one school, we rated it as Limited assurance for both the design and operational effectiveness of the controls:

- **Design** - A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address these in-year. Furthermore, the system of internal controls is weakened with system objectives at risk of not being achieved.
- **Effectiveness** - A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address this in-year. Non-compliance with key procedures and controls places the system objectives at risk.

Please refer to Appendix 1 for all definitions of assurance opinions and recommendations.

## 2. SCHOOLS AUDITED IN 2024-25

The table below summarises the number of each priority of recommendations raised and reported assurance opinions provided for each school audited in 2024-25.

The results of our work highlights that the financial control environment operating in the Borough's schools continue to require strengthening. However, overall there has been year on year improvement, shown by the levels of assurance and number of recommendations raised (see section 3 for more details).

SCHOOL		H	M	L	DESIGN	OPERATIONAL EFFECTIVENESS
Bessemer Grange Primary School		-	3	3	Moderate	Moderate
Bird In Bush School		-	2	3	Moderate	Moderate
Boutcher Church of England Primary School		-	6	3	Moderate	Moderate
Goodrich Primary School		-	4	2	Moderate	Moderate
Heber Primary School		-	5	3	Moderate	Moderate
St Thomas the Apostle School and Sixth Form College		-	9	0	Moderate	Moderate
Highshore School		-	5	2	Moderate	Moderate
The Cathedral School of St Saviour and St Mary Overie		-	9	2	Moderate	Moderate
Nell Gwynn		-	13	2	Moderate	Moderate
John Ruskin Primary School		-	3	0	Moderate	Moderate
St Joseph's Catholic Infants School		-	6	1	Moderate	Moderate
St Francis's RC Primary School		-	3	3	Moderate	Moderate
Southwark Park Primary School		-	11	1	Moderate	Moderate
St Saviour's and St Olave's Church of England School		2	8	0	Limited	Limited
St John's and St Clement's Church of England Primary School		-	10	3	Moderate	Moderate
<b>Totals</b>		2	97	28	-	

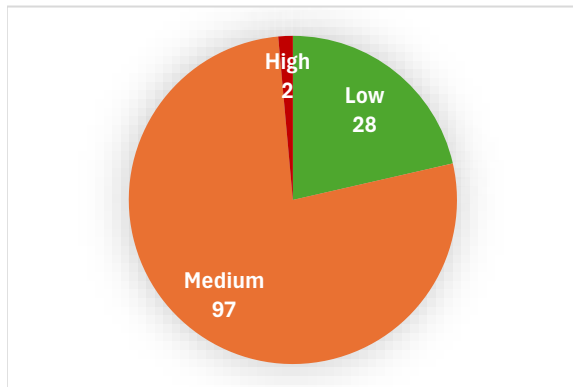
### 3. SUMMARY OF RECOMMENDATIONS & ASSURANCE OPINIONS

The summaries of recommendations and assurance opinions for 2024-25, are shown in the pie-charts below, along with those from 2023-24 and 2022-23 for comparison purposes.

#### TOTAL NUMBER OF RECOMMENDATIONS

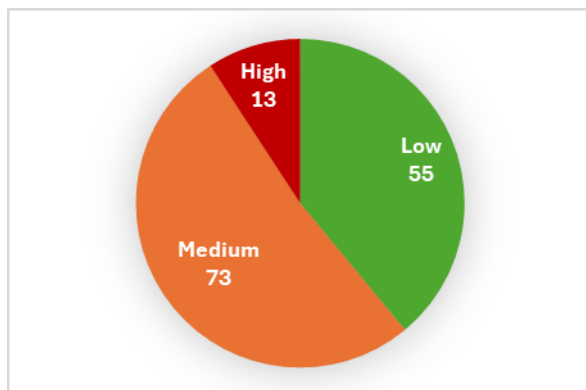
The number of recommendations raised for each priority rating of High, Medium, or Low were as follows:

##### 2024-25

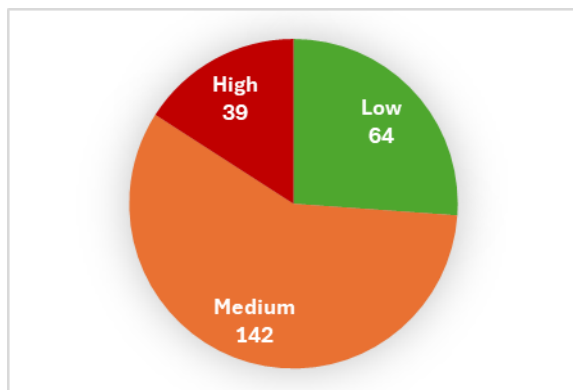


In 2024-25 a total of 127 recommendations were raised across 15 schools. This represents an average of eight recommendations raised per school. This aligned with the average of eight recommendations per school in 2023-24, indicating consistency in school's control environments in audited areas and continues the improvement from an average of 12 recommendations made in 2022-23.

##### 2023-24



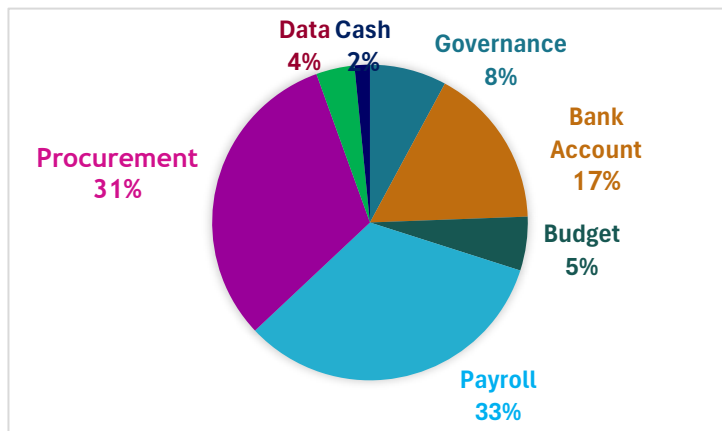
##### 2022-23



### PROPORTION OF TOTAL RECOMMENDATIONS BY RISK AREA

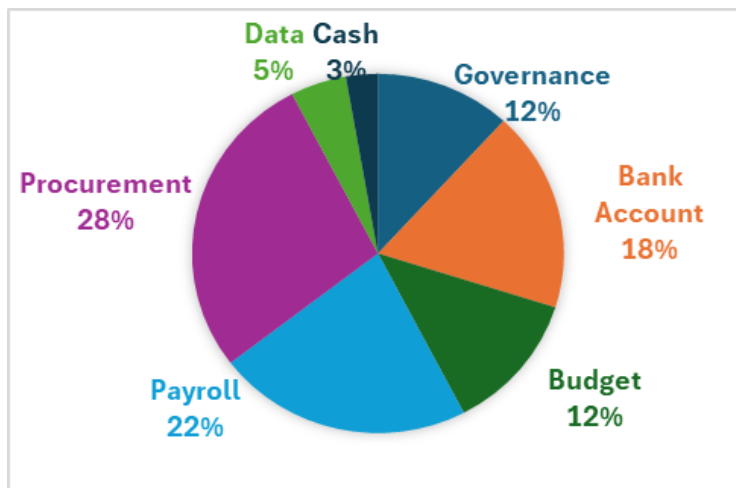
The proportion of recommendations raised in each risk area were as follows:

2024-25

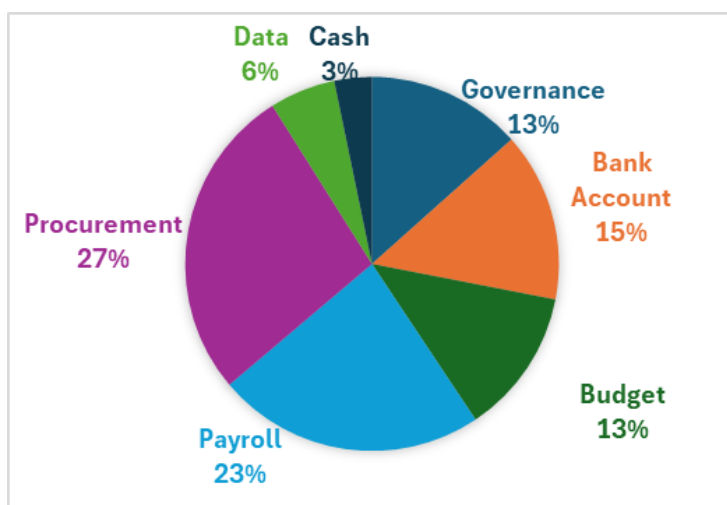


As in previous audit cycles, the highest proportion of recommendations continues to be in the areas of Payroll and Procurement, with Bank Account and Governance also showing similar relative proportions in 2024-25 compared to 2023-24 and 2022-23. The proportion of recommendations relating to Budget has decreased by 7% showing improvement in this area.

2023-24



2022-23



## ASSURANCE OPINIONS

The percentage of each assurance levels provided to schools during 2024-25 is summarised in the table below:

### 2024-25

Overall Design Opinion	Percentage of schools 2024-25	Overall Operational Effectiveness Opinion	Percentage of schools 2024-25
Substantial	0%	Substantial	0%
Moderate	93%	Moderate	93%
Limited	7%	Limited	7%
No	0%	No	0%

The percentage of each assurance levels provided to schools during 2023-24 and 2022-23 are summarised in the tables below:

### 2023-24

Overall Design Opinion	Percentage of schools 2023-24	Overall Operational Effectiveness Opinion	Percentage of schools 2023-24
Substantial	29%	Substantial	0%
Moderate	71%	Moderate	94%
Limited	0%	Limited	6%
No	0%	No	0%

### 2022-23

Overall Design Opinion	Percentage of schools 2019-20 and 2022-23	Overall Operational Effectiveness Opinion	Percentage of schools 2019-20 and 2022-23
Substantial	15%	Substantial	0%
Moderate	85%	Moderate	74%
Limited	0%	Limited	26%
No	0%	No	0%

The tables above show that the relative proportions across assurance opinions have remained broadly the same in 2024-25 compared to previous years.

## 4. COMMON THEMES 2024-25

Area	Number of Recommendations			Common Themes 2024-25
	H	M	L	
Governance Arrangements	-	5	5	<ul style="list-style-type: none"> <li>In many instances, the Declaration of Interest was not completed by all governors in 2024-25.</li> <li>In several schools, the Financial Procedures Manual and the Scheme of Delegation did not reconcile. In some cases, key information such as the procurement card limits, budget setting, monitoring, and forecasting were not included in the Financial Procedure or Scheme of Delegation.</li> <li>In some cases, the governing body meeting minutes were not formally signed as final and approved.</li> </ul>
Bank Account	-	12	9	<ul style="list-style-type: none"> <li>In many instances, Direct Debit mandates were not signed and retained, were only signed by one signatory, or were signed by non-current staff.</li> <li>Bank reconciliations were not retained or had not been signed by both the individual performing the reconciliation and the individual conducting the independent review to evidence segregation of duties.</li> </ul>
Budgeting	-	6	1	<ul style="list-style-type: none"> <li>In many schools, cashflow forecasting was not undertaken or documented.</li> <li>In some instances, the annual budget was presented to governors for approval less than one working week prior to the date of meeting.</li> </ul>
Payroll & Pensions	1	33	8	<ul style="list-style-type: none"> <li>Employee personnel files were not always obtained / retained, such as starter forms, signed contracts, letters of appointment, and up-to-date salary information. Leaver forms and other relevant documentation were not always held on file in respect of leavers.</li> <li>In some cases, the overtime form was not retained or signed and approved. Key information including the reasons for overtime was not always captured in the overtime form.</li> <li>Payroll reconciliations were undertaken in all schools. However, in many cases, there was no evidence of who performed the reconciliation and the independent review.</li> </ul>







<b>Procurement</b>	1	36	3	<ul style="list-style-type: none"> <li>• Purchase orders were not always raised for all appropriate purchases and authorised in accordance with the Financial Procedures Manual. Key information including dates, budget code, and the person who raised the purchase order was not always included.</li> <li>• Some invoice payments were more than 30 days overdue, and some purchases were not supported by a valid invoice. Some payments were made prior to receiving the invoice.</li> <li>• There was a lack of documentary evidence in some instances that the goods received were checked for accuracy and that delivery documentation was appropriately annotated.</li> <li>• In several instances, for higher level spend, the appropriate number of quotes were not obtained as part of the procurement process and retained on file in line with the School's Financial Procedures.</li> </ul>
<b>Data Security</b>	-	4	1	<ul style="list-style-type: none"> <li>• In some cases, ICT back-up contracts and terms were not signed by both parties or had not been retendered for years.</li> <li>• In several schools, where the back-ups were saved, these were not always secure.</li> </ul>
<b>Cash Handling</b>	-	1	1	<ul style="list-style-type: none"> <li>• In a few schools, issues were found with the cash handling procedures in place. Staff were not recording all petty cash received and transactions receipts were not always retained. Cash received was not deposited in a timely manner.</li> </ul>
<b>TOTALS</b>	<b>2</b>	<b>97</b>	<b>28</b>	

# APPENDIX 1

## OPINION SIGNIFICANCE DEFINITION

ANNUAL OPINION DEFINITION	
<b>Substantial - Fully meets expectations</b>	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.
<b>Moderate - Significantly meets expectations</b>	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.
<b>Limited - Partly meets expectations</b>	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.
<b>No - Does not meet expectations</b>	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
<b>Substantial</b> 	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.
<b>Moderate</b> 	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.
<b>Limited</b> 	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.
<b>No</b> 	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	
<b>High</b>	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.
<b>Medium</b>	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.
<b>Low</b>	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.

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# **INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE - DRAFT**

London Borough of Southwark

2024-25

For presentation to the Audit, Governance and Standards  
Committee 2 June 2025

# CONTENTS

	Page
Executive Summary	1
Review of 2024-25 Work	5
Summary of Findings	8
Embedded Added Value	9
Key Themes	10
Background to Annual Opinion	11
Key Performance Indicators	14
Appendix 1: Opinion and Recommendation Significance	16

# EXECUTIVE SUMMARY

## Internal Audit 2024-25

This report details the work undertaken by internal audit for London Borough of Southwark ('the Council') and provides an overview of the effectiveness of the controls in place for the full year. The following reports have been issued for financial year 2024-25:

### Children and Adult Services

- ▶ Adopt London Partnership
- ▶ Deputyships and Appointeeships
- ▶ Foster Carers (fieldwork)
- ▶ Payments to Children and Families (reporting in progress)
- ▶ Supporting Families Grant
- ▶ Substance Misuse
- ▶ Traded Services

### Environment, Sustainability and Leisure

- ▶ Climate Emergency
- ▶ Enforcement
- ▶ Highways Maintenance
- ▶ Pest Control
- ▶ Solace Overpayments Recovery - Advisory
- ▶ Street Lighting and Signs (reporting in progress)
- ▶ Streets for People Strategy
- ▶ Waste Contract / PFI (fieldwork)
- ▶ Youth and Play Service

### Governance and Assurance

- ▶ Corporate Facilities Management (fieldwork)
- ▶ Information Requests
- ▶ Mayor's Office and Expenses
- ▶ Scrutiny
- ▶ Workforce Governance (reporting in progress)

### Housing

- ▶ Asset Management Statutory Compliance

- ▶ Housing solutions - applications and allocations (Fieldwork)
- ▶ Tenancy Audits (Draft Report)
- ▶ TMO - Cooper Close
- ▶ TMO - Falcon Point
- ▶ TMO - Gloucester Grove
- ▶ TMO Contract Management Checklist - Advisory
- ▶ Two Towers Tenancy Management Co-operate - Advisory

### Strategy and Communities

- ▶ Emergency Planning and Resilience
- ▶ People Power Innovation Fund

### Resources, including IT

- ▶ Accounts Payable (Draft Report)
- ▶ Budgetary Monitoring and Reporting
- ▶ Bankline
- ▶ Council Tax
- ▶ Housing Rents
- ▶ IT - Change Management
- ▶ IT - Cyber Security Controls over Supply Chain (Draft Report)
- ▶ IT - Incident Management
- ▶ IT - STS Financial Management
- ▶ Mosaic
- ▶ Pensions Administration
- ▶ Planning Applications and S106 Agreements
- ▶ Service Charges - Leaseholders
- ▶ Suspense Accounts Management
- ▶ Treasury Management

We have detailed the opinions of each report and number of recommendations on pages 5 to 8. Our internal audit work for the period 1 April 2024 to 31 March 2025 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.

Due to emerging risks and other priorities resulting in alternative reviews or delays in the start date, the following audits and associated reports have been deferred to 2025-26:

#### Children and Adults Services

- Waiting Lists

#### Governance and Assurance

- Contract Management

#### Resources

- Bribery and Corruption Controls
- Payroll (2024-25 audit finalise in 2025-26 and change in approach adopted)

#### Housing

- Temporary Accommodation

#### Strategy and Communities

- Communications and MediaSouthwark 2030 and strategic planning
- Transformation, programme, project and change management

We have completed the programme of schools for 2024-25 and all reports have been finalised. The schools audited in 2024-25 are listed below.

- |   |   |
|---|---|
| • Bessemer Grange Primary School            | • St Francis's RC Primary School                              |
| • Bird In Bush School                       | • St John's and St Clement's Church of England Primary School |
| • Boutcher Church of England Primary School | • St Joseph's Catholic Infants School                         |
| • Goodrich Primary School                   | • St Saviour's and St Olave's Church of England School        |
| • Heber Primary School                      | • St Thomas the Apostle School and Sixth Form College         |
| • Highshore School                          | • The Cathedral School of St Saviour and St Mary Overie       |
| • John Ruskin Primary School                |   |
| • Nell Gwynn                                |   |
| • Southwark Park Primary School             |   |

An end of year report summarising the results and common themes arising from our school internal audit programme for 2024-25 is included with our Internal Audit Progress Report presented to the Audit, Governance and Standards Committee at its meeting on 2 June 2025.

## NON-INTERNAL AUDIT SERVICES PROVIDED BY BDO

The following non audit services have been provided by BDO LLP during 2024-25:

- ▶ Risk Management - we have provided insights into the framework to use in support of the Council's development of a risk assurance framework.
- ▶ 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.
- ▶ Tenancy Management Organisations - Cyclical External Decorations - We were commissioned by the Head of Governance and Tenant Management to conduct a review into the payment and use of the cyclical external redecorations' allowances historically paid to relevant TMOs. This work is in progress and will continue into 2025-26.
- ▶ Filming Concessions Contract - We were commissioned by the Head of Culture to undertake a commercial contract risk review of the filming concession contract and provide advice on the new pricing schedule. This work has been carried out by our Procurement Consulting team.

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

## Head of Internal Audit Opinion

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:

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

Overall, we 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. Please see Appendix I for further details regarding our opinion definitions.

In forming our view, we have taken into account the following, based upon the audits completed to draft report stage:

- ▶ We completed a total of 41 reviews (33 assurance audits, four advisory reviews and four grant reviews).
- ▶ The advisory reviews related to: People Power Innovation Fund, Solace Overpayments Recovery, Two Towers Tenancy Management Co-operate and TMO Contract Management Checklist. As advisory reviews, they did not carry an opinion. Key themes from the work have been considered as part of our conclusions where appropriate.
- ▶ For the 33 assurance audits, 11 were rated substantial, 17 moderate and five limited in the design of the controls. This represents a continued positive direction of travel compared to 2023-24 and 2022-23 with the relative proportion of substantial assurance opinions provided for the design of the Council's controls increasing from 8% in 2022-23 to 33% in 2024-25.
- ▶ For the 33 assurance audits, eight were rated substantial, 19 moderate and 12 limited in their operational effectiveness. The relative proportion of substantial assurance opinions represents a continued positive direction of travel compared to 2022-23 and 2024-25 with the relative proportion of substantial assurance opinions provided for the design of the Council's controls increasing from 8% in 2022-23 to 24% in 2023-24. The relative number of limited assurance opinions for design effectiveness has increased, however compared to moderate opinions. This is also a reflection of our plan looking into specific areas of risk and concern.
- ▶ Our view is that the framework of control systems and processes are generally being strengthened after the impact of Covid and changes in senior management, but there are some areas where consistent adoption of expected policies and procedures is not being fully embedded in practice.
- ▶ All of our 41 reviews for 2024-25 resulted in a total of 133 recommendations (High: 26, Medium: 77 and Low: 30, compared to the lower number made in 2023-24 (High: 16, Medium: 79 and Low: 31). The increase in the number of recommendations is due to the higher number of limited opinions with regards to the effectiveness of controls.
- ▶ The Council has performed satisfactorily in implementing our audit recommendations within the specified timeframes. Of the 214 high and medium recommendations relating to 2022-23 to 2024-25 that have fallen due as of 30 April 2025, we have been able to confirm with reference



to evidence that 196 have been fully implemented or superseded. This result represents an overall implementation rate of 91.6%.

- ▶ As is the case across local government, the Council has faced financial and operational challenges during the year. The council agreed a balanced general fund budget on 21 February 2024, for 2024-25. The outturn position for the general fund is an overspend of £5.3m after the use of the contingency and planned use of reserves.

The Council's primary area of overspend was temporary accommodation, a challenge faced by many local authorities due to national cost and demand pressures, which are particularly severe in London. There is a rising number of homeless individuals requiring temporary accommodation and a greater reliance on more expensive nightly accommodation as landlords are withdrawing from arrangements with boroughs.

The Housing Revenue Account (HRA) outturn position is a favourable variance of £3.9m which has been achieved through one-off income windfall, other financing activities and short term cost reductions. This represents a significant improvement against the backdrop of the previous year's overspend (2023-24) and the necessary measures implemented in response, to ensure the HRA remains sustainable going forward.

- ▶ We have reviewed the Council's draft Annual Governance Statement (AGS) for 2024-25 and there are no areas identified which affect our overall moderate assurance opinion. Our internal audit work during 2024-25 included a number of areas raised in the Council's AGS, the results of which are summarised in this report (eg Climate Emergency, Cyber Security, TMO Governance and Workforce Strategy). Looking ahead, the governance concerns raised in the AGS for 2024-25 align to the areas of focus in our internal plan for 2025/26 (eg Procurement, Southwark 2030, and Temporary Accommodation). Therefore, we are confident that our work is closely aligned to the areas of risk identified by the Council and we can support the Council in strengthening its control environment where necessary and provide assurance on the management of the risks identified.

# REVIEW OF 2024-25 WORK

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)	
	H	M	L	Design	Operational Effectiveness
Children and Adult Services					
Adopt London Partnership	3	1	-	Moderate	Limited
Deputyships and Appointeeships	1	1	-	Limited	Moderate
Foster Carers (fieldwork)	TBA	TBA	TBA	TBA	TBA
Payments to Children and Families (reporting in progress)	TBA	TBA	TBA	TBA	TBA
Substance Misuse	-	-	-	Substantial	Substantial
Traded Services	-	2	-	Moderate	Moderate
Environment, Leisure, and Sustainability					
Climate Emergency	-	3	1	Moderate	Moderate
Enforcement	-	4	-	Moderate	Moderate
Highways Maintenance (draft report)	1	1	-	Moderate	Moderate
Pest control	-	-	-	Substantial	Substantial
Solace Overpayments Recovery - Advisory	N/A - Advisory			N/A - Advisory	N/A - Advisory
Street Lighting and Signs (reporting in progress)	TBA	TBA	TBA	TBA	TBA
Streets for People Strategy	-	2	1	Moderate	Substantial
Waste Contract / PFI (reporting in progress)	TBA	TBA	TBA	TBA	TBA

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)	
	H	M	L	Design	Operational Effectiveness
Youth and Play Service	-	-	3	Substantial	Substantial
Governance and Assurance					
Corporate Facilities Management (fieldwork)	TBA	TBA	TBA	TBA	TBA
Information Requests	1	1	2	Substantial	Limited
Mayor’s Office and Expenses	-	-	2	Substantial	Substantial
Scrutiny	1	2	-	Limited	Moderate
Workforce Governance (reporting in progress)	TBA	TBA	TBA	TBA	TBA
Housing					
Asset Management Statutory Compliance	4	2	1	Limited	Moderate
Housing solutions - applications and allocations (fieldwork)	TBA	TBA	TBA	TBA	TBA
Tenancy Audits	2	3	-	Limited	Moderate
TMO - Cooper Close	4	4	-	Limited	Limited
TMO - Falcon Point	1	4	-	Moderate	Moderate
TMO - Gloucester Grove	1	7	0	Moderate	Limited
TMO - Two Towers Tenancy Management Co-operate - Advisory	3	7	3	N/A - Advisory	N/A - Advisory
TMO Contract Management Checklist - Advisory	N/A - Advisory			N/A - Advisory	N/A - Advisory
Resources, including IT					
Accounts Payable (reporting in progress)	TBA	TBA	TBA	TBA	TBA
Bankline	-	-	1	Substantial	Substantial

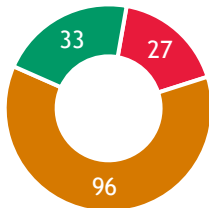
Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)	
	H	M	L	Design	Operational Effectiveness
Budgetary Monitoring and Reporting	-	2	-	Moderate	Moderate
Council Tax	-	2	2	Substantial	Moderate
Housing Rents	-	4	1	Substantial	Moderate
IT - Change Management	-	1	1	Substantial	Moderate
IT - Cyber Security Controls over Supply Chain (draft report)	-	3	-	Moderate	Moderate
IT - Incident Management	-	-	1	Substantial	Substantial
IT - STS Financial Management	1	1	1	Moderate	Moderate
Mosaic	1	1	1	Moderate	Moderate
Pensions Administration	-	1	2	Moderate	Moderate
Planning Applications and S106 Agreements	-	5	-	Moderate	Moderate
Service Charges - Leaseholders	-	3	1	Moderate	Moderate
Suspense Accounts Management	-	2	5	Moderate	Moderate
Treasury Management	-	-	1	Substantial	Substantial
Strategy and Communities					
Emergency Planning and Resilience (draft report)	2	6	-	Moderate	Limited
People Power Innovation Fund	-	-	-	N/A - Advisory	N/A - Advisory

# SUMMARY OF FINDINGS

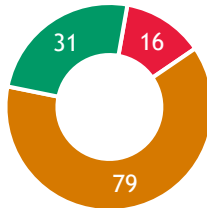
## RECOMMENDATIONS AND ASSURANCE DASHBOARD

### Recommendations

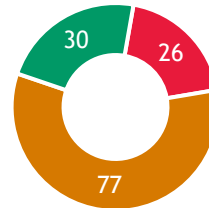
2022/23



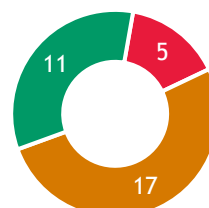
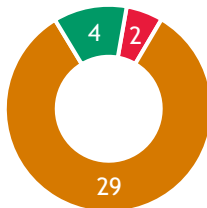
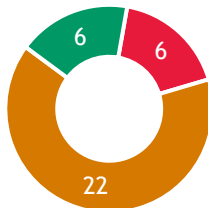
2023/24



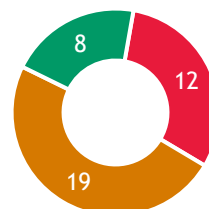
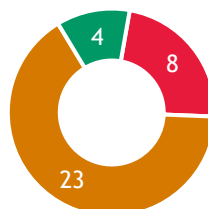
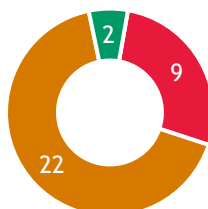
2024/25



### Control Design



### Operational Effectiveness



## EMBEDDED ADDED VALUE



### USE OF SPECIALISTS AND ADVICE

We used our IT specialists to deliver the IT reviews, drawing on their industry but also sector experience of the challenges being faced and sharing the necessary (but pragmatic) improvements to maintain an effective IT control environment.

We have provided advice with regards to the development of the Council's risk assurance framework. All reviews were carried out by dedicated public sector auditors.



### RESPONSIVENESS

We ensured that our audit approach was responsive to the Council's needs, adjusting audit timings to enable officer's to balance our work with their existing responsibilities. We have flexed the audit plan to respond to emerging risks and concerns, ie the Asset Management Statutory Compliance Review, Tenancy Audits and TMO reviews in Housing.



### BENCHMARKING AND GOOD 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 for various reviews (e.g. Asset Management, Climate Emergency, Cyber Security Controls, Enforcement). Based on your reviews, we identified areas where the Council could potentially improve performance (e.g. Deputyships, Traded services).

## KEY THEMES

As required under our internal audit standards, we confirm as summarised below that there were no specific themes of concern across the Council that would impair our overall moderate assurance opinion.



### PEOPLE

Overall, the Council welcomed our internal audits and provided us with strong levels of engagement during our reviews, whether delivered remotely or in-person. This demonstrates the organisation's positive approach towards internal audit, using us as a resource to support improvement, and their commitment to enhancing internal controls.



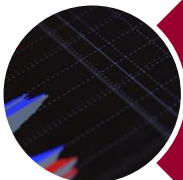
### GOVERNANCE & STRUCTURES

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



### STRATEGIES & POLICIES

Strategies, policies and procedures are generally well designed. The need for improvements in clarity in some areas was identified along with ensuring that approval for draft procedures is sought on a timely basis and rolled out to staff with appropriate communications and training.



### SYSTEMS & PROCESSES

The Council has a mix of effective systems in place and processes that are generally well followed alongside areas where operational practice is not aligned to documented procedures or where timeframes set out to residents are not being met, and we identified scope for improvement in reporting and monitoring key performance indicators in a few areas (eg Highways Maintenance, Information Requests, Planning Applications).

# 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 2024-25 was carried out in accordance with the internal audit plan approved by the Executive Management Team 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 2024/25 Internal Audit Annual Plan which was 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 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 generally 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, 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.

Management have generally responded in a timely manner for requests to provide information to support the implementation of audit recommendations. Where initial implementation action dates were missed, revised dates were provided and generally appropriate action has been taken.

### **Relationship with External Audit**

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

### Report by BDO LLP to London Borough of Southwark

As the internal auditors of the Council, we are required to provide the Audit, Governance and Standards Committee, and the Corporate Management Team 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 2024-25. 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 2024-25
- ▶ 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 results of regulatory reviews and other assurance providers
- ▶ The effects of any significant changes in the organisation's objectives or systems
- ▶ Matters arising from previous internal audit reports to the Council
- ▶ 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
<b>Audit Coverage</b>		
Annual Audit Plan for 2024-25 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 April 2025. While we rate this as Amber, it has not impaired our ability to inform our annual opinion and the outcomes of these reviews will inform our 2025-26 audits.	
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.	
<b>Relationships and customer satisfaction</b>		
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 2025-25, with an average score of 4.4.	
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 June 2025 following completion of our work.	-
External audit can rely on the work undertaken by internal audit (where planned)	Not applicable for work delivered in 2024-25. However, we continue to maintain an open dialogue with EA in the event any reliance or information is required.	-
<b>Staffing</b>		
At least 60% input from qualified staff	Delivery of the 2024-25 included 70% input from qualified staff.	
<b>Audit Reporting</b>		
Issuance of draft report within 3 weeks of fieldwork 'closing' meeting	There were five cases where reports were issued up to four 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 8 days after receipt of the management response, where the quality assurance process fell during a 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.	

KPI	BDO Comment	RAG Rating
Information is presented in the format requested by the customer.	Where requested (eg this annual report), we have amended our report formats.	
<b>Audit Quality</b>		
High quality documents produced by the auditor that are clear and concise and contain all the information requested - measured within customer satisfaction surveys	We have received seven survey responses as at the end of the year, four providing a rating of five and three providing a rating of four 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 for the Council was the highest rating of 1 'Meeting Expectations', with no advisory or improvement points raised.	

## APPENDIX 1: OPINION AND RECOMMENDATION SIGNIFICANCE

ANNUAL OPINION DEFINITION	
<b>Substantial - Fully meets expectations</b>	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.
<b>Moderate - Significantly meets expectations</b>	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.
<b>Limited - Partly meets expectations</b>	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.
<b>No - Does not meet expectations</b>	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
<b>Substantial</b> 	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.
<b>Moderate</b> 	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.
<b>Limited</b> 	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.
<b>No</b> 	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	
<b>High</b>	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.
<b>Medium</b>	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.
<b>Low</b>	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**

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<b>Meeting Name:</b>	Audit, governance and standards committee
<b>Date:</b>	2 June 2025
<b>Report title:</b>	External audit plan & strategy for Southwark Council 2024-25
<b>Ward(s) or groups affected:</b>	All
<b>Classification:</b>	Open
<b>Reason for lateness (if applicable):</b>	N/A
<b>From:</b>	Strategic Director of Resources

## RECOMMENDATION

1. That the audit, governance and standards Committee note the external audit plan for 2024-25 for Southwark council, as attached at Appendix A.
2. That the audit, governance and standards Committee note the external audit plan for 2024-25 for Southwark Pension Fund, as attached at Appendix B.

## BACKGROUND INFORMATION

3. The purpose of the report at Appendices A and B is to provide an overview of the risk assessment and planned audit approach for the statutory audit of the council and the pension fund for those charged with governance.

## Policy framework implications

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

## Community impact statement

5. The 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

6. The reports are not considered to contain any proposals that would have a significant equalities impact.

**Health impact statement**

7. The reports are not considered to contain any proposals that would have a significant health impact.

**Climate change implications**

8. The reports are not considered to contain any proposals that would have a significant impact on climate change.

**Resource implications**

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

**Financial implications**

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

**Legal Implications**

11. 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**

12. Consultation is not required on this report.

**SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

13. None required.

**BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
Department of Resources files	Resources Department, Second Floor, Tooley Street	Humphrey Thompson

**APPENDICES**

<b>No.</b>	<b>Title</b>
Appendix A	2024-25 Southwark Audit Plan
Appendix B	2024-25 Southwark Pension Fund Audit Plan



**AUDIT TRAIL**

<b>Lead Officer</b>	Clive Palfreyman, Strategic Director of Resources		
<b>Report Author</b>	Fleur Nieboer, Phillp Kent KPMG LLP		
<b>Version</b>	Final		
<b>Dated</b>	22 May 2025		
<b>Key Decision?</b>	No		
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>			
<b>Officer Title</b>		<b>Comments Sought</b>	<b>Comments included</b>
Assistant Chief Executive Governance & Assurance		N/A	N/A
Strategic Director of Resources		N/A	N/A
<b>Cabinet Member</b>		N/A	N/A
<b>Date final report sent to Constitutional Team</b>			22 May 2025

# Southwark Council

Report to the Audit, Governance and Standards  
Committee

**Audit plan and strategy for committee approval  
for the year ending 31 March 2025**

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2 June 2025

# Introduction

## To the Audit, Governance and Standards Committee of Southwark Council

We are pleased to have the opportunity to meet with you on 2 June 2025 to discuss our audit of the financial statements of Southwark Council (the Council), as at and for the year ending 31 March 2025.

This report provides the Audit, Governance and Standards Committee with an opportunity to review our planned audit approach and scope for the 2024/25 audit. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and is carried out in compliance with the NAO's 2024/25 Code of Audit Practice, auditing standards and other professional requirements.

This report outlines our risk assessment and planned audit 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.

Contents	Page
Overview of planned scope including materiality	3
Significant, higher assessed, and other audit risks	5
Audit risks and our audit approach	6
Other significant matters related to our audit approach	13
Group audit	14
Mandatory communications	18
Value for money	19
Appendix	22

## 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.

Fleur shall lead the engagement and is responsible for the audit opinion.

Philip Kent, ACA, is the engagement senior manager responsible for your audit. He has over six years experience in the Local Government sector and ten years of experience in public sector audit. He will be supported by Samarth Lakhera, ACCA.

Other key members of the engagement team include Weiwei Cao (Assistant Manager).

Yours sincerely,



**Fleur Nieboer**

2 June 2025

## 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.

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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Fleur Nieboer ([fleur.nieboer@kpmg.co.uk](mailto:fleur.nieboer@kpmg.co.uk)), the engagement lead to the Council, who will try to resolve your complaint. If you are dissatisfied with the response, please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Tim Cutler ([tim.culter@kpmg.co.uk](mailto:tim.culter@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can raise your complaint as per the following process: [Complaints](#).

# 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 in line with the prior period financial statements audit 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 non-PWLB 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 £21.1m / 65% of materiality driven by our increased assessed level of risk of undetected misstatements on account of the number and nature of audit misstatements and control deficiencies identified in the prior period audit.

Materiality has increased this year following a re-assessment of the level of public interest in the financial statements.

## Materiality excluding schools

Following the implementation of the revised ISA (UK) 600, we now identify the audit of the Council as a group audit because schools balances are consolidated into the Council's accounts through a financial reporting process.

Our audit is therefore planned at the disaggregated level of the Council excluding schools, and individual schools where we decide to perform audit procedures. We therefore are required to present materiality for the Council excluding schools, as shown to the right. For further details, see page 14.

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

- Corrected and uncorrected audit misstatements above £1,625k.
- 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.

## Materiality

### Council + Schools

Materiality for the financial statements as a whole

**£32.5m**

2.0% of total expenses  
(PY: £13.9m, 1.0% of total expenses)

Procedures designed to detect individual errors at this level

**£21.1m**

65% of materiality  
(PY: £9.03m)

Misstatements reported to the Audit, Governance and Standards Committee

**£1,625k**

(PY: £695k)

### Council Materiality (excluding schools' expenditure)

**£32m**

2.0% of total expenditure per the prior period (£1.6bn)

Performance materiality: £20.8m

# 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 April 2025 to discuss key matters about the Council;
- Audit, Governance and Standards Committee meeting on 2 June 2025 where we present our initial audit plan;
- Status meetings with management on a regular basis where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues;
- Closing meeting with management in November 2025 where we discuss the auditor's report and any outstanding deliverables; and
- Audit, Governance and Standards Committee meeting on 19 November 2025 where we communicate audit misstatements and significant control deficiencies.
- Biannual private meetings can also be arranged with the Committee chair if there is interest.

We anticipate issuing our audit opinion in November 2025.

## 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
<b>Internal Audit</b>	We will review the work of internal audit as part of our risk assessment procedures but will not place reliance on their work.
<b>KPMG Real Estate Valuation Centre of Excellence (REVCoE)</b>	We will use KPMG valuation specialists to assess the work performed by the Council's valuer over the valuation of land and buildings.
<b>IT Audit</b>	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.
<b>Data &amp; Analytics</b>	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 implement the KPMG AI Transactional Scoring solution on the Council's non-pay expenditure. Finally, the specialists will also produce a risk assessment dashboard showing key issues (if any) with the configuration of the Council's SAP system.
<b>KPMG Pensions Centre of Excellence</b>	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, higher assessed 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.

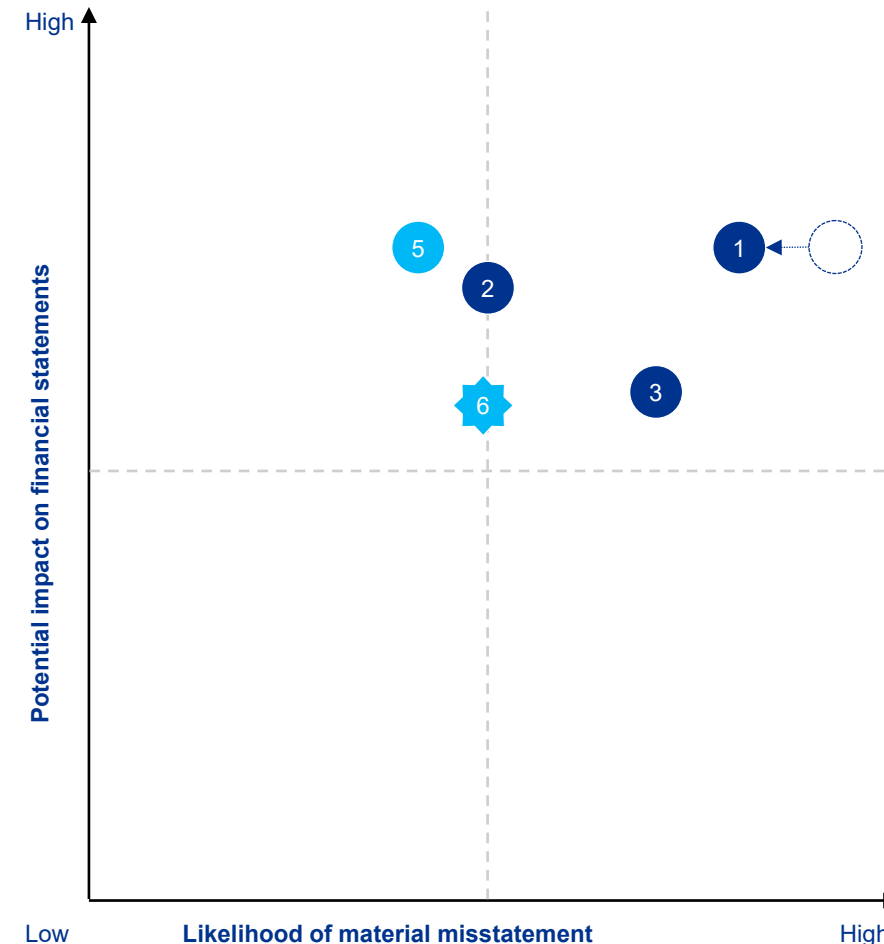
## Value for money

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 19.

Significant audit risks	
1.	Valuation of land and buildings
2.	Management override of controls
3.	Valuation of post retirement benefit obligations
Higher assessed audit risks	
5.	Valuation of investment property
Other audit risks	
6.	Adoption of IFRS 16

**Key:** # Significant financial statement audit risks  
 # Higher assessed / other audit risk  
 Change compared to prior year  
 New risk



# Audit risks and our audit approach



1

## Valuation of Council Dwellings

Risk of error related to the incorrect calculation of valuation adjustments for housing dwellings

Change vs prior year



### 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 dwellings this year. The value of the dwellings at 31/3/24 was £3.4bn.

A risk is presented for those assets that are revalued in the year, which involve significant judgement and estimation made by the engaged valuer on the Council's behalf. This is on account of the judgement involved in the selection of assumptions including but not limited to identification of comparative properties when valuing individual beacons.

In the prior period we identified that this estimate was cautious on account of contradictory evidence we identified for one beacon sampled. This was compounded by the large number of properties in that beacon as compared to other beacons within the valuation meaning the range of potential valuation errors was very wide.

Our identification of this risk reflects that the Council Dwellings make up the largest part of the land and buildings balance, and the valuation approach used means that should an error in valuing a small number of beacons arise, it can have a significant impact on the valuation as a whole.



### Planned response

We will perform the following procedures designed to specifically address the significant audit 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 2025;
- We will evaluate the design and implementation of controls in place for management to review the validity and outcome of the valuation reached, and to ensure that beacon and sub-beacon groups have been appropriately defined;
- We will assess the validity of the beacon and sub-beacon groups defined by, for a sample of such groups, assessing whether the properties within the groups are homogenous in nature;
- We will challenge the appropriateness of the valuation of dwellings on a sample basis with reference to available market data for comparable assets in a similar location;
- We will use 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<sup>(a)</sup>

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

Change vs prior year



### 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 audit 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, indicated 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 were 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;
- Where applicable, assess the business rationale and the appropriateness of the accounting for significant transactions that were outside the Council's normal course of business, or were otherwise unusual; and
- Analyse all journals through the year using data and analytics and focused our testing on those with a higher risk, such as journals which transfer expenditure out of the Housing Revenue Account and into the General Fund.

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

Change vs prior year



### 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. We have not identified the risk in relation to the London Pension Fund Authority liability as its size is small compared to materiality.



### 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 Council was 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 nil balance 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

## Valuation of investment properties

Risk of error related to the incorrect valuation of investment properties

Change vs prior year



**Higher  
assessed  
audit risks**

The Council's investment property portfolio of £343m (as at 31 March 2024) 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.

103

# Audit risks and our audit approach (cont.)



5

## Adoption of IFRS 16

Risk of error related to the incorrect recording of liabilities and right of use assets relating to new accounting standards



### Other audit risk

The Council has adopted IFRS 16 as required by CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom (2024/25) with an implementation date of 1 April 2024.

We anticipate the following challenges/impact in the first year of implementation:

- Completeness of lease listing used in transition computations;
- Inadequate lease disclosures as per IFRS 16;
- Inaccurate computation of lease liabilities and right of use assets; and
- Training needs for new/existing staff.

The nature of these challenges can result in the potential for material errors in the accounting entries used to record the transition.



### Planned response

We will perform the following procedures:

- Obtain the full listings of leases and reconcile to the general ledger;
- Review a sample of the lease agreements to determine the terms of the leases and confirm correct classification;
- Review the appropriateness of the discount rate used in the lease computations;
- Review the transition adjustments passed by the Council to ensure they have been implemented in line with the requirements of the CIPFA Code; and
- Review the disclosures made on the financial statements against requirements of IFRS 16.

# Audit risks and our audit approach (cont.)



## Revenue – rebuttal of significant financial statement audit risk

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant financial statement audit risk. Due to the nature of the revenue within the Council, we have rebutted this significant financial statement audit 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
<b>Council tax</b>	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 this balance to be subject to fraudulent financial manipulation.
<b>Business rates</b>	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 this balance to be subject to fraudulent financial manipulation.
<b>Fees, charges and other service income</b>	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.
<b>Government grants and contributions</b>	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 financial statement audit risk

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting 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 a significant financial statement audit 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
<b>Medium-term financial strategy</b>	<p>The Council has an ample general fund reserve balance at 31 March 2024 and over the three year period of the Medium Term Financial Strategy for 2024-25 to 2026-27 presented to Cabinet in February 2025, the Council requires no use of earmarked or general reserves and has an immaterial (c. £7m) shortfall prior to transformation savings 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.</p> <p>Whilst the Council's Housing Revenue Account (HRA) is under financial pressure, the Council has introduced a recovery plan to support restoring the HRA into financial health. There is limited ability to materially inappropriately expense HRA costs within the general fund as these would result in significant adverse variances to budgets which would be easily identified through the revenue monitoring reports. Furthermore, we do not believe that it is likely that HRA costs would be materially recognised in the wrong financial period because of the extent to which costs would need to be fraudulently cut-off for a material error.</p> <p>We have recognised that there is a risk of inappropriately transferring costs between the general fund and HRA on account of the ability to manipulate cost apportionments and the legal requirements of the HRA ringfence. We have reflected this risk as part of our identified risk of Management Override of Controls because these transfers and apportionments are performed through the use of manual journal entries.</p>	We have rebutted the presumed significant risk of fraud in relation to expenditure recognition.
<b>Capital programme</b>	<p>The Council is, according to its general fund capital programme presented to Cabinet in January 2025, forecasting a balanced programme by end of 2034. An underspend is forecast for 2024/25, on account of re-profiling the spend across the life of the programme. Whilst the underspend may yield an opportunity to fraudulently capitalise costs and reduce expenditure during 2024/25, the lack of financial pressure during the financial year and the longer-term balanced position for the capital programme suggests this is unlikely.</p> <p>The HRA capital programme is resource constrained due to an inability to fund capital expenditure through revenue reserves, and difficulty in borrowing without worsening the financial sustainability of the HRA through increased interest charges. Therefore, we do not believe there is any realistic opportunity to fraudulently capitalise HRA expenditure on account of the challenges present in capital financing.</p>	
<b>Minimum Revenue Provision</b>	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 2024/25 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

We will assess the risk relating to management's judgement on the use (or otherwise) of the going concern basis and the adequacy of related disclosures, including any possible material uncertainty. 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 authority will continue in operational existence for the foreseeable future. [...]. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern.*

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

## Group audit

Following the implementation of the revised ISA (UK) 600 – *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*, we now consider our audit to be a group audit.

The revised ISA (UK) 600 redefines components to include business units, functions, or business activities (as opposed to just legal entities) where the financial information of those components is consolidated through a financial reporting process.

The Council consolidates the results of its schools. Each school prepares its own financial information which is then consolidated, alongside the Council's own financial information, by the corporate finance function into the Council's single-entity accounts.

Overleaf we set out the principal changes in ISA (UK) 600, and how we are applying the group audit standard to the audit of the Council. This includes our identification of components where we will perform substantive procedures.

# Group audit – revised requirements



## Key changes

## Impact on our audit

	<b>Risk-based approach</b>	<ul style="list-style-type: none"> <li>More granular risk assessment, and greater emphasis on the group auditor's overall responsibility for identifying and assessing the risks to the consolidated Council and schools financial statements (consolidated FS).</li> </ul>	<ul style="list-style-type: none"> <li>We lead the identification and assessment of risks to the consolidated FS with involvement from component auditors as appropriate. <b>Consequently, the nature of risk assessment procedures we perform has changed and their extent has increased.</b></li> <li>The approach to identifying and assessing risks to the consolidated FS is more consistent, and risks are more clearly linked to the components in which they arise (see page 16).</li> </ul>
	<b>Approach that is more responsive to risks to the group FS</b>	<ul style="list-style-type: none"> <li>New requirement for the group auditor to take overall responsibility for determining the nature, timing and extent of audit procedures to be performed to respond to risks to the consolidated FS.</li> </ul>	<ul style="list-style-type: none"> <li>We lead the design of the response to risks to the consolidated FS with involvement from component auditors as appropriate, which means a more targeted, consistent response to identified risks to the consolidated FS. (see page 16).</li> <li>We exercise more judgment in determining the components at which audit work will be performed and the type of work performed.</li> <li>As we are prescribing required work at a more granular level, there may be increased work for component auditors, particularly in year one, to align the requirements of the group audit and local statutory audits.</li> </ul>
	<b>Enhanced quality management</b>	<ul style="list-style-type: none"> <li>Enhanced leadership, direction, supervision and review responsibilities of the group engagement partner to proactively manage and achieve audit quality in a group audit.</li> </ul>	<ul style="list-style-type: none"> <li>We determine the resources needed to perform the group audit, including the nature, timing and extent to which component auditors are to be involved in audit work at components. When making this judgement, we evaluate whether we can be sufficiently and appropriately involved in the work of component auditors (see page 15).</li> </ul>
	<b>Strengthened communication</b>	<ul style="list-style-type: none"> <li>Reinforcing/strengthening requirements for more robust and frequent communications and interactions between the group auditor and component auditors during the audit.</li> </ul>	<ul style="list-style-type: none"> <li>Interactions and two-way communications between the group and component auditor are strengthened, including in relation to our respective responsibilities and how these will be met; relevant ethical requirements, including independence standards; determining the competence and capabilities of the component auditor; and determining the nature and extent of our involvement in their work (see page 15).</li> </ul>

# Group audit

## Overview of the work to be performed at components

### FY24 results

£1.5bn



Consolidated revenues

↑ 1.3% vs FY23

£6.2bn



Consolidated assets

↓ 0.9% vs FY23

### Locations where procedures will be performed

Southwark Council: Council excluding schools

#### We do not plan to perform procedures at any schools

This is because the proportion of the Council's balances which are derived from schools are a small multiple of materially, both individually and in aggregate for all schools. Additionally, there are no qualitative factors which indicate a potential risk of material misstatement in schools.

	Auditor	Region	Location
•	KPMG group auditor	EMA	London

Our audit procedures are planned to cover 99% of consolidated revenue



We plan to perform audit procedures in relation to components that cover 99% of consolidated total assets





# Group audit



## Overview of the work to be performed at components

\* We have assessed the presence of risks in schools both in aggregate, and on an individual school basis.

● KPMG group auditor

● KPMG component auditor

● Other component auditor

Significant risks	Council excluding schools	Schools (in aggregate)*	Consolidation / elimination adjustments	Risk and response
Valuation of land and buildings	●			See page 6
Management override of controls	●		●	See page 7
Valuation of post retirement benefit obligations	●			See page 8
<b>Higher assessed risks</b>				
Valuation of investment property	●			See page 9
<b>Other audit risks</b>				
Other audit risks to the group financial statements	●		●	

# Mandatory communications



Type	Statements
<b>Management's responsibilities (and, where appropriate, those charged with governance)</b>	<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>
<b>Auditor's responsibilities</b>	<p>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.</p>
<b>Auditor's responsibilities – Fraud</b>	<p>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.</p>
<b>Auditor's responsibilities – Other information</b>	<p>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.</p>
<b>Independence</b>	<p>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.</p>

# 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
<b>Our declaration of independence</b>		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
<b>Issue a report in the public interest</b>		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.
<b>Provide a statement to the NAO on your consolidation schedule</b>		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.
<b>Provide a summary of risks of significant weakness in arrangements to provide value for money</b>		We are required to report significant weaknesses in arrangements. Our work in this area is underway however to date we have no findings to report.
<b>Certify the audit as complete</b>		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.

# 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.*

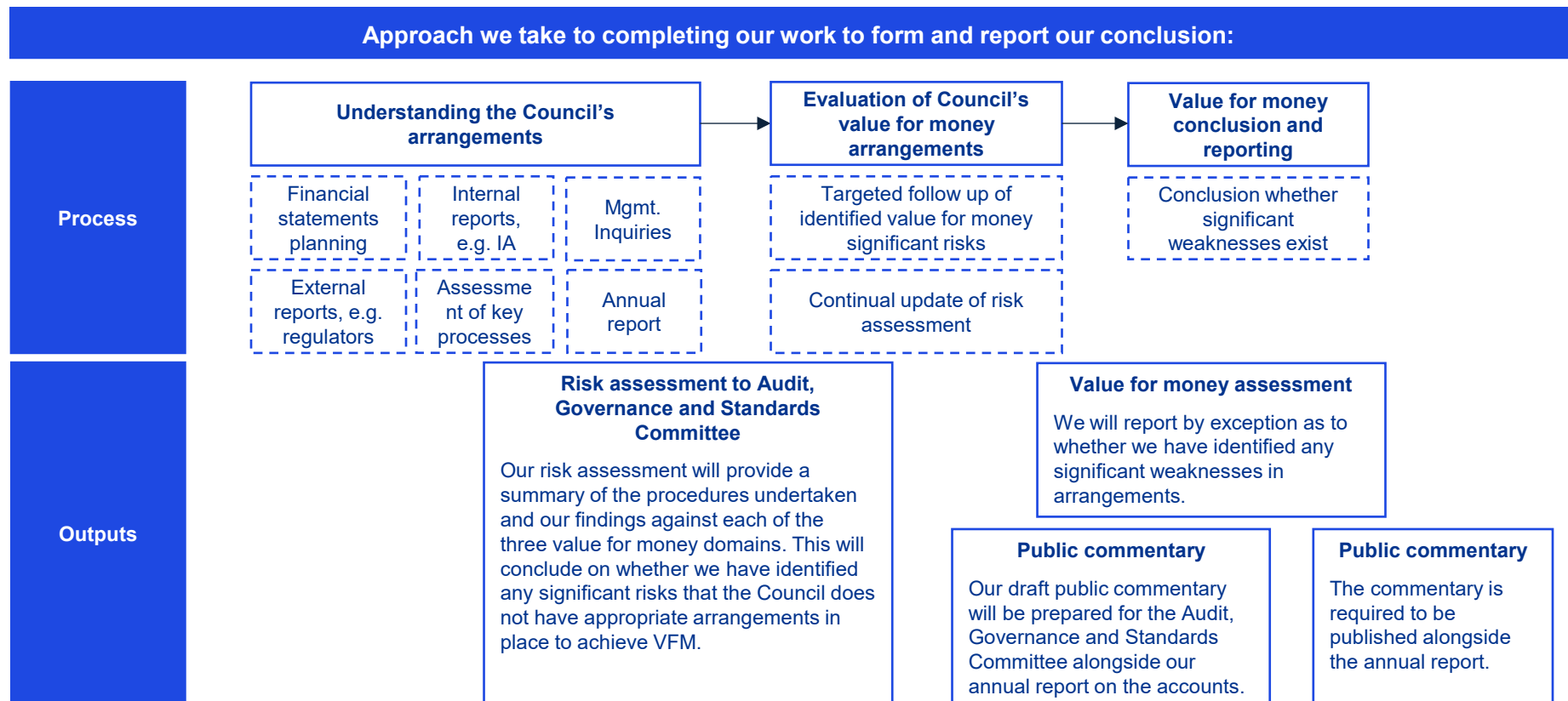
### Improving economy, efficiency and effectiveness

*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 have identified areas of focus, namely following up progress in relation to areas where we identified a significant weakness in the prior period and in relation to the adverse inspection outcome by the Regulator of Social Housing. We will provide a fuller risk assessment and detail of significant value for money risks, if any, at a later date.

# Value for money



# Appendix

# Audit timeline

We have developed our audit timeline based on management's financial reporting timetable. If we need to make significant changes to the audit timeline below, then we will communicate the reasons to you on a timely basis.

	2025									2026			
Activity	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Risk assessment and planning													
Audit complex accounting estimates													
Year-end audit fieldwork										Audit findings report issued November 2025 *			
Procedures on financial statements/annual report										Audit report issued November 2025 *			
Value for Money risk assessment										Auditor's Annual Report deadline: 30 November 2025			
Value for Money significant risk fieldwork													

\* Dates for issuing deliverables are preliminary and based on information available at planning. They are therefore subject to change.



# Fees

## Audit fee

The table below summarises our agreed fees for the year ending 31 March 2025. The fees quoted are exclusive of VAT.

	2024/25	2023/24
Financial statements	591,009	555,885
Agreed fee variations – ISA (UK) 315 (Revised)	-	16,137
<b>Total agreed fees</b>	<b>591,009</b>	<b>572,022</b>
Non-audit fees		
• Teachers' Pension Scheme return	6,300	6,000
• Pooling of Housing Capital Receipts return	6,300	6,000
• Housing Benefit Subsidy return	25,000	71,500
<b>Total KPMG fees</b>	<b>628,609</b>	<b>655,522</b>

The scale fee for our audit of the pension fund is £86,073 (PY: £75,403).

\* Fees for the above services for the coming cycle are to be agreed with the Council.

In addition to the above agreed fee variations, we are awaiting PSAA's determination in relation to further fee variations. We will update the Committee on the final fee for 2023/24 once determined by PSAA.

The scale fees also assume no significant risks are identified as part of the Value for Money risk assessment. Any fees in relation to those 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.

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 2025	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"> <li>The work is performed by a separate engagement team to the audit team, and the work is not relied on within the audit file.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed	71,500	25,000
	Agreed upon procedures in relation to the teachers pension scheme return.	Self review Management	<ul style="list-style-type: none"> <li>The work is performed by a separate engagement team to the audit team, and the work is not relied on within the audit file.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed	6,000	6,300
	Agreed upon procedures in relation to the pooling of housing capital receipts return.	Self review Management	<ul style="list-style-type: none"> <li>The work is performed by a separate engagement team to the audit team, and the work is not relied on within the audit file.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed	6,000	6,300

# 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:

	2024/25 (to date)	2023/24
	£'000s	£'000s
Audit of Council	591	572
Audit of Pension Fund	86	75
<b>Total audit fees</b>	<b>677</b>	<b>647</b>
Other assurance services	38	84
Total non-audit services	38	84
<b>Total KPMG fees</b>	<b>715</b>	<b>731</b>

## 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 9% 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.

## Contingent fees

We confirm that we have complied with the FRC Ethical Standard's prohibition on charging contingent fees for non-audit services to or in respect of an audited entity.

## 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 Committee.

## Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP, each member of the audit engagement team, and anyone else within the Firm who can influence the conduct or outcome of this audit engagement is independent within the meaning of regulatory and professional requirements.

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.

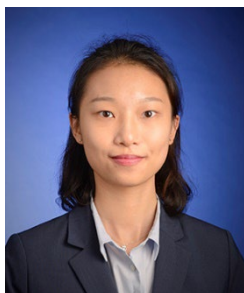


Fleur is the partner responsible for our audit. She will lead our audit work, attend the Audit, Governance and Standards Committee and be responsible for the opinions that we issue.



Philip 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.

Samarth is the manager responsible for our audit. He will support Philip in co-ordinating key areas of our work and provide further technical and industry support to the engagement team.



Weiwei is the in-charge responsible for our audit. She will be responsible for our on-site fieldwork. She 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 second year as your engagement lead. She is required to rotate every five years, extendable to seven with PSAA approval.

# 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

# Statement on the Effectiveness of our system of quality management



Based on the annual evaluation of the Firm's System of Quality Management as of 30 September 2024, the System of Quality Management provides the Firm with reasonable assurance that the objectives of the System of Quality Management are being achieved.

Our full Statement on the effectiveness of the System of Quality Management of KPMG UK LLP as at 30 September 2024 can be found [here](#).

***The extract below is the Statement on the Effectiveness of our system of quality management taken from our Transparency Report:***

As required by the International Auditing and Assurance Standards Board (IAASB)'s, International Standard on Quality Management (ISQM1), the Financial Reporting Council (FRC)'s International Standard on Quality Management (UK) 1 (ISQM (UK) 1), and KPMG International Limited Policy, KPMG UK LLP (the "Firm" and/or "KPMG UK") has responsibility to design, implement and operate a System of Quality Management for audits or reviews of financial statements, or other assurance or related services engagements performed by the Firm.

The objectives of the System of Quality Management are to provide the Firm with reasonable assurance that:

- The Firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- Engagement reports issued by the Firm or engagement partners are appropriate in the circumstances.

Integrated quality monitoring and compliance programmes enable KPMG UK to identify and respond to findings and quality deficiencies both in respect of individual engagements and the overall System of Quality Management.

If deficiencies are identified when KPMG UK performs its annual evaluation of the System of Quality Management, KPMG UK evaluates the severity and pervasiveness of the identified deficiencies by investigating the root causes, and by evaluating the effect of the identified deficiencies individually and in the aggregate, on the System of Quality Management, with consideration of remedial actions taken as of the date of the evaluation.

Based on the annual evaluation of the Firm's System of Quality Management as of 30 September 2024, the System of Quality Management provides the Firm with reasonable assurance that the objectives of the System of Quality Management are being achieved.





# Understanding of IT

Effect on audit effort



125

## Summary

**The release of ISA 315 (UK) revised brought an increased focus on Understanding of IT in the audit, and it continues to be an area of focus.**

Stakeholders now expect auditors to not only understand IT in detail, but also to consider the impact of the findings from their risk assessment procedures on their planned audit approach.

### Why is Understanding of IT so important?

Businesses continue to embrace increasingly complex and sophisticated IT systems and place more and more reliance on automated IT processing not simply for a competitive advantage, but also for "business as usual" operations.

This increased reliance means that to effectively audit accounts, balances and transactions, auditors are required to understand and challenge more around how those IT system and process work.

Therefore, Understanding of IT is a crucial building block of our audit strategy and influences our planned audit approach at every stage.

This is true regardless of whether controls reliance is planned or the audit is expected to be fully substantive in nature.

### What kind of things might we identify?

As part of our risk assessment procedures, we perform:

- An assessment of the formality, or otherwise, of certain financially relevant IT processes
- An evaluation of the design and implementation of related general IT controls
- An evaluation of the design and implementation of automated process level controls

As a result of these procedures, we may identify IT control deficiencies or IT process informalities that may have an impact on our planned audit approach.

Additionally, we may identify findings related to the wider control environment or threats to the accuracy or completeness of the information used by both entity management and auditors alike.

### What does this mean for our audits?

Auditors are being asked to consider the findings from their risk assessment procedures over IT in relation to the planned audit approach.

The findings may impact any area of the audit, however there are three main areas of focus where we anticipate that most impact as a result of identifying IT deficiencies or IT process informality;

- Increased risk to data integrity
- Additional fraud risk factors
- Additional high-risk criteria to be used in journals analysis

It is important to understand that these findings may have an impact regardless of planned reliance on automated controls and general IT controls.



# ISA (UK) 600 Revised: Summary of changes



## Summary

ISA (UK) 600 (Revised): Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors) is effective for periods commencing on or after 15 December 2023.

The new and revised requirements better aligns the standard with recently revised standards such as ISQM 1, ISA (UK) 220 (Revised) and ISA (UK) 315 (Revised). The revisions also strengthen the auditor's responsibilities related to professional skepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and documentation.

Area	Summary of changes and impact	Effect on audit effort
Risk-based approach	The nature and extent of risk assessment procedures performed by the group auditor at group level may increase, which may include further inquires of group and/or component management and those charged with governance; analytical procedures, attendance of walkthroughs at components, and inspection and/or observation of additional component information. Consequently, while we will continue to work across the group audit to be as efficient in our interactions with you as possible, group and component management will typically receive additional, and more specific/granular requests, for information from both the group and component auditors.	
Group auditor responsibilities	Through a more targeted audit response to address the group Risks of Material Misstatement, we may perform audit work and communicate with component management at a greater number of components within the group, and we may request less information from component management at certain components where we previously performed full scope audits for the Group audit, if we determine that a full scope audit is no longer necessary. While statutory audit requirements will still apply, this change may be beneficial for overall audit effort where a statutory audit is not required.	
Flexibility in defining components	You may also see changes in the planned scope and timing of the audit in communications to group management and those charged with governance, such as changes to the identification of components and the work to be performed on their financial information, and/or changes to the nature of the group auditor's planned involvement in the work to be performed by component auditors. The impact will be greater where there are more components.	
Quality management	Enhanced leadership, direction, supervision and review responsibilities of the group engagement partner may result in the group engagement partner needing to engage more extensively with group management, your component management and component auditors throughout the audit.	
Robust communication	If the group auditor determines that the increased work effort is needed, this determination will impact how much, and the type of, information you will need to provide to the group auditor or component auditors. The group auditor is required to prescribe required work at a more granular level. This may mean there is increased work for component auditors, particularly in year one, to align the requirements of the group audit and local statutory audits. We will continue to work closely to minimise this.	
Application of materiality and aggregation risk	Changes in component performance materiality may result in changes to the nature, timing and extent of component auditor's work. If so, this may impact how much, and the type of, information you will need to provide to the group auditor or component auditors.	
Revised independence principles	This may make it more challenging to address auditor rotation and other independence requirements for component auditors we may plan to involve in the group audit and mean more matters impacting independence may need to be communicated to you. Potential changes to the component auditor firms engaged to perform work on financial information of components.	



# FRC's areas of focus

The FRC released their **Annual Review of Corporate Reporting 2023/24** ('the Review') in September 2024 and have issued four thematic reviews through 2024 and 2025 ('the thematics').

The Review and thematics identify where the FRC believes companies can improve their reporting. These slides give a high level summary of the key topics covered. We encourage management and those charged with governance to read further on those areas which are significant to their entity.



## Key expectations for 2024/25 annual reports

### Overview

The Review identifies that the quality of reporting across FTSE 350 companies has been maintained this year, but there is a widening gap in standards between FTSE 350 and non-FTSE 350 companies. This is noticeable in the FRC's top two focus areas, 'Impairment of assets' and 'Cash Flow Statements'.

'Provisions and contingencies' has fallen out of the top ten issues for the first time in over five years. This issue is replaced by 'Taskforce for Climate-related Financial Disclosures (TCFD) and climate-related narrative reporting'.

The FRC re-iterates that companies should apply careful judgement to tell a consistent and coherent story whilst ensuring the annual report is clear, concise and company-specific.

### Pre-issuance checks and restatements

The FRC expects companies to have in place a sufficiently robust self-review process to identify common technical compliance issues. The FRC continues to be frustrated by the increasing level of restatements affecting the presentation of primary statements. This indicates that thorough, 'step-back' reviews are not happening in all cases.

### Risks and uncertainties

Geopolitical tensions continue and low growth remains a concern in many economies, particularly with respect to going concern, impairment and recognition/recoverability of tax assets and liabilities. The FRC continue to push for enhanced disclosures of risks and uncertainties. Disclosures should be sufficient to allow users to understand the position taken in the financial statements, and how this position has been impacted by the wider risks and uncertainties discussed elsewhere in the annual report.

### Financial reporting framework

The FRC reminds preparers to consider the overarching requirements of the UK financial reporting framework in determining the information to be presented. In particular the requirements for a true and fair view, along with a fair, balanced, and comprehensive review of the company's development, position, performance, and future prospects.

The FRC does not expect companies to provide information that is not relevant and material to users and companies should exercise judgement in determining what information to include.

Companies should also consider including disclosures beyond the specific requirements of the accounting standards where this is necessary to enable users to understand the impact of particular transactions or other events and conditions on the entities financial position, performance and cash flows.

# FRC's areas of focus (cont.)



## Impairment of assets

Impairment remains a key topic of concern, exacerbated in the current year by an increase in restatements of parent company investments in subsidiaries.

Disclosures should provide adequate information about key inputs and assumptions, which should be consistent with events, operations and risks noted elsewhere in the annual report and be supported by a reasonably possible sensitivity analysis as required.

Forecasts should reflect the asset in its current condition when using a value in use approach and should not extend beyond five years without explanation.

Preparers should consider whether there is an indicator of impairment in the parent when its net assets exceed the group's market capitalisation. They should also consider how intercompany loans are factored into these impairment assessments.

## Cash flow statements

Cash flow statements remain the most common cause of prior year restatements.

Companies must carefully consider the classification of cash flows and whether cash and cash equivalents meet the definitions and criteria in the standard. The FRC encourage a clear disclosure of the rationale for the treatment of cash flows for key transactions.

Cash flow netting is a frequent cause of restatements and this was highlighted in the '[Offsetting in the financial statements](#)' thematic.

Preparers should ensure the descriptions and amounts of cash flows are consistent with those reported elsewhere and that non-cash transactions are excluded but reported elsewhere if material.

## Climate

This is a top-ten issue for the first time this year, following the implementation of TCFD.

Companies should clearly state the extent of compliance with TCFD, the reasons for any non-compliance and the steps and timeframe for remedying that non-compliance. Where a company is also applying the Companies Act 2006 Climate-related Financial Disclosures (CFD), these are mandatory and cannot be 'explained' and are required to be located in the annual report (for further comments on CFD disclosures see the January 2025 thematic).

Companies are reminded of the importance of focussing only on material climate-related information. Disclosures should be concise and company specific and provide sufficient detail without obscuring material information.

It is also important that there is consistency within the annual report, and that material climate related matters are addressed within the financial statements.

## Financial instruments

The number of queries on this topic remains high, with Expected Credit Loss (ECL) provisions being a common topic outside of the FTSE 350 and for non-financial and parent companies.

Disclosures on ECL provisions should explain the significant assumptions applied, including concentrations of risk where material. These disclosures should be consistent with circumstances described elsewhere in the annual report.

Companies should ensure sufficient explanation is provided of material financial instruments, including company-specific accounting policies.

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

## Judgements and estimates

Disclosures over judgements and estimates are improving, however these remain vital to allow users to understand the position taken by the company. This is particularly important during periods of economic and geopolitical uncertainty.

These disclosures should describe the significant judgements and uncertainties with sufficient, appropriate detail and in simple language.

Estimation uncertainty with a significant risk of a material adjustment within one year should be distinguished from other estimates.

Further, sensitivities and the range of possible outcomes should be provided to allow users to understand the significant judgements and estimates.

# FRC's areas of focus (cont.)

## Revenue

Disclosures should be specific and, for each material revenue stream, give details of the timing and basis of revenue recognition, and the methodology applied. Where this results in a significant judgement, this should be clear.

## Presentation

Disclosures should be consistent with information elsewhere in the annual report and cover company-specific material accounting policy information.

A thorough review should be performed for common non-compliance areas of IAS 1.

## Income taxes

Evidence supporting the recognition of deferred tax assets should be disclosed in sufficient detail and be consistent with information reported elsewhere in the annual report.

The effect of Pillar Two income taxes should be disclosed where applicable.

## Strategic report and Companies Act

The strategic report must be 'fair, balanced and comprehensive'. Including covering all aspects of performance, economic uncertainty and significant movements in the primary statements.

Companies should ensure they comply with all the statutory requirements for making distributions and repurchasing shares.

## Fair value measurement

Explanations of the valuation techniques and assumptions used should be clear and specific to the company.

Significant unobservable inputs should be quantified and the sensitivity of the fair value to reasonably possible changes in these inputs should provide meaningful information to readers.

## Thematic reviews

The FRC has issued four thematic reviews since the start of 2024 : 'Reporting by the UK's largest private companies' (see below), 'Offsetting in the financial statements', 'IFRS 17 Insurance contracts –Disclosures in the first year of application' and 'Climate-related Financial Disclosures by AIM and Large Private Companies. The FRC have also performed Retail sector research (see below).

### UK's largest private companies

The quality of reporting by these entities was found to be mixed, particularly in explaining complex or judgemental matters. The FRC would expect a critical review of the draft annual report to consider:

- internal consistency
- whether the report as a whole is clear, concise, and understandable; notably with respect to the strategic report
- whether it omits immaterial information, or
- whether additional information is necessary for the users understanding particularly with respect to revenue, judgments and estimates and provisions

### Retail sector focus

Retail is a priority sector for the FRC and the research considered issues of relevance to the sector including:

- Impairment testing and the impact of online sales and related infrastructure
- Alternative performance measures including like for like (LFL) and adjusted e.g. pre-IFRS 16 measures
- Leased property and the disclosure of lease term judgements, particularly for expired leases.
- Supplier income arrangements and the clarity of accounting policies and significant judgements around measurement and presentation of these.

## 2024/25 review priorities

The FRC has indicated that its 2024/25 reviews will focus on the following sectors which are considered by the FRC to be higher risk by virtue of economic or other pressures:



Industrial metals and mining



Construction and materials



Food producers



Retail



Gas, water and multi-utilities



Financial Services



[kpmg.com/uk](https://kpmg.com/uk)

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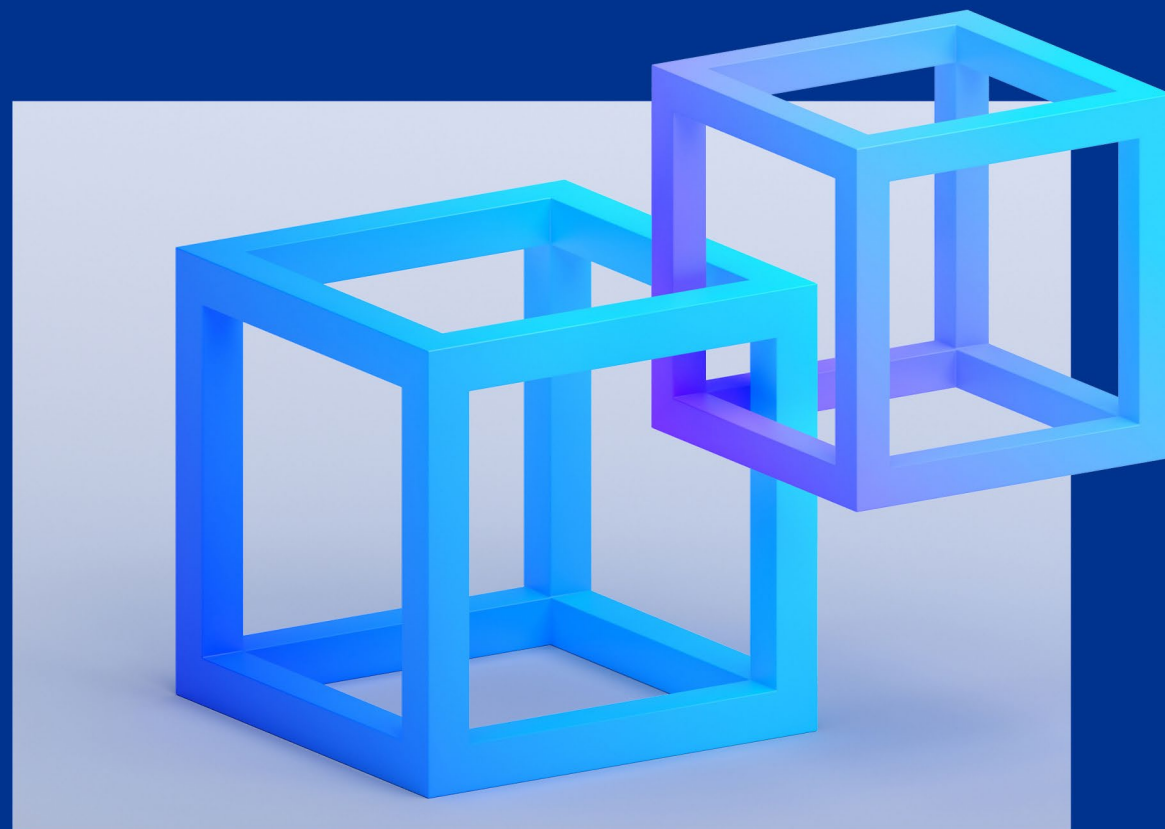
**Document Classification: KPMG Confidential**

# Southwark Pension Fund

Report to Audit, Governance & Standards Committee

Audit plan and strategy for the year ending 31 March 2025

2 June 2025





# Introduction

## To the Audit, Governance & Standards Committee of Southwark Pension Fund

We are pleased to have the opportunity to meet with you to discuss our audit of the financial statements of Southwark Pension Fund ("the Fund"), as at and for the year ending 31 March 2025.

This report outlines our risk assessment and planned audit approach. Our planning activities are ongoing, and we will communicate any significant changes to the planned audit approach subsequently. 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.

Contents	Page
Overview of planned scope including materiality	3
Significant risks and other audit risks	5
Audit risks and our audit approach	6
Other significant matters related to our audit approach	11
Mandatory communications	12
Appendices	14

## The engagement team

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

She shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include Kunal Malhotra, your engagement manager with eight years of experience

Yours sincerely,



Fleur Nieboer

**Engagement Partner**

02 June 2025

## 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.

### Restrictions on distribution

This report is intended solely for the information of those charged with governance of Southwark Pension Fund and the report is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

# Overview of planned scope including materiality

## Our materiality levels

We determined materiality for the Southwark Pension Fund 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 the Fund's total assets which we consider to be appropriate given the sector in which the Fund operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as concentration of ownership, business environment, other sensitivities such as changes in regulation 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 £16.8m / 75% of materiality (PY: £13.6m / 65% of materiality) driven by our learning from previous year about the Fund's financial systems and processes.

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

- Corrected and uncorrected audit misstatements above £1.1m.
- Errors and omissions in disclosure (corrected and uncorrected) and the effect that they may have, individually and in aggregate, on our opinion.
- Any other misstatements we may 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 during previous year and management's response to those findings.

## Materiality

Group	
Materiality for the financial statements as a whole	<b>£22.4m</b> (PY: £21.0m) 1% of total assets
Procedure designed to detect individual errors at this level	<b>£16.8m</b> (PY: £13.6m)
Misstatements reported to the Audit, Governance & Standards Committee	<b>£1.1m</b> (PY: £1.0m)

**Materiality has been calculated based on 31 March 2024 total assets.**



# Overview of planned scope including materiality (cont.)



## Timing of our audit and communications

- We will maintain communication led by the engagement Partner and Manager throughout the audit. We set out below the form, timing and general content of our planned communications:
- Kick-off meeting with management where we present our draft audit plan outlining our audit approach and discuss management's progress in key areas
- Audit, Governance & Standards Committee meeting on the 2 June 2025 where we present our draft audit plan
- Regular status meetings with management where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues
- Closing meeting with management in October 2025 where we discuss the auditor's report and any outstanding deliverables
- Audit, Governance & Standards Committee meeting on 19 November 2025 where we communicate audit misstatements and significant control deficiencies

## 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
<b>Internal Audit</b>	We will review the work of internal audit as part of our risk assessment procedures but will not place reliance on their work.
<b>IT Audit</b>	We will use our IT Audit team to understand how the Fund uses IT in financial reporting, and the key processes and governance in place over those IT systems.
<b>iRADAR</b>	Our in-house investment valuation team, iRADAR, will be engaged to independently revalue level 1 and 2 investments and identify stale price issues of such investments within the portfolio as well as any exposures to hard to value assets.
<b>Real estate valuer specialist</b>	KPMG will engage a real estate specialist as part of our work on the Fund. The services of the specialist will be used to determine the appropriateness of the valuations of the properties held by the pension fund. We plan to use our real estate valuation specialist in the work over the Fund's investment property assets.

# Significant risks and other audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the pension fund, the industry and the wider economic environment in which Southwark Pension Fund operates.

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

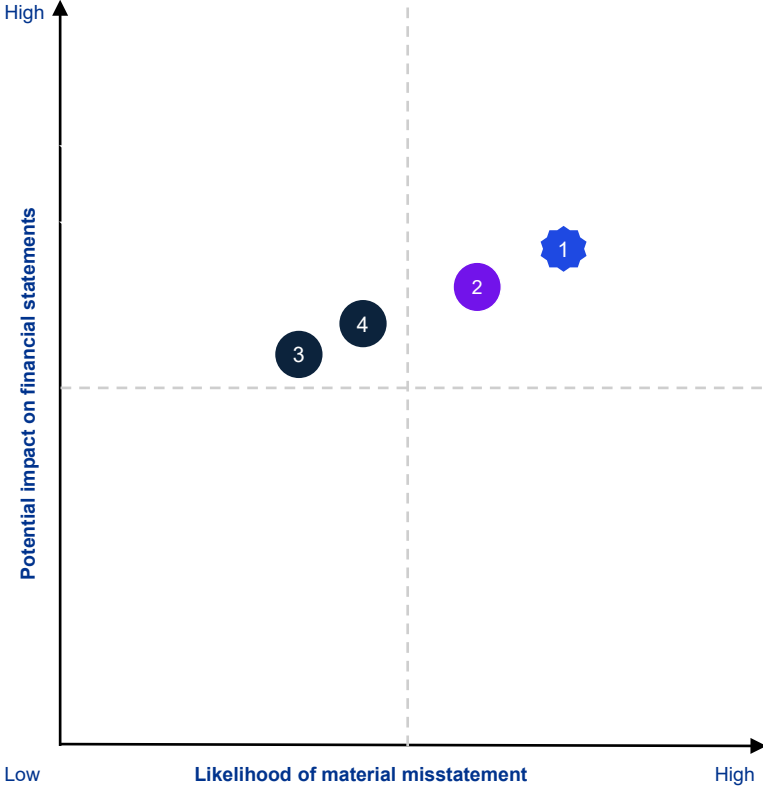
Due to the current levels of economic uncertainty there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate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

## Significant risks

- 1 Management override of controls (presumed significant risk)
- 2 An inappropriate amount is estimated for the value of directly held investment property.

## Other audit risks

- 3 Level 1, level 2 and level 3 investments are not complete, do not exist or are not accurately recorded
- 4 Valuation of Level 1, 2 and other Level 3 investments is misstated



### KEY

- 1 Presumed significant risk
- 2 Significant financial statement audit risk
- 3 Other audit risks

# Audit risks and our audit approach



## Management override of controls<sup>(a)</sup>

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 not identified any specific additional risks of management override relating to this audit.



### Planned response

Our audit methodology incorporates the risk of management override as a default significant risk. In response to this we will:

- Assess accounting estimates for biases 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.
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments.
- 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 entities normal course of business or are otherwise unusual.
- Assess the completeness of the population of journal entries and test specific journals through the year using our selected high-risk criteria, focusing our testing on those with a higher risk, such as journals with unusual code combinations outside our expectations.

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



# Audit risks and our audit approach



2

## An inappropriate amount is estimated for the value of directly held investment property



### Significant audit risk

- An inappropriate amount is estimated for the value of directly held property due to inappropriate assumptions, errors in the underlying data or inaccurate computation of the valuation estimate.
- The risks of material misstatement relating to fair values of directly held property, have increased due to the value of the balance (c£218.7m as at 31 March 2024) that therefore higher degree of estimation uncertainty resulting from current economic conditions that may impact the portfolio.



### Planned response

- Under the International Standards of Auditing, we are required to identify and evaluate the design and implementation of an internal control in relation to significant risks.
- The Fund appoints a third party (Knight Frank) to value the property that it holds. We will assess the design and implementation of the management review control associated with the property valuation process that is undertaken each year.
- We will obtain the property valuation produced by the independent valuer as at 31 March 2025 directly from Nuveen, who act as the investment manager for directly held property.
- We will assess the competence, experience and independence of Knight Frank as a management specialist and assess their competency as a property valuer and their work for use as audit evidence.
- We will consider the completeness of the information shared with Knight Frank in relation to the portfolio of directly held investment properties.
- We will consider the reasonableness of assumptions that have been made in arriving at the valuation by comparing them to available benchmark data.
- We will review the revaluation basis and consider its appropriateness. In doing so we will draw on relevant benchmarks and we will engage our real estate valuation specialists to review the assumptions underlying the property valuations for a selection of the directly held property in the portfolio.

137

# Audit risks and our audit approach (cont.)



3

## Level 1, Level 2 and Level 3 investments are not complete, do not exist or are not accurately recorded



### Other audit risk

- Investments are held to pay benefits of the Fund. They are largely held as segregated investments, pooled investment vehicles, directly held property and unitised insurance policy with multiple investment managers across a number of asset classes. The investments are material to the financial statements (99.9% of the Statement of Net Assets) and therefore there is a risk of material misstatement.
- There is a risk that investments (Level 1, 2 and 3) are not complete, do not exist or are not accurately recorded.



### Planned response

- As part of our risk assessment procedures, we will gain an understanding of the processes over the completeness, existence and accuracy of Level 1, Level 2 and Level 3 investments. This will include gaining an understanding of the control environment at the custodian and investment managers, by reviewing their internal controls reports to identify any control deficiencies that would impact our audit approach.
- We will obtain direct confirmations from your custodian and all your investment managers to vouch the holdings and valuation of assets at the year end.
- We will vouch purchases and sales to investment manager and/or custodian reports.
- We will re-calculate change in market value and compare this to the overall investment return reported to the Audit, Governance & Standards Committee for consistency with the amounts reported in the financial statements. We will investigate any material deviations.

138

# Audit risks and our audit approach (cont.)



4

## Valuation of Level 1, 2 and other Level 3 investments is misstated



### Other audit risk

- Investments are held to pay benefits of the Fund. They are largely held as segregated investments, pooled investment vehicles, directly held property and unitised insurance policy with multiple investment managers across a number of asset classes. The investments are material to the financial statements (99.9% of the Statement of Net Assets) and therefore there is a risk of material misstatement.
- There is a risk of material misstatement relating to fair values of Level 1 and 2 pooled investments, due to the estimation uncertainty resulting from the pricing of these investments.
- There is a risk of material misstatement relating to fair values of Level 3 pooled investments, due to the estimation uncertainty resulting from unobservable inputs to these investments.



### Planned response

Our approach in relation to valuation for different types of investments is as follows:

- **Segregated financial instruments:** Our in-house investment valuation team, iRADAR, will be engaged to independently revalue segregated securities and over the counter (OTC) derivative prices and identify stale price issues of directly held financial instruments within the investment portfolio as well as any exposures to hard to value assets.
- **Level 1 & 2 pooled investment vehicles:** We will recalculate the value of the Level 1 & 2 pooled investments using published pricing of the pooled investment vehicles at the year end.
- **Level 2 ULIPs:** Inspect the relevant documentation i.e. terms of the ULIP and the ULIP pricing policy. Assess for any redemption restrictions or other factors that would indicate the quoted price is not a “binding offer” and confirm willingness to transact without restriction on the balance sheet date with the ULIP provider.
- **Level 3 pooled investment vehicles:** For each Level 3 pooled investment vehicle investment manager, we will obtain the unaudited Net Asset Value (‘NAV’) Statement at (or closest to) the measurement date and vouch the valuation to this. For a sample of level 3 pooled investments vehicles, we will further assess the reliability of the NAV statement by:
  - Obtaining and inspecting the latest audited financial statements for the underlying funds where available;
  - Inspecting the audit report to confirm that it is unqualified and that the audit has been carried out by a reputable audit firm; and
  - Comparing the unaudited pricing information at the year end to the audited financial statements valuation. Where the audited financial statements are not as at the Fund year end date, we will agree them to unaudited pricing information at that date and reconcile significant movements to the Fund year end date agreeing movements to quarterly NAV/transaction statements.

# 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.

Revenue in a pension fund equates to contributions receivable. This revenue is recognized based on specific instructions as set out in the appropriate schedule(s). There are no subjective issues concerning when contributions need to be recognised. Amounts involved cannot easily be manipulated through accounting policies, issue of credit notes, timing or other policies. There is little incentive for the Fund management to manipulate the financial reporting of contributions.

Therefore, in the absence of specific fraud risk factors, the presumption that fraudulent revenue recognition is a significant risk is rebutted for pension fund audits.

## 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.

Expenditure in a pension scheme equates to payments to members and management expenses. There are no subjective issues concerning when expenses need to be recognised. Amounts involved cannot easily be manipulated through accounting policies, timing or other policies. There is little incentive for the Fund to manipulate the financial reporting of expenses.

Therefore, in the absence of specific fraud risk factors, there is no risk of fraudulent financial reporting arising from the manipulation of expenditure recognition for the Fund.

# Other significant matters related to our audit approach



## Additional reporting

The audit is undertaken to comply with the Local Audit and Accountability Act 2014, which places additional responsibilities on auditors, as well as further requirements to report to the National Audit Office.

Our audit responsibilities under the Code of Practice in respect of the Pension Fund, are as follows:

We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.

We consider our other duties under legislation and the Code, as and when required, including:

- Giving electors the opportunity to raise questions about your 2024/25 financial statements, consider and decide upon any objections received in relation to the 2024/25 financial statements;
- Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
- Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
- Issuing an advisory notice under Section 29 of the Act.

As part of our procedures on other information, we will obtain and read your pension fund annual report and 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.



# Mandatory communications - additional reporting

## 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 authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern.

## 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:

<p>Work is completed throughout our audit, and we can confirm the matters are progressing satisfactorily</p> <div> <div></div> <div>OK</div> </div>	<p>We have identified issues that we may need to report</p> <div> <div></div> <div></div> </div>	<p>Work is completed at a later stage of our audit, so we have nothing to report</p> <div> <div></div> <div></div> </div>
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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:

Type	Status	Response
Our declaration of independence	<div> <div></div> <div>OK</div> </div>	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	<div> <div></div> <div></div> </div>	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.
Certify the audit as complete	<div> <div></div> <div></div> </div>	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.

# Mandatory communications



Type	Statements
<b>Management's responsibilities (and, where appropriate, those charged with governance)</b>	<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>
<b>Auditor's responsibilities</b>	<p>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.</p>
<b>Auditor's responsibilities – Fraud</b>	<p>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.</p>
<b>Auditor's responsibilities – Other information</b>	<p>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.</p>
<b>Independence</b>	<p>Our independence confirmation at page 18 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.</p>

# Appendices

<b>A</b>	Audit team	15
<b>B</b>	Fees	16
<b>C</b>	Audit timetable	17
<b>D</b>	Confirmation of independence	18
<b>E</b>	KPMG's Audit quality framework	19
<b>G</b>	ISA (UK) 240 Revised: Summary of key changes	20

# Audit team and rotation



Your audit team has been drawn from our Public Sector and Pensions Centre of Excellence 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 & Standards Committee, Pension Board and Pensions Committee and be responsible for the opinions that we issue.



Kunal Malhotra is the manager responsible for our audit. He will co-ordinate our audit work, attend the Audit, Governance & Standards Committee, Pension Board and Pensions Committee and ensure we are co-ordinated our work on this audit

To comply with professional standard 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 Fleur's second year as your engagement lead.

# Fees

## Audit fee

Our proposed fees for the year ending 31 March 2025 under PSAA arrangement

Pension Fund	2024/25 (£'000)	2023/24 (£'000)
Financial statements	86	75
Agreed fee variations - ISA315 (Revised)* Overruns		8 10
<b>TOTAL</b>	<b>86</b>	<b>93</b>

## Billing arrangements

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

\*In addition to the above agreed fee variations, we are awaiting PSAA's determination in relation to further fee variations for 2023-24. We will also update the Committee on the final fee for 2024-25 once determined by PSAA.

## Basis of fee information

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

- The Southwark Pension Fund audit evidence files are completed to an appropriate standard (we will liaise with you separately on this);
- Draft statutory accounts are presented to us for audit subject to audit;
- 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-formas 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.

If there are any variations to the above plan, we will discuss them with you and agree any additional fees before costs are incurred wherever possible.

# Audit timeline

We have developed our audit timeline based on management's financial reporting timetable. If we need to make significant changes to the audit timeline below, then we will communicate the reasons to you on a timely basis.

	2025									2026			
Activity	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Risk assessment and planning													
Audit complex accounting estimates													
Year-end audit fieldwork													
Procedures on financial statements/annual report													

\* Dates for issuing deliverables are preliminary and based on information available at planning. They are therefore subject to change.

# 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 & Standards Committee members**

## **Assessment of our objectivity and independence as auditor of Southwark Pension Fund**

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/directors 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*

No non-audit services have been provided to the Fund during the year ended 31 March 2025 and we have not committed to providing any such services.

We note that the Fund is one of 32 London local authorities with an ownership stake in the London CIV. KPMG provides tax compliance and advisory services and support in respect of ESG reporting to the London CIV. These do not constitute non-audit services in respect of the Fund, but we include them here in the interest of completeness.

## **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 & Standards Committee.

## **Confirmation of audit independence**

We confirm that as of the date of this letter, in our professional judgment, 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 & Standards Committee of the Pension Fund 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**



# 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



# 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 Pension Fund and our assessment of the risks of material misstatement due to fraud.

Area	Our approach following the revisions
<b>Risk assessment procedures and related activities</b>	<p>[1] Increased focus on applying professional scepticism – the key areas affected are:</p> <ul style="list-style-type: none"><li>• the need for auditors not to bias their approach towards obtaining evidence that is corroborative in nature or excluding contradictory evidence,</li><li>• remaining alert for indications of inauthenticity in documents and records, and</li><li>• investigating inconsistent or implausible responses to inquiries performed.</li></ul> <p>[2] Requirements to perform inquiries with individuals at the Pension Fund are expanded to include, amongst others, those who deal with allegations of fraud.</p> <p>[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.</p>
<b>Internal discussions and challenge</b>	<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>



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**Document Classification: KPMG Confidential**

<b>Meeting Name:</b>	Audit, Governance and Standards Committee
<b>Date:</b>	2 June 2025
<b>Report title:</b>	Corporate Anti-Fraud Team and Special Investigations Team Year End Report 2024-25
<b>Ward(s) or groups affected:</b>	All
<b>Classification:</b>	Open
<b>Reason for lateness (if applicable):</b>	n/a

## RECOMMENDATION

1. That the audit, governance and standards committee note the Corporate Anti-Fraud Team (CAFT) and the Special Investigations Team (SIT) Year End Report 2024-25.

## BACKGROUND INFORMATION

2. This report summarises the work of the CAFT and SIT for the year 1 April 2024 to 31 March 2025 to prevent, detect, and respond to fraud, bribery, and corruption over the past financial year. It supports the council's commitment to integrity, transparency, and the responsible management of public funds.
3. During the reporting period, the majority of referrals involved isolated incidents, typically relating to staff conduct, email scams and council tax support. Each case was assessed, investigated, and where necessary, appropriate action was taken in line with council policies and procedures.

## KEY ISSUES FOR CONSIDERATION

### 2024-25 CAFT Investigations

4. Table 1 summarises the CAFT investigations referred between 1 April 2024 and 31 March 2025.

Table 1: Summary of the anti-fraud caseload 2024-25

	Corporate Anti-Fraud	Home-less	Waiting list	Right to Buy	Blue Badges	Total
C/f 2023-24	20	0	0	4	6	30
New cases received 2024-25	78	13	78	42	19	230
Cases Closed Q1	16	1	7	11	6	41
Cases Closed Q2	29	5	18	5	0	57
Cases Closed Q3	16	1	18	10	5	50
Cases Closed Q4	11	4	20	10	10	54

	Corporate Anti-Fraud	Home-less	Waiting list	Right to Buy	Blue Badges	Total
2024-25 Cases Closed	72	11	61	36	21	202
Open cases 31 March 25	26	2	17	10	4	58

### *Corporate Anti-Fraud investigations*

Table 2 shows corporate cases received in 2024-25 categorised by council directorate. The majority of corporate anti-fraud investigations have been low to medium in terms of financial risk.

Table 2: CAFT Investigations by council directorate

Directorate	Internal	External
Chief Executive Office	1	7
Children & Adults	8	10
Environment, Sustainability & Growth	5	3
Governance & Assurance	1	0
Housing	5	9
Resources	2	27
Strategies & Communities	0	0
Total	22	56

### *Homelessness and Housing waiting lists*

5. The Team undertakes reviews of the housing waiting list and also those homelessness applications which are a cause for concern, such as those with suspicious supporting documents i.e. pay slips, bank statements, contrived overcrowding.
6. The outcomes of the 11 Homelessness cases closed in 2024-25 are as follows:
  - Denied 10
  - Maintained 1
7. The outcomes of the 61 waiting list cases closed in 2024-25 are as follows:
  - Denied 35
  - Maintained 21
  - No further Action 3
  - Withdrawn by applicant 1
  - Transferred to SIT 1

### *Right to Buy (RTB)*

8. 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. The standard 'saving' to the council is assumed to be the maximum discount rate for RTB: (£136k April to November 2024, £16k post November 2024.)

9. The outcomes for the 36 RTB cases closed in 2024-25 are as follows:

- 15 cases were closed after review and referred back to the RTB team
- 4 applications were denied
- 16 cases have been accepted
- 1 case was referred back to the RTB team as a potential deferred sales agreement

### *Blue Badge*

10. The Corporate Anti-Fraud Team (CAFT) support referrals for 'Blue Badge' fraud and misuse as part of an Environment, Sustainability and Leisure (ESL) directorate 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.

11. The outcomes of the 21 blue badge cases closed in 2024-25 are as follows:

Closed No Further Action	12
Transferred Out to BBFI	5
Under investigation	4
Total	21

For those that are described as 'No Further Action', the cars were not found to be misusing a Blue Badge.

12. BBFI also runs proactive, foot patrols (not referrals). 136 blue badges were seized by the BBFI during 2024-25. Tables 3 provide a breakdown of BBFI blue badge seizures by type.

**Table 3. BBFI Breakdown of seizure 2024-25**

	Q1	Q2	Q3	Q4	2024-25 Total
Misuse	18	8	11	7	44
Lost	1	4	0	2	7
Stolen	11	15	16	10	52
Deceased	2	0	2	1	5
Fake/Copy	1	0	1	5	7
Expired	3	3	2	0	8
Cancelled	1	2	1	9	13
Total	37	32	33	34	136

## **Housing Tenancy Counter Fraud Activity 2024-25**

13. The Special Investigation Team (SIT) falls under the Council's Fraud Prosecution Policy with the following remit:

‘The special investigation team will investigate ‘housing tenancy fraud’ in respect of the housing stock owned and managed by the council and other social housing where legislation directs that a local authority has specific responsibility. This includes cases of unlawful subletting, non-occupation, succession, assignment, mutual exchange, right to buy and housing register application fraud, unless otherwise agreed’.

14. SIT are based within the Accommodation and Support Business Unit which is situated within the new Housing Needs and Support directorate. The team operates reactively and proactively to prevent and detect tenancy fraud and sanction tenancy fraud where this is proven via both civil and criminal justice regimes. The team also provides support to other teams within Landlord Services to prevent and detect housing tenancy fraud and illegal occupancy and to support actions taken by those teams, including recovery of properties from illegal occupancy.
15. During 2024-25 SIT have introduced new enhanced verification processes to prevent tenancies being fraudulently obtained as a result of changes to existing tenancies. Proactive initiatives undertaken during the year, in addition to participation in the National Fraud Initiative, saw all secure tenancies data matched to identify possible tenancy fraud risks; this matching identified approximately 3,000 properties which will now be prioritised for tenancy audit visits by Landlord Services with subsequent investigation, and where relevant action, by SIT. This enhances the counter fraud work of the team as well as the tenancy check program of Landlord Services and enables the team to provide greater support to Landlord Services.
16. During the second half of the financial year SIT have carried two vacant posts and had some medium-term absences within the team. This has reduced capacity and resulted in a challenging environment in respect of overall outcomes and throughput of workloads. Recruitment to the vacancies is currently under review although additional measures have been put in place to clear backlogs.

## **Summary of SIT workload 2024-25**

17. SIT receive referrals from both internal and external sources. Every referral is reviewed by an Investigations Officer in an initial investigation to assess whether further investigation is required. Referrals which do not fall within the remit of the team or which do not provide sufficient information are rejected. SIT referral management information is detailed in table 4 below.

Table 4: SIT reactive referrals received in 2024-25

<b>Reactive Referrals</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total 2024-25</b>
Received	84	75	71	80	310
Reviewed	84	75	45	22	226
Rejected	31	33	19	1	84
Investigations opened	53	42	26	21	142
Outstanding	0	0	26	84	84

18. Cases where further investigation has been required, and the investigation workload of the team is shown in table 5 below:

Table 5: SIT investigation caseload 2024-25

<b>SIT Investigation Caseload</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total 2024-25</b>
Opening Caseload	483	397	356	319	483
Investigations Opened	53	42	26	21	142
Investigations Closed	139	83	63	15	300
Outstanding at end of period	397	356	319	325	325

19. In addition to investigating allegations of housing tenancy fraud SIT introduced additional verification of applications to change existing tenancies to prevent potential tenancy fraud. These changes include applications in respect of:

- Succession to tenancy
- Assignment of tenancy
- Mutual Exchange
- Name changes
- Adding or removing a tenant from a tenancy agreement.

20. SIT verification work in this area is shown in table 6 below:

Table 6: SIT Verification caseload 2024-25

<b>Verifications</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total 2024-25</b>
Received	17	81	69	61	228
Completed	9	65	37	52	163

Verifications	Q1	Q2	Q3	Q4	Total 2024-25
Further info requested	2	3	2	5	12
Outstanding	6	19	49	53	53

### SIT Outcomes 2024-25

21. The key function of the team where fraud is identified is to recover properties subject to illegal occupation and prevent fraudulent applications and tenancy changes. Where SIT identify factors affecting other teams and departments information is referred to the relevant team. This may include referrals to review and amend Council Tax discounts or housing benefit/council tax reduction scheme payments.
22. SIT outcomes for the year are shown in table 7 below:

Table 7: SIT outcomes and value of fraud detected 2024-25

Outcomes	Q1	Q2	Q3	Q4	Total 2024-25	Value Detected (£000's)
Properties Recovered	7	2	2	4	15	960
Tenancies Stopped	2	4	2	4	12	540
Other	2	3	1	0	6	0
Total	11	9	5	8	33	1,500

23. The value of fraud detected is calculated as follows:
- Property recovered - £64k per property based on a standardised formula taking into account net, annual, TA costs to the Council, the average time a property is subject to illegal occupant and additional costs such as investigation costs, legal costs and void costs.
  - Tenancy stopped - £45k per property based on a net annual paid for TA cost of £18k per property multiplied by the average length of TA stay per property of 2.5 years.
  - Other outcomes – these are assessed on a case by case basis where there is a calculable financial benefit to the Council. Not all other outcomes will produce a financial benefit.
24. In total SIT have identified fraud valued at £1.5m. This is down on the figure detected in 2023-24 of £1.95m. In addition to the outcomes recorded in the table above SIT investigations have resulted in the following actions required to obtain recovery of an illegally occupied tenancy address.



Table 8: Notices served and Legal cases

	Q1	Q2	Q3	Q4	Total
Notices Served	8	0	0	7	15
Cases Referred to Legal Services	3	1	1	3	8
Claims Issued by Court	2	1	0	1	4

### Forward Planning

25. Fraud awareness training for Landlord Services to support their role in preventing and identifying potential tenancy fraud and to improve liaison between the teams is planned for the first quarter of 2025-26. As a result of this, and the intelligence led tenancy audits identified from the SIT data matching it is anticipated that there will be an increase in investigation referrals from Landlord Services. It is anticipated that a number of current investigations will lead to action under the Prevention of Social Housing Fraud Act 2013 or other legislation in respect of housing tenancy fraud offences.
26. An enhanced communications strategy is currently under review to increase the awareness, internally and externally, of housing tenancy fraud, the importance of combatting it and to improve referrals made to the team.

### Transparency Data

27. Under the Local Government Transparency Code there is a statutory requirement for Local Authorities to publish specific counter fraud data on an annual basis. This information is included in the table 9 and 10 below:

Table 9: Local Government Transparency Code 2015: (SIT) 2024-25 annual data

No times Prevention of Social Housing Act 2013, or similar, powers used	37
Total officers dedicated to counter housing tenancy fraud work (FTE)	8
Total Accredited Counter Fraud Specialist (or equiv.) officers (FTE)	8
Total Spend (£'000's) on counter housing tenancy fraud work	615
Total Completed Investigations and verifications	463

Table 10: Local Government Transparency Code 2015: (CAFT) 2024-25 annual data

Total officers dedicated to Corporate Anti-fraud work	5
Total Accredited Counter Fraud Specialist (or equiv.) officers	5
Total Spend (£'000's) on Corporate Anti-fraud work	260
Total Completed Investigations and verifications	202

### **National Fraud Initiative (NFI)**

28. The National Fraud Initiative (NFI) is overseen by UK Governments Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud.
29. 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.
30. The NFI 2024-25 commenced with the initial release of data in December 2024. Table 10 below indicates the number and type of matches which have been referred to Southwark for review since December 2024.
31. The NFI risk scores are categorized based on various factors, such as likelihood and impact of fraud and are subsequently identified in different risk levels from nil to High. Fraud risk scores are broken down by risk area/dataset type e.g. Housing Benefit Claimants, Housing tenants, Blue badges etc. Individuals are assigned a risk score based on all the matches they appear within for each particular risk area.
32. The initial risk score for each individual match is based on two factors.
  - a. Risk Logic- This is a set of criteria for each dataset combination that when met, indicates a fraudulent outcome is more likely to occur.
  - b. Footprint Score -This is the score for the number of times an individual in a match appears at the address across all of the NFI data. It is an indicator as to whether, or not, that person resides at that address and can therefore inform risk.

The final risk score is the combination of risk logic and footprint score for each matching

Table 11: NFI 2024-25 Matches

<b>NFI</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Nil</b>	<b>Total</b>
Blue Badge Parking Permit	4	376	29	0	409

<b>NFI</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Nil</b>	<b>Total</b>
Council tax reduction Scheme	37	215	260	41	553
Housing tenants	463	72	401	199	1135
Payroll	12	20	16	7	55
Pensions	193	48	16	1	258
Waiting Lists	326	931	28	5	1290
Housing Benefits Claimants	67	8	197	63	335
Total Matches	1102	1670	947	316	3700

33. CAFT, with the assistance of SIT and other services, will co-ordinate the review of these matches in the coming months. The High and Medium risk matches are all reviewed. Low risk scores will be reviewed, depending upon the category. A sample of those matches in the 'nil' category will be identified for review. NFI asks that all organisations involved attempt to complete and report match reviews by November 2025. It is accepted that fraud investigations may go beyond this time frame but the initial identification of fraud can be reported with a notional value.

### **Staffing, Recruitment and Training**

34. CAFT has 6 posts. 1 manager, 3 x Senior Investigators, 1 x Fraud & Verification Officer. There is a current vacancy for a Fraud Trainee.
35. SIT consists of a manager and 8 investigations officers. At present two posts are vacant with recruitment to these under review.

### **Policy framework implications**

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

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

37. 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**

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

### **Health impact statement**

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

### **Climate change implications**

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

**Resource implications**

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

**SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

42. 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 Chris Flemyng, Special Investigations Team Manager		
Version	Final		
Dated	21 May 2025		
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, Resources		n/a	n/a
Date final report sent to Constitutional Team			21 May 2025

<b>Meeting Name:</b>	Audit, Governance and Standards Committee
<b>Date:</b>	2 June 2025
<b>Report title:</b>	Establishment of membership of audit, governance and standards sub-committees for 2025-26
<b>Ward(s) or groups affected:</b>	All
<b>Classification:</b>	Open
<b>Reason for lateness (if applicable):</b>	N/A
<b>From:</b>	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:

<b>Sub-committee</b>	<b>Total</b>	<b>Lab</b>	<b>Lib Dem</b>
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 2025-26.

### **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.

## BACKGROUND DOCUMENTS

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

## APPENDICES

No.	Title
	None

## AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown, Assistant Chief Executive – Governance and Assurance		
Report Author	Virginia Wynn-Jones, Principal Constitutional Officer		
Version	Final		
Dated	22 May 2025		
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 Resources		No	No
Cabinet Member		No	No
Date final report sent to Constitutional Team			22 May 2025



<b>Meeting Name:</b>	Audit, Governance and Standards Committee
<b>Date:</b>	2 June 2025
<b>Report title:</b>	In year review of work programme 2025-26: June 2025
<b>Ward(s) or groups affected:</b>	All
<b>Classification:</b>	Open
<b>Reason for lateness (if applicable):</b>	N/A
<b>From:</b>	Assistant Chief Executive – Governance and Assurance

## RECOMMENDATIONS

1. That the audit, governance and standards committee note the proposed work programme for 2025-26
2. That the audit, governance and standards committee, subject to any requested changes, agree the work programme set out in Appendix 1 for 2025-26
3. That the audit, governance and standards committee note the change of committee date from Monday 2 February 2026 to Tuesday 3 February 2026.

## BACKGROUND INFORMATION

4. At their meeting in February 2025, the committee considered and agreed a work programme for 2025-26 and requested that this be brought back to future meetings for updates if required.

## KEY ISSUES FOR CONSIDERATION

5. In considering items for inclusion, it may be helpful to do this within the framework of the committee's purpose, as set out in the constitution. This was amended in 2016-17 when the committee was renamed and is stated to be:
  - Independent assurance of the adequacy of the council's governance arrangements, including the risk management framework and the associated control environment
  - Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment
  - Oversight of the financial reporting process
  - Scrutiny of the treasury management strategy and policies
  - A framework to promote and maintain high standards of conduct by councillors, co-opted members and church and parent governor representatives.

6. The committee's terms of reference, as approved by council assembly, cover functions relating to audit activity, the regulatory framework, accounts, treasury management and the council's standards framework. They are attached at Appendix 2 as they may further help the committee to determine items to be included in its work programme.
7. The work programme for 2025-26 has been included at Appendix 1 for the committee's consideration. Some items standing items which will be brought forward if and when they arise.
8. There remains a need to ensure flexibility in terms of emerging issues which come to light through items already on the committee's agenda. For example, a review of audit recommendations and progress on their implementation may highlight a need to request the attendance of individuals at a future meeting to help explain action taken. The programme therefore includes a standing item relating to review of the committee's work plan. There may also be a need to review the work programme to take account of any changes which may be agreed to the council's constitution during the year.
9. Items have been grouped in line with its functions, in order to ensure that there is appropriate coverage of the committee's key roles as defined in its terms of reference.
10. Training will continue to be provided for members on the role of the committee, and development needs will continue to be monitored to enable appropriate training to be provided as opportunities arise.
11. The committee is asked to consider whether the attached work programme reflects its priorities for the next year or whether there are other amendments which it would wish to see included.
12. Separately to this, the committee is also asked to note the change of date of the February 2026 meeting from Monday 2 February 2026 to Tuesday 3 February 2026.

### **Policy implications**

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

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

#### **Community impact statement**

14. The decision to agree a work programme for next year is considered not to have a significant impact on any particular community or group.

#### **Equalities (including socio-economic) impact statement**

15. There are none.

**Health impact statement**

16. There are none.

**Climate change implications**

17. There are none.

**Resource implications**

18. There are none.

**Consultation**

19. None required.

**BACKGROUND DOCUMENTS**

Background Papers	Held At	Contact
None.		

**APPENDICES**

No.	Title
Appendix 1	Work programme 2025-26
Appendix 2	Extract from the constitution – Part 3K: Audit and governance committee

**AUDIT TRAIL**

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Virginia Wynn-Jones, Principal Constitutional Officer		
Version	Final		
Dated	21 May 2025		
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 of Resources		N/A	N/A
Cabinet Member		No	No
Date final report sent to Constitutional Team			21 May 2025

**APPENDIX 1**

<b>MONDAY 14 JULY 2025 –</b>
<b>Agenda Publication (5 clear working days): Fri 4 July 2025</b>
<b>Report Title</b>
Governance conversation: Strategic Director of Resources
Final annual report and opinion on internal audit
Internal audit progress report for 2024-25
Statement of accounts 2024-25 and Annual governance statement: Draft
Anti-fraud update
HRA update
Enterprise Resource System Progress Update
Auditor's Annual Report 2023-24, including annual audit letter and audit fee letters
External Audit update report
Member induction and training
Retrospective approvals to contract decision: GW3 Communal Lighting & Electrical Testing
Retrospective approvals to contract decision: GW3 extension of print management services
Progress report on implementation of external audit recommendations
Corporate governance framework (if required)
Budget challenge and governance (if required)
Work plan for 2025-26
<b>TUESDAY 9 SEPTEMBER 2025 –</b>
<b>Agenda Publication (5 clear working days): Mon 1 Sept 2025</b>
<b>Report Title</b>
Governance conversation: Chief executive
Statement of accounts 2023-24: Final
Final Annual governance statement (included with final accounts)
Audit findings reports (ISA 260) – including pension fund)
Progress report on the work of internal audit
Anti-fraud update
External audit update report
Retrospective approvals to contract decisions (if required)
Progress report on implementation of external audit recommendations (if required)
Corporate governance framework (if required)
Budget challenge and governance (if required)
Work plan for 2025-26
<b>WEDNESDAY 19 NOVEMBER 2025</b>
<b>Agenda Publication (5 clear working days): Tuesday 11 November 2025</b>
<b>Report Title</b>
Governance conversation: Strategic Director of Children's and Adults' Care
Progress report on the work of internal audit
Progress report on the work of anti-fraud
Auditor's Annual Report 2024-25, including annual audit letter and audit fee letters
External audit update report

Enterprise Resource System Progress Update
Member induction and training
Outcomes of the whistleblowing policy
Request for recommendations for non-voting co-opted members of the civic awards sub-committee
Retrospective approvals to contract decisions (if required)
Review of member officer protocol (if required)
Review of communications protocol (if required)
Corporate governance framework (if required)
Work plan for 2025-26
<b>TUESDAY 3 FEBRUARY (moved from MONDAY 2 FEBRUARY 2026)</b> <b>Agenda Publication (5 clear working days):</b> Monday 26 January 2026
<b>Report Title</b>
Governance conversation: Strategic Director Environment, Sustainability & Leisure
Risk management and insurance
Pension fund audit plan for 2024-25
External audit plan for 2025-26
Internal audit plan and strategy for internal audit and Internal audit charter
Progress report on the work of internal audit
Progress report on the work of anti-fraud
External audit update report
Review of complaints made under Code of Conduct and update to code of conduct
Report on operational use of Regulation of Investigatory Powers Act
Annual report of audit, governance and standards committee
Annual work programme for following year (2026-26)
Nominations of non-voting co-opted members of the civic awards sub-committee for 2025-26
Audit update report (if required)
Retrospective approvals to contract decisions (if required)
Progress report on implementation of external audit recommendations (if required)
Corporate governance framework (if required)
Budget challenge and governance (if required)

## **APPENDIX 2**

### **Extract from the constitution – Part 3K Audit and governance committee**

#### **ROLE AND FUNCTIONS**

##### **Introduction**

The purpose of the audit, governance and standards committee is to provide:

1. Independent assurance of the adequacy of the council's governance arrangements, including its standards regime, the risk management framework and the associated control environment.
2. Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
3. Oversight of the financial reporting process.
4. Scrutiny of the treasury management strategy and policies.
5. A framework to promote and maintain high standards of conduct by councillors, co-opted members and church and parent governor representatives.

##### **Audit activity**

6. To approve the internal audit charter
7. To approve the risk based internal audit plan, including resource requirements.
8. To approve any significant proposed advisory services, additional to those included in the audit plan.
9. To receive information on the appointment, departure, resignation or change in chief audit executive.
10. To receive in-year summaries of internal audit and anti-fraud activity and the internal audit annual report and opinion and to consider the level of assurance it can give over the council's corporate governance arrangements.
11. To receive reports dealing with the management and performance of the provider of internal audit services, including the performance of the chief audit executive.
12. To receive reports from internal audit on agreed recommendations not implemented within a reasonable timescale.
13. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.

14. To consider specific reports as agreed with the external auditor.
15. To comment on the scope and depth of external audit work and to ensure it gives value for money.
16. To have oversight over the appointment of the external auditor.
17. To commission work from internal and external audit.

### **Accounts**

18. To review and approve the annual statement of accounts and specifically to consider compliance with appropriate accounting policies and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
19. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

### **Treasury management**

20. To review and scrutinise the treasury management strategy and policies.

### **Governance activity**

21. To review any issue referred to it by the chief executive or a strategic director, or any council body.
22. To monitor the effective development and operation of risk management in the council.
23. To monitor the effective development and operation of corporate governance in the council and to agree actions necessary to ensure compliance with best practice.
24. To monitor council policies on 'whistle-blowing', the 'corporate anti-fraud strategy' and the council's complaints processes.
25. To receive reports from the statutory officers under the council's whistle blowing policy.
26. To provide strategic oversight on the use of the powers regulated by the Regulation of Investigatory Powers Act 2000 and to receive in-year reports on operational use.
27. To oversee the production of and agree the council's annual governance statement.
28. To review the council's compliance with its own and other published standards and controls.

29. To receive reports on retrospective contract related decisions as set out in contract standing orders.
30. To receive reports from the monitoring officer on any serious breach of the contract standing orders or procurement guidelines.

### **Standards activity**

31. To advise the council on the adoption or revision of the members' code of conduct, the member and officer protocol and the communication protocol.
32. To monitor the operation of the members' code of conduct, the member and officer protocol and the communication protocol.
33. To monitor and advise on training provided for councillors, co-opted members and church and parent governor representatives.
34. To deal with any standards related complaints referred to it and any report from the monitoring officer on any matter which is referred to him or her.
35. To receive reports from the monitoring officer on unlawful expenditure and probity issues.
36. To consider the withholding of allowances from individual members (including elected members and co-opted members) in whole or in part for non-attendance at meetings, or, for elected members only, for failure to attend required training.
37. To establish the following sub-committees:
  - to consider complaints of misconduct against elected councillors and co-opted members
  - to consider civic awards.

### **Annual report**

38. To report annually to all councillors on its work and performance during the year.

## **MATTERS RESERVED FOR DECISION**

### **Matters reserved for decision by the main committee**

39. The matters reserved for decision to the committee are as set out in the role and functions, other than those functions delegated to the relevant sub-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 standards committee.
43. To appoint non-voting co-opted members.

**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](mailto:virginia.wynn-jones@southwark.gov.uk)

**COPIES****COUNCILLORS**

Councillor Barrie Hargrove (Chair)	1
Councillor Ellie Cumbo	By email
Councillor Dora Dixon-Fyle	By email
Councillor Adam Hood	By email
Councillor Nick Johnson	By email
Councillor Andy Simmons	1
Councillor Michael Situ	By email

**RESERVES**

Councillor Maggie Browning	By email
Councillor Gavin Edwards	By email
Councillor Margy Newens	By email
Councillor David Parton	By email
Councillor David Watson	By email

**OTHER COUNCILLORS**

Councillor Stephanie Cryan	By email
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**GOVERNANCE AND ASSURANCE**

Sarah Feasey	By email
Doreen Forrester-Brown	1

**COMMUNICATIONS**

Eddie Townsend	By email
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**CONSTITUTIONAL TEAM**

Virginia Wynn-Jones	3
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**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
Ashleigh Jones	By email

**BDO (Internal Auditors)**

Aaron Winter	By email
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**KPMG**

Via Finance	By email
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**Total Print Run:****7**

List Updated: May 2025