

Audit, Governance and Standards Committee

Monday 13 July 2026

6.30 pm

Ground Floor Meeting Room G01C - 160 Tooley Street, London SE1 2QH

Membership

Councillor Colin Boyle (Chair)
Councillor Graham Neale (Vice-Chair)
Councillor John Batteson
Councillor Esme Dobson
Councillor Felix Hamer
Councillor Richard Macmillan
Councillor James Moyse

Reserves

Councillor Andy Bates
Councillor Tori Griffiths
Councillor Francesco Guerrieri
Councillor Renata Hamvas
Councillor Adam Hood
Councillor Pascale Mitchell
Councillor Kath Whittam

INFORMATION FOR MEMBERS OF THE PUBLIC

Access to information

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

Babysitting/Carers allowances

If you are a resident of the borough and have paid someone to look after your children, an elderly dependant or a dependant with disabilities so that you could attend this meeting, you may claim an allowance from the council. Please collect a claim form at the meeting.

Access

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

Contact

Paula Thornton on 020 7525 7055 or email: virginia.wynn-jones@southwark.gov.uk

Members of the committee are summoned to attend this meeting

Althea Loderick

Chief Executive

Date: 3 July 2026



Audit, Governance and Standards Committee

Monday 13 July 2026

6.30 pm

Ground Floor Meeting Room G01C - 160 Tooley Street, London SE1 2QH

Order of Business

Item No.	Title	Page No.

PART A - OPEN BUSINESS

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

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. CONFIRMATION OF VOTING MEMBERS

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

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

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

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

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

5. MINUTES

1 - 6

To approve as a correct record the minutes of the open section of the meeting held on 3 February 2026

Item No.	Title	Page No.
6.	CORPORATE ANTI-FRAUD TEAM AND SPECIAL INVESTIGATIONS TEAM YEAR END REPORT 2025-26	7 - 19
7.	SOUTHWARK360: SIX-MONTH PROGRESS UPDATE ON THE ENTERPRISE RESOURCE PLANNING (ERP) REPLACEMENT PROGRAMME	20 - 26
8.	EXTERNAL AUDIT PLAN - SOUTHWARK COUNCIL & PENSION FUND	27 - 86
9.	INTERNAL AUDIT PROGRESS REPORT FOR 2025-26	87 - 138
10.	INTERNAL AUDIT - ANNUAL REPORT & OPINION 2025-26	139 - 160
11.	INTERNAL AUDIT RISK-BASED PLAN, STRATEGY, CHARTER AND MANDATE	161 - 206
12.	DRAFT ANNUAL GOVERNANCE STATEMENT 2025-26	207 - 250
13.	COMPLIANCE WITH CIPFA FINANCIAL MANAGEMENT CODE	251 - 295
14.	FORMATION OF AUDIT, GOVERNANCE AND STANDARDS SUB-COMMITTEES FOR 2026-27	296 - 299
15.	IN YEAR REVIEW OF WORK PROGRAMME 2026-27: JULY 2026	300 - 308

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

EXCLUSION OF PRESS AND PUBLIC

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

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

PART B - CLOSED BUSINESS

Date: 3 July 2026



Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Tuesday 3 February 2026 at 6.30 pm at Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

PRESENT:	Councillor Barrie Hargrove (Chair) Councillor Graham Neale Councillor Andy Simmons
OFFICER SUPPORT:	Clive Palfreyman, strategic director of resources Hakeem Osinaike, strategic director of housing Ryan Collymore, director of repairs and maintenance Ceri Theobald, assistant director of building safety and compliance David Quirke-Thornton, strategic director of children's and adults' services Aaron Winter, BDO Angela Mason-Bell, BDO Tim Jones, director of corporate finance Laura Sandy, corporate risk and insurance manager Doreen Forrester-Brown, assistant chief executive, governance and assurance Sarah Feasey, head of law Ben Plant, Director of People and Organisational Development Stephanie Bryan, Head of Learning and Development Graham Elder, interim learning and development partner Dominic Cain, director of customer and exchequer Louise Turff, head of homeownership services Virginia Wynn-Jones, constitutional team

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Adam Hood. Apologies for early departure were received from Councillor Graham Neale.

2. CONFIRMATION OF VOTING MEMBERS

The members present were noted as the voting members.

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

The chair agreed to accept items:

14: 2026 Member Induction and Member Development Programme

15: Variable Service Charges

16: Repairs and maintenance update

as late and urgent.

3. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

4. MINUTES

The minutes of the meeting of 19 November 2025 were agreed as a correct record.

5. GOVERNANCE CONVERSATION: STRATEGIC DIRECTOR OF CHILDREN'S AND ADULTS' SERVICES

David Quirke-Thornton, strategic director of children's and adults' services, attended the committee meeting. Members thanked the strategic director for attending.

Officers undertook to circulate information about school place availability to all councillors.

7. RETROSPECTIVE DECISION: GATEWAY 1&2 INTEGRATED COMMUNITY EQUIPMENT SERVICE

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

RESOLVED:

That the Audit, Governance and Standards Committee noted the decision taken by the Strategic Director of Children and Adults Services to award the Integrated Community Equipment Service Contract to Provide Equipment Hub for a period of two years, commencing on 1 August 2025, with a one-year extension option, for the annual value of £3.75 million and a total contract value of £11.25 million. This decision was taken in line with the emergency powers contained in the council's Contract Standing Orders, for the reasons set out in paragraphs 5 to 7 of the report.

8. REPORT ON RETROSPECTIVE CONTRACT-RELATED DECISION: COMMUNAL LIGHTING AND ELECTRICAL TESTING CONTRACTS - CONTRACT A: NORTH OF THE BOROUGH AND CONTRACT B: SOUTH OF THE BOROUGH

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

RESOLVED:

1. That the audit, governance and standards committee noted the retrospective contract decisions detailed in the report.
2. That the audit, governance and standards committee noted the actions taken by the Director of Repairs and Maintenance as set out in paragraphs 37 to 45 of the report to ensure that the risk of future retrospective contract decisions is minimised for the future.
3. That the audit, governance and standards committee made no further recommendations to help improve future decision-making.

9. INTERNAL AUDIT PROGRESS REPORT FEBRUARY 2026

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

Members congratulated the Adopt London Partnership and the Health and Safety Enforcement teams for their substantial positive audit outcomes.

Members thanked BDO for the work they've done for the council.

RESOLVED:

That the audit, governance and standards committee noted the update reports, as attached at Appendix A and B of the report.

10. ANNUAL REPORT ON CORPORATE RISK

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

Officers undertook to bring back an update on the areas of risk management which had a significant difference between the risk assessment and the controlled risk assessment: A Good Start in Life schools and education, and Safer Southwark crime and ASB.

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 assurance framework and provided comments to officers for their consideration prior to the finalisation of the register by the Strategic Director of Resources.

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

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

RESOLVED:

That the committee noted the information relating to the use of RIPA in 2025.

12. REVIEW OF COMPLAINTS MADE UNDER THE MEMBERS' CODE OF CONDUCT IN 2025

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

RESOLVED:

That the committee noted the report.

13. WHISTLEBLOWING COMPLAINTS AND OUTCOMES

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

RESOLVED:

That the committee noted the report.

14. 2026 MEMBER INDUCTION AND MEMBER DEVELOPMENT PROGRAMME

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

Officers undertook to bring a report back on the member induction process in 2026-27.

Officers undertook to build further IT training into the induction programme.

Officers undertook to ensure the EDI training included specific information on antisemitism, islamophobia, and anti-black racism.

Officers undertook to consider the internal audit of staff induction process for recommendations.

RESOLVED:

That the Audit, Governance and Standards Committee noted:

- a. the development of the 2026 Member Induction Programme
- b. the development of the Member Development Programme
- c. the governance arrangements in place to oversee member development activity.

15. VARIABLE SERVICE CHARGES

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

Officers undertook to follow up on the members' enquiry about admin charges and overheads.

Officers undertook to check if an internal audit into look at energy costs and variable service charges would be helpful in the 2026-27 audit year.

RESOLVED:

That the Audit, Governance & Standards Committee:

1. Noted the contents of the report highlighting the complexities of administering service charges, the processes in place maintaining the effective management of billing and collection and the processes in place providing independent verification of the approach to billing.
2. Took account of the significant work underway through the Housing Improvement Programme implementing the 'Good Landlord Plan and the Corporate Transformation Programme that will provide further oversight and improvements in:
 - Governance & System Controls
 - Procurement and Contract Management
 - Data Integrity & Insight.

16. REPAIRS AND MAINTENANCE UPDATE

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

Officers undertook to write to the committee to confirm the percentage of council leaseholds being used as private rented accommodation.

RESOLVED:

1. That the committee noted positive trends in relation to performance against the Improvement Plan agreed with the Regulator for Social Housing (RSH), and good progress towards our commitment to become a Good Landlord, including plans to strengthen the Repairs Service.
2. That the committee noted ongoing delivery of the current capital investment programme, and its focus on health, safety and compliance.
3. That the committee noted the timeline for the development of a new 5-year investment plan, based on the findings of the stock condition survey and engagement with our residents and stakeholders.

17. ANNUAL REPORT ON THE WORK AND PERFORMANCE OF THE AUDIT, GOVERNANCE AND STANDARDS COMMITTEE IN 2025-26

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

RESOLVED:

That the audit, governance and standards committee forward this report on its work and performance in 2025-26 to all councillors.

18. ANNUAL WORK PROGRAMME FOR THE FOLLOWING YEAR (2026-27)

Officers introduced the report. Members noted the updated details of appendix 2 set out in the addendum report. Members had questions for the officers.

Members noted the planned inclusion of the update report on the members' induction programme in February 2027 or June 2027.

Officers undertook to include an update on the audit programme and the planned internal audit in-housing.

RESOLVED:

1. That the audit, governance and standards committee considered the proposed draft work programme for 2026-27 and made amendments to the details set out in paragraphs 8 to 10 of the report.

2. That the audit, governance and standards committee, subject to the requested changes set out above, agreed the work programme for 2026-27 set out in Appendix 2 of the report.

19. APPOINTMENT OF NON-VOTING CO-OPTED MEMBERS OF THE CIVIC AWARDS SUB-COMMITTEE FOR 2025-26

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

RESOLVED:

That the committee considered the nominations for the positions of co-opted members of the audit, governance and standards (civic awards) sub-committee outlined in closed Appendix 1 and 2 of the report and agreed to select the following appointees:

Toby Ou Yang
Tendai Chagweda
John Rhodes
Sarah Ewens.

20. APPOINTMENT OF NON-VOTING CO-OPTED MEMBERS OF THE CIVIC AWARDS SUB-COMMITTEE FOR 2025-26

Meeting ended at 8.40 pm

CHAIR:

DATED:

Meeting Name:	Audit, Governance and Standards Committee
Date:	13 July 2026
Report title:	Corporate Anti-Fraud Team and Special Investigations Team Year End Report 2025-26
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Strategic Director of Resources

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 2025-26.

BACKGROUND INFORMATION

2. This report summarises the work of the CAFT and SIT to prevent, detect, and respond to fraud, bribery, and corruption. It supports the council's commitment to integrity, transparency, and the responsible management of public funds. Appendix A provides additional context on the work of the teams in Southwark.
3. During the reporting period, corporate case 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

2025-26 Investigations

4. Table 1 summarises the Corporate Anti-Fraud Team investigations referred to for the 2025-26 financial year:

Table 1: Summary of the anti-fraud caseload 2025/26

	Corporate Anti-Fraud	Homeless	Waiting list	Right to Buy	Blue Badges	Total
C/f 2024-25	15	1	10	13	4	43
New cases received in year	139	8	43	47	14	251
Cases Closed 2025-26	89	9	48	47	17	210
Open Cases c/f to 2026-27	65	0	5	13	1	84

5. Table 2 lists the number of corporate anti-fraud cases received by council directorate following initial assessment. Not all referrals lead to full investigations, as most are deemed a medium to low or no financial risk, supporting a focus on higher-risk threats to public funds:

Table 2: Corporate Anti-Fraud Team Investigations by council directorate

Corporate Investigations 2025-26		
Directorate (Accumulated Total)	Internal	External
Chief Executive Office	2	2
Children & Adults	4	40
Environment, Sustainability & Growth	5	4
Governance & Assurance	6	0
Housing	6	23
Resources	0	11
Strategies & Communities	0	0

Table 2 lists the number of corporate anti-fraud cases received by council directorate following initial assessment. Not all referrals lead to full investigations, as most are deemed a medium to low or no financial risk, supporting a focus on higher-risk threats to public funds.

Homelessness and Housing waiting lists

6. The Team undertakes reviews of the housing waiting list and also those homelessness applications which are a cause for concern, such as when suspicious supporting documents have been provided i.e. pay slips, bank statements, contrived overcrowding.
7. There were 8 Homelessness cases referred during April 2025 to March 2026 and all of these were closed along with 1 case c/f from the previous year. The results of the 9 cases were as follows:
- 5 Denied
 - 2 maintained
 - 1 Transferred out
 - 1 No response from applicant

8. There were 43 waiting list referrals between April 2025 and March 2026 and 10 c/f from 2024/25. The results of the 48 waiting list cases closed in the same period are:

- Denied 21
- Maintained 24
- Transferred Out 2 (Referred to SIT)
- Withdrawn by applicant 1

Right to Buy (RTB)

9. The council checks the veracity of the sources of funds used for the purchase of properties under the right to buy scheme. Referrals are raised when the cash element of the purchase exceeds HMRC guidelines. When referrals are received, the team reviews the source of cash funding and makes a recommendation to the RTB team. For each case denied or withdrawn a standard cash 'saving' to the council is assumed at £16,000 for the applications post November 2024. However, we are seeing some applications submitted with the £136,000 pre-November 2024 discount eligibility.
10. There were 47 new referrals between April 2025 and March 2026 and 13 c/f from 2024/5. The results for the 47 cases closed in the same period are.

- Withdrawn by applicant 2
- Accepted 42
- Denied 3

Blue Badge

11. 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.
12. There were 14 new referrals for Blue Badges from the Fraud Hotline between April 2025 and March 2026 with 4 c/f from 2024/25. All closed cases required no further action i.e. there was no evidence to indicate misuse of a Blue Badge.
13. BBFI supports Southwark by providing proactive, foot patrols (not referrals). 136 blue badges were seized by the BBFI. Table 3 provides a breakdown of the 136 blue badge seizures by offence type for April 2025 to March 2026. (This does not include expired badges).

Table 3 BBFI Blue Badges Seizures by Offence

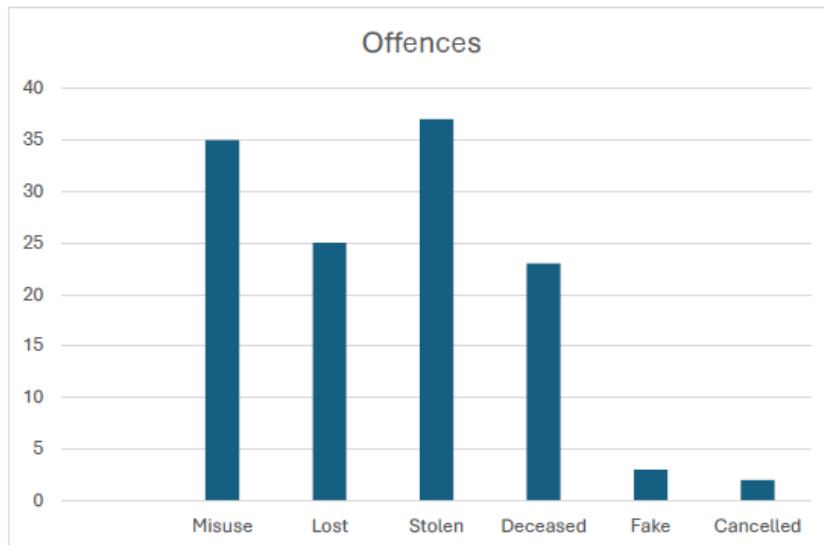


Table 3 does not include Expired badges

Support to Services and Departments

14. CAFT supported several services and departments as part of their due diligence processes and development of new policies. This is achieved through managing contracts, provision of training and facilitating access to ID Scanners and credit reference agency data. Support also included:

- No Recourse to Public Funds (NRPF) - Development of NRPF team skills to assist in the assessment of applicants and review of cases.
- Business Rates– Support due diligence to ensure repayments (Exceeding £100k) go to the correct accounts
- Scholarship Reviews - Financial due diligence on Southwark scholarship scheme.
- Scams – Residents were advised on Southwark’s website of a scam seeking to obtain personal information i.e. banking details currently active in the borough and how to report them to Action Fraud or the Police.
- Representing Southwark by participating in peer group sessions i.e. London Borough Fraud Investigators Group (LBFIG), annual Fraud Conference at QEII Centre, Credit Industry Fraud Avoidance System (CIFAS) Regional Meetings and other groups. Improving knowledge and understanding in relation to developing fraud trends, best practice and benchmarking across London Councils
- Data Protection Act & Freedom of information - responding to requests from members of the public, councils and other law enforcement agencies

- Working with Adults' and Children's Services to improve due diligence governance, including policies and procedures for the onboarding of spot contractors.
- Declaration of Interest Project - Contributing to the development and introduction of Southwark's DECLARE System. The "DECLARE" system is a software solution designed to help Southwark manage and report on Declarations of Interest.

Housing Tenancy Counter Fraud Activity 2025-26 – End of Year

15. 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'.

16. 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.

Summary of SIT workload 2025-26

17. SIT receives 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. 2025-26 SIT referral management information is detailed in table 4 below.

Table 4: SIT reactive referrals received in 2025-26

Investigation Referral Assessment	2025-26 Totals
C/Fwd	103
Received	202
Investigation Opened	228
Rejected	68
Referred to other teams	7
Outstanding	2

18. 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.

19. Changes to the verification process to increase efficiency and reduce delays to responses being sent were introduced in May 2025; the intention was to improve the efficiency of the process and reduce the number of cases requiring verification. This was necessary to allow effective investigation of tenancy fraud cases and to maximise the efficient use of available resources.

20. SIT verification work in this area is shown in table 5 below:

Table 5: SIT Verification caseload 2025-26

Verification Cases	2025-26 Totals
C/Fwd	84
Received	187
Rejected	6
Further Information Req'd	6
Completed	245
Outstanding	14

SIT Outcomes 2025-26

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 2025/26 are shown in table 6 below:

Table 6: SIT outcomes and value of fraud detected 2025-26

Outcomes	2025-26 Total	Value of Fraud Detected (£000's)
Properties recovered	11	913
Succession prevented	22	990
Assignment prevented	5	225
Mutual Exchange prevented	1	45
Homeless/rehousing prevented	0	0
Other tenancy change prevented	1	45
RTB prevented	0	0
Other preventions	0	0
Total	40	2,218

23. Values of detected fraud have been updated to reflect current costs. The value of fraud detected is calculated as follows:

- Property recovered - £83k per property based on a standardised formula considering 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 to a value of £2.2m which is an increase of approximately £500,000 on the 2024/25 financial year.

25. In accordance with the provisions of relevant legislation there is a legal process required to terminate tenancies and to recover a property. Part of this process requires the service of notices which are only served where there is sufficient evidence to support legal proceedings. Under current legislation legal proceedings are required to obtain possession of a property if vacant possession is not voluntarily returned to the Council.

26. The service of notices as part of the legal process and legal referrals, in addition to claims issued by the Courts, is shown in Table 7 below:

Table 7: Notices served and Legal cases

Notices and Legal Cases	2025-26 Total
Notices Served	24
Cases referred to legal	5
Claims issued by Court	5

Statutory Reporting

27. The Local Government Transparency Code 2015 makes a statutory requirement for local authorities to publish specific data in relation to counter fraud work once each financial year. The statutory reporting data for the Special Investigations Team, specific to counter tenancy fraud work, is shown in table 8 below.

Table 8: Statutory Reporting – Special Investigations team

Statutory Information	2024/25	2025/26	2026/27
Number of Officers	9	7	6
Number of Officers dedicated to Tenancy Fraud	9	7	6
Number of Accredited Counter Fraud Specialists (ACFS)	8	7	7
Prevention of Social Housing Fraud Act (PoSHFA) Enquiries Made	44	37	31
Ave. Cost Per Investigation	£2,128	£1,850	£1,045

National Fraud Initiative (NFI)

28. The National Fraud Initiative (NFI) is a public body 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 in December 2024 with the initial release of data matches against Southwark's uploaded datasets.
31. The National Fraud Initiative (NFI) assigns fraud risk scores to individuals based on a combination of factors, including the likelihood and potential impact of fraudulent activity. These scores are categorized into defined risk levels, ranging from Nil to High.
32. Fraud risk scores are further broken down by risk area or dataset type, such as:
 - Housing Benefit Claimants
 - Housing Tenants
 - Blue Badge Holders
 - Other relevant datasets
33. Each individual is assigned a risk score within each dataset, determined by the number and nature of data matches they appear in. These matches are used to assess the potential risk of fraud in each specific area. This structured categorisation enables effective prioritisation of cases.

34. Table 9 below indicates the overall summary of matches reviewed which have been processed Southwark since December 2024.

Table 9: Summary of reviews NFI 2024-26 Exercise

Investigating	56
Processed:	
Cleared	1306
Frauds	1
Errors	443
Total Processed	1750
Total Outcomes	£330,289

Staffing, Recruitment and Training

35. CAFT has 6 posts. 1 manager, 3 x Senior Investigators, 1 x Fraud & Verification Officer. There is a current vacancy for a Fraud Trainee which will be advertised in summer 2026.
36. SIT consists of a manager and 5 investigations officers. At present two posts are vacant with one expected to be filled in the second half of the 2026-27 financial year.

Policy framework implications

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

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

38. 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

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

Health impact statement

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

Climate change implications

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

Resource implications

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

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

43. None required

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix A	Benchmarking of Southwark Counter-Fraud Performance (2025–26)

AUDIT TRAIL

Lead Officer	Tim Jones, Director of Finance		
Report Author	Paul Bergin, Corporate Anti-Fraud Manager Chris Flemyng, Special Investigations Team Manager		
Version	Final		
Dated	25 June 2026		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments Included
Director of Law and Governance		N/A	N/A
Strategic Director of Resources		N/A	N/A
Executive Member		No	No
Date final report sent to Constitutional Team			25 June 2026

Appendix A: Benchmarking of Southwark Counter-Fraud Performance (2025–26)

Southwark's counter-fraud performance is broadly comparable with other large London boroughs and sits towards the upper end of the mid-range when assessed across housing outcomes, financial value, activity levels and operating model. When preventative interventions are included alongside property recoveries, Southwark's overall position moves closer to the higher-performing end of the benchmark range, reflecting a prevention-led approach that is increasingly used across the sector.

1. Housing fraud outcomes for SIT work.

London borough benchmark - Average of 41 homes recovered per borough per year across London. Individual boroughs typically show:

- 0-20 Lower Range
- 20–40 mid-range
- 40-80 Upper Quartile
- 80-100 Top Performers
- Higher-end outliers exceeding 100 recoveries in large-scale operations

On direct property recovery, Southwark sits within the upper end of the mid-range for borough performance when compared with councils reporting typical annual recovery levels. When preventative interventions are added, giving an additional 40 properties Southwark's position is stronger and moves towards the higher end of the benchmark range. This reflects a broader prevention model, where councils place increasing emphasis on stopping fraudulent succession, assignment and tenancy changes before they result in long-term loss.

Southwark identified £2.2m in fraud value, placing it within the typical London borough range of around £1m–£3m and broadly in line with comparable authorities. This is consistent with active and effective borough-level counter-fraud work. The value per intervention is also aligned with national and London assumptions for housing fraud, indicating that Southwark's financial outcomes are proportionate to the scale and type of cases handled.

3. Activity levels and case throughput

Sector data indicates that councils are dealing with rising case volumes, often with mixed delivery models and varying levels of dedicated fraud resource. Against this context, Southwark demonstrates a functioning referral, triage and investigation process, with activity levels that are comparable with active London authorities. The level of throughput suggests that the service is identifying, progressing and concluding cases at a rate relative to peers.

4. Structural comparison (capacity and model)

Delivery models vary significantly across local government, with many councils operating fraud work through shared, partial or embedded roles. Southwark's dedicated CAFT and SIT model provides a clearer specialist structure than many authorities and supports more complex investigation work. This operating model strengthens the council's ability to combine prevention, detection, enforcement and advisory activity across a range of fraud risks.

5. Overall comparative assessment

Southwark's counter-fraud outcomes are broadly consistent with comparable London boroughs and, when prevention and enforcement activity are considered together, place the council towards the upper end of the mid-range. In housing fraud activity, the council delivered 40 prevention and enforcement outcomes and £2.2m in identified fraud value, reflecting a balanced approach that combines property recovery with preventative action on tenancy changes, succession and assignment fraud.

Financial outcomes are aligned with peers, with most London boroughs reporting annual fraud detection values in the range of £1m to £3m, excluding large-scale outliers. Activity levels and case throughput are consistent with active counter-fraud services, and the council maintains a dedicated specialist fraud structure.

Appendix A

Overall, Southwark can be characterised as an active counter-fraud service, performing comparably with large London borough peers and showing stronger relative performance when preventative outcomes are included.

6. Limitations

The benchmarking should be treated as indicative rather than directly comparable because councils use different definitions, valuation methods and reporting models. No single national dataset provides standardised borough-by-borough comparisons. Benchmarks therefore rely on sector surveys, case studies and available London examples. Direct comparison is limited by differences in housing stock size, whether councils count prevention as well as detection, and the valuation methodology used for recovered properties and avoided losses.

Meeting Name:	Audit, Governance and Standards Committee
Date:	13 July 2026
Report title:	Southwark360: Six-month progress update on the Enterprise Resource Planning (ERP) Replacement programme
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Clive Palfreyman, Strategic Director of Resources

RECOMMENDATION

1. That the Audit, Governance and Standards Committee note this six-month progress update on delivery of the Southwark360 Programme for replacement of the council's Enterprise Resource Planning system, including progress since the previous report presented in November 2025.

BACKGROUND INFORMATION

2. Southwark has used the SAP Enterprise Resource Planning (ERP) system (Business Suite 7) for HR, Finance, Purchase to Pay and Payroll since 1999. There are several fundamental issues with the current system that require modernisation to support a modern, dynamic organisation:
 - a. Reporting for finance, budget and people managers within SAP is limited and time-consuming.
 - b. Current system is not mobile enabled or available off-network, so staff require a Southwark laptop to access the system.
 - c. To ensure the SAP system provides essential functionality, additional bolt on systems have, over time, been purchased and maintained with varying degrees of complexity and success.
 - d. Staff find HR processes difficult to navigate and this has resulted in inefficiencies and compliance challenges.
 - e. The system is not easily adapted to policy and legislative changes, requiring reliance on a broad range of support partners and internal resources to maintain it.
3. The current SAP system will go out of support in 2027 and will be retired in 2030. Market testing took place during 2022 along with reference calls to several regional and London local authorities to understand their experiences of implementing ERP solutions.

Programme vision and benefits

4. The Programme Vision was developed with sponsors, senior leadership and stakeholders, and is informed and guided by Southwark 2030 and our Technology and Digital Strategy:
 - a. Our vision is to enable a resilient, future-ready council that empowers our people, unifies our workforce, and strengthens how we work together.
 - b. We will have modern, reliable, and cost-effective tools that allow us to deliver efficiently and make confident data-informed decisions that provide greater financial assurance and control.
 - c. Our people will thrive with better systems and clearer processes, enabling them to work smarter in a digital culture, grow together professionally, and shape the future of our council.
5. Southwark360 is a major transformation initiative aligned with the Council's Southwark 2030 Strategy and Technology & Digital Inclusion Strategy. It aims to improve resident and customer experiences, empower staff with modern and secure technology, and embed a digital-first culture that supports new ways of working. Benefits will be realised through improved contracts, system capabilities, process redesign, and social value contribution.
6. The programme is reshaping core business processes, replacing outdated and fragmented practices with integrated, efficient systems. It follows proven ERP design principles from successful Local Government implementations to ensure sustainable change across services and systems.

Programme procurement

7. Lot 1 Vendor ten-year contract was awarded to SAP for their SAP S/4 HANA Public Cloud ERP Solution, commencing 30 June 2025.
8. Lots 2-5 for the remaining implementation partners were awarded in August 2025 with remaining Lots 6 and 7 for Support and Archiving respectively to be tendered in 2026. Awards were as follows:
 - Lot 2: HCL Technologies UK Limited are the Enterprise Resource Planning System Implementation Partner with a contract for a period of two years, with the option of one further one-year extension.
 - Lot 3: Veran Performance Limited are the Enterprise Resource Planning Business Change Partner with a contract for a period of two years, with the option of one further one-year.
 - Lot 4: HCL Technologies UK Ltd are the Enterprise Resource Planning

Data Migration Partner with a contract for a period of two years, with the option of one further one-year extension.

- Lot 5: Infosys Ltd are the Enterprise Resource Planning Reporting Partner with a contract for a period of two years, with the option of two further one- year extensions.

PROGRAMME FINANCE AND BUDGET

Programme Budget

9. There has been no material change to programme budget since the previous report to committee. The programme remains on budget and within programme tolerances.
10. The decommissioning of the 29 system and support contracts identified as ERP-related has progressed with a number confirmed for decommissioning and notice provided to suppliers.
11. To date, two systems have been confirmed for retention that provide enhanced functionality for managing direct debits and completing supplier background checks that the new solution will not be able to deliver. These were known gaps at contract award and factored into programme budget forecasts. These gaps have been documented and will be monitored for future potential system updates that may provide functionality within the new SAP solution, and allow for decommissioning at a future point.
12. As the programme progresses the solution build and testing, there will be greater pace with decommissioning decisions through the programme's Solution Design Authority supported by technical and business experts, and the programme will be able to further refine the associated costs and fixed budget position.

Programme Savings

13. The programme has savings targets of £668k. Savings for 2026-27 will be delivered through activity already identified from savings arising from the removal of duplication in accounts receivable and accounts payable systems and related processes, in advance of the new solution going live.
14. Longer-term budget savings for 2027-28 have not yet been agreed. The completion of solution design and gap analysis, alongside detailed business process mapping now in progress, will provide the basis for developing future savings plans aligned to process improvement and increased system capability.

Monitoring and control

15. The Programme Sponsorship Board approved an Implementation Budget in December 2025 and agreed six-monthly reviews for remainder of the programme lifecycle with next review due July 2026.

16. The programme has continued to undertake regular and stringent monitoring of budget and finances and maintain control of spend with fortnightly monitoring meetings with Professional Finance Services (PFS) in place, coupled with a resourcing governance group where programme recruitment is scrutinised and approved by PFS.
17. Contract management is in place for the suppliers on the programme, with a contract management plan and deliverables tracking in place to ensure timely assessment of completion and quality assurance before approval of related payment milestones.

KEY ISSUES FOR CONSIDERATION

Programme governance

18. With the exit from the design phase of the programme and entry into the delivery phase, the programme has reviewed the governance structure and terms of references for governance and monitoring meetings to update these to reflect the milestones in the next phases.

Programme scope

19. The Lot 1 Vendor Bill of Materials (vendor products) has been re-validated following conclusion of solution design, gap analyses and development planning.
20. A contract variation to the vendor contract has been approved since the previous report, for additional reporting capability relating to the new budgeting and planning tool that represents a further £5k per annum cost.
21. Additional licenses and products have been identified that are required to implement the new solution and a gateway report is being prepared to support this. This is an expected result of the design process and the programme is confident of minimal financial impact to the programme budget forecast.
22. A change control process overseen by the programme's Solution Design Authority is in place to enforce a strictly defined change control process and effectively manage risk of increase to scope.

Adoption of new solution

23. The programme's change partners are completing the first cut of change impact assessments, learning needs analyses and persona developments for system roles, as well as detailed business process maps that will form the foundation of change and training material for effective adoption of the new ways of working.
24. A People Readiness Group has been put in place to support cross-council change, with representatives from key services, along with a change

network with representatives from all departments and services that provide effective two-way feedback and communication between services and the programme. This is providing a valuable foundation for the next phase of delivery where engagement with users and stakeholders of the new solution is significant,

25. Communication and engagement in the preceding six months has been delivered to maintain engagement from core specialist teams but has not been council wide until solution design has been agreed. From June 2026, this is now pivoting to significant increase in engagement with leadership, unions, line management, workforce and any external impacted audiences.

Supplier management

26. Strategic meetings have been held with SRO and SAP Head of Public Sector to maintain a productive relationship. A wider strategic meeting with vendor and delivery partners is being put in place as the programme moves into delivery following conclusion of design phase.

Prioritising the programme within the change portfolio

27. The Southwark360 Programme continues to work in partnership with Future Southwark and has regular attendance at CMT and DMTs as well as leadership and director networks, to raise profile of the programme changes, ensure consistent message of change and act as an enabler for the council's transformation portfolio.
28. The Programme sponsors are representatives of other change and transformation programmes and projects within the change portfolio and ensure both prioritisation as well as management of dependencies and opportunities for alignment of resources.

Policy framework implications

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

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

Community impact statement

30. This report and the accompanying accounts are not considered to have a direct impact on local people and communities.

Equalities (including socio-economic) impact statement

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

Health impact statement

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

significant health impact.

Further guidance

33. None required.

Climate change implications

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

Resource implications

35. The resources required to deliver the programme have been outlined in the Programme Finance and Budget section of the report and the associated key decision report on the procurement strategy that is noted in the background papers.

Consultation

36. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

37. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Gateway 1, Procurement Strategy	Decision - Gateway 1 - Procurement Strategy Approval: Replacement of the Enterprise Resource Planning System - Southwark Council	Jason Martin
Gateway 2, Lot 1 Contract Award	https://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=8228	Jason Martin
Gateway 2, Lot 2 and Lot 3 Contract Award	https://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=8401	Jason Martin
Gateway 2, Lot 4 and Lot 5	https://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=8402	Jason Martin
Policy and Resources Strategy 2024 – 2027, Appendix B	https://moderngov.southwark.gov.uk/documents/s118559/Appendix%20B%20-%20Proposed%20Efficiencies%20and%20Improved%20Use%20of%20Resources.pdf	

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Jason Martin, Programme Director		
Version	Final		
Dated	14 June 2026		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER			
Officer Title		Comments sought	Comments included
Director of Law and Governance		No	N/A
Strategic Director of Resources		No	N/A
Executive Member		No	No
Date final report sent to Constitutional Team			30 June 2026

Meeting Name:	Audit, Governance and Standards Committee
Date:	13 July 2026
Report title:	External Audit Plan – Southwark Council & Pension Fund
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	n/a

RECOMMENDATIONS

1. That the Audit, Governance and Standards committee:
 - a. Note the Southwark Council External Audit plan attached at Appendix A setting out planned audit scope, risk assessment and approach for the year ending 31 March 2026.
 - b. Note the External Audit plan for 2025-26 for the Pension Fund attached at Appendix B.

BACKGROUND INFORMATION

2. The purpose of the report along with Appendices A and B is to provide an overview of the scope, risk assessment and planned audit approach for the statutory audit of the Council and the Pension Fund for those charged with governance.
3. The audit is governed by the Local Audit and Accountability Act 2014 and is carried out in compliance with the National Audit Office 2024 Code of Audit Practice and auditing standards.

KEY ISSUES FOR CONSIDERATION

4. **Southwark Council Audit Plan**
 - a. **Planned scope and materiality:** KPMG have set overall materiality for the financial statements at £34.1m and will report corrected and uncorrected misstatements to the Committee above £1.705m, alongside disclosure errors/omissions and other items reported by nature.
 - b. **Key audit risks** – The audit will focus on the valuation of fixed assets (properties), management override of controls and the valuation of pension obligations.
 - c. **Value for Money (VfM)** – KPMG will report on the Council's arrangements across the three VfM domains: Financial Sustainability, Governance and Improving Economy, Efficiency and Effectiveness.

5. **Southwark Pension Fund Audit Plan** - The materiality for the pension fund is set at £22.6m (1% of total assets), a lower testing threshold of £16.9m (75% of materiality), and reporting to the Committee of corrected/uncorrected misstatements above £1.1m. Significant risks include management override of controls and the valuation of directly held investment property, with other risks covering the completeness/existence and valuation of investments and completeness of contributions.

Policy framework implications

6. There are no direct policy framework implications in this report.

Community impact statement

7. This report and the accompanying appendices 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 outcome.

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Financial implications

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

Legal Implications

13. 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 regulations made there under.

Consultation

14. Consultation is not required on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

15. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Department of Resources files	Resources Department, Second Floor, Tooley Street	Hasina Shah Hasina.shah@so uthwark.gov.uk

APPENDICES

No.	Title
Appendix A	2025-26 Council Audit Plan
Appendix B	2025-26 Pension Fund Audit Plan

AUDIT TRAIL

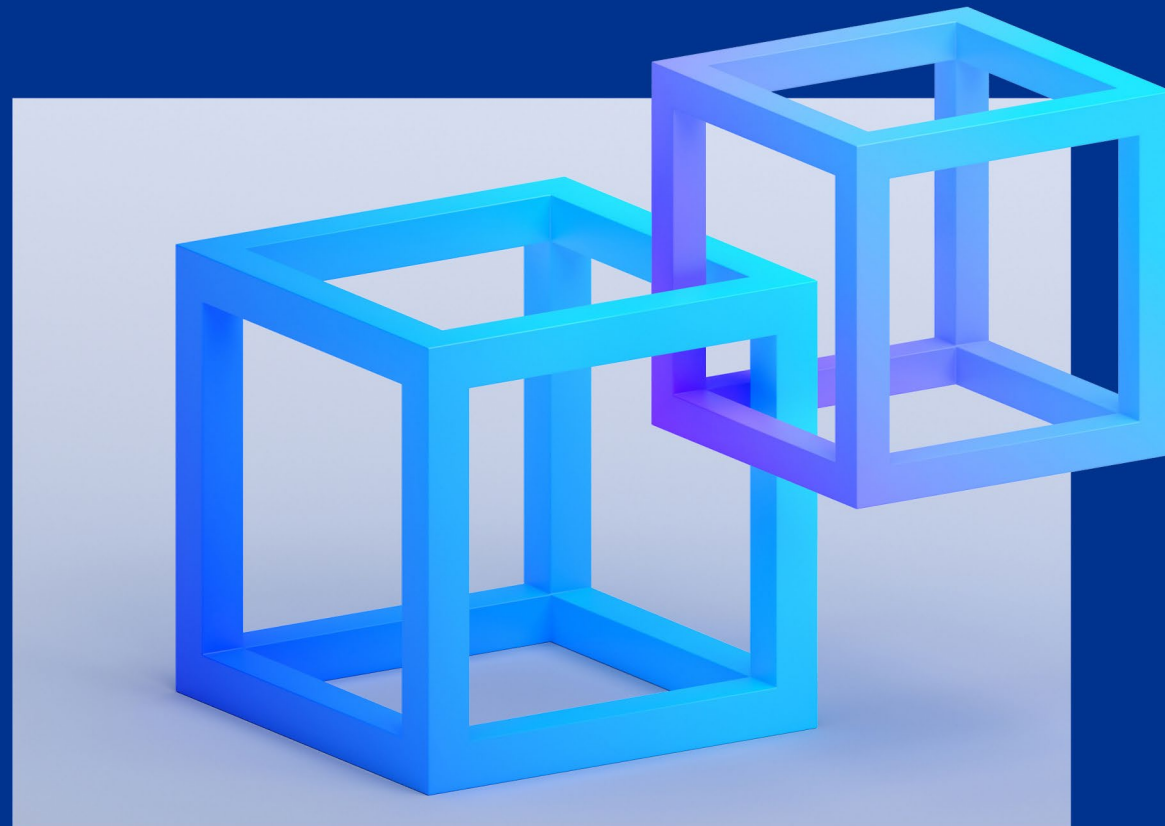
Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Hasina Shah, Interim Chief Accountant		
Version	Final		
Dated	25 June 2026		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER			
Officer Title		Comments Sought	Comments Included
Director of Law and Governance		N/A	N/A
Strategic Director, Resources		Yes	N/A
Executive Member		N/A	N/A
Date final report sent to Constitutional Team			25 June 2026

Southwark Council

Report to the Audit, Governance and Standards Committee

External audit plan and strategy for the year ending 31 March 2026

1 June 2026



Introduction

To the Audit , Governance and Standards Committee of Southwark Council

We are pleased to have the opportunity to meet with you on 1 June 2026 to discuss our audit of the financial statements of Southwark Council, as at and for the year ending 31 March 2026.

This report provides the Audit, Governance and Standards Committee with an opportunity to review our planned audit approach and scope for the 2025/26 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 Code of Audit Practice, auditing standards and other professional requirements.

This report outlines our risk assessment and planned audit approach. Our planning activities are still ongoing and we will communicate any significant changes to the planned audit approach 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, higher assessed and other audit risks	5
Audit Risks and our audit approach	6-14
Other significant matters related to our audit approach	15-16
Group Audit	17-18
Mandatory communications	19-20
Value For Money	21-23
Appendix	24

The engagement team

Fleur Nieboer, FCA, is the engagement partner. She has over 20 years of industry experience. Fleur will 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 seven years experience in the Local Government sector and over ten years of experience in public sector audit. He will be supported by Samarth Lakhera, ACCA with over 7 years of sector experience.

Yours sincerely,



Fleur Nieboer

1 June 2026

Restrictions on distribution

This report is intended solely for the information of those charged with governance of the Council 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.

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 :

- An audit is 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), 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). 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 expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as stability of legislation, lack of shareholders, size and complexity of the entity, lack of non-PWLB borrowing, 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 £22.1m / 65% of materiality driven by our expectations of increased level of undetected or uncorrected misstatements in the period. We also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons

Materiality excluding schools

Following the implementation of the revised ISA (UK) 600 we 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 17.

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

- Corrected and uncorrected audit misstatements above £1,705k.
- 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.

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	£34.1m 2% of total prior period expenses (2024/25: £32.5m 2% of total expenses)
Procedures designed to detect individual errors at this level	£22.1m 65% of materiality (2024/25: £21.1m)
Misstatements reported to the Audit, Governance and Standards Committee	1,705k (2024/25: £1,625k)

Council Materiality (excluding schools' expenditure)

£32.1m

2% 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:

- Kick-off meeting with management in April 2026 where we present our draft audit plan outlining our audit approach and discuss management's progress in key areas
- Audit, Governance and Standards Committee meeting in June 2026 where we present our final audit plan
- Status meetings with management on regular basis where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues
- Closing meeting with management in November 2026 where we discuss the auditor's report and any outstanding deliverables
- Audit, Governance and Standards Committee meeting in November 2026 where we communicate audit misstatements and significant control deficiencies
- Biannual private meetings can also be arranged with the Committee chair if there is interest.

Using the work of others and areas requiring specialised skill

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

Others	Extent of planned involvement or use of work
Internal Audit	We will review the work of internal audit as part of our risk assessment procedures but will not place reliance on their work.
KPMG Real Estate Valuation Centre of Excellence (REVCoE)	We will use KPMG valuation specialists to assess the work performed by the Council's valuer over the valuation of land and buildings.
IT Audit	We will use our IT Audit team to understand how the Council uses IT in financial reporting, and the key processes and governance in place over those IT systems.
Data & Analytics	We will use our data and analytics specialists to analyse the Council's journal entries. The specialists will implement the KPMG AI Transactional Scoring solution on the Council's non-pay expenditure and journal entries. Finally, the specialists will also produce a risk assessment dashboard showing key issues (if any) with the configuration of the Council's SAP system.
KPMG Pensions Centre of Excellence	We will use Pension Centre of Excellence Team to test accounting aspect of the defined benefit obligation.
KPMG Actuary Team	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 economic and political uncertainty there is an increased likelihood of significant financial statement audit 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.

Changes to our risk assessment year-on-year reflect the triennial valuation of the Council's pension schemes, changes to Code requirements for the valuation of land and buildings, and an emerging risk linked to the impairment of assets under construction in light of current economic conditions.

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 21.

Significant financial statement audit risks

1. Valuation of council dwellings
2. Management override of controls
3. Valuation of post retirement benefit obligations

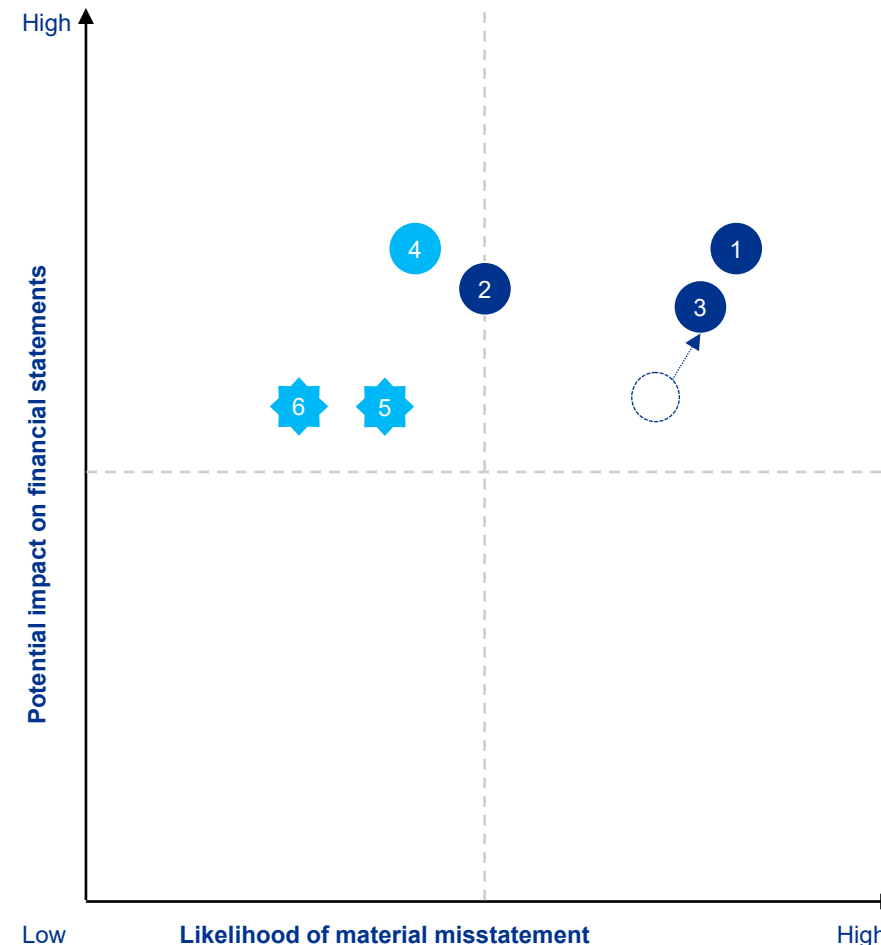
Higher assessed financial statement audit risks

4. Valuation of investment property
5. Valuation of land and buildings

Other financial statement audit risks

6. Impairment of assets under construction

- Key:
- # Significant financial statement audit risks
 - Change compared to prior year
 - # Higher assessed / other audit risk
 - # 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 council dwellings

Change vs prior year



Significant financial statement 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 31/3/25 was £3.5bn.

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 financial statement 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 2026;
- 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^(a)

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

Change vs prior year



Significant financial statement 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 financial statement audit risk. We will perform the following procedures:

- 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;
- 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;
- Where applicable, assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the normal course of business, or are otherwise unusual;
- Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments; and
- Identify journal entries and other adjustments with characteristics that indicate that they may be inappropriate or unauthorised and therefore may have been used to manipulate the financial statements (which we refer to as 'high-risk journals and other adjustments'), using AI Transaction Scoring and perform procedures to test the appropriateness of these entries and adjustments.

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

36

Audit risks and our audit approach (cont.)



3

Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation

Change vs prior year



**Significant
financial
statement
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.

The actuary will take account of the results of the new Triennial Valuation as at 31 March 2025 for accounting at 31 March 2026. This means re-basing their estimate models to allow for actual experience since 2022, which could result in corrections to the defined benefit obligation and asset valuations this year. It also updates the contributions payable, which could have an impact on the assessment of the asset ceiling applying to the Council.

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 following pension scheme memberships: Southwark Local Government Pension Scheme. We have not identified the risk in relation to the London Pension Fund Authority.

37

Audit risks and our audit approach (cont.)



3 Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation

Change vs prior year



We will perform the following procedures:

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

38

Audit risks and our audit approach (cont.)



4 Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value

Change vs prior year



Higher assessed financial statement audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. The Council's investment property portfolio of £307.5m (as at 31 March 2025) includes a number of commercial rent units, including a large real estate scheme near the Council's offices in London Bridge.

There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.



Planned response

We will perform the following procedures designed to specifically address the significant financial statement 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 investment property at 31 March 2026;
- We will inspect the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will challenge the appropriateness of the valuation; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will utilise our own valuation specialists to review the valuation report prepared by the Cluttons to confirm the appropriateness of the methodology 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



5

Valuation of land and buildings (other than dwellings)

The carrying amount of revalued Land & Buildings differs materially from the fair value



Higher assessed financial statement audit risk

The Code of Practice on Local Authority Accounting in the UK 2025/26 ('the Code') has introduced changes to asset revaluation. The Code requires revaluations for each class of PPE are undertaken using one of the following:

- A quinquennial revaluation, supplemented by annual indexation in intervening years.
- A rolling programme of revaluations over a five-year cycle, with annual indexation applied to assets during the intervening four years.

The Council has adopted a quinquennial revaluation, supplemented by annual indexation in intervening years. In this year the council has revalued all assets as year one of its quinquennial revaluation programme.

As all assets within this category have been revalued in the year as part of year one of the quinquennial programme, the population and quantum of assets subject to valuation have increased significantly. As valuation is inherently judgemental, the increased scale heightens the risk that inappropriate assumptions or errors in application could result in a material misstatement.



Planned response

We will perform the following procedures designed to specifically address the significant financial statement audit risk associated with the valuation:

- Critically assess the independence, objectivity and expertise of Cluttons, the valuers used in developing the valuation of the Council's properties at 31 March 2026;
- Inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- Compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- Challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations;
- Challenge key assumptions such as adjustment for functional or technological obsolescence (specialised assets) and capitalisation rate/yield (non-specialised assets) within the valuation as part of our judgement;
- Agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code; and
- Disclosures: 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.)



6

Impairment of assets under construction

Risk of error arising from non-identification or incorrect measurement of impairment indicators.



Other financial statement audit risk

Assets under construction are carried at cost in accordance with the CIPFA Code and are not depreciated until they are available for use. However, such assets remain subject to annual impairment review under IAS 36, as adapted by CIPFA code.

Given the size and complexity of the council's capital programme, there is a risk that indicators of impairment affecting assets under construction are not identified on a timely basis, or that impairment losses are not appropriately measured or recognised.

Where impairment indicators exist, there is a risk that the carrying value of assets under construction exceeds their recoverable amount or service potential, resulting in an overstatement of property, plant and equipment and capital expenditure.

In the year, impairment indicators have been identified on certain assets under construction, including where a third-party developer has withdrawn from future phases of a project. These circumstances increase uncertainty over future delivery and economic or service potential.

The judgement involved in identifying impairment indicators, assessing recoverable amounts and measuring any impairment loss gives rise to an increased risk of error and material misstatement.



Planned response

We will perform the following procedures:

- Obtain and review the capital programme and asset under construction listings, and reconcile these to the general ledger;
- Perform inquiries of relevant officers (finance, capital programme and service leads) to understand the status of major schemes, including delays, changes in scope, funding pressures or decisions to pause or abandon projects;
- For assets where impairment indicators are identified, evaluate the methodology and assumptions used by management to measure any impairment loss;
- Test the accuracy and completeness of any impairment adjustments recognised in the financial statements; and
- Consider the adequacy of disclosures relating to assets under construction, impairment judgements and estimation uncertainty in accordance with the CIPFA Code.

41

Audit risks and our audit approach



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
Council tax	This is the income received from local residents paid in accordance with an annual bill based on the banding of the property concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of properties in the area and the fixed price that is approved annually based on a band D property: it is highly unlikely for there to be a material error in the population.
Business rates	Revenue received from local businesses paid in accordance with an annual demand based on the rateable value of the business concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of businesses in the area and the fixed amount that is approved annually: it is highly unlikely for there to be a material error in the population.
Fees, charges and other service income	Revenue recognised from receipt of fixed fee services, in line with the fees and charges schedules agreed and approved annually.	The income stream represents high volume, low value sales, with simple recognition. Fees and charges values are agreed annually. We do not deem there to be any incentive or opportunity to manipulate the income.
Government grants and contributions	Predictable income receipted primarily from central government, including for housing benefits.	Grant income at council 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



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.

Matter considered	Detail of findings	Conclusion
Medium-term financial strategy	The Council has an ample general fund reserve balance at 31 March 2025 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 material use of unearmarked general reserves and has an immaterial 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. 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. 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.	We have rebutted the presumed significant financial statement audit risk of fraud in relation to expenditure recognition.
Capital programme	The Council is, according to its general fund capital programme presented to Cabinet in December 2025, forecasting a balanced programme by end of 2034. An underspend is forecast for 2025/26, on account of re-profiling the spend across the environment, neighbourhoods & growth programme. Whilst the underspend may yield an opportunity to fraudulently capitalise costs and reduce expenditure during 2025/26, the lack of financial pressure during the financial year and the longer-term balanced position for the capital programme suggests this is unlikely. 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.	
Minimum Revenue Provision	We have considered the Council's Minimum Revenue Provision (MRP) policy for potential indicators of manipulation to either over or understate the general fund revenue outturn. Our analysis of historic MRP charges and the 2025/26 policy found it to be in line with our understanding of the legislative requirements, and we have seen no indication of an aggressive MRP policy being in place.	

Other significant matters related to our audit approach



Impacts of climate risk and climate change disclosures

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

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

Going concern

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

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

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.

Other significant matters related to our audit approach



Disclosure of significant estimates and judgements

We have included here the disclosures of significant estimates and judgements from the prior year annual report which required improvement (as reported in our Audit, Governance and Standards Committee report dated 22 December 2025).

Estimates and judgements	Balance 24/25 £m	Further comments
Land and Buildings - Non-Specialised	1,169	We noted that the Council should have provided greater detail on specific assumptions which contained the highest degree of estimation uncertainty and sensitising those assumptions. These disclosures were subsequently added to the financial statements.
Investment Properties	303	We noted that the estimate was not disclosed as a key source of estimation uncertainty which was inconsistent with the judgement involved in determining the valuation.

Group audit

Overview of the work to be performed at components

2024/25 Results

£1.5bn



Consolidated revenues

↑ 1.3% vs 2023/24

£6.2bn



Consolidated assets

↓ 0.9% vs 2023/24

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

 KPMG group auditor
  KPMG component auditor
  Other component auditor



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.

Significant financial statement audit 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
Higher assessed financial statement audit risks				
Valuation of investment property				See page 10
Valuation of land and buildings				See page 11
Other financial statement audit risks				
Other financial statement audit risks to the group financial statements				

47

Mandatory communications – additional reporting



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



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



We have identified issues that we may need to report



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

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

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

Mandatory communications



Type	Statements
Management's responsibilities (and, where appropriate, those charged with governance)	Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error. 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.
Auditor's responsibilities	Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
Auditor's responsibilities – Fraud	This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.
Auditor's responsibilities – Other information	Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.
Independence	Our independence confirmation at page 28 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.

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 value for money 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.

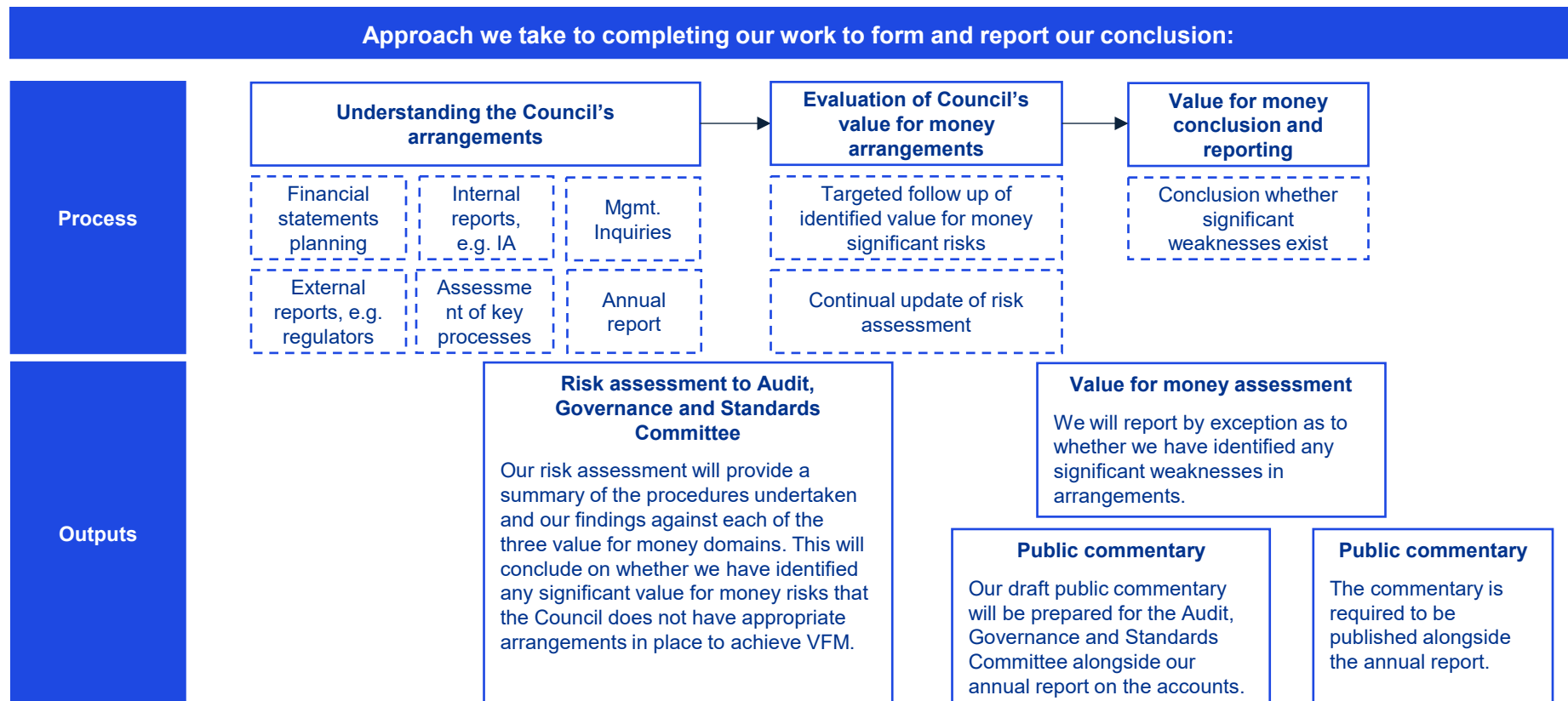
Governance

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.

Value for money



Appendix

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.



Surabhi is the in-charge responsible for our audit. She will be responsible for day to day project management and our on-site fieldwork.



Kashif is the senior auditor responsible for our audit. He will be supporting Surabhi and will complete work on complex sections 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 third year as your engagement lead. She is required to rotate every five years, extendable to seven with PSAA approval.

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.

	2026									2027			
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													
Value for Money risk assessment													
Value for Money significant risk fieldwork (if required)													

* 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 2026. The fees quoted are exclusive of VAT.

	2025/26	2024/25
Financial statements	607,557	591,009
Fee variations*	TBC	9,002
Total agreed fees	607,557	600,011
Non-audit fees		
• Teachers' Pension Scheme return	TBC**	6,300
• Pooling of Housing Capital Receipts return	TBC**	7,230
• Housing Benefit Subsidy return	TBC**	42,450
Total KPMG fees	TBC	655,991

The scale fee for our audit of the pension fund is £89,400.

* Fee variations in 2024/25 in relation to significant value for money risks and new accounting and auditing standards have been determined by PSAA. Fee variations in relation to objections will be quantified and agreed once objections relating to 2024/25 have been determined.

We note we are expecting fee variations for the following areas in 2025/26 and will advise of the level as work progresses:

- LGPS Triennial valuation (we will be in a position to provide an estimate once this has been considered further.

Fee variations are subject to PSAA approval.

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.

** Fees for the non-audit services for the coming cycle are to be agreed with the Council.

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 2026	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	- The work is performed by a separate engagement team to the audit team, and the work is not relied on within the audit file. - Our work does not involve judgement and are statements of fact based on agreed upon procedures.	Fixed	42,450	TBC
	Agreed upon procedures in relation to the teachers pension scheme return.	Self review Management	- The work is performed by a separate engagement team to the audit team, and the work is not relied on within the audit file. - Our work does not involve judgement and are statements of fact based on agreed upon procedures.	Fixed	6,300	TBC
	Agreed upon procedures in relation to the pooling of housing capital receipts return.	Self review Management	- The work is performed by a separate engagement team to the audit team, and the work is not relied on within the audit file. - Our work does not involve judgement and are statements of fact based on agreed upon procedures.	Fixed	7,230	TBC

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

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:

	2025/26 (to date)	2024/25
	£'000s	£'000s
Audit of Council	607	600
Audit of Pension Fund	89	86
Total audit fees	696	686
Other assurance services	TBC*	56
Total non-audit services	TBC*	56
Total KPMG fees	TBC*	742

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

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, Governance and Standards 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

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

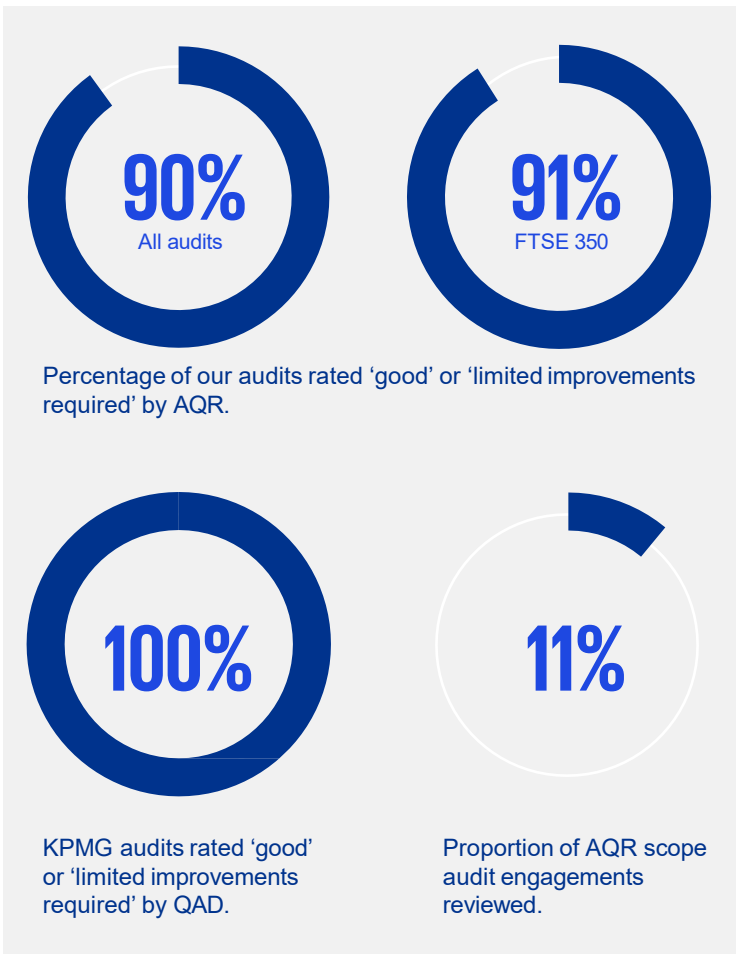
■ Clear standards & robust audit tools

- 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

2025 AQR results



The FRC published reports on the findings of AQR and QAD 2023/24 inspection of KPMG and the other tier 1 firms (which largely covered years ending between August 2023 and March 2024) on 15 July 2025

Key findings	Our response	Good practice identified
Estimates “Improve the quality and consistency of the audit of estimates in the valuation of investments and provisions.”	A targeted programme to support engagements which have estimates with certain characteristics has been initiated. Alongside this, we continue to invest in our training and culture programmes to reinforce the behaviours expected, including consistent application of a critical thinking mindset and the extent of evidence expected.	At an engagement level areas of good practices were identified including: • Risk assessment and planning including bribery & corruption, climate and provisions; • Audit of provisions; • Audit of impairment • Use of specialists; • Group audit oversight; and • Stand-back assessment.
Consolidation and other journals “Improve the quality of the audit of consolidation and other journals.”	Enhanced guidance and continuation of a centrally led process designed to challenge the journals approach at an engagement level, together with additional targeted training are helping us to reduce the recurrence of findings in this area.	Good practices were identified in various areas at the firm level including identification of SOQM deficiencies, component auditors compliance with the ethical standards, the continued roll out of the Ethics Programme and the development and use of new technology.

The Audit Quality Review (AQR) team of the Financial Reporting Council (FRC) undertakes independent inspections of the overall quality of the audit work of those UK audit firms that audit listed and other major public interest entities. The AQR inspections involve a number of file reviews at each firm visited. The result of these file reviews are summarised into three main categories as follows:

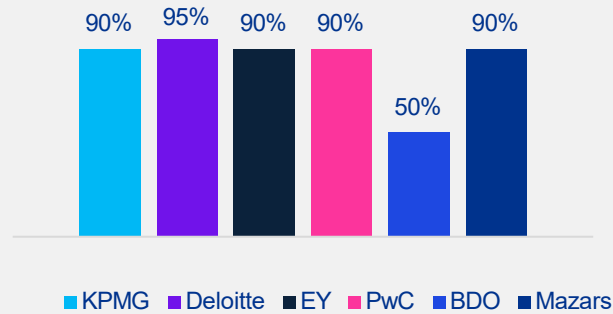
- Good or limited improvements required;
- Improvements required;
- Significant improvements required

KPMG LLP
Audit Quality Inspection and Supervision
July 2025

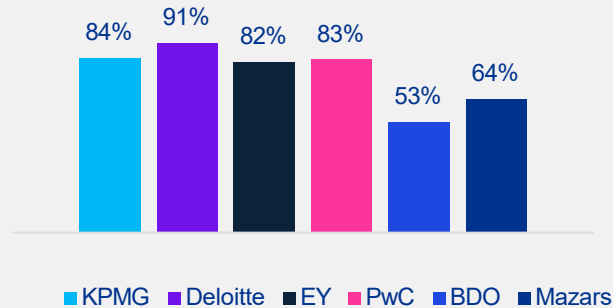
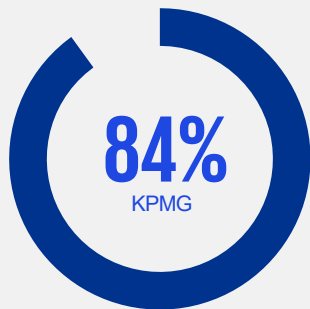
2025 AQR results (cont.)

Percentage of all audits reviewed graded Good/Limited improvements required.

2024/25



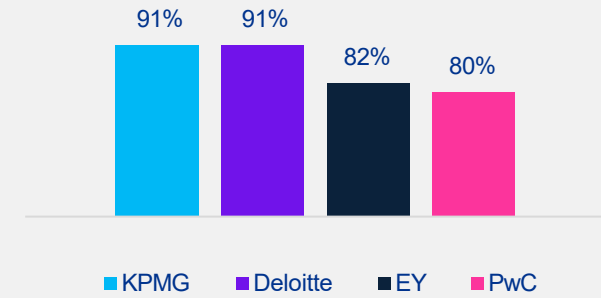
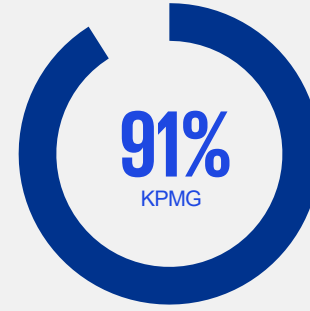
3-year average



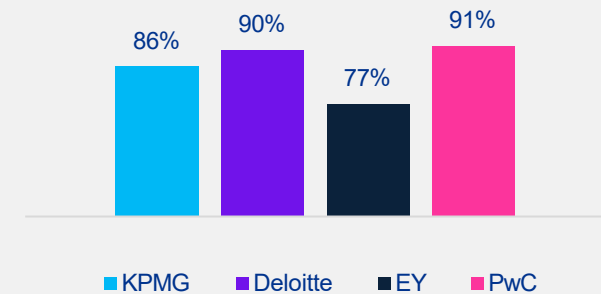
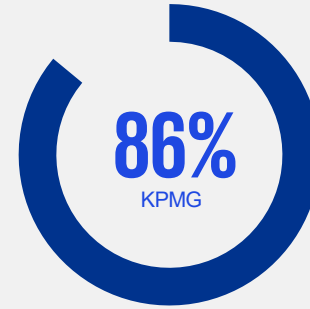
Percentage of all FTSE 350 audits reviewed graded Good/Limited improvements required.

Not disclosed for BDO and Mazars

2024/25



3-year average



AI Transaction Scoring: FY26 Planned Audit Approach



What are we doing?

Our audit approach in FY25 evolved beyond D&A to include **AI and advanced statistical techniques in our audit of operating expenses**. For FY26 we have **further expanded** this to support our **audit of the significant risk relating to management override of controls**.

Operating expenses

- Providing **greater assurance** over the accounts, with **greater insights** and **targeted testing**.
- An ensemble of 11 algorithms designed to collectively provide cumulative audit evidence and identify potentially anomalous transactions (labelled Medium and High), subject to further substantive testing.

High-risk journals

- Enables an automated analysis of the entire general ledger identifying those journal entries that are entries posted outside the normal course of your business.
- An ensemble of 7 algorithms to identify journals or adjustments that **collectively indicate an increased risk of management override of controls** in the context of your entity's data (labelled as High). **These journals are tested to underlying supporting documentation.**

63

Segment	Gross activity	Net activity	Total entries	% of £ value in High risk	% of £ value in Med. risk	% of £ value in Low risk	High risk entries	Med. risk entries	Low risk entries
▼ Revenue									
RMM 115.2.02 Stream 2 ①	£264,080,502.22	£260,504,948.08	27,936	0%	0.5%	99.5%	0	35	27,901
RMM 115.2.02 Stream 1 ①	£47,208,414.75	£37,139,025.31	261,371	0%	29.6%	70.4%	0	322	261,049
▼ HRJE									
HRJE Risk Score	£1,000,467,395,513,6...	£77,164,576.06	1,293,847	45.5%	-	54.5%	8	-	1,293,839



kpmg.com/uk

© 2026 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Public

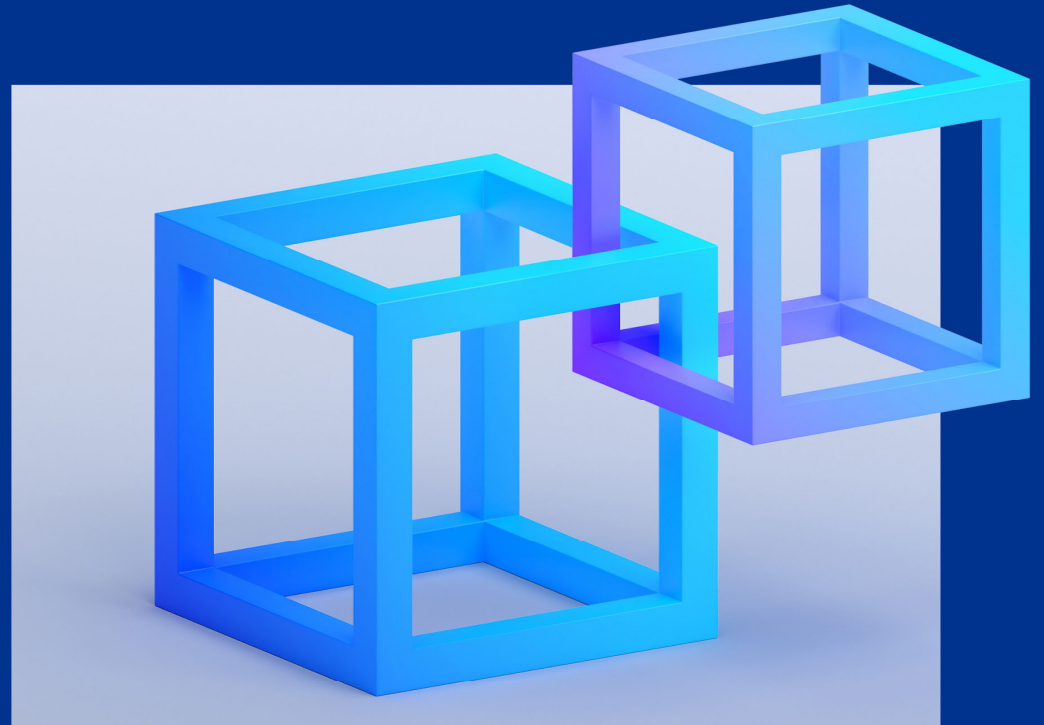


Southwark Pension Fund

Report to Audit, Governance & Standards Committee

External Audit plan and strategy for the year ending 31 March 2026

1 June 2026



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 2026.

This report provides the Audit, Governance & Standards Committee with an opportunity to review our planned audit approach and scope for the 2025/26 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 Code of Audit Practice, auditing standards and other professional requirements.

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
Mandatory communications	13
Appendices	15

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, an engagement senior manager with eight years of experience

Yours sincerely,



Fleur Nieboer

Engagement Partner

1 June 2026

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.

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 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) 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.cutler@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 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 £22.6m / 75% of materiality (PY: £22.6m / 75% 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.

Due to the nature of the transactions and balances in the financial statements, we anticipate that we will adopt a wholly substantive approach.

Materiality

Pension Fund	
Materiality for the financial statements as a whole	£22.6m (PY: £22.6m) 1% of total assets
Procedure designed to detect individual errors at this level	£16.9m (PY: £16.9m)
Misstatements reported to the Audit, Governance & Standards Committee	£1.1m (PY: £1.1m)

Materiality has been calculated based on 31 March 2025 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 Senior Manager throughout the audit. We set out below the form, timing and general content of our planned communications:
- Kick-off meeting with management in April 2026 where we present our draft audit plan outlining our audit approach and discuss management's progress in key areas.
- Audit, Governance & Standards Committee meeting in June 2026 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 November 2026 where we discuss the auditor's report and any outstanding deliverables
- Audit, Governance & Standards Committee meeting in November 2026 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
Internal Audit	We will review the work of internal audit as part of our risk assessment procedures but will not place reliance on their work.
IT Audit	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.
iRADAR	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.
Real estate valuation specialist	KPMG will engage a real estate valuation 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.
Data & Analytics	We will use our data and analytics specialists to analyse the Pension Fund's journal entries and produce dashboards to help us identify high risk journal entries to test.
Actuarial specialist	We will engage actuarial specialists as part of the audit team to challenge the disclosure of the actuarial position of the Pension Fund.



Significant risks and other audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, historic 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.

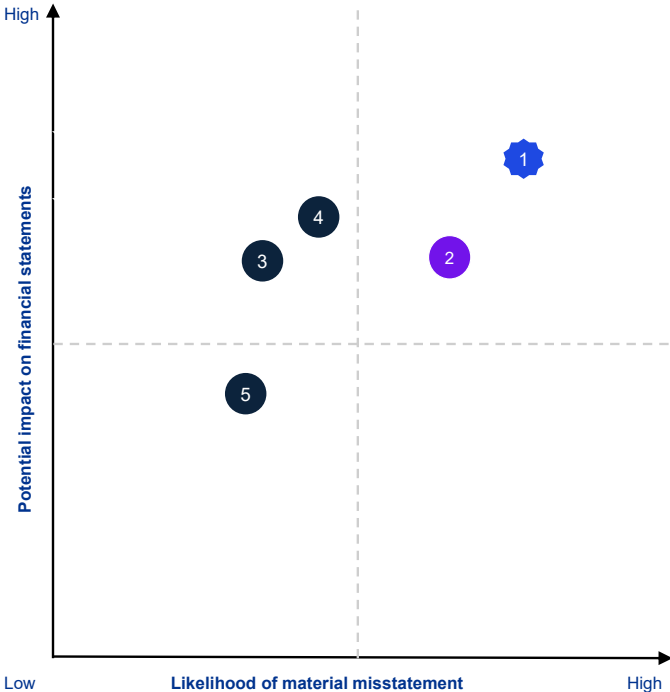
Due to the current levels of economic uncertainty, there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate 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
- 5 Contributions into the Fund are not completely identified and recorded, do not exist or are not in compliance with the Regulations and the Fund's Rates and Adjustments Schedule.



KEY

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

Audit risks and our audit approach



1 Management override of controls^(a)

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 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 bias by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluate the selection and application of accounting policies.
- 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 any significant transactions that are outside the entities normal course of business or are otherwise unusual.
- Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- Assess the completeness of the population of journal entries.
- Identify journal entries and other adjustments with characteristics that indicate that they may be inappropriate or unauthorised and therefore may have been used to manipulate the financial statements (which we refer to as 'high-risk journals and other adjustments'), using KPMG Clara Journal Entry Analysis and perform procedures to test the appropriateness of any such entries and adjustments.

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



© 2026 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

6

Audit risks and our audit approach



2

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

Change vs prior year



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.
- There is an inherent risks of material misstatement relating to fair values of directly held property, due to the value of the balance (c£248.3m as at 31 March 2025) and assumptions used to value the property portfolio, 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.
- 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 (Knight Frank) as at 31 March 2026 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.
- We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

71

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 properties and unitised insurance policies 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.

Assets	Proportion (31 March 2025)
Level 1	11%
Level 2	60%
Level 3	29%



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 inspecting their internal controls reports to identify any control deficiencies that would impact our audit approach (where available).
- We will obtain direct confirmations from custodian and all investment managers to vouch the holdings 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. We will investigate any material deviations.

72

Audit risks and our audit approach (cont.)



73

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

Change vs prior year



Other audit risk

- Investments are held to pay benefits of the Fund. They are largely held as segregated investments, pooled investment vehicles 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.

Assets	Proportion (31 March 2025)
Level 1	11%
Level 2	60%
Level 3	29%



Planned response

As part of our audit procedures, we will obtain an understanding of the valuation processes for Level 1, Level 2 and other Level 3 investments, including the relevant control environments at custodians and investment managers through review of internal controls reports (where available), and will obtain direct confirmations from custodians and investment managers to corroborate asset valuations at year end. 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 iRADAR specialist (KPMG valuation's team) 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.

Audit risks and our audit approach (cont.)

4

Valuation of Level 1, 2 and other Level 3 investments is misstated (Cont.)

Change vs prior year



Other audit risk

- Investments are held to pay benefits of the Fund. They are largely held as segregated investments, pooled investment vehicles 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.

Assets	Proportion (31 March 2025)
Level 1	11%
Level 2	60%
Level 3	29%



Planned response

- 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.)

5

Contributions into the Fund are not completely identified and recorded, do not exist or are not in compliance with the Regulations and the Fund's Rates and Adjustments Schedule

Change vs prior year



Other audit risk

- Contributions into the Fund are not completely identified and recorded, do not exist or are not in compliance with the Regulations and the Fund's Rates and Adjustments Schedule due to the volume of admitted bodies and scheduled bodies.
- 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 recognized. Amounts involved cannot easily be manipulated through accounting policies, issue of credit notes, timing or other policies. There is little incentive for 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.



Planned response

As part of our audit procedures, we will gain an understanding of the processes over the contribution payment arrangements between the admitted and scheduled bodies and administering authority, and also the effectiveness of the Fund's contribution monitoring arrangements.

As part of risk assessment procedures, we will carry out re-performance checks for a selection of members on normal employee and employer contributions by reference to their pensionable salary and rates at the administering authority.

Our audit procedures over contributions will include:

- We will inspect whether contributions from the administering authority and a selection of other bodies are received into the Fund on a timely basis in accordance with the Regulations and the Fund's rates and adjustments schedule by vouching contributions received to employer returns and to bank statements;
- We will develop an expectation of the normal employer and employee contributions receivable in the year reflecting changes in active members in the year, increases in pensionable salary and any changes in the contributions rates in the year and compare these to actual employer and employee contributions received in the year; and
- We will inspect that there are 12 months of receipts in the year.

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 recognised 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.

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:

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:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date.
Issue a consistency opinion on the pension fund annual report		We will read the contents of the Annual Report and consider whether there is a material inconsistency between the information included in the annual report and the financial statements, or with our knowledge obtained in the audit.
Certify the audit as complete		We are required to certify the audit of the administering authority 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
Management's responsibilities (and, where appropriate, those charged with governance)	Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error. 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.
Auditor's responsibilities	Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
Auditor's responsibilities – Fraud	This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.
Auditor's responsibilities – Other information	Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.
Independence	Our independence confirmation at page 19 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.

Appendices

A	Audit team	16
B	Fees	17
C	Audit timetable	18
D	Confirmation of independence	19
E	KPMG's audit quality framework	21

Audit team and rotation

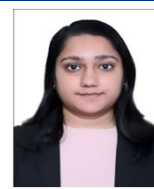
Your audit team has been drawn from our Public Sector and Pensions Centre of Excellence and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit partner and firm.



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 senior 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.



Kirti Kaushal is the in-charge responsible for our audit for the second year. She will be responsible for the fieldwork. She will complete work on more complex section of the audit along with the other team members.

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 third year as your engagement lead. She can therefore complete a further two years before rotation.

Appendix B

Fees

Audit fee

Our proposed fees for the year ending 31 March 2026 under PSAA arrangement

Pension Fund	2025/26 (£'000)	2024/25 (£'000)
Financial statements	89	86
Agreed fee variations - Overruns	-	-
TOTAL	89	86

We note we are expecting fee variations for the following areas in 2025/26 and will advise of the level as work progresses:

- LGPS triennial valuation (we will be able to provide an estimate once this has been considered further). For the IAS 26 disclosures on liabilities, we may need to test the whole-Fund experience item. Additionally, we perform more detailed procedures to verify the completeness and accuracy of the data supplied to the actuary, including membership information. We will also assess the narrative disclosure updated required as a result of the new funding valuation.

Fee variations are subject to PSAA approval.

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 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.

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

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.

	2026									2027			
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 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 2026 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.

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.

Summary of fees

We have considered the fees charged by us to the Pension Fund for professional services provided by us during the reporting period.

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0:1.

	2025/26 (£'000)
Scale fees	89
Other assurance services	-
Non – audit services	-
TOTAL FEES	89

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



kpmg.com/uk

© 2026 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

Meeting Name:	Audit, governance and standards committee
Date:	13 July 2026
Report title:	Internal audit progress report July 2026
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Strategic Director of Resources

RECOMMENDATION

1. That the audit, governance and standards committee note the update reports, as attached at Appendix A, including appendices 1, 2 and 3.

BACKGROUND INFORMATION

2. This report informs the Audit, Governance and Standards Committee of the work undertaken and the results of audits to date on the 2025/26 internal audit plan, as approved by the committee on 3 February 2025.
3. This is the final progress report from BDO as the council's internal auditors. Future reporting will be provided by Paul Rock as the council's new Head of Internal Audit.

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 July 2026
Appendix 2	Internal audit progress report: Follow up status details
Appendix 3	Internal audit: Schools annual summary report

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Aaron Winter, Angela Mason-Bell, BDO		
Version	Final		
Dated	2 July 2026		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER			
Officer Title		Comments sought	Comments included
Director of Law and Governance		No	N/A
Strategic Director of Resources		No	N/A
Executive Member		No	No
Date final report sent to Constitutional Team			2 July 2026

London Borough of Southwark

Internal Audit Progress Report

For presentation to the Audit, Governance and
Standards Committee 13 July 2026

CONTENTS

1. SUMMARY OF WORK	2
2. REVIEW OF 2025/26 WORK.....	4
3. EXECUTIVE SUMMARIES	7
APPENDIX 1	26
APPENDIX 2 - SUPPLEMENTARY FOLLOW UP REPORT (see separate document)	
APPENDIX 3 - ANNUAL SCHOOLS SUMMARY REPORT 2025/26 (see separate document)	

1. Summary of work

Internal Audit

This report informs the Audit, Governance and Standards Committee of the work undertaken and the results of audits to date on the 2025/26 internal audit plan, as approved by the Committee on 3 February 2025.

This is the final progress report from BDO as the Council's internal auditors. Future reporting will be provided by Paul Rock as the Council's new Head of Internal Audit.

The report summarises our work and provides our assessment of the systems reviewed and the recommendations we have raised.

Our work complies with Global Internal Audit Standards in the UK Public Sector.

As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment.

Our approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.



Internal Audit methodology

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in Appendix 1 of this report and are based on us giving either 'substantial', 'moderate', 'limited' or 'no' opinion.

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.

Internal Audit plan 2025/26

All work relating to 2025/26 has been completed and reports issued. Whether the report is in draft or has been issued in final 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.

Follow up of recommendations

Of the 313 high and medium recommendations relating to 2022/23 to 2025/26 that have fallen due as of 30 April 2026, we have been able to confirm with reference to evidence that 311 have been fully implemented or superseded. This result represents an overall implementation rate of 99.4%. All recommendations relating to 2022/23, 2023/24 and 2024/25 have now been implemented.

Details on the two recommendations not yet implemented in full are included in Appendix 2 to this report.

Internal Audit schools programme 2025/26

The schools below were agreed with the Children Services Leadership Team and have been subject to a cyclical audit this year. All reports have been issued and the status of each school is as follows:

School	Status
Albion Primary School	Final Report
Beormund Primary School	Final Report
Cherry Garden School	Final Report
Dulwich Wood Nursery School	Draft Report issued 16 June 2026
Dulwich Village Church of England Infants' School	Final Report
English Martyrs' Catholic Primary School	Draft Report issued 18 June 2026
Ilderton Primary School	Final Report
Kintore Way Nursery School and Children's Centre	Updated Draft Report 19 June 2026
Phoenix Primary School	Draft Report issued 19 June 2026
St James The Great Roman Catholic Primary School	Final Report
St Saviour's and St Olave's Church of England School (follow up)	Final Report

The following schools were identified for inclusion in the thematic review of pension arrangements, for which the final report was issued in April 2026.

- Dulwich Wood Primary School
- Friars Primary School
- Haymerle School
- Riverside Primary School
- The Grove Nursey School
- Tuke School
- Victory School

The results of all school audits, including the pensions thematic review, are covered in our annual Schools Summary Report 2025/26 - see Appendix 3.

Non internal audit plan work completed since the last meeting

Transparency Reporting - we continued to provide monthly support and challenge to the Council in meeting its obligations for reporting of expenditure under the Local Government Transparency Code 2015. This role ended in April 2026.

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

2. Review of 2025/26 work

The table below summarises the status of the audits relating to the 2025/26 internal audit plan. For those reports finalised since the last meeting of the Committee, the executive summaries are included in section three of this report.

AUDIT	DIRECTOR / SPONSOR	REPORT STATUS	DESIGN	EFFECTIVENESS
Children and Adult Services / Integrated Health and Care				
Adopt London Partnership	Director, Children and Families	Final - previously reported	S	S
Hospital Discharges	Director, Adult Social Care	Final Report	M	M
Nursing and Residential Care	Director, Adult Social Care	Final Report	M	L
Public Health - 0 to 19	Director, Public Health	Final - previously reported	M	M
School Admissions	Director, Children and Families	Final Report	M	M
Short Breaks and Respite Care	Director, Adult Social Care	Final Report	M	M
Summerhouse	Director, Children and Families	Draft Report	N/A	N/A
Teachers Pensions Service	Director, Children and Families	Final - previously reported	N/A	N/A
Travel Assistance	Director, Children and Families	Draft Report	M	M
Waiting Lists - Older People and Physical Disabilities	Director, Adult Social Care	Final Report	M	L
Environment, Leisure and Sustainability				
CCTV	Acting Director, Climate Change and Environment	Draft Report	M	M
Commercial Waste	Acting Director, Climate Change and Environment	Final Report	M	S
Culture and Events	Director, Leisure	Draft Report	M	S
Estates Lighting	Acting Director, Climate Change and Environment	Draft Report	L	L
Health and Safety Enforcement	Acting Director, Climate Change and Environment	Final - previously reported	S	S
Street Lighting and Signs	Acting Director, Climate Change and Environment	Final - previously reported	M	L
South Dock Marina	Director, Leisure	Draft Report	M	M

AUDIT	DIRECTOR / SPONSOR	REPORT STATUS	DESIGN	EFFECTIVENESS
Housing				
Asset Management Systems	Director, Repairs and Maintenance	Draft Report	M	L
Building Safety	Director, Landlord Services	Draft Report	L	L
Commercial Properties - Garages	Director, Landlord Services	Final Report	M	M
Temporary Accommodation	Director, Housing Needs and Support	Final Report	M	M
TMO - D'Eynsford	Director, Landlord Services	Final Report	M	S
TMO - Leathermarket Joint Management Board	Director, Landlord Services	Draft Report	S	M
TMO - Webber and Quentin	Director, Landlord Services	Final Report	M	S
People and Organisational Development				
Corporate Facilities Management	Director, People and Organisational Development	Final - previously reported	M	M
Payroll	Director, People and Organisational Development	Draft Report	M	L
Resources				
Capital Expenditure Management	Director, Corporate Finance	Final Report	M	M
Key Financial Systems	Director, Customer and Exchequer Services	Final Report	S	M
IT - Application - Mosaic	Chief Digital and Technology Officer	Final Report	M	L
IT - Back Up and Restoration	Chief Digital and Technology Officer	Final - previously reported	L	M
IT - Cyber Security-Vulnerabilities Management	Chief Digital and Technology Officer	Final Report	S	M
IT - Major Incident Response / Business Continuity	Chief Digital and Technology Officer	Final Report	S	S
Pensions Administration	Head of Pensions Operations	Final Report	M	M
Procurement	Interim Director, Commercial Partnerships and Investments	Final Report	S	M
Strategy and Communities				
Communications and Media	Director, Communications	Final - previously reported	N/A	N/A

AUDIT	DIRECTOR / SPONSOR	REPORT STATUS	DESIGN	EFFECTIVENESS
Change Management / Future Southwark	Assistant Director, Change	Final Report	M	M
Voluntary Sector Grants	Director, Communications	Final Report	M	M

3. Executive summaries

CAPITAL EXPENDITURE MANAGEMENT: USE OF S106 AND CIL FUNDS

Design Opinion	 Moderate	Effectiveness Opinion	 Moderate
Recommendations	 0	 3	 1



PURPOSE

- ▶ To provide assurance on the financial management of the Council's capital programme. The audit specifically covered the process for allocating, spending and monitoring the use of S106 and CIL funds. We focussed on how this spend was guided by the Section 106 and CIL Supplementary Planning Document.



AREAS OF STRENGTH

- ▶ As outlined in the SCIL fund Allocation process document presented to Cabinet in March 2024, 50% of SCIL funds are set aside for Southwark's contribution to the Bakerloo line extension. We confirmed that other allocations were aligned to the Southwark 2030 Strategy's guiding principles of reducing inequality, empowering people, and investing in prevention. Projects followed the requirements for a distinct site, scope and output, a clear budget, delivery route and timetable.
- ▶ Through our sample testing, we confirmed in all cases that the appropriate approval processes were followed.
- ▶ The day-to-day monitoring of capital schemes occurs at departmental project manager level. Regular (at least monthly) internal financial monitoring is undertaken by financial departmental leads for each service. The financial departmental leads are Divisional Accountants and Senior Finance Managers, whose work is overseen by Assistant Directors of Finance. The Divisional accountant produces a monitoring report which contains the financials of all projects and a commentary on status.
- ▶ Formal forecast reporting to Cabinet was submitted from departmental financial leads to the Corporate centre at Month 4, Month 6 and outturn. These forecasts were based on the latest updates from the day to day project manager monitoring and the monthly internal monitoring by financial departmental leads.
- ▶ The funding of s106 and CIL for each scheme changes frequently throughout the year and we confirmed that as in previous years figures were finalised at year end.
- ▶ We reviewed a copy of the 2024/25 IFS published by the Council in December 2025 and confirmed that the document had met the three key reporting requirements set out in the 'Community Infrastructure Levy Regulations 2010': reports relating to the previous financial year (2024/25) for CIL and S106 and a report on the infrastructure projects or types of infrastructure that the Council intends to fund wholly or partly by the CIL. The reports were published in accordance with the required deadlines, and we were advised by the Team Leader - CIL & s106 that the 2025/26 IFS is on track to be completed and published by December 2026.



AREAS OF CONCERN

- ▶ While regular departmental monitoring of projects and their spending status was undertaken, the reporting to the Team Leader of CIL & s106 and the Capital Finance Manager was not routine. New processes are being implemented for 2026/27.
- ▶ No formal guidance was in place for relevant department and finance staff regarding the management of S106 and CIL funds following the approval and commencement of an individual project.
- ▶ Lessons learned opportunities were not being captured following the completion of s106 and CIL funded projects.

CHANGE MANAGEMENT / FUTURE SOUTHWARK

Design Opinion	 Moderate	Effectiveness Opinion	 Moderate

Recommendations	 0	 3	 0



PURPOSE

- ▶ To provide assurance around the governance and delivery of Future Southwark, including benefits realisation.



AREAS OF STRENGTH

- ▶ The Future Southwark governance framework has been in place since 1 April 2025 supporting Phase II of the Council's transformation and efficiency programme. We confirmed that a strong governance framework was in place. This included the Corporate Transformation & Efficiencies Board (CTEB), the Director Champions Group, the Corporate Real Estate Oversight Group and the Programme Management Office (PMO). All were chaired by members of the Corporate Management Team, with approved terms of reference and comprised of members with appropriate seniority spanning the Council's directorates and corporate functions. We confirmed that meetings were being held in line with the frequency stipulated in the ToRs, were well attended and minutes evidenced robust discussion.
- ▶ We confirmed that there was a comprehensive, documented and resourced change management programme plan with measurable milestones for the Future Southwark Phase II workstreams. There is a senior responsible officer for delivery of each sub-workstream and its outcomes, accountable to the CTeb.
- ▶ A comprehensive Communications and Engagement Strategy was implemented for Phase I including a People Power Plan, internal communications and engagement activities with stakeholders and staff. For Phase II this was expanded to include senior leadership sponsorship and ownership of the programme and sub-workstreams, PMO programme oversight providing structured coordination, monitoring of delivery issues, risk and escalation routes.



AREAS OF CONCERN

- ▶ While the PMO had implemented a structured risk management process with reporting to the CTeb every two months, there was no consolidated, programme-wide risk management approach, leading to siloed risks across workstreams and projects. This fragmentation may prevent senior leadership from having a unified view of significant risks and issues via CTeb, their interdependencies, impacts, and the progress of mitigating actions.
- ▶ In reviewing how benefits realisation was being measured, we identified fragmented establishment and property data, limited cross-Council coordination, and unclear budgets. There was also no consolidated, programme-wide benefits realisation framework or benefits profile, with each benefit clearly defined, measurable, owned and time-bound. While steps were taken to refine and validate business data to ensure proposed savings could be evidence based within the programme, a risk remains that expected benefits realisation, savings assumptions, and efficiencies may not be fully evidence-based.
- ▶ With multiple workstreams and projects running in parallel, delivery at pace has been prioritised over reflection and learning, and the programme lacks a consistent approach to capturing, reporting and applying lessons learned. Without effective lessons learned processes, there is a risk that known issues may be repeated across workstreams.

COMMERCIAL PROPERTIES - GARAGES

Design Opinion	 Moderate	Effectiveness Opinion	 Moderate

Recommendations	  



PURPOSE

- ▶ To provide assurance over the end-to-end process for the management of garages, including vetting, leasing, usage and compliance with lease terms.



AREAS OF STRENGTH

- ▶ The Council's website offered up-to-date guidance for garage license holders on applications, rental termination, payments, refunds, and problem reporting, with links to relevant portals.
- ▶ For a sample of applications we confirmed that appropriate supporting evidence of identity was provided, saved to the record, and matched the details on the form supplied by the applicant. Assessments to determine the level of rent and service charge to apply were complete and accurately matched the applicants' circumstances, in line with the Council's procedure.
- ▶ The annual garage rent increases for 2025/26 were approved by Cabinet as part of the HRA budget. Leaseholders were sent letters communicating the changes in fees in good time ahead of the new year. We verified that the Council's website outlines the updated fees, which agree to the approved rates for Standard, Concessionary and Private Garage Licenses.
- ▶ We confirmed through sample testing that the fee type had been set, and charges applied on a weekly basis in line with the approved 2025/26 fees and charges.
- ▶ The Council's Garage Arrears Escalation Procedure clearly outlined the steps required to recover debt from accounts in arrears, with the escalation process automated within the NEC system. In addition, officers complete additional manual checks on all records for any mitigating circumstances, before approving letters to be sent. From our review of a sample of accounts in arrears we verified adherence to the Council's escalation process. For a sample of known license breaches we confirmed that the actions taken by the Council were completed in line with the defined Arrears Escalation Procedure. a.
- ▶ We found effective monitoring, reporting and oversight governance to be operating, supported by comprehensive and good quality data.



AREAS OF CONCERN

- ▶ In 2019, the Council undertook a review to update historic garage records to ensure licenses or addendums are in place for all let garages. However, our review identified cases which lacked original licenses. Whilst addendums were issued these were potentially not legally enforceable due to the use of initials rather than full names of the license holder. Additionally, one addendum was unsigned by the Council.
- ▶ Through review of a sample of applications we identified two exceptions where the process was not followed: one instance where the applicant had two unlinked records in the system under different versions of their name, and one instance where the application was accepted despite significant Council Tax arrears.
- ▶ The Council has detailed policies and procedures for garage management but lacks a specific Repairs Management procedure to document repair priorities and works completion sign-off. Furthermore, none of the seven procedures reviewed included version control and review frequency, and six were undated.

COMMERCIAL WASTE

Design Opinion	 Moderate	Effectiveness Opinion	 Substantial

Recommendations	 0	 3	 2

 PURPOSE	▶ To provide assurance on the Council's delivery of commercial waste services and contracts.

 AREAS OF STRENGTH	▶ We confirmed that a standard contract template (Waste Collection Agreement) was being used between the Council and its commercial waste customers. Before any waste is collected the Agreement must be signed by the customer and Council representative. General terms and conditions of the contract were set out including methods of payment available to customers, responsibilities of each party, notice periods for changes to Council fees and customer preferred collection days. Liabilities and indemnities were also disclosed and termination clauses. ▶ Waste Transfer Notes (WTN) were issued to businesses annually, to reconfirm the continuance of the contract for commercial waste collection where the customer or Council has not terminated the contract within the year. WTN must be signed by the customer and Council representative. ▶ We confirmed that prices for 2025/26 had been approved by Cabinet alongside other fee and charges as required. For our sample of customers, we confirmed that the approved prices had been charged as per the Cabinet approved prices and agreed to the Waste Collection Agreement / WTN. ▶ We confirmed that routine quarterly invoicing for commercial waste was being undertaken and checked for accuracy prior to processing. The Commercial Waste team had oversight and monitoring of payment collection. ▶ Variances in income and expenditure in the Waste PFI and Commercial Waste service areas were documented in the monthly finance monitor and the commercial waste service projected outturn was a break-even position. ▶ The Commercial Waste's team most recent review of its complaints handling by the corporate team showed an overall compliance score of 94% and for Stage One Complaints data, the team was given an overall score of 98%.

 AREAS OF CONCERN	▶ Comprehensive documented procedures were not in place to collate information from the Waste Collection Agreements as well as roles and responsibilities of relevant officers, to provide clear guidance and understanding. ▶ Waste Transfer Notes were not renewed prior to the contract end date, or subject to review and approval before being issued, leading to potential inaccurate information maintained on the system and delayed contract renewals. ▶ Pricing increases were not being used to contribute to previous deficits and cost pressures which may mean that reliance on budgeted cost reductions are not sustainable. ▶ The Commercial Waste team did not have direct oversight over the timeliness of the complaint system and issuing responses. ▶ There was a lack of overarching KPI management document to assess performance at a departmental level, rather than solely at an individual level. There was no RAG rating monitor to identify those KPIs requiring improvement and action plans.

HOSPITAL DISCHARGES

Design Opinion



Moderate

Effectiveness
Opinion

Moderate

Recommendations



PURPOSE

- ▶ To provide assurance over the adequacy and effectiveness of the Council's processes and controls supporting hospital discharge, ensuring appropriate care is arranged and funded.



AREAS OF STRENGTH

- ▶ We confirmed that the Council has adopted appropriate hospital discharges governance arrangements aligned to national NHS and Department of Health guidance, local NHS Trust procedures, and the Council's adult social care processes.
- ▶ Our review of the Council's supporting policies and procedures found them to be current, regularly reviewed, and aligned with national guidance and legislation. They clearly set out roles, processes, and documentation requirements to support effective multi-disciplinary discharge planning.
- ▶ Through sample testing we confirmed strong operational compliance. Discharge decisions were generally well-supported, with appropriate pathway selection, comprehensive functional assessments, evidence of MDT involvement, and completed Care Act care plans. Standard templates were used consistently and typically completed in a timely manner against expected discharge dates.
- ▶ Telecare processes were found to be clear and structured, enabling social workers and discharge teams to assess risk, prescribe appropriate technology, and carry out reviews. These were generally effective for individuals with high risks, such as falls or cognitive impairment.
- ▶ Standardised templates and checklists were consistently used across the sample to support discharge planning, including care plans, MCA and Best Interests assessments, and referrals (e.g. telecare, key safes), ensuring structured and comprehensive documentation.
- ▶ Complex needs were identified early and appropriately informed discharge planning. Functional assessments were completed promptly, discharge pathways were suitably selected, MDT involvement was evident, and care packages and therapy input were aligned with assessed needs.



AREAS OF CONCERN

- ▶ Our review found generally strong compliance with discharge processes. However, there were gaps in evidencing risk-based decisions, particularly under the Mental Capacity Act (MCA). In one out of ten cases tested, patients were identified as lacking capacity, but formal MCA assessments and Best Interest decisions were not recorded. Documentation of MDT involvement and social work case allocation for complex cases was also inconsistent.
- ▶ The Carers Policy, last reviewed in 2022, is supported by a defined pathway and tools. However, linked policies were not dated, limiting assurance that the framework is current and aligned.
- ▶ Our sample testing identified inconsistencies in family and carer engagement and documenting conversations.
- ▶ Our review of the training records of a sample of five social workers, including the service managers, identified that they were incomplete, due mainly to the central system (My Learning Source) capturing only formal training. Significant informal but relevant learning activities were not recorded.

IT APPLICATION - MOSAIC

Design Opinion	 Moderate	Effectiveness Opinion	 Limited
Recommendations	 2	 4	 1

 PURPOSE	▶ To provide assurance over the design and operating effectiveness of controls within the Mosaic system, specifically focusing on security, access management, data integrity, and system interfaces, and to identify areas for improvement.

 AREAS OF STRENGTH	▶ Mosaic is integrated with several internal and external systems and platforms, which we confirmed documented interface arrangements, operational monitoring processes and supporting Data Protection Impact Assessments (DPIAs) have been developed to support the secure transfer, processing and governance of data. ▶ Daily operational monitoring controls are in place to monitor system availability, backups, reporting services and critical operational processes. ▶ Role-based access structures and privileged access profiles have been established within Mosaic to support user administration and operational access management, and we confirmed that defined permission groups and privileged access profiles are used to allocate access based on operational responsibilities and user requirements. ▶ Planned implementation of Single Sign-On (SSO) for July 2026 is expected to strengthen authentication arrangements and improve aspects of joiner, mover and leaver management. SSO is part of the upcoming Mosaic upgrade and migration activity to improve alignment between corporate identity management and Mosaic access controls. This was not complete at the time of the audit, so was not tested. ▶ A valid Cyber Essentials certificate for Access UK Ltd was in place demonstrating ongoing supplier compliance with recognised information security standards.

 AREAS OF CONCERN	▶ Several users retained the ability to apply or amend restricted record permissions, while many restriction exceptions had no end dates, no documented rationale and remained assigned to former staff members. ▶ User accounts for leavers remained active within Mosaic after recorded leaving dates, and there was no formal process to review whether access remained appropriate when staff changed roles or teams. ▶ Governance, ownership and accountability arrangements were not sufficiently defined, resulting in unclear responsibilities between the business, CHAD Team and Digital and Technology Services. ▶ The Council could not demonstrate that recovery arrangements had been formally tested within the last year. ▶ The Council experienced prolonged delays in supplier issue resolution, limited access to technical support teams, and difficulties evidencing supplier performance against agreed service levels and escalation arrangements. ▶ Mosaic had not received a full application upgrade since 2023, planned upgrades had been delayed for approximately one year, and there was no formally agreed recurring upgrade schedule operating at the time of the review. ▶ Data quality issues within Mosaic, including duplicate, incomplete and historic records, had been identified by management, but the data cleansing programme was still in progress and not yet fully implemented.

IT - CYBER SECURITY - VULNERABILITIES MANAGEMENT

Design Opinion	 Substantial	Effectiveness Opinion	 Moderate

Recommendations	 0	 2	 1

 PURPOSE	▶ The purpose of this audit was to provide assurance to management that STS Vulnerability Management practices were suitably designed and operating effectively to reduce cyber risk across the Council's infrastructure, applications, and end-user devices. Our work was designed to provide an assessment of the vulnerability management arrangements, but it cannot provide absolute assurance that the Council would withstand all cyber threats or attacks on its systems.

 AREAS OF STRENGTH	▶ We found a STS Cyber Security Technical RACI (Responsible, Accountable, Consulted, Informed) matrix that defined responsibilities for various cyber security tasks, ensuring a clear division of roles across different technological areas. ▶ The Council conducted regular internal and external penetration testing, supported by monthly scanning reports. Across several months, the Council's external network environment was secure was confirmed as secure and monthly Azure scans generally indicated a stable secure environment. ▶ STS had a documented Patching Policy & Procedure that provided a formal foundation for patch and vulnerability management across infrastructure, applications, and end-user computing, aligned with recognised security objectives to protect assets from known vulnerabilities. Patch and remediation activities were embedded within formal change management processes. ▶ STS made use of Qualys, a cloud-based platform for vulnerability management, to help identify, assess, and prioritise vulnerabilities with detailed reports on vulnerabilities, including their severity, age, and potential impact. ▶ Monthly Operational Management Group (OMG) scorecards and the annual Operational Management Group Qualys Report provided a structured framework for monitoring vulnerability trends enabling targeted remediation efforts. ▶ Following the initial identification of a historical vulnerability backlog, STS had implemented a structured, risk-based remediation programme, supported by weekly vulnerability review meetings and governance oversight, resulting in measurable month-on-month reductions in aged and overall vulnerabilities.

 AREAS OF CONCERN	▶ A significant number of critical vulnerabilities remained open, largely reflecting a historical backlog identified following the implementation of Qualys. Although remediation activity was ongoing and governance mechanisms were in place, a proportion of vulnerabilities, particularly those aged over 181 days, remained outstanding and required continued management focus. ▶ Resolution reports captured vulnerability details and remediation actions; however the absence of vulnerability identification dates and expected remediation timelines limited the ability to demonstrate timely closure in line with severity-based expectations. ▶ Continued management focus on risk-based remediation, enhanced reporting consistency, and monitoring of vulnerability trends will support further strengthening of the control environment.

IT - MAJOR INCIDENT RESPONSE / BUSINESS CONTINUITY

Design Opinion	 Substantial	Effectiveness Opinion	 Substantial

Recommendations	 0	 0	 2

 PURPOSE	▶ The purpose of this audit was to provide assurance on the adequacy and effectiveness of the Council's Major Incident Response and Business Continuity controls, including escalation, communication, recovery processes and coordination with STS and Emergency Planning.

 AREAS OF STRENGTH	▶ A well-structured approach to business continuity planning was found to be in place, with the corporate plan supported by individual departmental plans. Riskconnect is used as a risk management software platform providing a centralised repository for plans, updates, and analytical information. ▶ Business continuity plans clearly defined departmental roles and responsibilities for in hours and out of hours scenarios. The plans included specific recovery time objectives and maximum tolerable periods of disruption for functions. ▶ The business impact analysis documentation provided a comprehensive assessment of critical functions and dependencies, including applications, facilities, suppliers, and inter-departmental reliance. ▶ Clear and structured incident contact lists and action sequences were in place, helping to ensure that responsibilities are understood during a cyber incident. Escalation arrangements appropriately involve senior leadership, specialist roles and emergency planning and resilience officers. ▶ Tabletop exercises were routinely undertaken that focused on departmental IT failures and cyber-attack scenarios, with structured agendas which were well designed and effective in supporting preparedness and organisational resilience. There were also two exercises designed to test end to end cyber incident response and business continuity arrangements. Identified gaps and improvement actions were formally captured, providing assurance that incident response and resilience plans are well developed and regularly tested despite the absence of recent live incidents. ▶ STS completed structured reviews of major incident performance, and incident outcomes through formally documented reports, which were shared and reviewed within governance forums.

 AREAS OF CONCERN	▶ The Cyber Incident Response Plan lacks specified review frequency and its next review date. ▶ The current escalation process for incidents relies on informal communication channels such as WhatsApp and Microsoft Teams chat.

KEY FINANCIAL SYSTEMS

Design Opinion	 Substantial	Effectiveness Opinion	 Moderate
Recommendations	  		



PURPOSE

- ▶ To provide assurance that the systems in place continue to function as previously established, while also documenting any changes that have occurred. This involved conducting walkthroughs to verify the current state of the systems. This review covered AP, AR and general ledger reconciliations
- ▶ The audit focused on assessing the effectiveness of key controls within the systems and, through data analytics, identified anomalies that may require further investigation. In cases where data was not readily available, sample testing complemented the audit process, ensuring a comprehensive evaluation of the systems and controls in place.



AREAS OF STRENGTH

- ▶ Our review of AP procedure notes confirmed that comprehensive and clearly documented operational guidance is in place.
- ▶ Through sample testing of invoices, we confirmed that in all instances a valid purchase order was present, with evidence of approval prior to the invoice date. Sample testing of transactions demonstrated that the invoice value aligned with purchase order values. Open purchase orders remained open for valid operational reasons. No duplicate payments were identified and all system-flagged exceptions were appropriately investigated and resolved.
- ▶ Supplier accounts were being actively monitored and duplicate accounts reviewed and addressed.
- ▶ Invoices for services provide by the Council had been issued within an average of approximately 20 days from service delivery, with no significant delays noted.
- ▶ End-to-end revenue process are operating effectively, with invoices raised prior to receipt of income and allocations completed within reasonable timeframes.
- ▶ A comprehensive and well-governed debt recovery framework is in place, including structured recovery procedures, regular performance monitoring and a risk-based provisioning methodology.
- ▶ There is a strong and well-governed approach to managing cyber security risks across key financial systems.
- ▶ Reconciliations between feeder and subsidiary systems and the general ledger were performed and appropriately reviewed on a monthly basis, supported by a comprehensive and well-maintained interface register detailing system integrations, technical specifications and testing records.



AREAS OF CONCERN

- ▶ We identified four instances of duplicate accounts with the same bank details, which management is addressing. The presence of duplicate accounts indicates that system or procedural controls over vendor creation and maintenance may not be operating effectively.
- ▶ We identified two instances where invoices were paid late due to being overlooked by the AP team. While the majority of delays were attributable to valid operational processes such as three-way matching and internal controls, these exceptions indicate a potential weakness in invoice tracking and monitoring procedures.
- ▶ We identified three low-value suspense account balances totalling £565 that remained unresolved at the time of review. While immaterial, this indicates that a small number of aged items are not always cleared promptly.

NURSING AND RESIDENTIAL CARE

Design Opinion	 Moderate	Effectiveness Opinion	 Limited

Recommendations	 4	 3	 0

 PURPOSE	▶ The purpose of the audit was to provide assurance on the adequacy and effectiveness of the Council's processes and controls that ensure that the price being paid for nursing and residential care is fair, that prices paid meet the assessed needs of service users and that sufficient joint funding is secured from health economy partners, where applicable.
 AREAS OF STRENGTH	▶ A commitment was made to achieve 100% compliance with the Southwark Residential Care Charter across Southwark care homes by 2026, set out in the Southwark 2030 Delivery Plan 2025-26, approved by Cabinet in April 2024. The roles and responsibilities of Charter-signed providers and the Council are set out in the Charter and included in the Service Contracts. ▶ Adult Social Care and Integrated Health and Care teams use a Contracts and Quality Framework that sets out a structured approach for assuring the quality, safety, and value for money of commissioned services. The Framework encompasses a risk-based approach through gold, silver and bronze tiered provider monitoring, proactive contract management, and clear escalation routes. ▶ Our review of a sample of service user case files on the Mosaic system demonstrated a clear and consistently applied decision-making process aligned with documented good practice. ▶ Evidence indicated that Adult Social Care panels are functioning effectively, with clear processes that support consistent, transparent, and accountable decision-making across eligibility, care planning, and financial governance.
 AREAS OF CONCERN	▶ There was a lack of a comprehensive commissioning framework and structured market-shaping approach to develop the market and support Residential Care Charter expansion. Continued high reliance on spot contracts with non-Residential Care Charter-signed and out-of-Borough providers, undermines strategic commissioning principles and service quality leverage. ▶ A cost-of-care recording template was not in place resulting in reliance on free-text entries in Mosaic, rather than structured fields, to record cost justifications and approvals. The end-to-end dashboard and placement tracker was incomplete, hindering effective monitoring of statutory assessments, reviews, and referrals and full reconciliation of Mosaic with SAP. Routine financial checks between Mosaic and SAP failed to detect a duplicate weekly charge and aged debt due to invoices being sent to an old address. ▶ Fee inflation progressed without effective cost-of-care validation when spot purchasing or link to providers cost pressures, resulting in price-led expenditure growth and a lack of clear differentiation between inflationary uplifts and additional needs-related costs. ▶ Two of ten post-placement reviews sampled were not completed in a timely manner and two placement agreements were not signed/not in place. ▶ Discrepancies were identified between monitoring results, conclusions and underlying evidence, reducing confidence in assurance reliability. There was lack of focus on provider financial resilience monitoring given known sector instability.

PENSIONS ADMINISTRATION

Design Opinion



Moderate

Effectiveness
Opinion

Moderate

Recommendations



PURPOSE

- ▶ We complete an annual internal audit relating to pensions. The purpose of the audit was to provide assurance on the adequacy of the design and operational effectiveness of the control framework through which the Council undertakes pensions administration. We also assessed the working relationship between the Council and Aon to ensure that there is no duplication of work, with roles and responsibilities sufficiently defined and to consider value for money in this regard.



AREAS OF STRENGTH

- ▶ Joiners, leavers and transfers into the pension scheme were being completed in accordance with agreed processes including required segregation of duties and retention of documentation.
- ▶ Refund payment amounts were correct based on documentation available.
- ▶ Regulatory information in relation to the sample of joiners, leavers and members was shared and members were directed to the website to fully review complaints and data protection information had been shared.
- ▶ Website functionality was reviewed and we confirmed that processes were operating to monitor the information held for members to access, and to review this on an annual basis to ensure it remained fit for purpose. The most recent changes made included further information and guidance relating to retirement. We confirmed that a process was in place to resolve technical queries and complaints, as necessary.
- ▶ On a three yearly basis, Civica have completed a cyber security review of suppliers, including Aon. This was last completed in 2024 and reported that Aon was compliant with key Cyber Security Standards. This was reported to the Local Pension Board.
- ▶ We confirmed that the Council has processed its tax payments to HMRC by the required deadline and that these had been approved.



AREAS OF CONCERN

- ▶ The working arrangements between the Council and Aon are documented across two agreements and a variation. These agreements and variation are being replaced. The documentation used was found to be out of date, with the last variation being completed in 2018, and does not fully cover the working arrangements between the Council and Aon.
- ▶ We found cases where documentation to support transfer decisions and amendments was not accessible or saved to the pension record.
- ▶ We found cases where refund payments were delayed due to a variety of reasons, including information not being received from schools, not processed by payroll promptly, correct information not provided to the pensions team, and one was not processed by Aon promptly.
- ▶ Monthly reconciliations between the pensions system and general ledger were not approved by a second officer.
- ▶ The review of the Pension Fund Strategy due in 2024 had not been completed.

PROCUREMENT

Design Opinion



Substantial

Effectiveness
Opinion

Moderate

Recommendations



PURPOSE

- ▶ To review the adequacy of the Council's Procurement policies and procedures following the new Procurement Act and assess compliance across the Council.



AREAS OF STRENGTH

- ▶ The Southwark 2030 Procurement Framework outlines the Council's approach to procurement, emphasising ethical, sustainable, and responsible standards. The framework supports the Council's Southwark 2030 vision, which includes goals such as decent homes, a strong economy, and a healthy environment. The Framework reflects the new Procurement Act 2023.
- ▶ The Council's Contract Standing Orders (CSOs) comprehensively set out the rules and procedures for procurement and contract management. The CSOs are in line with the Procurement Act 2023.
- ▶ Lunch and Learn sessions are used as the primary means of training for Council staff on the procurement rules and procedures that should be followed. All sessions are recorded and available in share point for users to revisit at any point along with presentation slides and any additional information documents. We confirmed that the training materials being used are extensive and adequate. The training was completed via MS Teams and attendance was recorded.
- ▶ The Tender assessment summary form and Confirmation of Award letter templates are easy to follow and adequate in aiding staff.
- ▶ Contract monitoring is included within the CSOs, including Lead Contracting Officer roles and responsibilities. We confirmed through sample testing that contract monitoring processes were included within specification requirements.
- ▶ From sample testing, we confirmed that a Gateway 1 Report was completed and approved by the relevant board and Strategic Director. Additionally, Gateway reports contained sufficient and adequate information, including the business case, market considerations, options for procurement, the proposed procurement route, project plan, key issues for consideration, plans, risks, and financial considerations. In all instances, we found oversight mechanisms in place to ensure timely and effective review of contract performance.



AREAS OF CONCERN

- ▶ We analysed spend by supplier over the last six months to confirm where we would have expected a contract to be in place if spend was likely to exceed £207,720 including VAT (£173,000 excluding VAT) within three years, according to the Procurement Act thresholds from 1 January 2026. We were unable to compare actual versus approved spend from the gateways as we did not receive the requested documentation within the audit fieldwork timeline.
- ▶ The outcome of this analysis highlighted the need for improved compliance with contractual limits and Council procedures, and the necessity of keeping precise records in the contract register.
- ▶ Our recommendations will be incorporated into the planned changes to reporting, reviews, systems and responsibility for procurements that are within the planned transformation of the service in the next 18 months. A more commercial approach to the review of expenditure and planning of procurements will be established to support compliance and the achievement of best Value for Money for the Council, supported by systems including eProcurement and the new ERP system.

SCHOOL ADMISSIONS

Design Opinion



Moderate

Effectiveness
Opinion

Moderate

Recommendations

0

3

0



PURPOSE

- ▶ To provide assurance over the quality, adequacy and effectiveness of the governance and controls in place to ensure compliance with the School Admissions Code.



AREAS OF STRENGTH

- ▶ The Schools Admissions team published the PANs and admissions arrangements via the Council's website, which we confirmed reflected the determined admission arrangements for both community and own-admission-authority schools. The PANs for academies and secondary schools reflected the statutory intake.
- ▶ Admissions are coordinated through the Pan-London system, supported by the MRI Education system, with parents submitting a single application to their home authority and preferences processed across boroughs using an equal preference model. A walkthrough of the process confirmed that a central matching process is in place to ensure that each child receives only their highest-ranked available offer, with coordinated timelines, data sharing, and statutory processes followed.
- ▶ A two-stage admissions complaints process is operated. We found that most complaints were addressed and resolved informally at Stage One by the service. Where concerns remain, these had been escalated to Stage Two, with the option for referral to the Local Government and Social Care Ombudsman.
- ▶ There is a School Places and Organisation Plan, which sets out how the Council aims to meet its statutory duty to ensure there are sufficient, suitable school places for children in the borough. The Plan emphasises the key lessons learned from the Keeping Education Strong (KES) programme (2022 to 2025). The associated action plan is scheduled for consultation beginning September 2026 and to be presented to Cabinet for approval in February 2027.



AREAS OF CONCERN

- ▶ While the Council meets its statutory duty to coordinate admissions, operational oversight is largely reactive in approach, reliant on queries and complaints received, and the annual updates on the website. There is no formal compliance framework or routine risk-based monitoring and reporting to senior leadership.
- ▶ We confirmed that legally-compliant consultations were undertaken for significant changes affecting 2025-26 admissions. However, we identified similar PAN reductions at two schools were implemented via the Section 88E variation route. This highlights an inconsistency in the Council's approach to implementing PAN reductions and limits transparency and stakeholder engagement.
- ▶ Admissions reviewed in our sample testing were supported by the established systems (MRI Education and Mosaic). However, reliance on outdated or undocumented procedures, particularly for in-year application processing and Fair Access cases, has led to poor or inconsistent documentation to support decisions.
- ▶ Our analysis of the 22 admissions complaints received in 2025-26 identified recurring themes, processing delays, poor communication, and case management weaknesses, with limited evidence of feedback processes and organisational learning to drive service improvements.
- ▶ Key data quality, information maintained to support decisions and system access controls were not formally defined or documented.

SHORT BREAKS AND RESPITE CARE

Design Opinion	 Moderate	Effectiveness Opinion	 Moderate

Recommendations	 0	 2	 0

 PURPOSE	The purpose of the audit was to provide assurance on the adequacy and effectiveness of the Council's processes and controls that ensure that short breaks and respite care are allocated and managed fairly.

 AREAS OF STRENGTH	- Comprehensive documented procedures were available to staff with each document including clear roles and responsibilities related to quality assurance, placement support, risk assessment, and service provision. - Assessments of need were completed within the 30-day timescale, with allocation decisions documented and approved by team leaders. - Mandatory fields in the process forms were completed as intended. The Mosaic system has an embedded alert feature where mandatory fields are not completed. - The assessed need for resources matched the charging policy and the assessments had been reviewed by a team leader to confirm eligibility. The costs agreed were accurately reflected in Mosaic and SAP. - Referrals and requests for respite were reviewed and approved by a team leader in a timely manner. We also confirmed that a series of processes were in place for approval of urgent respite for complex or high-cost packages, through a convening Panel or if sufficiently urgent via team leader approval. - Ongoing monitoring of both commissioned and spot providers was being undertaken. For commissioned providers, regular contract monitoring and inspections had been carried out, including follow ups to verify actions had been implemented. For spot providers, these were onboarded with documentation requested before placements were used, subsequently CQC inspections being considered and complaints received fed into the monitoring process. A log was used to record onboarding and documentation received and decisions.

 AREAS OF CONCERN	- In reviewing short breaks/respite care cases and Orient Street cases, several issues were identified with monitoring. For example, one case started as respite but went unchecked for six months and the transition from respite to full-time care should have been completed sooner. - The ASC DMT received monthly financial reports for each service area, including forecasts for 'Third Party Payments,' which cover residential respite and other expenditures like legal contracts. - However, due to the nature and usage of cost codes across specific care teams, it is not currently possible for the Council to report separately on specific short breaks and respite budgets, except for Orient Street. - The M11 forecast for the entire ASC budget, shows an adverse variance of £8.6 million, primarily through increased costs in older people and physical disabilities (OPPD) care packages, and two high needs placements have transferred from children, further contributing to the adverse variance.

TEMPORARY ACCOMMODATION

Design Opinion	 Moderate	Effectiveness Opinion	 Moderate
Recommendations	 0	 5	 0



PURPOSE

- ▶ To provide assurance on the adequacy of the design and operational effectiveness of the controls relating to temporary accommodation, including identification of property, procurement and ensuring it meets required living standards.



AREAS OF STRENGTH

- ▶ Sample testing confirmed that appropriate documentation was maintained for temporary accommodation placements, including suitability assessment.
- ▶ Our walkthrough of the forecasting processes confirmed structured, assumption-based modelling, utilising comprehensive data including household details, costs, tenancy information, and provider data. Our review of Temporary Accommodation Budget Recovery Board financial position reports confirmed that the assumptions used in forecasting demand were based on adequate supporting evidence and subject to review. The reports outlined a projected net overspend of £17.235 million, with financial pressure primarily driven by the continued high cost of Temporary Accommodation. The planned use of one-off reserves of £3.145 million reduces the projected overspend to £14.090 million.
- ▶ There is an established control framework for validating and processing payments, which was confirmed through sample testing.
- ▶ Our review of the Housing Choice and Supply (HCS) monthly updates found that they consistently monitored performance and addressed ongoing challenges. Our review of meeting notes of the Service Management Team meeting, found that the discussion centred on performance, costs, and operational improvements across Housing Needs.
- ▶ Year-on-year performance remains positive, with TA placements down by 22% compared to the same period last year – 636 placements to date versus 822 previously. However, the service is still operating slightly above the target, with new placements exceeding the goal of 35 or fewer per month by 0.57%.



AREAS OF CONCERN

- ▶ The Council has procedures for Temporary Accommodation however; we found that they lacked key details and had not been reviewed in the last 12 months.
- ▶ We could not confirm that a financial assessment was being routinely conducted for housing providers.
- ▶ Our walkthrough of the processes relating to the provision of the Council's Good Home Standard for temporary accommodation, alongside sample testing found that there are clear processes and internal controls in place at both onboarding and operational levels. However, the most recent available Good Home Standards report, dated July 2021 contained limited information. There was a lack of clarity on how performance against these standards is measured, monitored, and reported.
- ▶ Through a review of the controls used to confirm that those allocated Temporary Accommodation properties are living in them, we found that while spot checks still occur on an ad hoc basis, they are not maintained as one consolidated register.
- ▶ Temporary accommodation cancellation forms are not being consistently applied and routinely saved in the system.

TENANCY MANAGEMENT ORGANISATION (TMO) - D'EYNSFORD

Design Opinion	 Moderate	Effectiveness Opinion	 Substantial

Recommendations	 0	 1	 2

 PURPOSE	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 expenditure, HR and payroll, and health and safety statutory compliance.

 AREAS OF STRENGTH	- Effective budget management was operating, including monthly consideration of variances, cash flows, expenditure profiles and performance indicators. Reporting to the Board took place with adequate discussion. The Board approved the budget for 2025/26 ahead of the financial year. - Procurement control and payment authorisation measures were in place, with signed purchase order forms and adequate separation of duties. The list of approved contractors was approved by the Board. Appropriate due diligence was undertaken prior to appointing contractors and those used were on the list. - The Management Board had an adequate number of members to form a Board meeting and make informed decisions across the TMO. A Terms of Reference (TOR) covering the roles and responsibilities and quorum of the Management Committee and Finance Sub-Committee were included in the TMO's Governance Manual, supported by the Articles of Association. - Meetings were quorate for decision making. An officer from the Council had been invited and attended Board meetings. - All Board members renewed their annual declarations of interest. All Board members had completed a skills self-assessment, which identified their strengths, internal training received, and external training received and skills gaps. From these self-assessments, the TMO's training plan was developed. - A documented arrears process was being used as intended. - For general repairs, adequate checks were completed to confirm the repair had been undertaken and to expected quality prior to payment being made. - The Equality and Diversity policy was up-to-date and outlined commitments in areas such as customer service, community engagement, governance, membership, and employment. It emphasised fair treatment, accessibility for disabled individuals, community events, and diverse representation on the board. Employees underwent a formal appraisal for the previous year to assess their progress and achievements. - The TMO carries out inspections monthly to ensure there are no emergency issues on the premises which need to be reported. The Fire Risk Assessment inspection was current and no hazards or concerns were raised.

 AREAS OF CONCERN	- The TMO did not take minutes for subcommittee meetings. - The Financial Procedures had not been formally reviewed since 2019. The Management Committee and Finance Subcommittee Terms of Reference and Employee Handbook were last approved by the Board in January 2018 and did not include a section on its performance framework. We acknowledge that the issue of needing to undertake a comprehensive review of the TMO's policies, was identified in the early part of 2025 by the TMO Manager.

TENANCY MANAGEMENT ORGANISATION - WEBBER AND QUENTIN

Design Opinion	 Moderate	Effectiveness Opinion	 Substantial

Recommendations	 0	 1	 2



PURPOSE

- ▶ The purpose of the audit was 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 expenditure, HR and payroll, and health and safety statutory compliance.



AREAS OF STRENGTH

- ▶ There was a written scheme of delegation which outlined the spending and approval limits of the TMO Manager and the Board.
- ▶ Effective budget management was operating, including monthly consideration of variances, cash flows, expenditure profiles and performance indicators. Reporting to the Finance Committee took place with adequate discussion. The Board approved the budget for 2025/26 ahead of the financial year.
- ▶ The list of approved contractors was approved by the Board. Appropriate due diligence was undertaken prior to appointing contractors and those used were on the list. Credit card expenditure was supported by evidence and approved.
- ▶ The Management Board had an adequate number of members to form a Board meeting and make informed decisions across the TMO. A Terms of Reference (TOR) covering the roles and responsibilities and quorum of the Management Committee and Finance Sub-Committee were included in the TMO's Governance Manual, supported by the Articles of Association.
- ▶ Meetings were quorate for decision making. An officer from the Council had been invited and attended Board meetings.
- ▶ All Board members renewed their annual declarations of interest. A comprehensive training plan was being delivered.
- ▶ A documented arrears process was being used as intended.
- ▶ For general repairs, adequate checks were completed to confirm the repair had been undertaken and to expected quality prior to payment being made.
- ▶ The Equality and Diversity policy was up-to-date and aligned with the Southwark Stand Together, with regards to promoting transparency and inclusivity, along with measures to address and prevent discrimination at the TMO. The TMO manager is the only official member of staff, annual appraisals had been completed the Chair and Vice Chair of the Board.
- ▶ The TMO carries out inspections monthly to ensure there are no emergency issues on the premises which need to be reported. The Fire Risk Assessment inspection was current and no hazards or concerns were raised.



AREAS OF CONCERN

- ▶ Formal purchase orders are not routinely completed to support expenditure incurred.
- ▶ The Finance Sub-committee Terms of Reference was last reviewed in April 2023 and did not indicate when it will be next reviewed. A 'Board Commitment' form is used which outlines similar contents to a Board ToR, however, it was not clear how frequent this form was reviewed and when the next review will be.
- ▶ The TMO did not have a formal performance framework to provide guidance on appraisals. However, the TMO had applied a consistent template when performing employee appraisals, as evidenced through our testing.

VOLUNTARY SECTOR GRANTS

Design Opinion	 Moderate	Effectiveness Opinion	 Moderate
Recommendations	 0	 2	 0



PURPOSE

- ▶ To provide assurance over the adequacy and effectiveness of the controls relating to the application, evaluation, award, and monitoring of voluntary sector grants across the Council. The audit covered those managed by the Community and Voluntary Sector Community Division and those managed by individual Council departments.



AREAS OF STRENGTH

- ▶ The Southwark Constitution outlines the Council's grant decision making process, responsibilities, and threshold requirements. This includes the individuals needed to make final decisions and appointments at certain award values.
- ▶ There is a Southwark Council Funding Prospectus, available to the public, which clearly documents a standard grant application and award process. It also outlines the regular grant programmes available, including the expected award and achievement criteria.
- ▶ Although grant award processes vary across different departments, we confirmed that the grant decision making process was adequately documented in the majority of cases. This included evaluating applicants based on ability and eligibility, scoring applicants on a range of variables, and producing reports outlining cabinet recommendations and approvals. There was a documented 'Conditions of Grant' report.
- ▶ Grants had been approved by relevant officers in line with the Southwark Constitution, which included Cabinet approval and 'Record of Decision' letters for grants above the £2500 threshold.
- ▶ Letters of non-awards were issued to unsuccessful applicants to explain the rationale and offer support for future applications and grants available.
- ▶ While measures of monitoring grant progression and performance varied across department, we confirmed across the sample that in the majority of cases grants were supported with evidence of monitoring. This included on-site visits, KPI feedback and evaluation reports.



AREAS OF CONCERN

- ▶ We could not confirm that all sufficient documentation for decision-making, approval, and monitoring of grants was retained across the Housing directorate.
- ▶ We found an overall lack of oversight evidenced across all departments in the grant award process and the Council as a whole. An up to date and accurate record of organisational performance, to confirm the purpose of the funding was being met, was not maintained.

WAITING LISTS - OLDER PEOPLE AND PHYSICAL DISABILITIES

Design Opinion	 Moderate	Effectiveness Opinion	 Limited

Recommendations	 2	 1	 1

 PURPOSE	▶ The purpose of the audit was to provide assurance on the design and operational effectiveness of the control framework through which the Council engages with and manages waiting lists for Older People and People with Disabilities.

 AREAS OF STRENGTH	▶ We confirmed that procedural documents were clear and accessible to staff. For the sample of cases reviewed we confirmed that the required procedures were being applied in practice, including documentation on the nature of the referral and completion of initial screening. ▶ We confirmed that referrals had been triaged on receipt and placed on the appropriate waiting list based on presenting needs and urgency. For one case in our sample, there was a safeguarding concern, which we confirmed had been appropriately logged, reviewed and signed off. ▶ We found Mosaic records to be accurate in clearly reflecting the referral history, including where interim care packages had been provided and appropriately ceased. ▶ For a sample of social care services (including occupational therapy, short term home care, respite and reablement), we confirmed that the Assessment and Intake Team had completed monthly reporting using the PowerBI dashboard, with referral activity reviewed and discussed at team meetings to support oversight of waiting list volumes, with any actions required identified, assigned and followed up. ▶ We confirmed that staff qualifications had been verified prior to starting with the Council. Mandatory training had been delivered and recorded through the Learning and Development platform. We confirmed that the training completed was well designed and supported staff in maintaining the skills and competencies required for their roles.

 AREAS OF CONCERN	▶ Delays had occurred in a number of referrals being sent or assessed. Weaknesses were identified in waiting list auditing. Monitoring activity undertaken was not documented, preventing verification. Planned follow up waiting list audits had not been completed within required timeframes due to staff changes. ▶ Record keeping gaps were identified, including incomplete documentation of monitoring. Where individuals no longer required intervention, waiting list records had not been updated to remove them. These weaknesses impact the accuracy of Mosaic records and undermine confidence in the reliability of waiting list data used for decision making. ▶ Key reporting controls were not fully in place. The Occupational Therapy Team did not complete monthly waiting list reporting, the Assessment & Intake Team's PowerBI reporting lacked required detail such as average waiting times, case breakdowns and delays. Reporting to the Children and Adults Board does not include data relating to waiting lists. ▶ Several process documents lacked version control and did not state when they were next due for review.

Appendix 1

OPINION SIGNIFICANCE DEFINITION

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

RECOMMENDATION SIGNIFICANCE DEFINITION

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

FOR MORE INFORMATION:

Aaron Winter

Aaron.Winter@bdo.co.uk

Freedom of Information

In the event you are required to disclose any information contained in this report by virtue of the Freedom of Information Act 2000 ("the Act"), you must notify BDO LLP promptly prior to any disclosure. You agree to pay due regard to any representations which BDO LLP makes in connection with such disclosure, and you shall apply any relevant exemptions which may exist under the Act. If, following consultation with BDO LLP, you disclose this report in whole or in part, you shall ensure that any disclaimer which BDO LLP has included, or may subsequently wish to include, is reproduced in full in any copies.

Disclaimer

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO LLP or any of its partners, employees or agents.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO member firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

The matters raised in this report are only those which came to our attention during our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

Copyright © 2026 BDO LLP. All rights reserved. Published in the UK.

www.bdo.co.uk

London Borough of Southwark

Progress Report - Appendix 2 - Follow up status details

**For presentation to the Audit, Governance and
Standards Committee 13 July 2026**

INTERNAL AUDIT FOLLOW UP - STATUS UPDATE DETAILS

Of the 313 high and medium recommendations relating to 2022/23 to 2025/26 that have fallen due as of 30 April 2026, we have been able to confirm with reference to evidence that 311 have been fully implemented or superseded. This result represents an overall implementation rate of 99.4%. All recommendations relating to 2022/23, 2023/24 and 2024/25 have now been implemented.

SUMMARY OF RECOMMENDATIONS IMPLEMENTATION WHERE NOT YET FULLY COMPLETED

Please see below a summary of the number of recommendations not yet implemented relating to 2025/26.

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									
2025-26 Teachers Pensions Service	3	-	2	-	1	-	-	66%	~~March 2026~~ September 2026
Governance and Assurance Directorate									
2025-26 Corporate Facilities Management	2	-	1	-	1	-	-	50%	~~January 2026~~ July 2026

The latest status and revised dates for the two recommendations not yet implemented in full is included in the table on page 2 of this appendix.

IMPLEMENTATION STATUS UPDATES

The table below summarises the latest updates with regards to the recommendations that have fallen due but have not yet implemented in full.

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
Children and Adults Directorate		
2025-26 Teachers Pensions Service		
The Council should assess the current staff roles and responsibilities that may fall under each pensions scheme and establish a set of criteria that clearly shows which pensions scheme staff should belong to. The TPS team should work with the LGPS team to design a process that clarifies pension roles. Medium	Head of Schools' HR and Strategic HR Business Partner, Children and Adults Services ~~March 2026~~ September 2026	The Head of Schools' HR advised that they had met with Corporate HR to discuss the action. There is currently a vacancy within Payroll in the corporate HR team, therefore, it has not yet been confirmed who the lead would be. Recruitment is underway following which the action will be progressed.
People and Organisational Development		
2025-26 Corporate Facilities Management		
The CFM risk management framework should be updated to align it to current CFM industry standards, and regulations; and thereafter, reviewed regularly to ensure it remains up to date.	Assistant Director Corporate Facilities Management ~~January 2026~~ September 2026	The Director of People and Organisational Development advised that this action is in progress. The revised deadline for completion is 30 September 2026.

FOR MORE INFORMATION:

AARON WINTER

Aaron.Winter@bdo.co.uk

Freedom of Information

In the event you are required to disclose any information contained in this report by virtue of the Freedom of Information Act 2000 ("the Act"), you must notify BDO LLP promptly prior to any disclosure. You agree to pay due regard to any representations which BDO LLP makes in connection with such disclosure, and you shall apply any relevant exemptions which may exist under the Act. If, following consultation with BDO LLP, you disclose this report in whole or in part, you shall ensure that any disclaimer which BDO LLP has included, or may subsequently wish to include, is reproduced in full in any copies.

Disclaimer

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO LLP or any of its partners, employees, or agents.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO member firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

The matters raised in this report are only those which came to our attention during our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

Copyright © 2026 BDO LLP. All rights reserved. Published in the UK.

www.bdo.co.uk

INTERNAL AUDIT SCHOOLS ANNUAL SUMMARY REPORT

London Borough of Southwark

2025/26

*For presentation to the Audit, Governance and Standards
Committee 13 July 2026*

CONTENTS

	Page
1. Background and Introduction	3
2. Cyclical School Audits 2025/26	5
3. School Thematic Review - Pensions	11
4. St Thomas the Apostle College Bursary Grant Audit	13
5. St Saviour's and St Olave's C Of E School - Internal Audit Follow Up	15
Appendix 1: Definitions of Opinion and Recommendation Significance	16

1. BACKGROUND AND INTRODUCTION

BACKGROUND

There is an ongoing commitment to audit schools as part of a four-year cycle completed on behalf of the Director of Children and Families.

There are a considerable number of schools facing financial difficulties, which present a significant risk to the school and the Council. This is primarily due to the changing demographics within the borough with pupil numbers consistently trending downwards each year resulting in a reduced budget share among schools. School costs remain consistent while revenue streams are reduced.

In September 2025, a new Schools Financial Procedures Manual was launched to help all those involved with schools' finance to understand and manage their financial responsibilities.

The programme of audits for 2025/26 was agreed with the Children Services Leadership Team, which encompassed:

- Cyclical audits (ten schools)
- Schools Thematic Review - Pensions (seven schools)
- St Thomas the Apostle College Bursary Grant Audit
- St Saviour's and St Olave's Church of England School (follow up of the 2024/25 audit as a result of a limited opinion)

PURPOSE OF REPORT

This report summarises the outcomes of the school audit programme completed during 2025/26 by BDO LLP on behalf of the Council:

- For the cyclical internal audits, 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 previous years reports.
- For the other school related work completed during 2025/26, an overview of the approach and results is provided, to share improvements.

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

APPROACH TO CYCLICAL INTERNAL AUDIT OF SCHOOLS 2025/26

The purpose of a cyclical 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 2025/26 followed a similar programme to that in previous years, updated to align to the new Financial Procures Manual. As in previous years, the work 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 or planning to be in deficit, a clear recovery plan is not in place and a licensed deficit has not been signed off by the Strategic Director of Children and Adult services and the Strategic Director of Finance.
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. Governors and staff are not subject to timely DBS checks and 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 2025/26

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

We provided 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 Substantial, Moderate, Limited or No assurance. These ratings were based on the priority and numbers of recommendations.

We rated four schools as Substantial assurance for the design and Moderate assurance for the operational effectiveness of the controls:

- **Design** - There is a sound system of internal control designed to achieve system objectives. Appropriate procedures and controls are in place to mitigate key risks.
- **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.

We rated four 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.

We rated two schools as Moderate assurance for the design and Limited assurance for the 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 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.

Appendix 1 lists all definitions of assurance opinions and recommendations.

2. CYCLICAL SCHOOL AUDITS 2025/26

SUMMARY OF ASSURANCE OPINIONS AND RECOMMENDATIONS

The table below summarises the number and priority rating of recommendations raised, and the reported assurance opinions for each school where a cyclical audit was completed in 2025/26.

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:

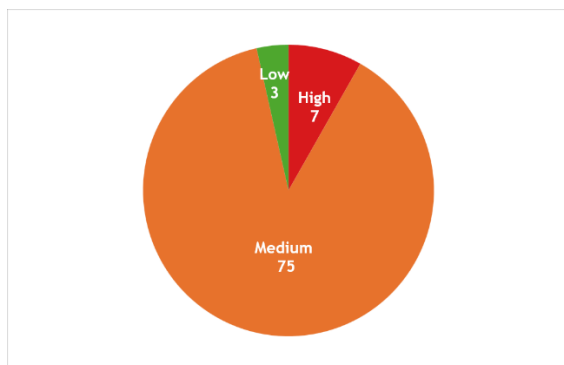
SCHOOL	H	M	L	DESIGN	OPERATIONAL EFFECTIVENESS
Albion Primary School	0	11	0	Moderate	Moderate
Beormund Primary School	1	2	0	Moderate	Moderate
Cherry Garden School	0	4	0	Substantial	Moderate
Dulwich Village Church of England Infants' School	1	4	0	Moderate	Moderate
Dulwich Wood Nursery School	2	15	1	Moderate	Limited
English Martyrs' Catholic Primary School	0	12	0	Moderate	Moderate
Ilderton Primary School	1	9	0	Moderate	Moderate
Kintore Way Nursery School and Children's Centre	1	5	1	Substantial	Moderate
Phoenix Primary School	1	6	1	Substantial	Moderate
St James The Great Roman Catholic Primary School	0	7	0	Substantial	Moderate
Totals	7	75	3		

YEAR ON YEAR COMPARISONS OF RECOMMENDATIONS

The summaries of recommendations for 2025/26, are shown in the pie-charts below, along with those from 2024/25, 2023/24 and 2022/23 for comparison purposes.

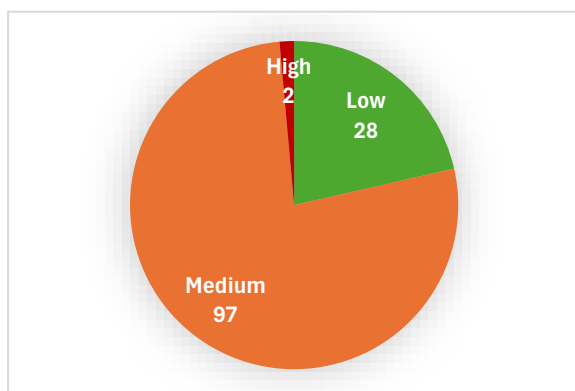
The total number of recommendations raised for each priority rating of High, Medium, or Low were:

2025/26

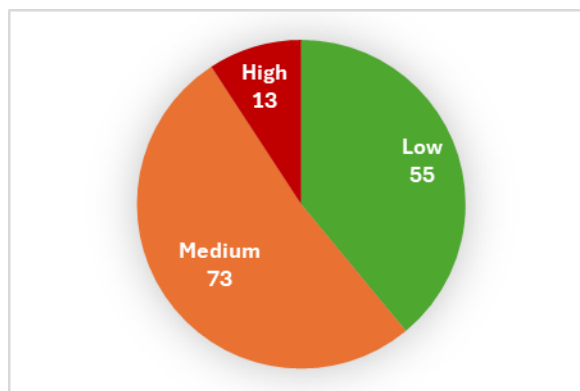


In 2025/26 a total of 85 recommendations were raised across the ten schools. This represents an average of 8.5 recommendations raised per school. This was a slight increase from the average of eight recommendations per school in 2024/25, suggesting a marginal rise in findings, although overall levels remain below the average of 12 recommendations in 2022/23.

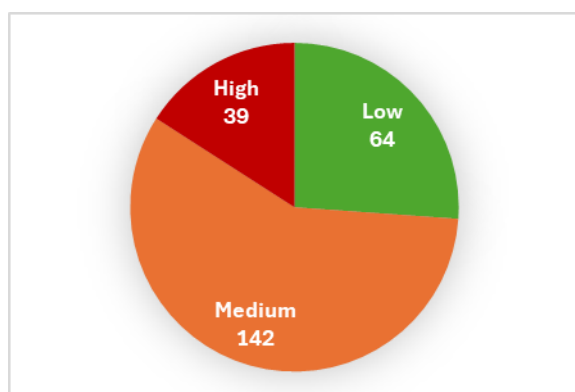
2024/25



2023/24



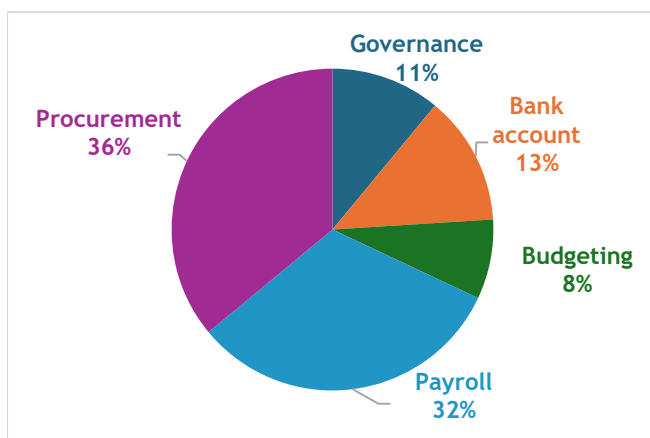
2022/23



YEAR ON YEAR COMPARISONS OF TOTAL RECOMMENDATIONS BY RISK AREA

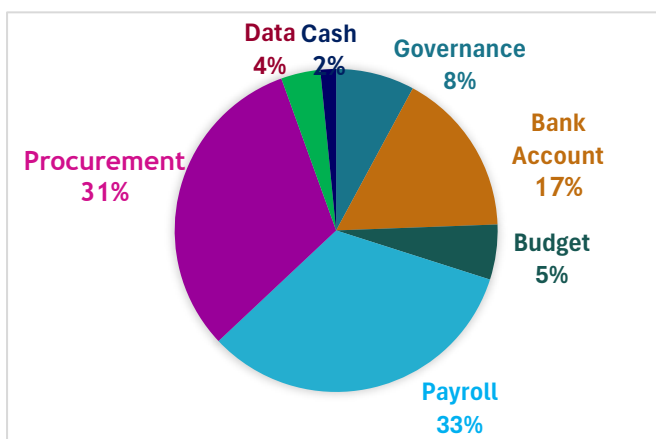
The proportion of recommendations raised in each risk area were as follows:

2025/26

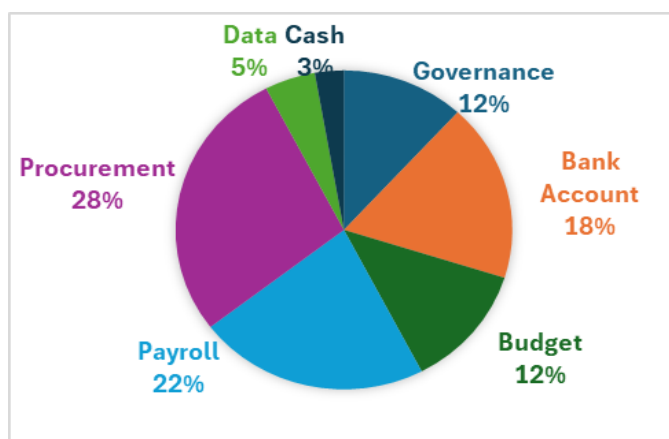


As in previous audit cycles, the highest proportion of recommendations continues to be in the areas of Payroll and Procurement, with Bank Account and Governance also showing similar relative proportions in 2025/26 compared to 2024/25, 2023/24 and 2022/23. The proportion of recommendations relating to Bank Account has decreased by 4% showing improvement in this area. There were zero recommendations in Cash and Data showing further improvement in these risk areas.

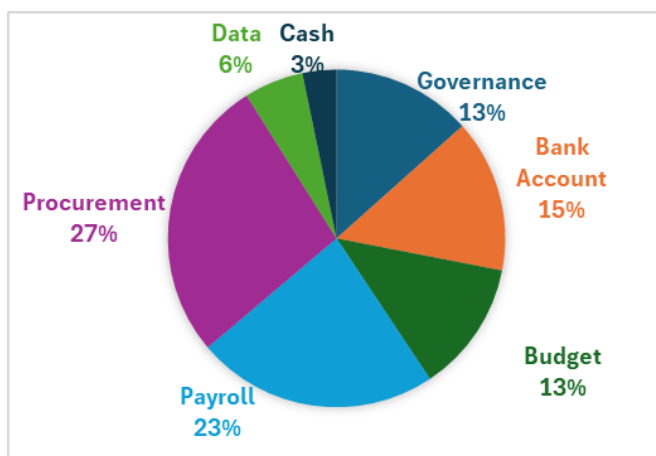
2024/25



2023/24



2022-23



YEAR ON YEAR COMPARISONS OF ASSURANCE OPINIONS

The percentage of each assurance levels provided to schools is summarised in the tables below.

The tables show that the relative proportions across assurance opinions have remained broadly the same in 2025/26 compared to previous years, although design of controls has improved. This suggests that the new schools finance manual and underlying processes support a better designed control environment in schools.

2025/26

Overall Design Opinion	Percentage of schools 2025/26	Overall Operational Effectiveness Opinion	Percentage of schools 2025/26
Substantial	40%	Substantial	0%
Moderate	60%	Moderate	90%
Limited	0%	Limited	10%
No	0%	No	0%

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%

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

COMMON THEMES 2025/26

Area	Number of Recommendations			Common Themes 2025/26
	H	M	L	
Governance Arrangements	1	8	1	- In many instances, the Declaration of Interest form was not completed by all governors. - Governing body documentation was not consistently maintained, with several cases of unsigned meeting minutes and gaps in governing body records. - In several schools, the Scheme of Delegation and Financial Procedures were not aligned or were inconsistent with each other. - Key governance compliance documents, including the School Financial Value Standard (SFVS) and deficit recovery plans, were not consistently completed or formally signed.
Bank Account	0	11	0	- In many instances, Direct Debit mandates were not signed and retained, were only signed by one signatory. - 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.
Budgeting	0	6	1	- In many schools, cashflow forecasting was not undertaken or documented. - Budget monitoring processes were not always carried out on a timely basis, limiting effective financial oversight. - In some instances, annual budget setting and approval processes were not clearly evidenced.
Payroll & Pensions	1	27	0	- 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. - 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. - Payroll reconciliations were undertaken in all schools. However, in many cases, there was no evidence of who performed the reconciliation and the independent review. - Payroll provider assurance statements were not consistently obtained across schools.

Area	Number of Recommendations			Common Themes 2025/26
	H	M	L	
Procurement	7	24	1	- 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. - 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. - 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. - In some cases, credit card statements were not reviewed or formally signed. - 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.
Data Security	0	0	0	N/A - no findings raised.
Cash Handling	0	0	0	N/A - no findings raised.
TOTALS	8	76	3	

3. SCHOOLS THEMATIC REVIEW - PENSIONS

BACKGROUND

Schools and governing bodies are responsible for ensuring compliance with statutory and regulatory requirements relating to pension administration. Failure to comply can result in penalties, legal disputes, and reputational damage. The main frameworks governing pensions include the Superannuation Act 1972, the Public Service Pensions Act 2015, the Pensions Act 2008, and the Equality Act 2010. These underpin the administration of the Teachers' Pension Scheme (TPS) and Local Government Pension Scheme (LGPS), including requirements for auto-enrolment, contributions, re-enrolment, and compliance monitoring.

Approximately 3,100-3,200 employees work across Council maintained schools, all of whom fall within scope of these statutory pension arrangements.

PURPOSE

The purpose of the audit was to provide assurance over the design and operational effectiveness of the pension administration controls relating to the TPS and LGPS.

We assessed the controls at seven schools, which Children's Services determined:

- Friars Primary School
- Victory Primary School
- Haymerle School
- Tuke School
- Riverside Primary School
- Grove Children & Family Centre
- Dulwich Wood Primary School

We prepared a single report for the Council drawing together the results of the individual school audits and providing key themes that underlined the overall assurance.

ASSURANCE OPINIONS AND RECOMMENDATIONS

- Design opinion: **Moderate**
- Effectiveness opinion: **Moderate**

Overall, controls were found to be generally in place but not consistently effective, with some weaknesses identified in both design and operation.

Recommendations raised:

- 6 medium-priority recommendations
- 1 low-priority recommendation

KEY FINDINGS - AREAS OF STRENGTH

- **Auto-enrolment compliance:** No evidence of inducement for employees to opt out of pension schemes was identified.
- **Accurate contribution rates:** Testing confirmed that employee and employer contributions (TPS and LGPS) were correctly calculated and applied.
- **Payroll review controls:** Draft and final payrolls were consistently reviewed and approved by School Business Managers and Headteachers.
- **Financial procedural guidance:** The Schools Financial Procedural Manual includes comprehensive and up-to-date payroll and pensions guidance aligned to legislation.

- **Training and onboarding:** Introduction of School Business Manager onboarding and pensions training to improve awareness and consistency.

KEY FINDINGS - AREAS OF CONCERN

- **Policy gaps and governance:** The Council's Model Pay Policy does not reference pensions, and there is no formal process to confirm governing body adoption of updated policies.
- **Pensionable pay controls:** Lack of formal procedures and insufficient payroll reporting detail to verify pensionable pay at several schools.
- **Auto-enrolment and re-enrolment:** Responsibilities and monitoring controls are unclear, increasing the risk of non-compliance with statutory duties.
- **Records retention:** Inadequate retention of payroll, starter/leaver, and pension records in multiple schools.
- **Payroll oversight:** Absence of formal payroll contract management, KPI monitoring and clear accountability for pensions administration.
- **Audit trail weaknesses:** Payroll reports and supporting documentation are not consistently retained independently by schools.
- **Potential IR35 issue:** One instance of off-payroll working arrangement potentially inconsistent with employment status requirements.

4. ST THOMAS THE APOSTLE COLLEGE - 16 TO 19 VULNERABLE PUPIL BURSARY FUND

BACKGROUND

St Thomas the Apostle College (STAC) administers the 16-19 Vulnerable Pupil Bursary Fund on behalf of the Department for Education (DfE). The fund is designed to provide financial support to students facing barriers to participation in education, including defined vulnerable groups (eligible for up to £1,200) and discretionary bursaries based on financial need.

Institutions are required to ensure that funding is allocated based on individual student need, supported by appropriate evidence, and in line with DfE guidance. Failure to comply with these requirements may result in funding needing to be repaid.

For the 2024-25 academic year, STAC claimed £338,400 (282 students at £1,200 each). At the time of the review, no claims had been made for 2025-26.

PURPOSE

The purpose of this internal audit advisory review was to:

- Evaluate the governance and oversight arrangements in place to ensure bursary funds are managed in line with DfE guidance and STAC policy
- Confirm that bursary allocations are supported by sufficient documentary evidence demonstrating eligibility and that payments reflect actual student need.

ASSURANCE OPINIONS AND RECOMMENDATIONS

- Assurance opinions: This was an advisory review therefore no assurance opinions for the Design and Effectiveness of controls were provided.

Recommendations raised:

- 2 high-priority recommendations
- 1 medium-priority recommendation

KEY FINDINGS - AREAS OF STRENGTH

- **Governance framework:** Finance Committee and Governing Body discussions demonstrate awareness and oversight of the bursary fund as a ring-fenced grant.
- **Policy and delegation:** A Finance Policy and Scheme of Delegation are in place, with clear authorisation responsibilities for bursary approvals.
- **Defined roles and structure:** Organisational structure clearly sets out roles and responsibilities for administering the bursary fund.
- **Financial tracking:** Per-student expenditure tracking is maintained, supported by receipts and documentation for purchases.
- **Budget monitoring and reconciliation:** Regular reconciliation of allocated funding against spend is performed and reported to leadership.
- **Attendance monitoring:** Student attendance is tracked and linked to bursary eligibility, with review processes and intervention where attendance falls below thresholds.

KEY FINDINGS - AREAS OF CONCERN

- **Eligibility criteria definition:** The STAC policy does not clearly define “vulnerable” in line with DfE criteria, leading to misinterpretation and incorrect classification of students.
- **Eligibility verification:** Insufficient documentation was retained to evidence that students met DfE eligibility requirements.

- **Incorrect application of criteria:** Students were assessed using broader criteria (e.g., income, FSM) rather than strict DfE vulnerable group definitions.
- **Risk of clawback:** Due to insufficient evidence, funding may need to be repaid to the DfE if eligibility cannot be demonstrated.
- **Lack of formal eligibility assessments:** Financial need assessments were not consistently documented to demonstrate allocation based on actual need.
- **Governance gaps:** Although discussions took place, there was no formally agreed approach or action plan to ensure compliance with eligibility requirements.

5. ST SAVIOUR'S AND ST OLAVE'S C OF E SCHOOL - INTERNAL AUDIT FOLLOW UP

BACKGROUND

Following an earlier internal audit in April 2025, St Saviour's and St Olave's C of E School received Limited assurance opinions for both control design and operational effectiveness, with two high and eight medium recommendations raised.

In line with the Schools Programme 2025/26, a follow-up review was undertaken to assess whether these recommendations—particularly those rated high and medium—had been implemented and whether controls had improved.

PURPOSE

The purpose of the follow-up review was to confirm the implementation status of the high and medium priority recommendations and to assess whether control improvements were operating effectively, based on evidence and limited sample testing.

ASSURANCE OPINIONS AND RECOMMENDATIONS

Assurance opinions - as a follow-up review, no formal assurance opinions were given. We do not revisit the original opinion as the audit is not a full reperformance of all areas, focusing only on the areas where recommendations were made previously.

Recommendations:

- Nine of the ten high and medium recommendations had been fully implemented
- One high recommendation was partially implemented

KEY FINDINGS - AREAS OF STRENGTH

- **Bank account controls:** Direct debit mandates are appropriately authorised and retained.
- **Bank reconciliations:** Performed in a timely manner, reviewed and signed by the Headteacher.
- **Budget monitoring:** Monthly detailed budget reports produced with variance analysis and cost centre breakdowns.
- **Cashflow forecasting:** Monthly forecasting is undertaken and reviewed, supporting effective financial management.
- **Payroll controls strengthened:** Payroll reports are reviewed, signed, and reconciled, Payroll checklist in place, Additional payroll and pensions support has improved oversight
- **Starters and leavers processes:** Formal documentation and procedures are now in place, including improved sign-off controls.
- **Procurement processes:** Introduction of a purchase order system with appropriate approvals, segregation of duties and three-way matching.
- **Credit card reconciliation:** Transactions reconciled and independently reviewed with appropriate sign-off.

KEY FINDINGS - AREAS OF CONCERN

- **Procurement (invoice payments):** A number of invoices were not paid within agreed payment terms and lacked documented justification.

APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

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

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

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

FOR MORE INFORMATION:

AARON WINTER

Aaron.Winter@bdo.co.uk

Freedom of Information

In the event you are required to disclose any information contained in this report by virtue of the Freedom of Information Act 2000 ("the Act"), you must notify BDO LLP promptly prior to any disclosure. You agree to pay due regard to any representations which BDO LLP makes in connection with such disclosure, and you shall apply any relevant exemptions which may exist under the Act. If, following consultation with BDO LLP, you disclose this report in whole or in part, you shall ensure that any disclaimer which BDO LLP has included, or may subsequently wish to include, is reproduced in full in any copies.

Disclaimer

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO LLP or any of its partners, employees or agents.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO member firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

The matters raised in this report are only those which came to our attention during our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

Copyright © 2026 BDO LLP. All rights reserved. Published in the UK.

www.bdo.co.uk

Meeting Name:	Audit, governance and standards committee
Date:	13 July 2026
Report title:	Internal Audit – Annual Report & Opinion 2025-26
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Strategic Director of Resources

RECOMMENDATION

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

BACKGROUND INFORMATION

2. This report sets out the internal audit work for the London Borough of Southwark covered the period 1 April 2025 to 30 June 2026 (when work relating to the 2025/26 Internal Audit Plan approved by the audit, governance and standards committee was completed). Work was undertaken in line with the recognised Global Internal Audit Standards (GIAS) from the Institute of Internal Auditors and the Internal Audit Standards Advisory Board's Application Note GIAS in the UK Public Sector, which together comprise the 'GIAS in the UK Public Sector'.

Policy framework implications

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

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

Community impact statement

4. This report 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

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

Health impact statement

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

Further guidance

7. None required.

Climate change implications

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

Resource implications

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

Consultation

10. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

11. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix A	Internal Audit – Annual Report & Opinion 2025-26

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Aaron Winter, Angela Mason-Bell, BDO		
Version	Final		
Dated	2 July 2026		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER			
Officer Title		Comments sought	Comments included
Director of Law and Governance		No	N/A
Strategic Director of Resources		No	N/A
Executive Member		No	No
Date final report sent to Constitutional Team			2 July 2026

**London Borough of Southwark
Internal Audit - Annual Report & Opinion
2025-26**

July 2026

IDEAS | PEOPLE | TRUST

Contents

1. Executive summary	3
2. Thematic reporting	8
3. Summary of results	9
4. Quality Assurance	14
4. Key Performance Indicators	15
5. Annual attestation of independence	16
6. Appendix I: Definitions	17

Restrictions of Use

The matters raised in this report are only those which came to our attention during our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

Distribution list

For information	Clive Palfreyman	Strategic Director, Resources
	Tim Jones	Director, Corporate Finance
	Geraldine Chadwick	Assistant Director of Finance (Corporate)
	Audit, Governance and Standards Committee Members	

1.Executive summary

Introduction and Overview of Internal Audit Programme Delivery 2025/26

Role of Internal Audit

Internal auditing strengthens the organisation's ability to create, protect, and sustain value by providing the board* and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The primary responsibility of the internal audit service is to provide the Board with assurance on the adequacy and effectiveness of risk management, control and governance arrangements.

Responsibility for these arrangements remains fully with management, who should recognise that internal audit can only provide a reasonable level of assurance and cannot provide any guarantee against material errors, loss or fraud. Internal audit also plays a valuable role in helping management improve risk management control and governance, so reducing the effects of any significant risks faced by the organisation.

The Council is ultimately responsible for the system of internal control and the management of risk, including reviewing the effectiveness of internal control. Management is responsible for implementing board policies on risk and control, achieved by designing, operating and monitoring a suitable system of internal control and risk management. All employees have some responsibility for internal control, in that they are all accountable for achieving objectives and should also understand the risk implications of the activities they perform.

**The Global Internal Audit Standards (GIAS) refer to the 'board' as 'the highest-level body charged with governance.' For the London Borough of Southwark, 'the board' is the Audit, Governance and Standards Committee (AGSC) acting on behalf of the Council.*

Planned coverage

Our internal audit work for the London Borough of Southwark covered the period 1 April 2025 to 30 June 2026 (when work relating to the 2025/26 Internal Audit Plan approved by the AGSC was completed). Work was undertaken in line with the recognised Global Internal Audit Standards (GIAS) from the Institute of Internal Auditors and the Internal Audit Standards Advisory Board's Application Note GIAS in the UK Public Sector, which together comprise the 'GIAS in the UK Public Sector'.

The internal audit programme is risk-based, and our work is designed to align to key risks over the life cycle of the internal audit plan. The internal audit annual programme for 2025/26 comprised the following assignments:

Children and Adults Services

- ▶ Adopt London Partnership
- ▶ Hospital Discharges
- ▶ Nursing and Residential Care
- ▶ Public Health 0-19
- ▶ School Admissions
- ▶ Short Breaks & Respite Care
- ▶ Summerhouse
- ▶ Teachers Pensions Service
- ▶ Travel Assistance
- ▶ Waiting list management

Environment, Sustainability & Leisure

- ▶ CCTV
- ▶ Commercial Waste
- ▶ Culture & Events
- ▶ Estates Lighting
- ▶ Health & Safety Enforcement
- ▶ South Dock Marina

Housing

- ▶ Asset Management Systems
- ▶ Building Safety
- ▶ Commercial Properties - Garages
- ▶ Temporary Accommodation
- ▶ TMO - D'Eynsford
- ▶ TMO - Leathermarket
- ▶ TMO - Webber & Quentin

IT Audits

- ▶ Back Up & Restoration
- ▶ Cyber Security - Vulnerabilities Management
- ▶ IT Application - Mosaic

Major Incident Response and Business Continuity

People and Organisational Development

- ▶ Corporate Facilities Management
- ▶ Payroll

Resources

- ▶ Capital Expenditure - Use of S106 & CIL Funds
- ▶ Key Financial Systems
- ▶ Pensions Administration
- ▶ Procurement

Strategy & Communities

- ▶ Communications & Media
- ▶ Change Management & Future Southwark
- ▶ Voluntary Sector Grants

All work is reflected in this Annual Report for 2025-26. The executive summaries of reports not finalised will be included in the progress report presented to the September 2026 meeting of the Audit, Governance and Standards Committee.

1. Executive summary

Introduction and Overview of Internal Audit Programme Delivery 2025/26

Changes to the plan

Due to emerging risks and other priorities resulting, delays in the start date or other alternative factors, the following audits and associated reports were not undertaken. They are being considered as part of planning for 2026/27:

Children and Adults Services	Resources / x-Directorate
▶ Social Care Contract Management (partly covered under the Nursing & Residential Care audit)	▶ Contract Management (although covered in other audits where contracts in place were subject to review)
Environment, Sustainability & Leisure	Strategy & Communities
▶ No Recourse to Public Funds	▶ Southwark 2030 Implementation & Performance Monitoring
Governance & Assurance	
▶ Corporate Health and Safety	
▶ Southwark Stands Together	

The Supporting Families Grant audit was removed from the internal audit strategy and plan as it was no longer required by central Government

Audit outcomes

Key themes based on our reported root cause analysis are summarised on page 8. The conclusions from our reports are summarised on pages 9 to 13.

Background to the Annual Opinion

Internal Audit is required to provide an opinion to the Council, through the AGSC, 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 us as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

School Internal Audit Programme 2025/26

The internal audit programme of schools for 2025/26 comprised of the assignments below.

Cyclical Audits:

▶ Albion Primary School	▶ Ilderton Primary School
▶ Beormund Primary School	▶ Kintore Way Nursery School and Children's Centre
▶ Cherry Garden School	▶ Phoenix Primary School
▶ Dulwich Wood Nursery School	▶ St James The Great Roman Catholic Primary School
▶ Dulwich Village Church of England Infants' School	▶ St Saviour's and St Olave's Church of England School (follow up)
▶ English Martyrs' Catholic Primary School	

School Pension Arrangements Thematic Review:

▶ Dulwich Wood Primary School	▶ The Grove Nursey School
▶ Friars Primary School	▶ Tuke School
▶ Haymerle School	▶ Victory School
▶ Riverside Primary School	

We also completed a Grant Audit at the St Thomas Apostle Sixth Form College relating to the 16 to 19 Vulnerable Pupil Bursary Fund.

The annual end of year report summarising the results and common themes arising from our school internal audit programme for 2025/26 is included with the Internal Audit Progress Report presented to the Audit, Governance and Standards Committee at its meeting on 13 July 2026.

1. Executive summary

Opinion

We are satisfied that sufficient internal audit work has been undertaken at the London Borough of Southwark to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the London Borough of Southwark's risk management, control and governance processes.

Opinion

Our opinion is as follows:



Generally satisfactory with improvements required in some areas

Overall, the controls in the areas we examined were found to be suitably designed and operating effectively to achieve the specific risk management, control and governance arrangements and value for money. However, there are some areas where weaknesses and/or non-compliance were identified and, therefore, may put the achievement of the London Borough of Southwark's objectives at risk.

Where weaknesses have been identified, improvements are required to enhance the design and/or effectiveness of risk management, control and governance arrangements.

Given the size of the internal audit plan and the wide range of areas that are reviewed, there is consequentially an associated range of assurance opinions provided. An overall opinion of Generally Satisfactory is a typical conclusion reached for local authorities across London, and our wider client base.

None of the areas reviewed in 2025/26 received a no assurance rating, although we would draw attention to the following reviews where limited assurance was provided for the adequacy of the control framework and / or effectiveness of the controls in place:

Children and Adults Services

- ▶ Nursing & Residential Care
- ▶ Waiting List Management

Environment, Sustainability & Leisure

- ▶ Estates Lighting
- ▶ Street Lighting and Signs

People and Organisational Development

- ▶ Payroll

Housing

- ▶ Asset Management Systems
- ▶ Building Safety

IT Audits

- ▶ Back Up & Restoration
- ▶ Application - Mosaic

In respect of Limited assurance opinions for both the design of the control framework and the operational effectiveness of those controls, there has been a marginal decrease compared to 2024/25 which continues an overall downward year on year trend.

High significance findings raised during the year in strategic risk areas related to:

- Asset Management Systems - The Council has not yet fully implemented the new True Compliance system and records are fragmented. Without complete records the Council cannot demonstrate compliance with statutory requirements, and reporting to the Housing Investment Board and Regulator for Social Housing may not be accurate.
- Building Safety - We found significant overdue remedial actions relating to the Capital Works Programme, including Fire Risk Assessments, Retrospective Fire Strategy, and Structural Repairs. Gaps in information tracking and accountability for remedial works further exacerbate the situation.
- IT Back Up & Restoration - issues related to inconsistent restore testing for critical business applications and undefined recovery objectives for business applications. Additionally, the STS Backup Policy lacked practical detail on system-specific schedules, roles for business system owners, and expectations for third-party and SaaS providers.
- Nursing & Residential Care - the need for a comprehensive long-term strategic commissioning and framework strategy for residential and nursing care that aligns to the Council's Residential Care Charter. The strategy needs to be supported by a benchmarked costing model, and effective monitoring and assurance framework over providers.
- Payroll - Our testing identified that controls were not consistently operating as intended. While some manual review processes were evident, these were not sufficient to identify or prevent errors in practice.
- Waiting List Management - gaps in record keeping and overdue waiting list audits need to be addressed, alongside communication of status updates to service users and comprehensiveness of management and senior leadership oversight of the process.

For all our reports, action plans to address the issues raised have been agreed with management, and these will be followed up in due course and the results presented to the Audit, Governance and Standards Committee as part of routine progress reporting.

1. Executive summary

Opinion

Basis of opinion

As the provider of internal audit services to London Borough of Southwark, we are required to provide the Audit, Governance and Standards Committee and the Council with an opinion on the adequacy and effectiveness of the risk management, control and governance processes.

In giving our opinion, it should be noted that the assurance can never be absolute. The most that Internal Audit can provide to the Board is reasonable assurance that there are no major weaknesses in the London Borough of Southwark's risk management, control and governance processes.

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

- ▶ Our assessment of the design and operation of the underpinning risk management framework and supporting processes, including whether risk appetite has been established and embedded within the activities, limits and reporting of the organisation
- ▶ The range of individual opinions arising from risk-based audit assignments that have been reported throughout the year, including the relative materiality of these areas
- ▶ Any significant recommendations not accepted by management and the consequent risks
- ▶ Management's progress in respect of addressing control weaknesses and implementing recommendations
- ▶ Any limitations which may have been placed on the scope of internal audit - we can confirm that no restrictions were placed on our work
- ▶ Reliance placed upon other assurance providers
- ▶ The effects of any significant changes in the organisational objectives or systems
- ▶ The proportion of the London Borough of Southwark's audit need that has been covered to date.

This interim opinion is based on information provided between 1 April 2025 and 30 June 2026, 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.

1. Executive summary

Recommendation follow up

Management action on implementing recommendations

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 has generally responded in a timely manner for requests to provide updates on the status of actions being taken to address internal audit recommendations and evidence to demonstrate implementation of audit recommendations.

However, several recommendation target dates were revised multiple times across the period, undermining the effective management of identified risks and continues to put objectives at risk.

Common themes were that the original action owners had left the organisation and the action had not been reassigned to an appropriate owner or a lack of proactive engagement where delays were encountered.

Timely implementation of recommendations was found to be most effective where a directorate lead is in place to communicate internal audit deadlines and coordinate responses from action owners.

Where initial implementation action dates were missed, revised dates were provided and generally appropriate action has been taken.

Internal Audit performed follow up reviews ahead of each AGSC meeting to verify the status of the open internal audit actions.

For recommendations due for implementation by 30 April 2026, including revised dates, out of 313 actions the Council had fully implemented 311 recommendations, representing 99.4%.

All recommendations relating to 2022/23, 2023/24 and 2024/25 had been implemented.



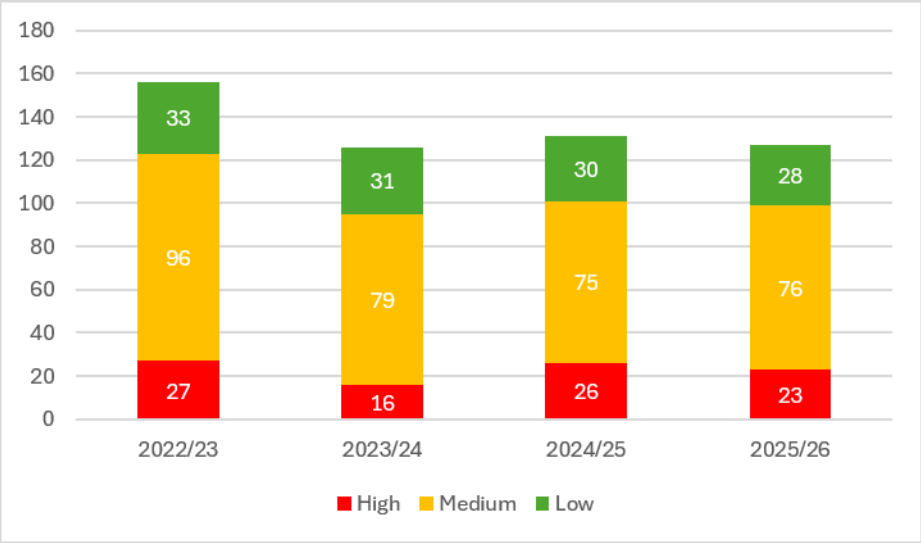
2. Thematic reporting

Throughout the 2025-26 internal audit plan, we have considered key findings against themes in root causes., which are summarised below.

Area	Root cause	Themes identified
 Control Environment	Unclear roles or responsibilities	▶ There were some changes in senior management and heads of service giving rise to interim arrangements, which led to a lack of leadership and direction and delays in development and implementation of strategies and underlying delivery plans. Eg Communications & Media, Corporate Facilities Management.
	Insufficient time and resources	▶ The primary theme arising in respect of the Council's control environment related to insufficiency of resources. As advised to us during the audits, this primarily arose from backlogs or necessary responses to changes in regulatory frameworks where resources were re-prioritised. Eg Asset Management Systems, Building Safety, Waiting List Management.
	Ineffective 3rd party supply chain or contractor management	▶ Where the Council relied upon contractors to deliver services, we identified instances that whilst monitoring against expected standards was generally being undertaken, proactive steps to improve performance was not sufficiently robust to improve delivery. Eg Commercial Waste, Estates Lighting, Nursing and Residential Care, Public Health 0-19.
 Control Activities	Policy and procedure deficiencies	▶ We identified several areas, across all directorates, where policies and procedures were not clearly documented for staff, giving rise to non-application of expected processes or inconsistency in practices. Eg Asset Management Systems, Communications & Media, Estates Lighting, IT Back Up and Restoration, IT Vulnerabilities Management Teachers Pensions Services. Temporary Accommodation.
	Poor design, inadequate or ineffective controls	▶ Generally, control frameworks were well designed, however they were ineffective in some cases Eg Commercial Properties - Garages, Nursing & Residential Care, Pensions Administration, Short Breaks & Respite. ▶ For Council-wide systems or transformation programmes, we recommended that corporate control frameworks and oversight could be strengthened. Eg Change Management & Future Southwark.
 Information and Communication	Data quality / integrity issues	▶ We found that data quality and consequently integrity of reporting was affected in several areas, when new systems were implemented, eg Asset Management Systems or key data was not readily available eg Building Safety, Estates Lighting, IT Back Up & Restoration, Mosaic, Public Health 0-19
 Monitoring	Lack of governance or insufficient assurance activities	▶ Overall, governance arrangements were found to be strong, including risk management. However, assurances on the operation of controls and risk mitigation could be strengthened. Eg Change Management & Future Southwark, IT Back Up & Restoration, Nursing & Residential Care, Payroll.

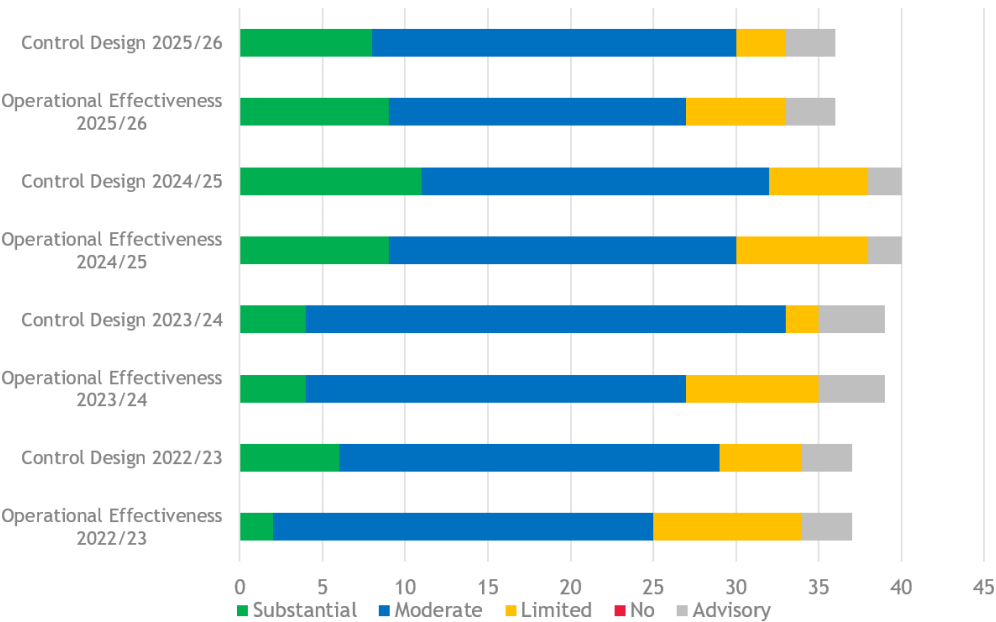
3. Summary of results

Recommendations by significance



Year	2022/23	2023/24	2024/25	2025-26
Assurance audits completed	42	35	37	36
Recommendations raised	156	126	131	127
Average per audit	3.7	3.6	3.5	3.5

Assurance opinions



Comparison to prior year

The figures presented on this page show that overall, there is marginal improvement in the Council’s control framework and the effectiveness of the controls in place. The challenge for the Council is in ensuring that sound control principles are embedded across all directorates and wide-ranging services, and that controls and expected processes, procedures and controls are routinely and consistently applied in practice.

3. Summary of results

Within the year, we produced 36 audit reports, of which two were advisory. We set out below our summary of the audits completed, the significance of recommendations raised, our opinions on control design and operational effectiveness and a comparison against the original internal audit plan. The definitions of recommendation significance and report conclusions are set out in the tables in Appendix I.

Audit - and status	Recommendations and significance			Overall report opinion		Link to internal audit plan
	High	Medium	Low	Control design	Operational effectiveness	
Children and Adult Services						
Adopt London Partnership - Final	0	0	1	Substantial	Substantial	Additional review
Hospital Discharges - Final	0	3	0	Moderate	Moderate	No change
Nursing and Residential Care - Final	4	3	0	Moderate	Limited	No change
Public Health 0-19 - Final	0	3	0	Moderate	Moderate	No change
School Admissions - Final	0	3	0	Moderate	Moderate	No change
Short Breaks & Respite Care - Final	0	2	0	Moderate	Moderate	No change
Summerhouse - Draft	One high, two medium and three low risk rated recommendations raised			N/A - Advisory	N/A - Advisory	Additional review
Teachers Pensions Service - Final	Three medium risk rated recommendation raised			N/A - Advisory	N/A - Advisory	Additional review
Travel Assistance - Draft	1	2	0	Moderate	Moderate	No change
Waiting List Management - Final	2	1	1	Moderate	Limited	Carried forward from 2024/25

3. Summary of results

Audit	Recommendations and significance			Overall report opinion		Link to internal audit plan
	High	Medium	Low	Control design	Operational effectiveness	
Environment, Sustainability & Leisure						
CCTV - Draft	0	2	0	Moderate	Moderate	No change
Commercial Waste - Final	0	3	2	Moderate	Substantial	No change
Culture & Events - Draft	0	2	1	Moderate	Moderate	No change
Estates Lighting - Draft	3	2	0	Limited	Limited	Additional review
Health & Safety Enforcement - Final	0	0	2	Substantial	Substantial	No change
South Dock Marina - Draft	1	3	1	Moderate	Moderate	No change
People and Organisational Development						
Corporate Facilities Management - Final	0	2	0	Moderate	Moderate	Carried forward from 2024/25
Payroll - Draft	1	0	0	Moderate	Limited	No change

3. Summary of results

Audit	Recommendations and significance			Overall report opinion		Link to internal audit plan
	High	Medium	Low	Control design	Operational effectiveness	
Housing						
Asset Management Systems - Draft	1	2	0	Moderate	Limited	No change
Building Safety - Draft	4	1	1	Limited	Limited	No change
Commercial Properties - Garages - Final	1	2	1	Moderate	Moderate	No change
Temporary Accommodation - Final	0	5	0	Moderate	Moderate	No change
TMO - D'Eynsford - Final	0	1	2	Moderate	Substantial	No change
TMO - Leathermarket - Draft	0	2	1	Substantial	Moderate	No change
TMO - Webber & Quentin - Final	0	1	2	Moderate	Substantial	No change
IT Audits						
Back Up & Restoration - Final	2	2	1	Limited	Moderate	No change
Cyber Security - Vulnerabilities Management - Final	0	2	1	Substantial	Moderate	No change
IT Application - Mosaic - Final	2	4	1	Moderate	Limited	No change
Major Incident Response and Business Continuity - Final	0	0	2	Substantial	Substantial	No change

3. Summary of results

Audit	Recommendations and significance			Overall report opinion		Link to internal audit plan
	High	Medium	Low	Control design	Operational effectiveness	
Resources						
Capital Expenditure - Use of S106 & CIL Funds - Final	0	3	1	Moderate	Moderate	No change
Key Financial Systems - Final	0	2	1	Substantial	Moderate	No change
Pensions Administration - Final	0	4	2	Moderate	Moderate	No change
Procurement - Final	0	1	0	Substantial	Moderate	No change
Strategy & Communities						
Communications & Media - Final	Three medium risk rated recommendations raised			N/A - Advisory	N/A - Advisory	No change
Change Management & Future Southwark - Final	0	3	0	Moderate	Moderate	No change
Voluntary Sector Grants - Final	0	2	0	Moderate	Moderate	No change

4. Quality assurance

As a firm we are committed to continual improvement. To achieve this, we apply the latest internal quality standards, which are designed to ensure that the work we perform meets the requirements of the regulatory environment within which each of our clients operates. The provision of Internal Audit services rests with a team of dedicated internal audit professionals who form part of a national Risk and Advisory Services (RAS) team.

Qualifications, Training And Development

It is our policy that staff engaged in the provision of a specialist service be qualified in the relevant professional discipline. In Internal Audit, staff are qualified or are studying for the exams by the Chartered Institute of Internal Auditors, or for a professional accountancy body.

Qualified staff are required to retain commitment to their professional body after their qualification and the firm is committed to continuing professional education and provide staff access to quality training programmes.

Quality assurance processes

We adopt the following processes to ensure that the internal audit work we perform meets our required quality standards:

- ▶ **Documented standards** - the fundamentals of our auditing standards are set out within our audit manual and related documentation. Our audit methodology complies with current best practice, Global Internal Audit Standards and GIAS in the UK public sector .
- ▶ **Annual plan** - A risk-based approach is taken to determine the annual plan.
- ▶ **Planning** - each assignment is planned based upon a thorough understanding of the business area being audited and the risks that are associated with that area. All assignments are supported by briefing documents agreed in advance with the client.
- ▶ **Quality assurance** - the work conducted to meet the requirements of each assignment brief is subject to a full client debrief and to manager review within the audit team before a final draft report is issued. All finalised reports are approved and signed off by a licence holder (Partner or Director).
- ▶ **Cold reviews** - we also adopt a cold review process where samples of the work performed by the internal audit team are reviewed to ensure that they meet our own internal standards. These reviews are conducted by professionals outside of the team which conducted the work. The work of cold review is subject to our National Quality Review processes, aimed at ensuring consistency of standards adopted within the firm.

Continuous Improvement

The results of the various review processes that are outlined opposite are used to inform the development needs of staff through our appraisal process and by the development of relevant training courses for the staff involved in internal audit work. The appraisal process adds to the structured training that each member of our RAS team receives on a firm wide basis. Each of our team members is required to attend at least two RAS training days annually with additional training being provided in response to changes in the environment in which we operate.

Compliance with the Global Internal Audit Standards (GIAS)

Based on the results of our internal assessments, we can confirm that our Internal Audit services are aligned and have been delivered in accordance with the Global Internal Audit Standards and Topical Requirements and GIAS in the UK public sector during the year.

It should be noted that as the GIAS became effective on 9 January 2025 and GIAS in the UK public sector on 1 April 2025), there has been a transition period during the year.

We confirm there have been no deviations from the GIAS during the year.

External Quality Assessment

The Global Internal Audit Standards of the Institute of Internal Auditors (IIA) requires every internal audit function that aims to comply with its standards to be reviewed, externally, every five years. At BDO we recognise the importance of independent quality assurance and so submit our RAS team to an External Quality Assurance (EQA) review every five years, most recently in April 2021.

We engaged the Chartered Institute of Internal Auditors (CIIA) to carry out the EQA and, in summary, their conclusion was that BDO generally conforms to the International Professional Practices Framework (IPPF). This is the highest of the three gradings awarded by the CIIA.

RAS is committed to continuous improvement and has agreed a Quality Assurance Improvement Programme with the CIIA to respond to the recommendations and suggestions raised through the EQA exercise. A copy of the EQA report is available to our clients in order they may obtain comfort regarding our working practices.

Our next EQA is due in late 2026.

5. Key Performance Indicators

An update on our actual performance against the KPIs agreed with the Council is included below.

Performance Measure	Actual Performance	RAG Rating
Annual Audit Plan for 2025/26 delivered in line with timetable.	We have completed all our work relating to 2025/26, although some audits were not completed by the end of April 2026. While we rate this as Amber, it has not impaired our ability to inform our annual opinion, and the outcomes of all reviews are included in our final internal audit report and opinion for 2025/26.	Amber
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.	Green
Customer satisfaction reports - overall score at average at least 3.5 / 5 for surveys issued at the end of each audit.	We received six survey responses for our work in 2025-26, which resulted in an overall average score of 4.3 out of 5.	Green
External audit can rely on the work undertaken by internal audit (where planned).	Not applicable for work delivered in 2025-26. However, we continue to maintain an open dialogue with external audit in the event any reliance or information is required. All reports are available to external audit via the Audit Committee papers or upon request.	N/A
At least 60% input from qualified staff.	Delivery of the 2025-26 included 72% input from qualified staff.	Green
Issuance of draft report within three weeks of fieldwork `closing` meeting.	There were four cases where reports were issued up to four weeks after the closing meeting, where the quality assurance process fell during holiday periods.	Amber
Finalise internal audit report one week after management responses to report are received.	For all audits completed for 2025-26, we issued the final report within one week of the completed management response.	Green
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.	Green
Information is presented in the format requested by the customer.	Where requested, we have amended our report formats.	Green
High quality documents produced by the auditor that are clear and concise - measured within customer satisfaction surveys	We have received six survey responses as at the end of the year, two providing a rating of five and four a rating of four out of five with regards to the quality of our outputs.	Green

6. Annual attestation of independence

Independence

The Internal Audit function is independent and objective, and we undertake our work with an impartial, unbiased attitude, avoid conflicts of interest and perform engagements in such a manner that there are no quality compromises.

During the year we have not acted in any management capacity, taken on any responsibility for the operations of your organisation or provided any services that would compromise our independence.

In the year BDO has been engaged by management to carry out additional services outside of Internal Audit contract. These are:

- Transparency Reporting - we continued to provide support and challenge to the Council in meeting its obligations for reporting of expenditure under the Local Government Transparency Code 2015. No issues to prevent publication of the information have arisen.
- Housing Reviews - we provided an independent insight report into the fraud indicators and management overrides evident in the Quality Homes Improvement Programme 2018/19, which arose from the Task & Finish groups and reporting to the Overview and Scrutiny Committee.
- Information Governance - we supported the management review of the Councils arrangements for information governance, with a specific focus on subject access requests in children and adult services.
- Grant audit - we carried out a grant audit relating to DfE 16 to 19 Vulnerable Pupil Bursary Fund received by St Thomas Apostle School & Sixth Form College.

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

If the independence or objectivity of the Internal Audit service is ever impaired, details of the impairment will be disclosed to either the Strategic Director Resources or Chief Executive, or the Chair of the Audit, Governance and Standards Committee, dependent upon the nature of the impairment.

Relationship with external audit

A summary of the results of all our audits are reports are available to the external auditors through the Internal Audit Progress Reports presented to each meeting of the Audit, Governance and Standards Committee. Full reports are made available on request.

Appendix I: Definitions

Annual Opinion Definitions

Opinion		Definition
	Good	The controls in the areas which we examined were found to be suitably designed and operating effectively to achieve the specific risk management, control and governance arrangements.
	Generally satisfactory with improvements required in some areas	The controls in the areas which we examined were found to be suitably designed and operating effectively to achieve the specific risk management, control and governance arrangements. However, there are some areas where weaknesses and/or non-compliance were identified and therefore may put the achievement of objectives at risk.. Where weaknesses have been identified, improvements are required to enhance the design and/or effectiveness of risk management, control and governance arrangements.
	Improvements required	Significant weaknesses were identified in [both the design and/or operational effectiveness] of the controls in [all/the majority] of the areas which we examined and weaken the risk management, governance and control arrangements.. Significant improvements are required to enhance the design and/or effectiveness of risk management, control and governance arrangements and value for money arrangements.
	Unsatisfactory	The framework of governance, risk management and control arrangements is poor. Immediate action is required to improve the design and/or operational effectiveness]of the governance, risk management and control arrangements.

Appendix I: Definitions

Audit Report Definitions

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

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

For more information:

Aaron Winter, Partner

aaron.winter@bdo.co.uk

Freedom of Information

In the event you are required to disclose any information contained in this report by virtue of the Freedom of Information Act 2000 ("the Act"), you must notify BDO LLP promptly prior to any disclosure. You agree to pay due regard to any representations which BDO LLP makes in connection with such disclosure and you shall apply any relevant exemptions which may exist under the Act. If, following consultation with BDO LLP, you disclose this report in whole or in part, you shall ensure that any disclaimer which BDO LLP has included, or may subsequently wish to include, is reproduced in full in any copies.

Disclaimer

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO LLP or any of its partners, employees or agents.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO member firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

The matters raised in this report are only those which came to our attention during our audits and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made organisation. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

Copyright © 2026 BDO LLP. All rights reserved. Published in the UK.

www.bdo.co.uk

Meeting Name:	Audit, Governance and Standards Committee
Date:	13 July 2026
Report title:	Internal Audit Risk-Based Plan, Strategy, Charter and Mandate
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Timothy Jones, Director of Corporate Finance

RECOMMENDATIONS

1. That the Audit, Governance and Standards Committee approve:

- (a) the Internal Audit Plan for 2026/27 (Appendix 1)
- (b) the three-year Internal Audit Strategy (Appendix 3); and
- (c) the Internal Audit Charter and Mandate (Appendix 4)

BACKGROUND INFORMATION

2. The requirements for internal audit activities are set out in the Accounts and Audit Regulations 2025, which state that a relevant authority must ensure that it has a sound system of internal control which:
 - facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - ensures that the financial and operational management of the authority is effective; and
 - includes effective arrangements for the management of risk.
3. The Audit, Governance and Standards Committee has responsibility for oversight of the Council's arrangements for governance, risk management and internal control, and this report assists the Committee in discharging its responsibilities.
4. From March 2026, the London Boroughs of Southwark and Lambeth have operated a shared internal audit service, with Paul Rock appointed as Head of Internal Audit for both councils. Recruitment is underway to strengthen in-house capacity to support delivery of the council's internal audit programme. In the interim, audit activity will continue to be delivered by BDO, the current provider, under the leadership of the Head of Internal Audit. The proposal to establish the shared service was reported to the Committee in November 2025.

KEY ISSUES FOR CONSIDERATION

Internal Audit Plan 2026/27

5. The Global Internal Audit Standards (UK Public Sector) require the Head of Internal Audit (sometimes referred to as the Chief Audit Executive) to establish a risk-based plan setting out the priorities for internal audit activity. The plan must be:
 - be based on an assessment of the Council's strategies, objectives and risks;
 - be informed by input from senior management and the Audit, Governance and Standards Committee, as well as Internal Audit's own risk assessment;
 - focus on areas of risk and consider information technology, fraud risks and the effectiveness of the Council's compliance and ethics programmes;
 - be dynamic and updated in response to changes in the Council's risks, operations, programmes, systems, controls and culture; and
 - be approved by the Audit, Governance and Standards Committee.
6. In preparing the plan, the following were considered:
 - consultation with Strategic Directors and Directors;
 - consideration of the Council's risk maturity and review of the directorate and corporate risk registers;
 - consideration of national and local risks through research and discussion with peers;
 - consideration of the outcomes of previous Internal Audit and counter-fraud activity; and
 - identification of other assurance providers, where relevant, and whether reliance can be placed on their work.
7. This work has resulted in the proposed internal audit plan for 2026/27 attached at Appendix 1. The plan is presented for the committee's review and agreement.
8. The internal audit plan has been mapped to the council's most significant risks to ensure that audit activity is directed appropriately (see Appendix 2). The mapping demonstrates that the plan provides strong direct assurance over key financial, housing, education and digital risks, with additional indirect assurance across wider corporate risks through cross-cutting audits and advisory work.
9. Where direct assurance is not provided, the council relies on a combination of management controls, second-line oversight, and other independent assurance providers.
10. Once agreed by the Audit, Governance and Standards Committee, the plan will be kept under continuous review and will be presented again after six months to ensure that any significant changes requested by management or Members are communicated and approved. The final agreed plan will be

shared with all Strategic Directors and Executive Members.

11. In determining the detailed scope and timing of the individual audits, meetings will be held with directorate and service leadership to agree the scope and start date, taking account of staff availability and any operational pressures. Progress against the plan and its outcomes will be reported regularly to senior management and the Committee.
12. The primary role of Internal Audit is to provide independent assurance over the adequacy and effectiveness of governance, risk management and internal control. Internal Audit will undertake a limited programme of advisory work, where this adds value, particularly in relation to major programmes, transformation activity and emerging risk areas. Advisory engagements are carefully managed to ensure that internal audit does not assume management responsibility. All such work is conducted in a way that safeguards independence and does not compromise the ability to provide objective assurance in the future.
13. The outcomes from the 2026/27 plan will provide the following:
 - Overall opinion and assurance to support the 2026/27 Annual Governance Statement.
 - Assurance against the mitigation of key corporate risks.
 - Assurance over the critical systems of the Council.
 - On-going advice and information to management on risks and controls.
 - Opportunities to provide management with value for money support and advice.

Resources, Priorities and Quality

14. The internal audit plan has been developed to provide risk-based assurance over the Council's highest-priority risks within the resources available. Delivery of the plan is subject to a small number of risks, including:
 - a. recruitment and retention challenges within the internal audit market;
 - b. reliance on co-sourced specialist support for IT audits; and
 - c. emerging or unplanned issues requiring audit input during the year.
15. These risks will be actively managed through a combination of vacancy management, targeted co-sourcing arrangements, and regular review of plan delivery. Progress against the plan will be monitored throughout the year and reported to the Audit, Governance and Standards Committee.
16. Where necessary, the plan will be adjusted to prioritise audits linked to the Council's most significant strategic and corporate risks, with lower-risk or cyclical work deferred if required. This agile approach ensures that internal audit can respond promptly to changes in risk, emerging issues, and organisational priorities, while maintaining appropriate coverage of core assurance areas.
17. While the plan sets out the initial audit priorities for the year, it is intentionally designed to remain flexible. A proportion of internal audit resources has been set aside to respond to emerging risks, unplanned requests from senior management and Members, or significant control issues identified during the

year. This contingency will be deployed on a risk-priority basis, ensuring that internal audit activity remains focused on the areas of greatest importance to the Council's objectives and risk profile.

18. The plan has been designed around the internal audit resources expected to be available during 2026/27, with a significant proportion delivered this year through a co-sourcing arrangement with BDO. This model provides flexibility to match assurance requirements with the capacity and expertise of in-house resources while additional internal audit staff are recruited. On this basis, Internal Audit is satisfied that sufficient audit work can be delivered to support a robust annual opinion. Any material changes in resources or risk exposure will be reported to the committee.
19. In accordance with the Global Internal Audit Standards, Internal Audit maintains a Quality Assurance and Improvement Programme. Outcomes from this, including external assessments, will be reported to the committee.

Internal Audit Three-Year Strategy

20. The Global Internal Audit Standards (UK Public Sector) require the Head of Internal Audit (sometimes referred to as the Chief Audit Executive) to develop and implement a strategy for the internal audit function. That strategy must be designed to achieve an overall objective and include a vision and strategic objectives aligned with the expectations of senior management and the Audit, Governance and Standards Committee.
21. A three-year strategy has been developed to set the medium-term direction and priorities of the internal audit service. The strategy will support delivery of the following vision:

"To be a leading provider of internal audit services empowering the Council to achieve its objectives by unlocking organisational improvement through industry leading governance, risk management and internal control."
22. It is supported by the Internal Audit Charter, mandate and annual audit plan, and is presented to the Committee for approval. The Internal Audit Strategy is attached at Appendix 3.

Internal Audit Charter and Mandate

23. To support the continued development of an effective and professionally aligned internal audit function, the refreshed Internal Audit Charter and Mandate are also presented for the Committee's review and approval. The Charter sets out the purpose, authority, organisational position and responsibilities of the internal audit service, reflecting the requirements of the Global Internal Audit Standards (UK Public Sector) and CIPFA's Code of Practice. It formalises Internal Audit's mandate, including unrestricted access to records, systems, officers and Members, and articulates the safeguards in place to maintain independence and objectivity. The Charter also clarifies the respective responsibilities of the Head of Internal Audit, senior management and the Audit, Governance and Standards Committee in enabling an effective internal audit function that can provide independent assurance, advice and

insight to support the achievement of the Council's objectives.

24. In approving this Charter and Mandate, the Committee will reaffirm its oversight role and ensure the internal audit service continues to operate with the authority and independence required to fulfil its statutory duties under the Accounts and Audit Regulations 2015 and deliver high-quality assurance to the Council. The Internal Audit Charter and Mandate are attached at Appendix 4.

Policy framework implications

25. The provision of effective internal audit services supports the delivery of the council's plans by strengthening governance, risk management and internal control arrangements across the Council. By providing independent assurance and insight, internal audit helps to support informed decision making, financial resilience and accountability, all of which underpin the council's ability to deliver its priorities and outcomes.

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

Community impact statement

26. This report and the accompanying appendices do not have a direct impact on local people and communities. However, good governance, risk management and internal control arrangements are important to the delivery of local services and to the achievement of outcomes.

Equalities (including socio-economic) impact statement

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

Health impact statement

28. There are no direct health impacts associated with this report or internal audit. Indirectly, effective internal audit contributes to the robustness of governance and risk management arrangements, which support the safe and effective delivery of council services, including those that have a bearing on the health and wellbeing of residents.

Climate change implications

29. There are no material climate change implications. The delivery of internal audit services is predominantly desk-based and will make use of existing digital systems and remote working arrangements where appropriate, thereby minimising environmental impact and aligning with the Council's sustainability objectives.

Resource implications

30. There are direct resource implications arising from this report, including fees for internal audit services, which will be met from existing budget provision.

Consultation

31. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

32. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Internal Audit: Shared Service Proposal (https://moderngov.southwark.gov.uk/documents/s129884/Report%20Internal%20Audit%20Shared%20Service.pdf)	Corporate Finance	Timothy Jones Timothy.Jones@southwark.gov.uk

APPENDICES

No.	Title
Appendix 1	Draft Internal Audit Plan for 2026/27
Appendix 2	Internal Audit Plan mapped to Risks
Appendix 3	Internal Audit Strategy
Appendix 4	Internal Audit Charter and Mandate

AUDIT TRAIL

Lead Officer	Timothy Jones, Director of Corporate Finance		
Report Author	Paul Rock, Head of Internal Audit		
Version	Final		
Dated	10 June 2026		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER			
Officer Title		Comments Sought	Comments Included
Director of Law and Governance		No	N/A
Strategic Director of Resources		N/A	N/A
Executive Member		No	N/A
Date final report sent to Constitutional Team			25 June 2026

Draft Internal Audit Plan for 2026/27

Resources

Ref	Area	Audit Sponsor	Quarter	Outline Description	Reason for Inclusion
1	Medium Term Financial Strategy	Director of Corporate Finance	2	To provide assurance to Members and senior management that the Council has effective arrangements in place to develop, deliver and monitor the Medium-Term Financial Strategy, including the robustness of savings plans, governance of key assumptions, and early identification and management of financial risks.	Critical to the council's financial sustainability and statutory duty to set a balanced budget.
2	Accounts Payable	Director of Customer and Exchequer Services	2	Provide assurance over key controls, including policies and procedures, creditor transactions, amendments to standing data, <u>purchase orders</u> , goods receipting, invoice processing, payments and management reporting.	Core financial system with high transaction volumes; risk of error, fraud and non-compliance impacting financial accuracy and supplier relationships.
3	Business Rates	Director of Customer and Exchequer Services	3	Provide assurance over the administration and collection of business rates, including billing accuracy, reliefs and exemptions, debt recovery, reconciliations, valuation office	Material income stream with complex legislation and risk of error; assurance required cyclically.

Ref	Area	Audit Sponsor	Quarter	Outline Description	Reason for Inclusion
				interactions, and management oversight.	
4	Corporate Credit Cards	Director of Corporate Finance	3	Provide assurance over the adequacy and effectiveness of controls governing the use of corporate credit cards, including card issuance and cancellation, expenditure approval, transaction monitoring, reconciliation processes, compliance with policy, and management oversight.	Inherent risks of misuse; requires periodic independent assurance.
5	IT: AI Governance	Director of Digital and Resident Experience	3	Provide assurance over the integration and use of Artificial Intelligence into the council's systems and processes. Potential to include risk assessment, governance and policy, data quality challenges, people, culture & training and responsible/ethical integration.	Emerging technology risk area with significant ethical, legal, data protection and reputational implications.
6	IT: Third Party Supplier Management	Director of Digital and Resident Experience	3	Assess the robustness of arrangements for managing third party IT suppliers, including contract management, performance monitoring, service level adherence, risk management, and controls over system access granted to suppliers.	Increased reliance on external suppliers creates risks around service resilience, cyber security, data access and value for money

Ref	Area	Audit Sponsor	Quarter	Outline Description	Reason for Inclusion
7	IT: Mobile Device Management	Director of Digital and Resident Experience	2	Assess the effectiveness of mobile device management arrangements in protecting council data and systems. Potential to include governance and policy compliance, device provisioning and decommissioning, security controls, user access management, incident management and compliance with information security requirements	Mobile working increases risk of data loss and cyber incidents; assurance needed over security controls and policy compliance.
8	IT: Change Control	Director of Digital and Resident Experience	4	Assess the adequacy and effectiveness of IT change management arrangements, including governance, authorisation, testing, deployment, segregation of duties and post-implementation review for key systems	Core IT general control underpinning system stability, data integrity and cyber resilience
9	Risk Management	Director of Corporate Finance	1	Review the design and operation of the council's risk management framework. To include risk identification, assessment and escalation processes, alignment with corporate objectives, reporting to senior management and	Fundamental to effective governance and decision-making; underpins the council's ability to identify, manage and escalate key risks.

Ref	Area	Audit Sponsor	Quarter	Outline Description	Reason for Inclusion
				members, and integration with decision-making and assurance arrangements	
10	Treasury Management	Strategic Director of Resources	3	Provide assurance over treasury management arrangements, including governance, compliance with the treasury management strategy and Prudential Code requirements, investment and borrowing activity, cash flow management, and key controls over bankline access and use, including user administration, segregation of duties, transaction approval, monitoring and reconciliations.	Management requested this review due to the significance of treasury activity and the need for independent assurance over key controls, including bankline access, approvals and segregation of duties.
11	Complaints	Director of Customer and Exchequer Services	4	Review the council's corporate complaints handling arrangements, including compliance with policy and statutory requirements, timeliness, quality of responses, escalation, learning from complaints and management oversight.	Reputational and regulatory risk.
12	Counter Fraud: Economic Crime and Corporate Transparency Act 2023 Compliance	Director of Corporate Finance	4	Review the council's fraud risk management arrangements considering the Economic Crime and Corporate	New legislation from 2025 with criminal liability implications

Ref	Area	Audit Sponsor	Quarter	Outline Description	Reason for Inclusion
				Transparency Act requirements. To include fraud risk assessment, prevention and detection controls, policies and training, reporting and investigation arrangements, and oversight of corporate fraud risks.	
13	Whistleblowing	Director of Governance and Law	4	Provide assurance over the effectiveness of whistleblowing arrangements, including policy accessibility, reporting channels, confidentiality, investigation processes, protection of whistleblowers and governance oversight	Key element of ethical governance and fraud prevention.
14	Data Protection	Director of Governance and Law	2	Assess compliance with data protection requirements, focusing on governance, policies, incident management, data sharing, staff awareness, and oversight of high-risk processing activities.	High regulatory, financial and reputational risk arising from data breaches and increasing data sharing
15	Southwark360 Programme	Programme Director	2	Provide advisory support on the adequacy of governance, risk and assurance arrangements for the Southwark360 ERP programme, including programme oversight, RAID	Major transformation programme with significant operational, financial and delivery risk; advisory input will help strengthen governance and support successful implementation

Ref	Area	Audit Sponsor	Quarter	Outline Description	Reason for Inclusion
				(Risks, Actions, Issues, Dependencies) management, decision-making, dependencies, change control and benefits realisation.	and realisation of intended benefits.

Children and Adult Services

Ref	Area	Audit Sponsor	Quarter	Outline Description	Reason for Inclusion
16	Financial Assessments & Income	Director of Adult Social Care	2	Review the end-to-end process from financial assessment to invoicing and income collection, including timeliness, accuracy, debt management, use of direct debits, and management information	Income risk arising from delays and process inefficiencies in a high-demand service area
17	Direct Payments	Directors of Children's and Adult Social Care	3	Provide assurance over the governance and operation of direct payments, including eligibility, payment controls, monitoring of spend, prevention of misuse, and recovery of unspent balances	High error and fraud risk due to delegated spending and complex monitoring requirements.
18	Care reviews	Director of Adult Social Care	4	Assess the robustness and timeliness of statutory care reviews, including linkage to financial reassessments and management oversight of review quality.	Risk of unmet needs, inappropriate spend and non-compliance with statutory expectations.

Ref	Area	Audit Sponsor	Quarter	Outline Description	Reason for Inclusion
19	Spot purchasing for Children and Adults	Directors of Adult and Children's Social Care	3	Review governance, commissioning and value-for-money controls over spot purchasing arrangements.	Low-volume but high-cost placements with limited market control.
20	School budgets and deficits	Director of Children's Social Care	2	Assess arrangements for monitoring school financial health, managing deficits, intervention thresholds and reporting to Members.	Increasing financial pressure within schools with potential impact on the council's wider financial position.
21	Special Educational Needs	Director of Children's Social Care	4	Review governance, demand management and financial oversight of SEND services, including alignment between assessments, placements and budget forecasts.	Known national risk area with significant financial and service delivery pressures.
22	School Cyclical Programme	Director of Children's Social Care	1 to 4	Cyclical assurance over schools including governance, safer recruitment, pay and personnel records, budgetary control, bank accounts, income and debt management, expenditure, contracts and asset management.	Statutory responsibility with ongoing safeguarding, health & safety and financial risks; requires periodic assurance over control consistency across schools.

Integrated Health & Care

Ref	Area	Audit Sponsor	Quarter	Outline Description	Reason for Inclusion
23	Southwark and ICB Project/Programme Governance	Director of Commissioning	4	Review governance and assurance arrangements for joint projects and programmes with the ICB, including decision-making, risk sharing, accountability and performance monitoring.	Complex partnership arrangements with shared accountability and financial exposure.

Housing

Ref	Area	Audit Sponsor	Quarter	Outline Description	Reason for Inclusion
24	Contract Management: Responsive Repairs	Director of Repairs and Maintenance	2	Provide assurance over contract management arrangements for responsive repairs, including performance monitoring, cost control, compliance with contract terms and resident outcomes	High-volume, high-risk service with direct impact on tenants and regulatory compliance
25	Plentific	Director of Repairs and Maintenance	2	Assess governance, controls and use of the Plentific platform, including provider management, data quality, system reliance and business continuity arrangements.	Critical system dependency underpinning repairs delivery and contractor management
26	New Homes Development	Director of Housing Needs and Support	4	Advisory review of governance and oversight arrangements for developer-led new homes programmes, focusing on	Evolving delivery model with increased reliance on third parties and long-term strategic impact

Ref	Area	Audit Sponsor	Quarter	Outline Description	Reason for Inclusion
				assurance over delivery, quality, risk management and achievement of council objectives	
27	Engineering Services	Director of Repairs and Maintenance	3	Review payment and charging arrangements for engineering services, including contractor payments, use of Northgate, process efficiency and control design	Long-standing complex processes with risk of error, inefficiency and weak transparency
28	Tenancy Successions and Occupations	Director of Housing Needs and Support	2	To provide assurance over the adequacy and effectiveness of controls governing tenancy successions and property occupation, including compliance with policy and legislation, verification of eligibility, management of tenancy records, prevention and detection of unauthorised occupation, and the effectiveness of monitoring and oversight arrangements.	High inherent risk of tenancy fraud and unlawful occupation, alongside statutory and regulatory expectations in relation to allocation and use of social housing.
29	TMO Cyclical Programme plus themed report.	Director of Landlord Services	1 to 4	Cyclical assurance over TMOs, supplemented by a themed report highlighting cross-cutting issues and good practice	Statutory and reputational importance of robust TMO oversight.

Environment, Sustainability and Leisure

Ref	Area	Audit Sponsor	Quarter	Outline Description	Reason for Inclusion
30	Section 17 Crime and Disorder Act requirements	Director of Stronger Neighbourhoods	2	Review compliance with Section 17 duties, including consideration of crime and disorder implications in decision-making and evidence of embedding across services.	Statutory requirement with potential legal and reputational implications
31	Licensing	Director of Stronger Neighbourhoods	3	Assess controls over licensing administration, enforcement, income collection, compliance monitoring and data quality	Regulatory service with public safety, income and reputational risks
32	NRPF	Director of Stronger Neighbourhoods	2	Review governance, decision-making and financial controls relating to NRPF cases, including consistency, safeguarding and expenditure oversight.	High-risk statutory area with safeguarding and financial exposure.

Strategy and Communities

Ref	Area	Audit Sponsor	Quarter	Outline Description	Reason for Inclusion
33	Performance Monitoring and Reporting	Director, Comms, Engagement and Change	2	Assess the effectiveness of performance management arrangements, including data quality, KPI reporting, escalation and use in decision-making	Core mechanism for organisational accountability and early identification of under-performance
34	Consultations	Assistant Director, Strategy and Co-Design	4	Review governance and delivery of public consultations, including compliance with	Legal and reputational risk where consultation processes are flawed

				statutory guidance, transparency, record-keeping and use of outcomes	

Human Resources, Organisational Development and Facilities Management

Ref	Area	Audit Sponsor	Quarter	Outline Description	Reason for Inclusion
35	Payroll (Pension auto enrolment)	Director of People and Organisational Development	3	Provide assurance over payroll controls, including starters/leavers, pay accuracy, reconciliations, data security and compliance with pension auto-enrolment requirements.	Core financial system with material expenditure and regulatory obligations

Mapping of Internal Audit Plan to Corporate Risks (2026/27)

This appendix demonstrates how the internal audit plan provides assurance over the council's most significant risks. It distinguishes between:

- **Direct assurance** – where an audit engagement is specifically designed to provide assurance over the risk.
- **Indirect assurance** – where coverage is contributory through cross-cutting reviews, advisory work, or enabling controls.

Corporate Risk	Internal Audit Coverage (2026/27)
HRA Financial Sustainability	Direct assurance: Medium Term Financial Strategy; Treasury Management; Engineering Services. Indirect assurance: Accounts Payable; Performance Monitoring; Southwark360 Programme (advisory).
Asset Management and Building Safety	Direct assurance: Responsive Repairs Contract Management; Plentific; Engineering Services. Indirect assurance: New Homes Development (advisory); TMO Programme; Data Protection; IT Change Control.
Temporary Accommodation Pressures	Direct assurance: Financial Assessments and Income; NRPF. Indirect assurance: Medium Term Financial Strategy; Spot Purchasing; Performance Monitoring.
Climate Emergency – delivery and affordability	Indirect assurance: Performance Monitoring; Medium Term Financial Strategy; Southwark360 Programme (advisory).
Schools and Education (including SEND and deficits)	Direct assurance: School Budgets and Deficits; SEND; School Cyclical Programme. Indirect assurance: Performance Monitoring.

Corporate Risk	Internal Audit Coverage (2026/27)
Socio-Economic Pressures (external environment)	Indirect assurance: Medium Term Financial Strategy; Business Rates; Performance Monitoring; Consultations.
Cost of Living Impacts	Indirect assurance: Financial Assessments and Income; Business Rates; Medium Term Financial Strategy; Complaints.
Health and Wellbeing Outcomes	Indirect assurance: Southwark and ICB Governance; Care Reviews; Direct Payments; Consultations.
Crime and Anti-Social Behaviour	Direct assurance: Section 17 Crime and Disorder Act; Licensing. Indirect assurance: NRPF; Consultations.
Building Safety and Statutory Compliance	Direct assurance: Responsive Repairs Contract Management; TMO Programme. Indirect assurance: Engineering Services; Data Protection; IT General Controls.
Cyber Security, IT and Data	Direct assurance: IT Mobile Device Management; IT Change Control; IT Third Party Supplier Management; Data Protection; AI Governance. Indirect assurance: Accounts Payable; Payroll; Southwark360 Programme.
Workforce Capacity and Resilience	Direct assurance: Payroll. Indirect assurance: Southwark360 Programme; AI Governance; IT Change Control; Performance Monitoring.
Medium Term Financial Planning	Direct assurance: Medium Term Financial Strategy; Treasury Management. Indirect assurance: Business Rates; School Budgets; Financial Assessments.

Corporate Risk	Internal Audit Coverage (2026/27)
Key Providers and Partnerships	Direct assurance: IT Third Party Supplier Management; Responsive Repairs Contract Management; Spot Purchasing. Indirect assurance: Plentific; New Homes Development; Engineering Services.
Capital Programme and Major Projects	Direct assurance: Southwark360 Programme (advisory); New Homes Development (advisory). Indirect assurance: Treasury Management; IT Change Control; Performance Monitoring.
Business Continuity / Major Incident Risk	Indirect assurance: IT Mobile Device Management; IT Change Control; Data Protection; Risk Management.
Health and Safety	Indirect assurance: TMO Programme; Responsive Repairs; School Programme; Licensing.

Internal Audit Service Strategy 2026 to 2029

Introduction

It is a requirement of the Accounts and Audit Regulations 2015 for the Council to maintain effective internal audit that is compliant with the Global Internal Audit Standards (UK). The internal audit team currently provides audit and advisory services to the Council and is supported through a co-sourcing arrangement with an external provider.

The internal audit strategy sets out the medium-term direction of the internal audit service. This three-year strategy outlines what the priorities of the service will be going forward and what actions we will be taking. This strategy and the priorities we have identified are designed to support the council in achieving its objectives.

This strategy will be reviewed annually and presented to senior management and the Audit, Governance and Standards Committee for review and agreement.

Relationship to the Internal Audit Charter and Mandate

This strategy sets out how the internal audit service will operationalise the mandate, authority, responsibilities and independence arrangements defined in the Internal Audit Charter and Mandate. The Charter is the governing document that establishes internal audit's purpose, organisational position and scope of work; this strategy explains how that mandate will be implemented over the period 2026 to 2029 to support the council in achieving its objectives.

The strategy should therefore be read alongside the Internal Audit Charter and Mandate as well as strategies for risk management and anti-fraud. Together, these documents set out the governance framework, essential conditions and expectations for how internal audit will be governed, resourced and overseen by senior management and the Audit, Governance and Standards Committee.

Our Vision

To be a leading provider of internal audit services empowering the council to achieve its objectives by unlocking organisational improvement through industry leading governance, risk management and internal control.

Our Mission

To enhance and protect organisational value by providing risk-based and objective assurance, advice, insight and foresight, with a focus on improving decision-making, strengthening accountability and supporting the council to serve the public interest.

Our Purpose

To strengthen the council's ability to exercise effective governance, risk management and internal control.

Key Priorities

Over the life of this strategy, internal audit will increasingly focus on providing assurance over the effectiveness and maturity of the council's governance and risk management arrangements, including the quality of risk identification, escalation and decision-making. This reflects the council's evolving risk profile, financial pressures, transformation agenda and reliance on partnerships and delivery models.

Our Risk-Based Approach

Internal audit will apply a dynamic and forward-looking risk-based approach to planning and prioritisation over the period 2026–2029. This approach is grounded in the council's strategic risk profile, financial resilience position, and assurance landscape, ensuring that internal audit activity focuses on the risks that matter most to achieving its objectives.

Over the lifetime of this strategy, internal audit will:

- Align audit priorities with the council's strategic risk profile, using the latest Corporate and Directorate Risk Registers, risk horizon scanning, and emerging risk indicators. This will ensure the three-year audit outlook remains responsive to changes in the council's risk exposure, operating environment, and transformation activity.
- Take account of the council's financial resilience and budget position, recognising that sustained financial pressures increase the likelihood of governance, decision-making, delivery and control weaknesses. Internal audit will therefore place proportionate emphasis on financial sustainability, savings delivery, demand management, and the effectiveness of mitigating controls during periods of financial constraint.

- Use assurance mapping to inform audit selection, identifying where assurance already exists, where it is weak or absent, and where duplication can be eliminated. The assurance map will be updated annually and used to demonstrate how the annual audit plan provides balanced and targeted coverage of the council's key controls and risks.
- Adopt an agile approach to audit planning, with the formal plan refreshed every six months to reflect changes in risk, transformation priorities, regulatory requirements and lessons learned from completed audits.

This risk-based methodology ensures that internal audit delivers assurance, advice and insight that is directly aligned to the council's highest priority risks and strategic objectives, while maintaining the flexibility required in a challenging and evolving environment."

To deliver our vision and mission we have identified the following priorities:

On an annual basis we will:

	Priority
1. Prepare and deliver a risk based, agile internal audit plan that is compliant with the relevant standards and focussed on supporting the council in achieving its objectives and managing the associated risks. The plan will be formally reviewed and agreed with management and the committee every six months. The plan will provide balanced assurance across core financial systems, governance and decision-making, major programmes and transformation, partnerships and third-party arrangements.	
2. Deliver at least quarterly reports to senior management and the Audit, Governance and Standards Committee so that they maintain clear oversight of internal audit activity, outcomes, and the implementation of agreed management actions.	
3. Provide an annual report that includes an overall opinion on the governance, risk management and control processes that both informs management and councillors and supports the council's Annual Governance Statement. The annual report will be presented and agreed with senior management before being presented to the Audit, Governance and Standards Committee.	
4. Ensure that internal audit conforms to the Global Internal Audit Standards (UK Public Sector) by completing a self and externally validated assessment against the standards and reporting the outcome and any necessary improvements to senior management and the Audit, Governance and Standards Committee.	

In addition to our annual work, over the next three years we will:

Priority

1. Deliver outcome-focused assurance that prioritises the issues that matter most to the council, including improved quality of management decision-making, earlier identification of systemic control weaknesses, reduced recurrence of high-risk issues, and stronger confidence in assurance.
2. Embed our new internal audit management software that will improve the efficiency and effectiveness of internal audit as well as management's oversight and ability to respond to agreed improvement actions.
3. Review and update key performance metrics and report them regularly to senior management and the Audit, Governance and Standards Committee supporting the accountability of internal audit.
4. Develop expertise in the responsible use of data analytics and AI to support higher-quality assurance, deeper insight and enhanced professional judgement. Internal audit will also provide assurance over the governance and control of AI.
5. Embed the new shared internal audit service with the aim of improving resilience, economy, efficiency and effectiveness of internal audit services.
6. Improve communication with stakeholders by developing and delivering an engagement plan that ensures better audit planning intelligence, improved escalation and risk dialogue and enhanced assurance relevance.
7. Develop our internal audit resources through skills evolution (data, digital, commercial, behavioural), intelligent use of co-sourcing, resilience and succession planning.
8. Implement an annual perception survey issued to management and the Audit, Governance and Standards Committee to gauge the level of satisfaction and confidence in the audit services provided. The results will be reported to senior management and the committee.
9. Develop and communicate an internal audit service catalogue to raise awareness of the services and capabilities of internal audit.



Resourcing the Internal Audit Service to Deliver the Strategy

To deliver this strategy and meet the requirements of the Global Internal Audit Standards and the CIPFA Code of Practice for the Governance of Internal Audit, the internal audit service must be appropriately resourced with the capability, capacity and specialist skills needed to provide high-quality assurance, insight and foresight.

The internal audit service will maintain a core team comprising:

- A Deputy Head of Internal Audit reporting to the Head of Internal Audit
- Two Senior Internal Auditors
- One Internal Auditor
- One Assistant Internal Auditor.

This core establishment provides the baseline capacity to deliver the risk-based audit plan, support the governance and risk management framework, and respond to emerging risks.

To supplement this capability, the council will continue to utilise a co-sourcing model with a private-sector internal audit provider. This model provides:

- Access to specialist skills in areas such as data analytics, AI governance, IT auditing, cyber security, commercial and contract management, and major project assurance.
- Additional capacity to address emerging risks or undertake complex reviews.
- Greater resilience and flexibility in meeting plan delivery.

During the lifetime of this strategy, internal audit will continually evaluate the required skills mix needed to support the council's ambition in areas including:

- Responsible use of data analytics and AI
- Governance, risk management and organisational culture
- Digital and technology assurance
- Commercial and financial risk insight

- Partnership and service-delivery model assurance

A comparison of current capability against this skills mix will be undertaken annually to inform workforce planning, co-sourcing requirements, and targeted development programmes. This will ensure the internal audit service remains equipped to provide high-quality assurance and insight aligned to the council's risk profile, transformation agenda and statutory responsibilities.

What Will Be Different by 2029?

By 2029, the internal audit service will be more influential, more digitally enabled, and more central to the council's governance, decision-making and organisational learning. Delivery of this strategy will result in:

- Stronger assurance over governance maturity, with improved visibility of risk escalation, control effectiveness, and the consistency of decision-making across the council.
- Digital and AI-enabled auditing, with mainstream use of data analytics and automated testing to provide deeper and more timely assurance.
- A measurable improvement in culture around controls, reflected in earlier risk escalation, better quality of management actions, strengthened accountability and fewer high-risk findings.
- Greater confidence from the Audit, Governance and Standards Committee, supported by clearer insights, stronger thematic analysis, and a robust annual opinion underpinned by evidence-based assurance.
- Reduced recurrence of issues, enabled by improved root-cause analysis, better thematic follow-up and more consistent learning across services and directorates.
- A fully embedded and high-performing shared internal audit service, providing increased resilience, improved access to specialist skills, and demonstrable value for money for both boroughs.
- A more skilled, future-ready audit workforce, with enhanced capabilities in data analytics, AI governance, commercial insight, digital assurance and risk mitigation.

This is the impact we expect internal audit to make as it supports the council through a challenging and fast-evolving environment. These outcomes will guide our annual planning, capability development and performance monitoring throughout the life of this strategy.

Monitoring and Reporting

Progress against this strategy will be monitored through a structured performance and reporting framework that provides transparency, accountability and assurance to senior management and the Audit, Governance and Standards Committee. Internal audit will track delivery against the annual audit plan, key performance indicators, and the strategic priorities set out in this document. Performance will be overseen by the Head of Internal Audit, supported by the Deputy Head of Internal Audit.

To support effective oversight, internal audit will:

- Report at least quarterly to senior management and the Audit, Governance and Standards Committee on delivery of the audit plan, key findings, thematic insights, and implementation of agreed management actions.
- Provide an annual report and annual opinion demonstrating how the strategy has been delivered through the annual audit plan and the contribution internal audit has made to governance, risk management and internal control.
- Track performance against a defined suite of KPIs, including:
 - Delivery of the audit plan (percentage of plan completed).
 - Timeliness of reporting and management action agreement.
 - Implementation rate of agreed actions.
 - Stakeholder satisfaction (via the end of audit and annual perception surveys).
 - Conformance with the Global Internal Audit Standards (self-assessment and external quality assessment outcomes).
 - Efficiency metrics, including utilisation of the co-sourcing partner.
- Review this strategy annually, reflecting changes in risk, financial resilience, the shared-service operating model and the council's governance needs.
- Ensure alignment between the strategy and the annual audit plan, with the plan clearly demonstrating how each year's work supports the strategic priorities, skills development needs and assurance requirements of the council.
- Maintain clear accountability mechanisms, including:
 - The Audit, Governance and Standards Committee's oversight role in approving the strategy, annual plan, and annual opinion.

- The Head of Internal Audit's unrestricted access to the committee for matters relating to scope, findings, escalation or resourcing.
- Regular leadership oversight through senior management meetings and the shared-service governance board.

This framework ensures the strategy remains dynamic, evidence-based and responsive to the council's evolving risk profile, while providing assurance that internal audit continues to deliver its mandate effectively and independently.

Internal Audit Charter

London Borough of Southwark

April 2026

Internal Audit Charter & Mandate: At a Glance

1. Purpose of Internal Audit

Internal Audit strengthens the Council's ability to achieve its objectives by providing:

- Independent, risk-based assurance
- Objective advice, insight and foresight
- Improved governance, risk management and control
- Enhanced decision-making and accountability
- Protection of the public interest

Internal Audit operates in conformance with:

- Global Internal Audit Standards (2024)
- UK Public Sector Application Note
- CIPFA Code of Practice (2025)

2. Mandate & Legal Authority

Internal Audit's authority is established by:

- Regulation 5, Accounts and Audit Regulations 2015
- Direct reporting relationship to the Audit, Governance and Standards Committee
- Unrestricted access to all systems, data, records, officers, Members, contractors, partners and physical locations

Internal Audit has the authority to:

- Allocate resources
- Select audit subjects
- Determine scope, methods and techniques
- Issue reports without interference

3. Independence & Reporting

Internal Audit is positioned to operate free from interference, reporting:

- Functionally to the Audit, Governance and Standards Committee
- Administratively to the Director of Corporate Finance

The Head of Internal Audit must:

- Confirm organisational independence annually
- Disclose any threats to independence or objectivity
- Implement safeguards, especially where holding additional roles (e.g. Counter Fraud)

4. Responsibilities of the Head of Internal Audit

The Head of Internal Audit is responsible for:

- Developing a risk-based audit plan
- Ensuring conformance with Standards and mandatory guidance
- Communicating key risks, assurance results and resource limitations
- Developing and maintaining a Quality Assurance & Improvement Programme (QAIP)
- Ensuring the service has the skills and capacity required

5. Audit, Governance and Standards Committee Responsibilities

The Committee acts as the Council's "Board" under the Standards. It must:

- Approve the Charter, Mandate and Audit Plan
- Ensure Internal Audit has sufficient authority and resources
- Hold private meetings with the Head of Internal Audit when needed
- Monitor Internal Audit's independence and objectivity
- Review QAIP results and oversee external quality assessments
- Understand the Council's risks and support escalation routes

6. Senior Management Responsibilities

Senior management must:

- Support Internal Audit's mandate and authority
- Enable unrestricted access to all information and personnel
- Communicate strategic objectives and risks to inform audit planning
- Support resource sufficiency and appropriate positioning
- Collaborate on quality assurance and improvement actions

7. Scope of Internal Audit Work

Internal Audit may review:

- All Council activities, systems, partnerships and assets
- Governance, risk management and internal controls
- Compliance with laws, policies and procedures
- Value for money, efficiency and effectiveness
- Programme and project delivery, including major change
- Reliability and integrity of information

Services include:

- Assurance engagements
- Advisory/consultative work, without assuming management responsibility

8. Quality Assurance & Improvement

Internal Audit must maintain a QAIP which includes:

- Continuous internal assessments
- Periodic external assessment at least every five years
- Reporting results and improvement actions to the Committee

Internal Audit Charter

About This Charter

The [Institute of Internal Audit's Global Internal Audit Standards 2024](#) (the "Standards") define an internal audit charter as: "a formal document that includes the internal audit function's mandate, organisational position, reporting relationships, scope of work, types of services and other specifications".

This document serves as the internal audit charter for the London Borough of Southwark ("the Council"). It is based largely on a model charter under the new Standards published by the Institute of Internal Audit, but freely adapted for the circumstances specific to the UK public sector (with reference to the UK Public Sector Application Note (the "[Application Note](#)" and CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government (the "[Code of Practice](#)").

Purpose

1. This Charter sets out the purpose, authority and functions of the internal audit service supporting the Council.
2. The purpose of the internal audit service is to strengthen the Council's ability to exercise effective governance in pursuit of its objectives by providing independent, risk-based and objective assurance, advice, insight and foresight.
3. The internal audit service enhances the Council's:
 - Successful achievement of objectives,
 - Governance, risk management and control processes,
 - Decision-making and oversight,
 - Reputation and credibility with stakeholders, and
 - Ability to serve the public interest.
4. The Council's internal audit service is most effective when:
 - Internal auditing is performed by competent professionals in conformance with the Standards, the Application Note and the Code of Practice and any additional guidance authorised for use in the UK by relevant standards-setters.
 - The internal audit service is independently positioned with direct accountability to the Audit, Governance and Standards Committee.
 - Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to Global Internal Audit Standards and other Mandatory Guidance

5. The Council's internal audit service will adhere to the mandatory elements of The IIA's International Professional Practices Framework, which are the Standards and Topical Requirements (subject to their approval by relevant UK standards-setters). Mandatory elements in the UK Public Sector also include the Application Note and the Code of Practice.
6. The Head of Internal Audit will report at least annually to the Audit, Governance and Standards Committee and senior management regarding the internal audit service's conformance with the Standards and other mandatory guidance. The Head of Internal Audit will monitor and assess that conformance through a quality assurance and improvement programme.

Mandate

7. In local government in the UK, internal audit's authority derives from Regulation 5 of the Accounts and Audit Regulations 2015 (the "[Regulations](#)"). The Regulations affirm internal audit's right of access to all documents, records and information considered necessary by those conducting the internal audit.

Authority

8. Within the Council, the internal audit service draws authority from its direct reporting relationship to the Audit, Governance and Standards Committee, including unrestricted access to Members.
9. Senior management, with support from the Audit, Governance and Standards Committee, authorise the internal audit service to:
 - Have full and unrestricted access to all functions, data, records, information, physical property and personnel necessary for carrying out internal audit responsibilities. Internal auditors are accountable for maintaining confidentiality and safeguarding information they obtain.
 - Allocate resources, select subjects, determine scopes of work, apply analytical techniques and issue communications necessary to accomplish audit objectives.
 - Obtain assurance from the necessary personnel of the Council and other services from within or outside the Council (including contractors and collaborative or arms-length service arrangements) to complete internal audit services.

Independence, Organisational Position and Reporting Relationships

10. The Head of Internal Audit is positioned at a level in the Council that enables internal audit services and responsibilities to be free from interference from management, thereby establishing the service's independence. The Head of

Internal Audit will report functionally to the Audit, Governance and Standards Committee and administratively to the Director of Corporate Finance. This positioning provides the authority and status to bring matters directly to senior management and escalate them to the Committee, when necessary, without interference, and supports internal auditors' ability to maintain objectivity.

8. The Head of Internal Audit will have unfettered access to the Monitoring Officer for advice on matters relating to independence, disclosure or governance.
9. At least annually, the Head of Internal Audit will confirm the internal audit service's organisational independence to the Audit, Governance and Standards Committee.
10. The Head of Internal Audit will disclose to the Audit, Governance and Standards Committee any characteristics of the Council's governance structure which may limit independence, and any safeguards employed. The Head of Internal Audit will also disclose to the Audit, Governance and Standards Committee any interference internal auditors encounter related to the scope, performance or communication of internal audit work and results. This disclosure will include communicating the implications of such interference or governance structure characteristics on the internal audit service's effectiveness and ability to fulfil its mandate.
11. Currently, for Southwark, the Head of Internal Audit holds no other operational roles beyond responsibility for the internal audit service. Should this change in the future, the Head of Internal Audit will report any change in responsibilities to the committee as well as the safeguards in place to manage independence and objectivity.

Changes to the Mandate, Authority or Charter

12. At least annually, the Head of Internal Audit will present a current version of this Charter for approval by the Audit, Governance and Standards Committee. Periodically, circumstances may justify more frequent or irregular amendments. These may include:
 - Significant changes to the Standards or other mandatory guidance,
 - Significant reorganisation within the Council, especially changes in the Head of Internal Audit, Audit, Governance and Standards Committee, or senior management.
 - Significant changes to the Council's strategies, objectives, risk profile or operating environment.
 - New laws or regulations that affect the nature of scope of internal audit.

Audit, Governance and Standards Committee Oversight

13. To establish, maintain and ensure that the Council's internal audit service has sufficient authority to fulfil its duties the Audit, Governance and Standards Committee will:

- Discuss with the Head of Internal Audit and senior management the appropriate authority, responsibilities, scope and services of the internal audit service.
- Ensure the Head of Internal Audit has unrestricted access to and communicates and interacts directly with the Committee, including in private meetings without senior management present.
- Discuss with the Head of Internal Audit and senior management the content of the internal audit charter.
- Participate in discussions with the Head of Internal Audit and senior management about the “essential conditions” described in the Standards which establish the foundation that enables an effective internal audit function.
- Review and approve the internal audit charter at least annually to consider changes affecting the Council, such as the employment of a new Head of Internal Audit or changes in the type, severity and interdependencies of risks to the Council.
- Approve the risk-based internal audit plan.
- Receive communications from the Head of Internal Audit about the internal audit service including its performance relative to its plan.
- Ensure a quality assurance and improvement programme has been established and review its results annually.
- Work with the Head of Internal Audit and senior management in selecting an external quality assessor and defining assessment scope.
- Make appropriate enquiries of senior management and the Head of Internal Audit to determine whether actual or desired scope or resource limitations are inappropriate.
- Periodically review and assess the adequacy of specific arrangements to safeguard the Head of Internal Audit’s independence and objectivity for work on other operational roles associated with the position.

14. The following points are adapted from the Standards in line with requirements of the Application Note and the Code of Practice:

- Provide a view, where appropriate, on the internal audit service’s administration, budget and expenses.
- Provide input as requested by senior management on the appointment and removal of the Head of Internal Audit and ensuring that the post-holder is appropriately competent and qualified as set out in Standards and other mandatory guidance.
- Provide information as requested by senior management to inform the Head of Internal Audit’s performance reviews and appraisal.

Head of Internal Audit Roles and Responsibilities

Ethics and Professionalism

15. The Head of Internal Audit will ensure that internal auditors:

- Conform with the Standards and other mandatory guidance, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care and confidentiality.
- Understand, respect, meet and contribute to the ethical expectations of the Council and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture.
- Report behaviour that is inconsistent with the Council's ethical expectations, as described in the Council's statements on values and behaviours.

Objectivity

19. The Head of Internal Audit will ensure that the internal audit service remains free from all conditions that may threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of selection, scope, procedures, frequency, timing and communication. If the Head of Internal Audit determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

20. Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgement on audit matters to others, either in fact or appearance.

16. Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems or engage in other activities that may impair their judgement, including:

- Assessing specific areas where they previously held operational responsibility in the previous 12 months or where the impact of that responsibility persists.
- Performing operational duties for the Council, except as may be required narrowly for managing the internal audit service itself.
- Initiating or approving transactions external to the internal audit service.
- Directing the activities of any Council employee aside from those engaged by the internal audit service.

17. Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties as required by internal audit service policy and procedure.
- Exhibit objectivity in gathering, evaluating and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances to inform conclusions.
- Take steps to avoid conflicts of interest, bias and undue influence.

Managing the Internal Audit Function

18. The Head of Internal Audit has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers input from senior management.
- Discuss the plan with Audit, Governance and Standards Committee and senior management and submit the plan to the Committee for review and approval.
- Communicate the impact of any resource limitations on the internal audit plan to the Audit, Governance and Standards Committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, controls and alternate sources of assurance.
- Communicate with the Audit, Governance and Standards Committee and senior management if there are significant changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented and communicated in accordance with the Standards, other mandatory guidance and relevant laws and regulations.
- Follow up on engagement findings and confirm implementation of agreed actions as set out in internal audit service policy and procedure.
- Communicate results of internal audit services to the Audit, Governance and Standards Committee and senior management periodically, and for individual engagements as appropriate.
- Ensure the internal audit service collectively possesses or obtains the knowledge, skills and other competencies and qualifications needed to meet the requirements of the Standards and other mandatory guidance and fulfil the internal audit mandate.
- Identify and consider trends and emerging issues that may affect the Council and communicate to the Audit, Governance and Standards and senior management as appropriate.

- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies, policies and procedures designed to guide the internal audit service.
- Ensure adherence to the Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter, Standards or other mandatory guidance. Any such conflicts will be communicated first to senior management, with resolution communicated to the Audit, Governance and Standards Committee.
- Co-ordinate activities and consider relying on the work of other assurance providers and advisory services.
- Set out in the internal audit plan the approach to relying on the work of other assurance providers and co-ordinating activities.
- Plan and manage the internal audit service's financial, human and technological resources in line with Council policy and procedure, raising with senior management and the Audit, Governance and Standards Committee where appropriate if those policies and procedures inhibit the ability of the service to fulfil its mandate and responsibilities under this charter.

Communication with Audit, Governance and Standards Committee and Senior Management

19. The Head of Internal Audit will report at least annually to the Audit, Governance and Standards and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures.
- Results from the quality assurance improvement program, which include the internal audit service's conformance with Standards and other mandatory guidance plus action plans to address any deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues and other areas of focus for the Council that could interfere with achieving its strategic objectives.
- Results of assurance and advisory services.
- Resource requirements, and a view on the adequacy of resources to meet expectations of the internal audit service.
- Management's responses to risk that the internal audit service determine may be unacceptable or acceptance of a risk that the Head of Internal Audit believes is not appropriate within the Council's Risk

Management Framework.

Quality Assurance and Improvement Program

25. The Head of Internal Audit will develop, implement and maintain a quality assurance and improvement programme that covers all aspects of the internal audit service. The programme will include external and internal assessments of the internal audit service's conformance with the Standards and other mandatory guidance. It will also include performance measurement to assess the internal audit service's progress towards achieving its objectives and promote continuous improvement. If applicable, the assessment will include plans to address any deficiencies and opportunities for improvement.
20. At least annually, the Head of Internal Audit will communicate with the Audit, Governance and Standards Committee and senior management about the internal audit service's quality assurance and improvement program. This will include the results of internal assessments and external assessments. External assessments will take place at least every five years in accordance with the requirements set out in the Standards and other mandatory guidance.

Scope and Types of Internal Audit Services

21. The scope of internal audit services covers the entire breadth of the Council, including all its activities, assets and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independence assurance and advisory services to the Council and management on the adequacy and effectiveness of governance, risk management and control processes.
22. The nature of scope of advisory services may be agreed with the party requesting the service, provided the internal audit service does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.
23. Internal audit engagements may include evaluating whether:
 - Risks relating to achieving the Council's objectives are appropriately identified and managed.
 - Controls used to mitigate risk and support achievement of objectives are appropriately designed and consistently operated as designed.
 - The actions of the Council's officers, contractors or other relevant parties comply with the Council's policies, procedures and applicable laws, regulations and governance standards.
 - The results of operations and programs (including major projects and system changes) are consistent with established goals.
 - Operations and programs (including major projects and system

changes) are being carried out effectively, efficiently, ethically and equitably.

- Established processes and systems enable compliance with policies, procedures, laws and regulations that could significantly impact the Council.
- The integrity of information and the means used to identify, measure, analyse, classify and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Coordination, Assurance Mapping and the Three Lines Model

24. Internal Audit will coordinate its work with other assurance and monitoring functions to ensure efficient coverage and to avoid duplication. This includes formal reliance, where appropriate, on the work of second line providers such as risk management, compliance, health and safety, information governance and financial monitoring functions.
25. Internal Audit will maintain and periodically update an assurance map that identifies the key sources of assurance across the Council, their scope, frequency and reliability. This assurance map will inform the development of the risk-based internal audit plan and support the formation of the annual internal audit opinion.
26. Internal Audit will apply the principles of the Three Lines Model, ensuring clarity over roles, responsibilities and boundaries between management, risk and compliance functions, and the internal audit function.
27. Where reliance is placed on the work of other assurance providers, Internal Audit will assess the adequacy and objectivity of that work before determining whether it can be used to support assurance conclusions

Essential Conditions

28. The Standards set out a range of activities of the Audit, Governance and Standards Committee and senior management viewed as essential to the internal audit service's ability to fulfil the purpose of internal auditing. These are together referred to as "essential conditions" and establish a necessary foundation for an effective dialogue between interested parties in enabling an effective internal audit service.
29. Where there is disagreement on essential conditions, the Standards require the Head of Internal Audit to document the disagreement and its impact on the internal audit service. The documentation will typically feature within the internal audit charter.
30. The Standards recognise that not all of the essential conditions will apply in all

circumstances given varying regulatory circumstances that exist in different countries and sectors. Accordingly, the list below disapplies a small number of essential conditions and draws alternative and equivalent formulations from the Application Note and the Code of Practice.

- 31.** In approving this charter, the Audit, Governance and Standards Committee and senior management recognise and support the essential conditions to enable the internal audit service to fulfil the purpose of internal auditing and the specific role at the Council described in this charter.

Essential Conditions for the Audit, Governance and Standards Committee

- 32.** The Audit, Governance and Standards Committee will:

- a. Discuss with the Head of Internal Audit and senior management the appropriate authority, role and responsibilities of internal audit.
- b. Approve the internal audit charter, which includes the internal audit mandate and the scope and types of internal audit services.
- c. Discuss with the Head of Internal Audit and senior management any other topics that should be included in the internal audit charter to enable an effective internal audit service.
- d. Review the internal audit charter with the Head of Internal Audit to consider changes affecting the Council, such as the employment of a new Head of Internal Audit or changes in the type, severity, and interdependencies of risks to the Council.
- e. Champion the internal audit service to enable it to fulfil the purpose of internal auditing and pursue its strategy and objectives.
- f. Work with senior management to enable the internal audit service's unrestricted access to the data, records, information, personnel and physical properties necessary to fulfil the internal audit mandate.
- g. Support the Head of Internal Audit through regular direct communications.
- h. Demonstrate support by: (I) Approving the internal audit charter and internal audit plan, (II) making appropriate enquiries of senior management and the Head of Internal Audit to determine whether any restrictions on the internal audit service's scope, access, authority or resources limit the service's ability to carry out its responsibilities effectively and (III) meeting periodically with the Head of Internal Audit in sessions without senior management present.

Essential Conditions for Senior Management

- 33.** Senior management will:

- a. Participate in discussions with the Audit, Governance and Standards

Committee and the Head of Internal Audit and provide input on expectations for the internal audit service.

- b. Support the internal audit mandate throughout the Council and promote the authority granted to the internal audit service.
- c. Communicate with the Audit, Governance and Standards Committee and the Head of Internal Audit about management's expectations that should be considered for inclusion in the internal audit charter.
- d. Support recognition of the internal audit service throughout the Council.
- e. Work with the Audit, Governance and Standards Committee and management throughout the Council to enable the internal audit service's unrestricted access to the data, records, information, personnel and physical properties necessary to fulfil the internal audit mandate.
- f. Position the internal audit service within the Council to enable it to perform its services and responsibilities without interference.
- g. Recognise the Head of Internal Audit's direct relationship with the Audit, Governance and Standards Committee.
- h. Engage with the Audit, Governance and Standards Committee to understand any potential impairments to the internal audit service's independence caused by non-audit roles or other circumstances and support the implementation of appropriate safeguards to manage such impairments.
- i. Enable the appointment, development and remuneration of the Head of Internal Audit through the Council's processes.
- j. Communicate senior management's perspective on the Council's strategies, objectives and risks to assist the Head of Internal Audit with determining internal audit priorities.
- k. Assist the Audit, Governance and Standards Committee in understanding the effectiveness of the Council's governance, risk management and control processes.
- l. Work with the Audit, Governance and Standards Committee and the Head of Internal Audit on the process for escalating matters of importance.
- m. Work with the Head of Internal Audit, in consultation with the Audit, Governance and Standards Committee as appropriate, to address any issues of insufficient resources and how to remedy the situation.
- n. Work with the Head of Internal Audit to determine appropriate performance objectives for the internal audit service.
- o. Collaborate with the Audit, Governance and Standards Committee and the Head of Internal Audit to determine the scope and frequency of the external quality assessment.
- p. Review the results of the external quality assessment, collaborate with the Head of Internal Audit and the Audit, Governance and Standards

Committee to agree on action plans that address identified deficiencies and opportunities for improvement, if applicable, and agree on a timeline for completion of the action plans.

Disapplied Essential Conditions

- 34.** This charter disapplies the following conditions set out in the Standards because they do not fit governance arrangements at the Council. Each disapplication shows the equivalent replacement condition added with reference to guidance from the Application Note and the Code of Practice.
- The Audit, Governance and Standards Committee will demonstrate support by (I) specifying that the Head of Internal Audit reports to a level within the Council that allows the internal audit service to fulfil the internal audit mandate and (II) approving the internal audit charter, internal audit plan, budget and resource plan [replaced by paragraph 38h].
 - The Audit, Governance and Standards Committee will authorise the appointment and removal of the Head of Internal Audit [replaced by paragraph 38j].
 - The Audit, Governance and Standards Committee will provide input to senior management to support the performance evaluation and remuneration of the Head of Internal Audit [replaced by paragraphs 38j and 38k].
 - The Audit, Governance and Standards Committee will require that the Head of Internal Audit be positioned at a level in the Council that enables internal audit services and responsibilities to be performed without interference from management. This positioning provides the authority and status to bring matters directly to senior management and escalate to the Audit, Governance and Standards Committee where necessary [replaced by paragraphs 38m and 38n].
 - The Audit, Governance and Standards Committee will acknowledge actual or potential impairments to the internal audit service's independence when approving roles or responsibilities for the Head of Internal Audit that are beyond the scope of internal auditing [replaced by paragraph 38m].
 - The Audit, Governance and Standards Committee will engage with senior management and the Head of Internal Audit to establish appropriate safeguards if Head of Internal Audit roles and responsibilities impair or appear to impair the internal audit service's independence [replaced by paragraph 38m].
 - Senior management will position the internal audit service at a level within the Council that enables it to perform its services and responsibilities without interference, as directed by the Audit, Governance and Standards Committee [replaced by paragraph 39f].
 - Senior management will provide input to the Audit,

Governance and Standards Committee on the appointment and removal of the Head of Internal Audit [condition not replaced].

- Senior management will solicit input from the Audit, Governance and Standards Committee on the performance evaluation and remuneration of the Head of Internal Audit [replaced by paragraph 38k].
- The Audit, Governance and Standards Committee will review the requirements necessary for the Head of Internal Audit to manage the internal audit service as described in the Standards [replaced by paragraph 35o].
- The Audit, Governance and Standards Committee will approve the Head of Internal Audit's roles and responsibilities and identify the necessary qualifications, experience and competencies to carry out these roles and responsibilities [condition not replaced].
- The Audit, Governance and Standards Committee will engage with senior management to appoint a Head of Internal Audit with the qualifications and competencies necessary to manage the internal audit function effectively and ensure the quality performance of internal audit services [condition not replaced].
- Senior management will engage with the Audit, Governance and Standards Committee to determine the Head of Internal Audit's qualifications, experience and competencies [condition not replaced].
- The Audit, Governance and Standards Committee will collaborate with senior management to provide the internal audit service with sufficient resources to fulfil the internal audit mandate and achieve the internal audit plan [condition not replaced].
- The Audit, Governance and Standards Committee will engage with senior management and the Head of Internal Audit on remedying the situation if the resources are determined to be insufficient [condition not replaced].
- Senior management will engage with the Audit, Governance and Standards Committee to provide the internal audit function with sufficient resources to fulfil the internal audit mandate and achieve the internal audit plan [condition not replaced].
- Senior management will engage with the Audit, Governance and Standards Committee and the Head of Internal Audit on any issues of insufficient resources and how to remedy the situation [replaced by paragraph 39m].
- The Audit, Governance and Standards Committee will approve the internal audit function's performance objectives at least annually [condition not replaced].

- The Audit, Governance and Standards Committee will determine the extent to which the internal audit service's performance objectives are being met [condition not replaced].
- Senior management will provide input on the internal audit service's performance objectives [replaced by paragraph 36n].
- Senior management will participate with the Audit, Governance and Standards Committee in an annual assessment of the Head of Internal Audit and internal audit service [condition not replaced].

Glossary

35. This charter uses the following terms in place of the terminology set out in the Standards to reflect circumstances at the Council.

- **Head of Internal Audit:** at the Council, this is the role defined in the Standards as “Chief Audit Executive”. This means the leadership role responsible for effectively managing all aspects of the internal audit function and ensuring the quality performance of internal audit services in accordance with the Standards.
- **Audit, Governance and Standards Committee:** at the Council this is the role defined in the Standards as the “Board”. This means the highest-level body charged with governance. The Glossary within the Standards specifically suggests an Audit Committee in this role.
- **Senior management:** at the Council this means the Strategic Directors as a collective. For day-to-day and operational management decisions, oversight of the internal audit service is delegated to the Director of Corporate Finance.

Approvals

Paul Rock: Head of Internal Audit

Chair of Audit, Governance and Standards Committee

Timothy Jones: Director of Corporate Finance

Meeting Name:	Audit, Governance and Standards Committee
Date:	13 July 2026
Report title:	Draft Annual Governance Statement 2025-26
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	n/a

RECOMMENDATION(S)

1. That the audit, governance and standards committee note the draft Annual Governance Statement (AGS) 2025-26 as attached at Appendix A.

BACKGROUND INFORMATION

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

KEY ISSUES FOR CONSIDERATION

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

6. The statement is produced following a review of the council's governance arrangements and system of internal control. The review consists of an evaluation of the council's governance arrangements against the best practice described in the CIPFA guidelines. This includes an assessment of the systems and processes for:
 - establishing the council's principal statutory obligations and organisational objectives and applying the six CIPFA/SOLACE core principles of good governance
 - identifying the principal risks to the achievement of the council's objectives
 - identifying and evaluating key controls to manage the council's principal risks
 - obtaining assurances on the effectiveness of key controls.
7. The assurances on the effectiveness of key controls are obtained throughout the year in the form of internal and external audit and inspection reports, risk management and performance activities. The corporate management team (CMT) formally reviewed the draft statement in May and agreed the draft (appendix 1) to be considered by the audit, governance and standards committee. It will be brought back to a future audit, governance and standards committee for further consideration and final approval. Subject to this approval, it will need to be signed by the leader of the council and the chief executive.

Policy framework implications

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

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

Community impact statement

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

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Consultation

14. There was no consultation.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix A	Draft Annual Governance Statement 2025-26

AUDIT TRAIL

Lead Officer	Tim Jones, Director of Corporate Finance		
Report Author	Geraldine Chadwick, Assistant Director of Finance (Corporate)		
Version	Final		
Dated	25 June 2026		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments Included
Director of Law and Governance		No	No
Strategic Director, Resources		No	No
Executive Member		No	No
Date final report sent to Constitutional Team			25 June 2026

Draft Annual Governance Statement 2025-26

Contents

Draft Annual Governance Statement 2025-26	1
Executive Summary	3
Introduction	5
The principles of good governance.....	5
The 7 Core principles of the CIPFA/SoLACE framework.....	6
Key elements of the council's governance arrangements	7
Assurance Arrangements	9
Table 1: Assurance Framework	9
First Line - Management.....	10
Second line - Risk and Compliance.....	12
Table 2: 2025-26 Risk Register	13
Third Line - Internal audit.....	14
External assurance and Inspection	15
Table 3 Findings from the External Audit Value for Money (VfM) report	15
Those charged with governance	17
Assurance Pathway.....	21
Assurance statement.....	23
Governance issues	24
Issues highlighted in the 2024-25 Annual Governance Statement: Actions and Outcomes.....	24
Areas of significant change – looking forward to 2026-27 and the medium term	34
Conclusion	39

Executive Summary

This Annual Governance Statement (AGS) sets out how Southwark Council has reviewed the effectiveness of its governance arrangements during the financial year 2025–26 and the actions in place to maintain and strengthen good governance. The Council's governance framework is assessed as operating effectively and remains fit for purpose, providing reasonable assurance that key risks are identified, managed and monitored.

Assessment of effectiveness: the evidence supporting this overall opinion is set out through the council's assurance arrangements (Table 1), based on the established 'three lines' framework (management controls; risk and compliance; and independent internal audit and external assurance), and the Assurance Pathway (paragraphs 3.51–3.52), with the Council's formal assurance statement in the Assurance Statement section (paragraphs 3.53–3.55).

Progress against the issues highlighted in the 2024–25 AGS is summarised in Table 4, including actions, timelines and oversight routes. Key areas progressed during 2025–26 include delivery of the Housing Improvement Plan following the Regulator of Social Housing judgement (November 2024) alongside Cabinet agreement of the Good Landlord Plan (July 2025) and further work to strengthen housing governance and resident oversight, with a Resident Advisory Panel planned towards the end of 2026–27. Housing financial sustainability remains a key focus through delivery of the Housing Revenue Account (HRA) Recovery Plan and strengthened governance and reporting. The council also strengthened governance of Tenant Management Organisations (TMOs) through establishment of a dedicated TMO Governance Team (November 2024). Other areas addressed are the reporting on climate action (annual climate reports to Cabinet and Council Assembly in February 2025 and February 2026); continuation of cost-of-living support through the Household Support Fund in 2025–26 and preparations for transition to the new three-year Crisis and Resilience Fund; maintained mitigations for cyber security risk with quarterly reporting; and continued activity to address financial sustainability risks in maintained schools and SEND.

Looking forward, the Council has identified governance risks and areas requiring enhanced oversight during 2026–27 and the medium term (Table 5). A key driver is the macro-economic outlook and reduced local government funding, alongside demand and cost pressures—particularly in housing (including temporary accommodation) and social care—and cost pressures from inflation and financing. Financial sustainability and delivery of savings plans are therefore central: the Medium Term Financial Strategy (extended to 2029–30) and the council's transformation portfolio are closely aligned, and governance of transformation and benefits realisation will be strengthened further to manage the risk of slippage in delivering required cashable savings (including £10m transformation savings by 2026–27). In addition, the council will continue preparations for funding reform through the Fair Funding Review and manage the implementation of statutory changes under the Procurement Act and the National Procurement Policy Statement, embedding proportionate, risk-based procurement and contract management governance. Major programmes, including Southwark360 (scheduled

to complete by October 2027), will continue to be overseen through established programme boards and corporate governance routes, with assurance drawn through the Table 1 framework.

The local elections in May 2026 resulted in the council operating under no overall control, representing a change in the council's governance context for 2026–27. A joint administration was subsequently formed by the Green Party and Liberal Democrats. The governance arrangements were updated accordingly. Decision-making continues through the council's established constitutional framework.

This AGS accompanies the council's Statement of Accounts and is approved by those charged with governance. It is signed by the Chief Executive and the Leader of the Council, with the approval date recorded in the conclusion section. The Statement has been prepared to meet the requirements of the CIPFA/SOLACE *Delivering Good Governance in Local Government* Framework and the May 2025 Addendum, including clear articulation of the assurance framework and evidence base, a transparent governance pathway for review and approval, and identification of improvement actions and forward-looking governance risks.

The accompanying Assurance Statement (paragraphs 3.53–3.55) provides the Council's formal statement on the effectiveness of the governance framework and system of internal control during 2025–26 and up to the date of approval.

Introduction

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

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

The principles of good governance

2.1 The CIPFA/SOLACE *Delivering Good Governance in Local Government* Framework remains the sector's core standard for defining and assessing good governance in local government. The May 2025 Addendum represents the first update to the Framework since 2016 and reaffirms the requirement for Annual Governance Statements to be consistent with the seven principles of good governance. CIPFA's recently published *International Framework: Good Governance in the Public Sector* (2026) also reinforces the importance of good governance across the public sector, providing an overarching international perspective that is applicable beyond local government.

2.2 The updated guidance reflects the significant pressures local authorities have faced in recent years. Funding constraints, innovative and more commercial service models, and the enduring impacts of the COVID-19 pandemic have required councils to take complex and sometimes difficult decisions. In this context, strong governance arrangements are essential to ensure that decisions are taken with high-quality information, a clear understanding of risk, and sustained engagement with communities and stakeholders. Good governance must also support effective implementation of decisions and provide sufficient assurance to those charged with governance. The Addendum emphasises that robust governance requires adequate capacity, capability and strong leadership, underpinned by long-term planning rather than short-term fixes. All seven governance principles must be demonstrably fit for purpose.

The 7 Core principles of the CIPFA/SoLACE framework



2.4 National governance reviews — including Section 114 notices, Public Interest Reports and other interventions — show that governance has not always met the required standards. Common weaknesses identified include:

- organisational cultures that do not consistently follow due process, the constitution or codes of conduct,
- leadership losing sight of core purpose or the public interest,
- inadequate understanding or management of risk,
- weaknesses in internal controls,
- insufficient oversight and challenge from those charged with governance,
- dysfunctional relationships between senior officers and members,
- reduced capacity or capability in critical service and corporate areas,
- poor data quality underpinning decision-making,
- limited oversight of arm's-length arrangements, trading companies and joint ventures,
- a lack of self-assessment or continuous improvement, and

- a lack of transparency or openness to external challenge.

2.5 In some cases, authorities have not recognised or acknowledged where their governance is not fit for purpose. This undermines accountability to the public and can delay early corrective action, increasing the likelihood of more serious service or financial failures. It is in this context that the updated Framework should now be applied. The Addendum provides an opportunity for authorities to reconnect with the principles that underpin strong governance. This assessment will follow this framework and consider both current demands and future challenges, so that the council's governance arrangements are sufficiently resilient to adapt and respond.

Key elements of the council's governance arrangements

3.1 The governance framework at Southwark Council comprises the systems and processes, culture and values which the council has adopted to deliver on the above principles. The council has a separate code of governance, which is consistent with the principles of the CIPFA/SoLACE framework (2016). This has been updated, and the revised code was reported to the audit, governance and standards committee in February 2024. The Local Code of Governance¹ is published on the council website. Following the local elections, a new Code is currently being reviewed and this review will take place annually as part of the Council's annual governance review and AGS process. Any updates where required will reflect changes to governance arrangements and emerging good practice. Corporate governance describes how the Council ensures that it does the right things, in the right way, for the right people, in an open, ethical and accountable manner. It encompasses the systems and processes, as well as the culture and values, through which the Council is directed and controlled and through which it leads, engages with and accounts to its communities. Southwark Council is committed to maintaining the highest standards of corporate governance, recognising that effective governance underpins strong leadership, sound decision-making, value for money, transparency, public trust and improved outcomes for residents.

3.2 The council's governance arrangements are aligned to the CIPFA/SoLACE Delivering Good Governance in Local Government framework and are built around seven core principles of good governance. These principles ensure that the council fulfils its overall purpose, achieves intended outcomes for citizens and service users, operates in an effective and ethical manner, manages performance and risk appropriately, safeguards public money, engages openly with stakeholders, and delivers sustainable outcomes for the communities it serves. Based on the annual review and evidence sources set out in this AGS, the council is satisfied that the core arrangements are in place and operated effectively during 2025–26. Specific improvement and actions plans are set out in Table 4.

3.3 The CIPFA Advisory Note, 'Developing an effective assurance framework in a local authority' (December 2023) defines an assurance framework as (Figure 1):

¹ [Code of corporate governance | Southwark Council](#)

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

Figure 1: Establishing an effective assurance framework.



Assurance Arrangements

3.4 Southwark operates a comprehensive assurance framework based on the established “three lines” model (Table 1). This sets out how the leadership team gains assurance over the adequacy and effectiveness of governance, risk management and internal control. Assurance is drawn from management and performance arrangements, corporate risk and compliance functions, and independent internal audit.

Table 1: Assurance Framework

Assurance provider	Scope of assurance and outputs
First line – Management	Internal Management Processes and controls. Statutory roles. Regular review of the Constitution. Risk Management Strategy. Departmental Schemes of Management.
Second line – Risk & Compliance	Assurance Statements. Corporate Risk Management. Arrangements for management of risk against fraud.
Third line – Internal Audit	Risk-based plan; annual opinion. follow-up and thematic work. conformance with GIAS and CIPFA IA Governance Code.
External assurance & inspection	External audit. Regulator of Social Housing. Peer challenge. Benchmarking.
Those charged with governance	Council assembly agreeing the Council Delivery Plan; Performance monitoring by Members and Chief Officers; Cabinet/Executive; Audit, Governance & Standards Committee; Overview & Scrutiny committee.

First Line - Management

3.5 As set out in Table 1, the first line of assurance is provided through management ownership of risks and the day-to-day operation of internal controls. This includes statutory officer responsibilities. The Council confirms that the Monitoring Officer and the Head of Paid Service are in post and discharge their statutory functions. Their annual assurances on lawfulness, standards and ethics, organisational effectiveness and governance inform the Annual Governance Statement review.

3.6 The council's internal management processes provide first-line assurance through routine performance and financial management, people management and compliance activity. Key arrangements include: regular performance monitoring and reporting; the staff performance appraisal framework; internal communications and surveys to test awareness of corporate policies; monitoring of key policies (including corporate complaints and health and safety); and the corporate budget setting and budget monitoring processes.

3.7 The council keeps its constitution and decision-making framework under regular review to support clarity, openness and transparency. Key protocols and procedures are refreshed on a planned basis. A clear scheme of delegation and Departmental Schemes of Management are in place to ensure decisions are taken in an open and transparent manner, with clear accountability from Cabinet Members during 2025–26 and Executive Members from June 2026, alongside Chief Officers and delegated responsibilities for council officers, supported by published decision records. Informal governance also supports effective management by developing proposals, monitoring performance and shaping strategy before items progress through formal decision-making and governance processes.

3.8 The council's constitution is updated throughout the year and sets out how the council operates. It states what matters are reserved for decision by the whole council, the responsibilities of Cabinet during 2025–26 and of the Executive from June 2026, the matters reserved for collective and individual decision, and the powers delegated to panels, committees and community councils. Decision-making powers not reserved for councillors are delegated to chief officers and heads of service. The Monitoring Officer ensures that decisions are lawful and supports the Audit, Governance and Standards Committee in promoting high standards of conduct amongst Members.

3.9 The council demonstrates openness and transparency, and that it is acting in the public interest, through an up-to-date Constitution, clear arrangements for delegation of functions, and active Overview and Scrutiny and Audit, Governance and Standards Committee arrangements. The council also maintains a published Forward Plan. All council meetings are open to the public and are live-streamed. In addition, all elected Members are required to keep their register of interests and gifts and hospitality register up to date, and officer declarations are undertaken annually. In 2024, the council reviewed its decision-making processes and report writing guidance to strengthen transparency and reviewed its call-in procedures to allow any five Members of the council to call in a decision.

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

3.11 Specific examples of internal management arrangements that support governance assurance include:

- The council's financial management arrangements conform to the governance requirements set out in CIPFA's *Statement on the Role of the Chief Financial Officer in Local Government* (2016). The statutory Chief Financial Officer (Strategic Director of Resources) provides corporate leadership on financial management and formally devolves responsibilities through the Scheme of Delegation and Departmental Schemes of Management. These arrangements are supported by finance regulations, procedures, guidance and training to promote consistent application, with budget monitoring embedded through regular reporting to Cabinet during 2025–26 and to the Executive from June 2026. Compliance with the CIPFA Financial Management Code is assessed annually and reported to the Audit, Governance and Standards Committee.
- The council's risk management framework supports effective decision-making by ensuring that risks to the delivery of corporate priorities are identified, assessed and managed. Day-to-day internal controls, including authorisation, reconciliation and separation of duties, help mitigate the risk of fraud or error. Robust arrangements are in place to manage fraud and corruption risks, supported by a strong counter-fraud culture and ongoing vigilance.
- Partnership and collaborative working is governed through appropriate agreements, protocols or memoranda of understanding, developed with legal and procurement input to ensure arrangements are fit for purpose and protect the council's interests. Governance, risk and control expectations also extend to arm's-length bodies, trading companies and partnerships, with proportionate oversight and assurance frameworks in place.
- The council expects high standards of conduct and professional behaviour from both Members and officers. Standards are defined through codes of conduct, protocols and related guidance, and are reinforced through ongoing governance, ethics and standards arrangements.
- Learning and development is supported through a comprehensive programme for Members and officers. The performance management framework identifies development needs and informs personal development plans, while senior officers are expected to maintain professional knowledge and stay abreast of relevant sector and regulatory developments.
- The council maintains a whistleblowing policy that encourages staff and other stakeholders to report concerns about unlawful conduct, financial malpractice, or actions that pose risks to the public or the environment. Whistleblowing cases, Member complaints and matters arising under the Regulation of Investigatory Powers Act (RIPA) are reported annually to the Audit, Governance and Standards Committee.

Second line - Risk and Compliance

3.12 As set out in Table 1, the second line of assurance is provided through corporate risk, compliance and specialist oversight functions that support and challenge management, helping ensure that controls are designed appropriately and operating as intended.

Annual Management Assurance Statements

3.13 The Annual Management Assurance Statement provides a key element of second-line assurance. It is signed each year by Strategic Directors and confirms that departmental governance arrangements are in place and operating effectively, including compliance with the Constitution and schemes of management; management of key risks and controls; and monitoring of performance and delivery. The assurance statement includes information on specific requests arising from the external audit VfM report. Each department maintains a business plan and a Scheme of Management that clarifies internal procedures and accountability. Departmental business plans are aligned to the Corporate Delivery Plan, and the assurance statements support corporate consolidation and escalation of significant issues through established governance routes.

Corporate risk Management

3.14 Corporate risk management provides second-line oversight of the council's most significant risks. The annual report on corporate risk and risk management arrangements was presented to the Audit, Governance and Standards Committee on 3 February 2026 for discussion. The corporate risk register is developed through joint assessment of departmental risks and is reviewed by the Corporate Management Team. Departments review their risk registers at least quarterly. Each risk is supported by a mitigation plan that sets out the controls in place, ownership, and planned actions to manage the risk.

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

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

3.15 During 2025–26 the council refreshed its risk management framework and strengthened the supporting assurance framework. The assurance framework provides a structured approach to identifying and mapping the main sources of assurance over the risks that could affect delivery of

strategic objectives and helps identify any gaps or duplication in assurance coverage. It draws together sources of assurance across the ‘three lines of defence’:

- (i) operational management and day-to-day controls;
- (ii) corporate oversight and compliance functions; and
- (iii) independent assurance, including internal audit and other independent reviews.

3.16 The top risks are those that have been assessed as ‘amber’ or ‘red’ and appear in more than one department and often require the most proactive management actions to control and mitigate these risks. The number of risks across all council departments is slightly higher than those reported in February 2025 and are listed in Table 2.

Table 2: 2025-26 Risk Register

Southwark 2030 Priority	Risk Description
Decent Homes for All	Housing Revenue Account (HRA) Financial Sustainability
	Asset Management and Building Safety
	Temporary Accommodation
A Healthy Environment	Climate Emergency
A Good start to Life	Schools and Education
A Strong and Fair economy	Acute Socio-economic Factors
	Cost of Living Crisis
Staying well	Health and Well-Being
Safer Southwark	Crime and Antisocial Behaviour
	Building Safety and Compliance
Cross cutting across Southwark 2030 objective/other corporate risks	Cyber security, IT, Data and Information Management
	Recruitment, retention, resources and capacity
	Medium Term Financial Planning
	Key Providers and Partners
	Capital Programme and Major projects
	Unforeseen Major event

Management of Risk of Fraud and corruption

3.17 The Council maintains best-practice arrangements for managing the risk of fraud and corruption, aligned to CIPFA's *Code of Practice on Managing the Risk of Fraud and Corruption* (2014) and other relevant good practice (including *Fighting Fraud and Corruption Locally* and Government Functional Standard GovS 013: Counter Fraud). These arrangements reinforce a zero-tolerance approach and include:

- a clear counter-fraud and anti-corruption policy framework, roles and responsibilities;
- regular fraud risk assessment aligned to the corporate risk register and service risk registers;
- proactive data matching, intelligence-led activity and targeted preventative work;
- effective reporting routes (including whistleblowing) and timely investigation, recovery and sanctions where fraud is identified; and
- management reporting and governance oversight, using outcomes and lessons learned to strengthen controls, awareness and capability.

Third Line - Internal audit

3.18 As set out in Table 1, the third line of assurance is provided by Internal Audit, which delivers independent and objective assurance to those charged with governance on the adequacy and effectiveness of the council's governance, risk management and internal control arrangements. Internal audit work contributes to strengthening both local service arrangements and corporate controls by identifying control weaknesses, agreeing management actions and following up delivery. The internal audit plan is risk-based: it uses the council's risk management process and corporate risk register as a starting point (reflecting the council's assessment of risks to delivering its strategic objectives), is agreed with senior management, and is updated where appropriate to reflect emerging risks affecting local government and the wider public sector.

3.19 To fulfil its purpose, internal audit performs its work in accordance with the Global Internal Audit Standards in the UK Public Sector, which encompass: the global Institute of Internal Auditors (IIA) Global Internal Audit Standards (GIAS) and the Internal Audit Standards Advisory Board (IASAB) Application Note Global Internal Audit Standards in the UK Public Sector. For local government, the Council's assurance arrangements reflect the governance requirements of CIPFA's '*Code of Practice for the Governance of Internal Audit in UK Local Government* (2025)'. The Head of Internal Audit (HIA) reports functionally to the Audit, Governance and Standards Committee. The Committee approves the internal audit strategy and risk-based audit plan and receives reports during the year on internal audit activity (including follow-up work).

3.20 The Chief Audit Executive provides an annual report and opinion to Members on the overall adequacy and effectiveness of the Council's governance, risk management and internal control framework. For 2025–26, the overall opinion was 'Generally satisfactory with improvements required

in some areas'. This means that the areas examined were found to be suitably designed and operating effectively to support the relevant risk management, control and governance arrangements, but that improvements are required in some areas to strengthen consistency and effectiveness across services.

3.21 Conformance to GIAS and the CIPFA Code of Practice on the Governance of Internal Audit is supported through the Quality Assurance and Improvement Programme (QAIP), including a programme of internal quality reviews and an agreed timetable for external quality assessment. The Chief Audit Executive contributes independent assurance but does not draft the Annual Governance Statement.

3.22 From March 2026 the council entered a shared internal audit service with Lambeth council. There is now a single Chief Audit Executive for both councils and internal audit is currently delivered in-house through the shared service. Both boroughs will continue to be supported by the current co-sourcing partner (BDO) through 2026-27 during which time the Chief Audit Executive will recruit additional in-house staff to deliver internal audit activity.

External assurance and Inspection

External Audit

3.23 The council is part of the Public Sector Audit Appointments (PSAA) national scheme which appoints the council's external auditors. KPMG was appointed to act as the external auditors for five years from 2023–24, replacing the previous auditors, Grant Thornton. Despite significant national delays in the external audit market for signing off local authority accounts and issuing disclaimer opinions where audits have not been completed within statutory deadlines, the council's audited accounts are up to date. The council's 2024–25 accounts were signed off in February 2026. The 2025–26 external audit has already begun and is expected to be completed by October 2026 so that the audited accounts can be signed off at the November 2026 Audit, Governance and Standards Committee.

3.24 The findings of the VfM report last year were addressed as follows:

Table 3 Findings from the External Audit Value for Money (VfM) report

From the External VfM report	
Performance monitoring and KPIs	3.37-3.41
Transformation Programmes	5.7-5.12
Sustainability of the Housing Revenue Account (HRA)	4.23-4.26
Regulator of Social Housing and assurance over major works	4.14-4.20
Management of the TMOs	4.21-4.22

Contracts	5.16 -5.20
Risk Management	3.14-3.17
Leisure services Performance management	3.39-3.43.

External Assurance

3.25 External assurance and inspection provide an important additional source of independent challenge and helps ensure that the council's governance arrangements remain fit for purpose. CIPFA's advisory note *Developing an effective assurance framework in a local authority* highlights the importance of encouraging and facilitating robust challenge. During 2025–26, this continues to be supported through the progress review from the Local Government Association (LGA) Corporate Peer Challenge (CPC) which provides external assurance on the council's governance arrangements and constructive challenge to strengthen the council's approach.

3.26 In October 2023, the council welcomed an LGA peer team to undertake a CPC, providing an independent assessment of organisational leadership, governance, performance and financial management. The peer team reviewed a range of evidence, including finance, performance and governance information, and met with Members, officers and partners. Their feedback report set out 11 recommendations to build on strengths and address areas for improvement. The council consolidated these recommendations into an action plan agreed by Cabinet in February 2024, grouped under three strategic themes:

- Strategic direction of the council
- Service specific improvements
- Future Southwark capacity and corporate infrastructure

3.27 In May 2025, the LGA returned to Southwark to undertake a progress review. This assessed delivery against the CPC recommendations, provided feedback on progress made, and highlighted where further work is required to build on strengths and continue improving outcomes for residents, staff and partners.

3.28 The progress review highlighted several improvements since October 2023, including:

- Agreeing the Southwark 2030 strategy at Council Assembly in November 2024, providing clearer strategic direction for the Council.
- Agreeing the Southwark 2030 Delivery Plan at Cabinet in February 2025, setting out consolidated priorities for the following financial year and providing greater clarity on delivery over the short and longer term.
- Implementing a comprehensive Housing Improvement Plan following the C3 judgement issued by the Regulator of Social Housing (RSH) in November 2024.
- Delivering the first phase of the Council's Future Southwark internal change programme.

- Strengthening the corporate centre through improvements to core functions, including Public Affairs, Communications, and the Change and Transformation teams.

The Progress Review² report is publicly available on the LGA and Southwark Council websites

3.29 Overall, the peer team reported that clear improvement was evident across the issues highlighted in October 2023. They concluded that the council has responded positively to the recommendations, strengthening corporate working and improving clarity of strategic direction. They also noted strong commitment—individually and collectively—to achieving better outcomes for residents. Where recommendations require longer-term or ongoing action, delivery has been embedded within business-as-usual activity and will continue through the council's wider transformation programmes.

External benchmarking (CIPFA Financial Management Code and Financial Resilience Index)

3.30 The Council has reviewed its compliance with the CIPFA Financial Management Code (FM Code) for 2025–26, with the outcome to be reported to the Audit, Governance and Standards Committee in July 2026. The FM Code provides a consistent framework for assessing the effectiveness of financial management arrangements, supporting financial resilience, the management of service pressures, and preparedness for financial shocks.

3.31 As part of this review, the council completed the 2025 CIPFA Financial Resilience Index, which draws on national revenue outturn data and external assurance judgements. The assessment rated the council as low risk in relation to overall financial sustainability and reserves, with a positive assessment for Children's Social Care. It also identified comparatively higher-risk indicators relating to the long-term sustainability of the Housing Revenue Account (HRA) and the level of external debt. These higher risk indicators are regularly considered alongside the council's Medium Term Financial Strategy, treasury management strategy and HRA recovery planning. Paragraphs 4.23 to 4.26 provides further discussion on the financial sustainability of the HRA and the Housing Investment Programme.

Those charged with governance

Council Assembly

3.32 As set out in Table 1, assurance is also provided by those charged with governance. In the council's context, this includes Council Assembly, the Cabinet during 2025–26 and the Executive from June 2026, the Overview and Scrutiny function and the Audit, Governance and Standards Committee, which together provide democratic leadership, oversight and constructive challenge.

3.33 Council Assembly is responsible for approving the budget, developing policies, making constitutional decisions and deciding local legislation. Following the local elections in May 2026, no political group held an overall majority on the council. A new administration was subsequently formed

² <https://www.southwark.gov.uk/sites/default/files/2026-03/Corporate-peer-challenge-progress-review-report.pdf>

by the Green Party and the Liberal Democrats. Council Assembly appointed Councillor James McAsh as Leader on 28 May 2026, and the Leader appoints an Executive (including themselves), with each Executive Member holding a special portfolio of responsibility.

3.34 The council's overarching budget and policy framework is set by Council Assembly, and decisions are taken within that framework. At the start of the 2022–2026 term, the *Fairer, Greener, Safer*³ Delivery Plan 2022–2026 provided the Council's main delivery framework. Following agreement of the Southwark 2030 strategy, Cabinet approved *Creating Good Lives Together: Southwark 2030 Delivery Plan*⁴ in February 2025 to translate the longer-term strategy into priorities and actions. Taken together, these plans set out what the council aims to achieve during the 2022–2026 term and how delivery is being embedded within a longer-term vision for Southwark.

3.35 Southwark 2030 was organised around six goals, plus an internal goal to ensure Southwark is a well-run council:

1. Decent homes for all: People live in safe, well-maintained homes.
2. A good start in life: Children and young people have a great childhood that builds a solid foundation for adult life.
3. A safer Southwark: Crime is low and people feel safe.
4. A strong and fair economy: We all benefit from Southwark's economic strength and growth.
5. Staying well: People across our community have good health and wellbeing.
6. A healthy environment: Our environment is clean, green and healthy.
7. A well-run council: Leading by example to deliver high-quality, accessible services that meet the needs of all residents.

3.36 Southwark 2030 was underpinned by three principles that guide the council's approach:

- Reducing inequality: We are determined to ensure everyone can access the opportunities, resources and power they need to thrive.
- Empowering people: We want to build on the strength in everyone, growing skills and resilience to enable participation and leadership.
- Investing in prevention: We will invest time, capacity and resources in early help so that residents can live empowered, healthy and fulfilling lives.

Performance Monitoring

3.37 Performance against the Council Delivery Plan (CDP) is monitored throughout the year. Progress is reviewed by Corporate Management Team (CMT), with quarterly reviews by the Leader

³ <https://www.southwark.gov.uk/about-council/how-council-works/policies-plans-and-strategies/fairer-greener-safer-delivery-plan> ↩

⁴ *Creating Good Lives Together: Southwark 2030 Delivery Plan 2025–26*, Southwark Council. Available at: <https://www.southwark.gov.uk/sites/default/files/2025-05/Southwark%202030%20delivery%20plan%202025%20to%202026.pdf> ↩

and relevant Cabinet Members during 2025–26 and Executive Members from June 2026, and is reported publicly through the annual performance report at the end of each financial year. The CDP is kept under review to reflect legislative and statutory changes, the evolving social and economic context, analysis of need, and performance against priorities.

3.38 The Leader, alongside the Cabinet Member for Equalities, Democracy and Finance during 2025–26 and the Executive Member for Finance and General Purposes from June 2026, holds portfolio holders to account through quarterly performance discussions. These sessions provide oversight of delivery against agreed targets, the outcomes being achieved, key risks, and areas requiring support or corrective action.

3.39 Regular briefings between senior officers and the relevant Cabinet Member during 2025–26 or Executive Member from June 2026 support effective management of portfolio business and inform the quarterly performance cycle. Key issues and decisions are captured through established reporting routes, including in-year monitoring reports and the annual performance report.

3.40 On 16 March 2026, the council approved the End of Term Report 2022–2026⁵, noting performance and delivery during the 2022–2026 term. The Southwark 2030 strategy, delivery plans, annual performance reports and the end of term report are published on the council's website to support transparency and accessibility. Work also continues to develop and implement a corporate performance management framework to strengthen timely, high-quality reporting and assurance on organisational performance and progress against Southwark 2030 goals. This will support a more consistent picture of organisational performance, corporate health and effectiveness, enabling the identification of areas for focus and support and strengthening decision-making at all levels.

3.41 In addition to Executive and officer-led performance oversight, the Overview and Scrutiny function provides independent challenge. The council also triangulates performance information with resident feedback (including resident insight and satisfaction surveys, complaints and compliments) to inform service improvement and future performance and budget planning. The Council Delivery Plan is developed alongside the Medium-Term Financial Strategy (MTFS) to support effective deployment of financial, workforce, technology and other resources. The MTFS is aligned to the CDP and is updated and reported to Cabinet during 2025–26 and to the Executive from June 2026, and detailed budgets are aligned to plans through the annual budget process, with a focus on efficiency, value for money and delivery of agreed outcomes.

Overview and Scrutiny Committee

3.42 The Overview and Scrutiny function provides independent oversight and challenge of the council's decision-making and delivery, including scrutiny of performance management arrangements, policy, the budget and progress against the Council's priorities. Scrutiny commissions and reviews provide a structured route for executive and non-executive challenge, policy

⁵ *End of Term Report 2022–2026*, Southwark Council. Available at: <https://www.southwark.gov.uk/about-council/how-council-works/policies-plans-and-strategies/southwark-2030-strategy>

development and recommendations to Cabinet during 2025–26, to the Executive from June 2026, and to Council Assembly.

3.43 The council adopted a Cabinet Scrutiny Protocol in response to recommendations from the Centre for Governance and Scrutiny (CFGs)^[2]. The Protocol clarified how Cabinet Members during 2025–26, Executive Members from June 2026, officers and Scrutiny work together, supporting constructive challenge, a shared understanding of roles and responsibilities, and effective scrutiny of decision-making.

3.44 The Overview and Scrutiny Committee and its scrutiny commissions scrutinise decisions made by Cabinet during 2025–26 and by the Executive from June 2026, as well as those delegated to officers, and review services provided by the council and its partners. The scrutiny officer is a statutory role and is responsible for promoting and supporting the Council's scrutiny functions. The Centre for Governance and Scrutiny was commissioned by the Council in August 2022 to undertake a health check of the scrutiny function. The findings were reported in April 2023, concluding that '*scrutiny had a good foundation in Southwark*' and making recommendations to strengthen scrutiny. The Council agreed all recommendations and implemented an improvement action plan across 2023–24 and 2024–25. The scrutiny officer is taking a lead role in implementing these actions.

Audit, Governance and Standards Committee

3.45 The Audit, Governance and Standards Committee undertakes the core functions expected of an audit committee, consistent with CIPFA's *Audit Committees: Practical Guidance for Local Authorities and Police* (2022). This includes oversight of the effectiveness of governance, risk management and internal control, and scrutiny of internal and external audit arrangements, financial reporting and the Annual Governance Statement.

3.46 The Audit, Governance and Standards Committee provides independent oversight of key governance and accountability arrangements and is separate from the Overview and Scrutiny function and executive decision-making. The Committee's work in 2025–26 was reported in February 2026^[3].

3.47 During 2025–26, the Committee undertook a formal review of its effectiveness, assessing performance against CIPFA's *Position Statement: Audit Committees in Local Authorities and Police* (2022)^[4]. The Committee's work programme is designed to provide appropriate coverage of internal and external audit activity, governance and standards matters, financial reporting, and scrutiny of treasury management strategy and policies.

3.48 The Committee strengthened its approach to governance oversight by receiving structured reports and deep dives on higher-risk areas. Members asked challenging questions and raised issues on matters presented. Where required, this led to further information being provided to support assurance and, where appropriate, increased focus on delivery of agreed action plans.

3.49 Based on the reports received and the governance discussions held during the year, Members confirmed that they were assured that:

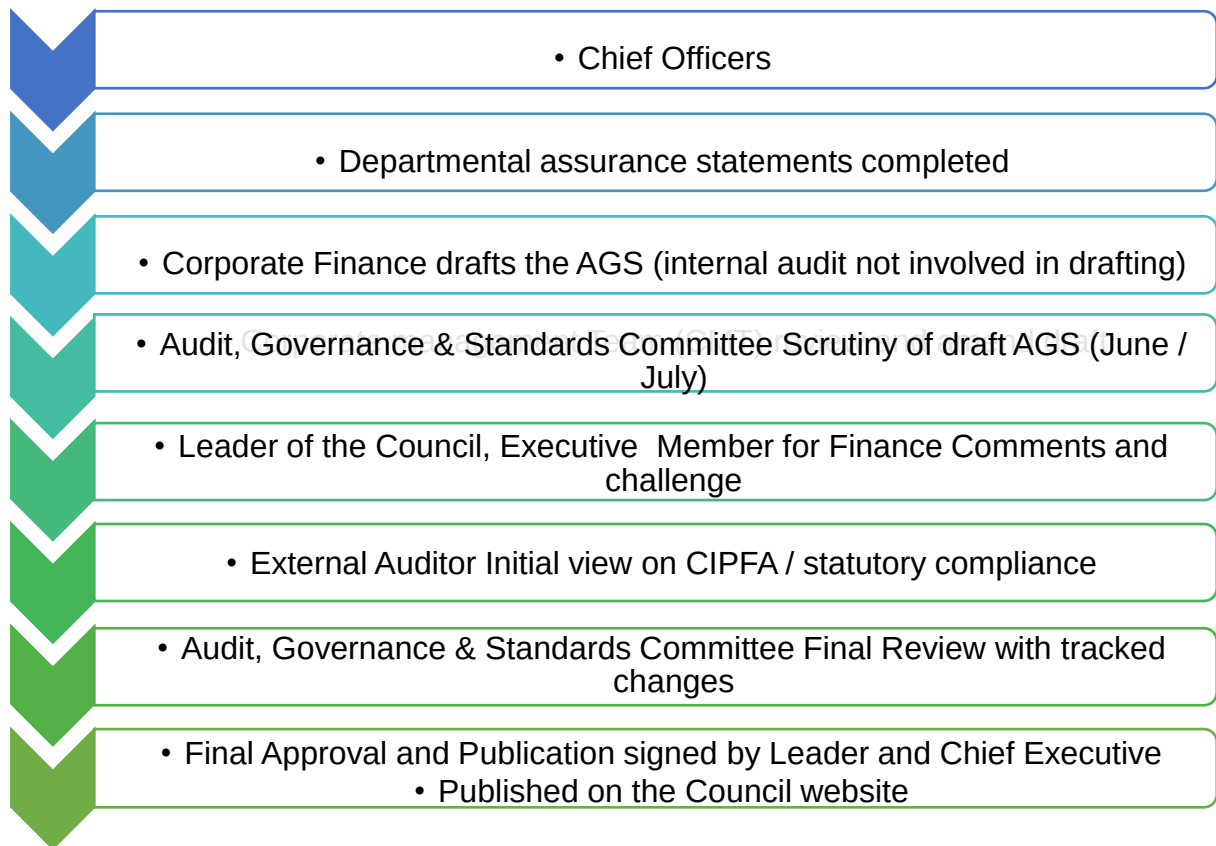
- (i) the Council's risk management arrangements were adequate to identify key risks and enable appropriate understanding and management of those risks; and
- (ii) there were no significant gaps or unnecessary duplication in the Council's governance arrangements that had come to the Committee's attention and not been adequately addressed.

3.50 Departmental governance conversations: During 2025–26, the Committee continued to invite Strategic Directors, Assistant Chief Executives and the Chief Executive to discuss departmental governance arrangements. These sessions provided more detailed assurance on departmental risk registers, key controls and mitigations, and enabled Members to challenge specific governance issues and track progress against agreed actions.

Assurance Pathway

3.51 In line with the May 2025 CIPFA/SOLACE Addendum to *Delivering Good Governance in Local Government*, the Council has a robust and structured process for reviewing the effectiveness of its governance arrangements and agreeing the overall opinion set out in this Annual Governance Statement. Chief Officers provide formal annual assurance statements for their departments, confirming whether governance, risk management and internal control arrangements were in place and operating effectively. These assurances, together with other sources of evidence, inform the drafting of the Annual Governance Statement, which is coordinated by Corporate Finance and is not prepared by Internal Audit, in accordance with professional standards.

3.52 The initial draft AGS is reviewed by Chief Officers through the Corporate Management Team (CMT), including the Chief Executive, to ensure collective ownership, challenge and consistency with the available assurance. Following amendments arising from this review, the draft AGS is presented to the Audit, Governance and Standards Committee in July for detailed scrutiny, with further changes made where required. The revised draft is then shared with the Leader of the Council and the Executive Member for Finance and General Purposes for comment, and provided to the Council's external auditor for an initial view on compliance with the CIPFA/SOLACE framework and statutory requirements. Any amendments arising from these stages are clearly identified and reported back to the Audit, Governance and Standards Committee prior to final approval. The Annual Governance Statement is formally approved, signed and dated by the Leader of the Council and the Chief Executive and published on the Council's website alongside the Statement of Accounts.



Assurance statement

3.53 Southwark Council is responsible for reviewing, at least annually, the effectiveness of its governance framework, including the system of internal control. The system of internal control is a significant component of that framework and is designed to manage risk to a reasonable level. However, it cannot eliminate all risk of failure to achieve policies, objectives and statutory duties and therefore provides reasonable, rather than absolute, assurance of effectiveness.

3.54 The governance framework described in this Annual Governance Statement operated at Southwark Council for the year ended 31 March 2026 and up to the date of approval of the Statement of Accounts. It is underpinned by the Council's assurance model (the 'three lines of defence') and supplemented by independent external assurance, including external audit and other external reviews and inspections.

3.55 The annual governance review provides evidence that the council's governance framework and system of internal control have operated effectively during 2025–26 and up to the approval date of the accounts. This conclusion is supported by assurance from across the three lines of defence and by independent external assurance. Taken together, these sources provide reasonable assurance that key risks are being identified, managed and monitored appropriately, and that proportionate arrangements are in place to support transparent decision-making, accountability and continuous improvement.

Governance issues

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

(i) how governance has been strengthened during 2025–26 through delivery of actions from the 2024–25 AGS and other improvement activity (Table 4), and

(ii) Looking ahead to emerging governance issues 2026-27 and beyond (Table 5).

4.2 Together, these provide a clear line of sight from the council's annual governance review to agreed improvement actions and ongoing oversight.

Issues highlighted in the 2024-25 Annual Governance Statement: Actions and Outcomes

4.3 The follow-up of the governance issues highlighted in the 2024–25 Annual Governance Statement and other improvement activity, is summarised in Table 4, with further detail set out in the narrative below.

Table 4: Summary of governance issues: Actions and Outcomes

Governance issues and improvement 2025–26	Action plans, timelines, responsibility and reference
Climate	Timelines: Annual climate report presented to Cabinet and Council Assembly (Feb 2025 and Feb 2026), including target dates for implementation. Responsibility/oversight: CMT and Members, with ongoing oversight of progress on climate action. Reference: paragraphs 4.4–4.7
Cost of Living	Timelines: 2025–26 delivery through the Household Support Fund (HSF). From 2026–27 the Crisis and Resilience Fund (CRF) replaces HSF; three-year CRF delivery plan due July 2026; transition arrangements during 2026–27. Responsibility/oversight: DWP monitoring (delivery plan and quarterly returns); Council decisions under delegated authority with Member consultation; Overview and Scrutiny. Reference: paragraphs: 4.8–4.13
Housing – Social Housing Regulator	Key milestones: Regulator of Social Housing (RSH) inspection (Nov 2024); Housing Improvement Plan implemented during 2025–26; Good Landlord Plan agreed by Cabinet (July 2025); governance/performance framework design commissioned (late 2025); Resident Advisory Panel proposed for implementation towards the end of 2026–27. Responsibility/oversight: Housing Improvement Board (supported by programme boards and resident engagement forums), reporting into the Housing Revenue Account (HRA) Recovery Board;

	Cabinet and Member scrutiny; RSH external regulation; external assurance (KPMG VfM risk report, Nov 2025). Reference: paragraphs: 4.14–4.20
Housing – Tenant Management Organisations (TMO)	Key actions/timelines: TMO Governance Team established (Nov 2024). Quarterly collection and reporting of TMO performance and compliance data. Annual risk-based audits and annual TMO governance reviews incorporating Tenant Satisfaction Measures (TSMs). Ongoing monitoring of TMOs' AGMs. Quarterly bank statement checks and regular review of Management Committee finance reports. TMOs submit annual audited accounts (filed with Companies House or FCA) and copies provided to the Council. Responsibility/oversight: TMO Governance Team and TMO Data Analyst; reporting to Landlord Services Management Team, Housing Department Senior Management team and Cabinet Member for Council Homes. Regular reporting to Housing Scrutiny Committee and Audit, Governance and Standards Committee. Independent oversight and scrutiny by external auditor (BDO). Supported by governance training/capacity building and use of the TMO Governance and Monitoring App. Reference: paragraphs 4.21–4.22
Housing – Housing Revenue Account	Timelines (2025–26 to 2026–27): Deliver 2025–26 cash limits and in-year savings (monitored by HRA BRB). Audit, Governance and Standards Committee update (19 Nov 2025). HRA BRB in-year monitoring (Mar 2026) flagged £2.5m forecast overspend. Cabinet agreed 2026–27 framework (Feb 2026) and HRA BRB reviewed detailed budget build/risks (April 2026), including £8.25m savings requirement. Responsibility/oversight: HRA BRB; dashboards to Audit, Governance and Standards Committee; Cabinet (HRA budget framework); external audit commentary (19 Nov 2025). Reference: paragraphs 4.23–4.26
Housing – Cost and demand pressures in Temporary accommodation	Timelines: Overspend £9.5m (31 March 2025) reported to Cabinet (June 2025); monitored during 2025–26 through the Temporary Accommodation Budget Recovery Board and Residential Supply Board; 2025–26 outturn (higher than £9.5m) to be reported to Cabinet (June 2026). Mitigations to continue in 2026–27. Responsibility/oversight: Cross-departmental Temporary Accommodation Budget Recovery Board; Residential Supply Board; Cabinet oversight through financial/outturn reporting. Reference: paragraph 4.27
Enterprise Resource Planning (ERP) – Southwark360	Timelines (2025–26 to 2026–27): Cabinet approved procurement approach (Jun 2024). Lot 1 (ERP vendor) awarded to SAP (Mar 2025) with contract start 30 June 2025; Lots 2–5 awarded (Aug 2025). Lots 6 (Support) and 7 (Archiving) expected to be tendered during 2026. Programme delivery scheduled to complete by October 2027 (with six months post go-live support). Responsibility/oversight: Southwark360 Programme Sponsorship Board; Corporate Transformation and Efficiencies Board (CTEB). Contract awards delegated to Strategic Director of Resources (in consultation with Cabinet Member for Equalities, Democracy and Finance). Directors act as workstream sponsors; monthly financial reporting and budget deep-dives.

	Reference: paragraphs 4.28–4.32
Cyber Security	Timelines (2025–26): Ongoing mitigations, including mandatory staff training and continuous threat detection/blocking tools; quarterly effectiveness reporting. Responsibility/oversight: Senior Information Risk Owner (SIRO) receives quarterly reporting; cyber assurance embedded in procurement due diligence for relevant suppliers. Reference: paragraph 4.33
Schools and Education Special Educational needs and Disabilities (SEND) provision	Timelines (2025–26 to 2026–27): Ongoing work to manage falling rolls, including PAN reductions and school reorganisations. Licensed Deficit Framework in place to support maintained schools at risk of deficit and agree recovery plans. Safety Valve Agreement in place (from end of 2022–23) with monitoring reports submitted; £2.7m received in 2025–26 following acceptance of monitoring. Responsibility/oversight: Joint Education and Finance officer board (Licensed Deficit Framework). SEND governance via the multi-agency SEND Strategic Partnership Board and the SEND and Inclusion Quality and Improvement Board; Strategic Director oversight (Children’s and Adults Services and Resources). Reference: paragraphs 4.34–4.36
Staffing	Timelines (2025–26 to 2026–27): Recruitment improvements implemented from 2024 and embedded during 2025–26 (vacancy advertising reduced to 2 days; vetting/onboarding to 38 days). New HR system being implemented through Southwark360 to support recruitment and exit surveys. Responsibility/oversight: Corporate recruitment team; workforce focus within the target operating model work and Southwark360 governance. Reference: paragraphs 4.37–4.38
Leisure Services	Timelines: Service insourced (May 2023). Financial recovery actions ongoing; current forecasts indicate a break-even position could be reached by 2029. Responsibility/oversight: Monthly (financial) and quarterly (operational) KPI monitoring to identify under-performance early and enable timely management action. Reference: paragraphs 4.39–4.43

The Climate Emergency

4.4 The climate emergency is a major focus for the council, which works in partnership with stakeholders, partners, staff and residents to tackle the effects of climate change. The Climate

Change Strategy and Action Plan (2025) is the primary delivery mechanism that will result in a reduction in carbon emissions across council operations and the wider borough, and deliver adaptation and resilience measures to support our residents, neighbourhoods and services as they are impacted by worsening weather events. The updated Action Plan contains 29 actions which once implemented will enable the 50% reduction in operational emissions by 2027/28, as well as further decarbonisation measures across the council estate, climate adaptation measures, local policy changes to influence others, and other key climate actions.

4.5 The council's ten-year capital programme has allocated nearly £70m to major investment programmes to support a healthy environment. This demonstrates the scale of the council's commitment to environmental improvements, climate action and facilitating the climate transition across Southwark. Implementation of these projects is delivering new active travel and low-carbon transport infrastructure, air quality improvements, carbon reductions, climate adaptation and tree planting across the borough – making residents lives better and local places healthier while also tackling climate change.

4.6. The council is undertaking a range of actions to secure sustainable finance – including in collaboration with partners and regional and national stakeholders – through development of funding bids and business cases. Key recent actions have included:

- Rounds 3 and 4 of Southwark Green Investment successfully raised £1.5m, meaning we have now raised £3.5m towards the council's target of £6m by 2030
- Successfully securing over £11.5m in grant funding from central government to support major leisure centre, social housing and school retrofit projects that will improve service efficiency, reduce emissions, improve air quality for the borough's residents and children, and support ongoing asset management
- Continued development of council project pipelines to ensure the council is ready to maximise external sources of investment
- Engaging with government and the Greater London Authority (GLA) on Southwark's most significant funding priorities and gaps
- Undertaking research and reviews of emerging alternative sources of finance, including retrofit credits and new sources of low-cost green borrowing

4.7 The council has continued to undertake climate budgeting as part of the corporate budget setting process. Climate budgeting is a governance process that when applied, drives effective implementation and prioritisation of a pipeline of short, medium and long term actions to deliver the council's climate targets. The Year 1 climate budget was adopted by Cabinet in February 2026 and focuses on the council's operational emissions from council buildings, fleet and streetlighting, setting out how the council's spending aligns with its commitment to doing all it can to be carbon neutral by 2030. The budget also identifies further funding requirements that go beyond available budgets, to support grant bids and other work on leveraging external resources.

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

4.8 During 2025–26, the Council reaffirmed its commitment to tackling the cost-of-living crisis. Building on work begun in 2022, support was delivered through the Better Living Fund, combining immediate help with preventative measures to strengthen the financial resilience of low-income households. The approach aligns with the Southwark 2030 vision for *Good Lives*.

4.9 Delivery was shaped with Voluntary and Community Sector (VCS) partners, including through the Southwark Financial Inclusion Forum, helping ensure support was targeted, accessible and responsive to need.

4.10 Support focused on residents facing the greatest hardship. This included free school meals, help for households affected by welfare changes (including Universal Credit), and application-based assistance for residents in crisis, housing instability or at risk of homelessness. This was complemented by advice and prevention services, including Southwark Energy Savers, providing tailored energy advice and practical support to households most at risk.

4.11 A small number of preventative and pilot interventions were also funded in 2025–26, including Warm Spaces, food pantries and social supermarkets, targeted homelessness prevention support, and the Positive Opportunities Fund. These pilots will be reviewed to inform the design of future provision in 2026–27.

4.12 Much of the response was enabled by the Government's Household Support Fund (HSF). The council remained accountable to the Department for Work and Pensions (DWP) through an approved delivery plan, quarterly monitoring returns and routine engagement. No concerns were raised by DWP during the year and the Council received full reimbursement. Decisions on the use of HSF and the Better Living Fund were taken under delegated authority with appropriate Member consultation, and the overall response was subject to Overview and Scrutiny review.

4.13 From 2026–27, HSF will be replaced by the three-year Crisis and Resilience Fund (CRF), intended to support both crisis responses and longer-term prevention. Southwark's allocation for 2026–27 is £5.01m. The Council has submitted the three-year delivery plan and will remain accountable to DWP for delivery. During 2026–27, the Council will maintain continuity of key support (including advice services) during a short transition period while longer-term CRF arrangements are finalised by the new Council administration, to ensure stability of provision and effective governance.

Housing – Social Housing Regulator

4.14 The Social Housing (Regulation) Act 2023 introduced additional regulatory requirements for councils as registered providers. The Regulator of Social Housing (RSH) has adopted a more proactive approach to landlord health and safety through strengthened consumer standards, requiring providers to identify and meet all legal compliance duties (including electrical safety). In November 2024, the RSH inspection of Southwark Council resulted in a 'C3' rating, meaning there were serious failings in delivering the consumer standards and significant improvement is needed.

4.15 In response, the council implemented a Housing Improvement Plan to strengthen governance, performance oversight and regulatory compliance. A Housing Improvement Board oversees delivery

against the plan's themes and workstreams, supported by programme boards and resident engagement forums. Reporting also informs the Housing Revenue Account (HRA) Recovery Board to align service improvement and financial recovery activity.

4.16 The plan sets out actions, milestones and status reporting for each theme, with recovery actions tracked where delivery is behind schedule. Priority areas include landlord health and safety compliance and assurance (including electrical safety certification, smoke alarm compliance and fire risk assessment management), alongside wider improvements to data quality, reporting and key policies (such as allocations) where required.

4.17 In July 2025, Cabinet agreed the *Good Landlord Plan*, setting out how the council will respond to the RSH judgement and tenant and leaseholder feedback. The plan aims to move beyond minimum compliance to a reliable, respectful and responsive landlord service, improving core services (including repairs, damp and mould management and safety compliance) and strengthening resident voice and feedback loops.

4.18 KPMG's Value for Money risk report (November 2025) noted evidence of an adequate action plan to address the RSH issues and that appropriate governance was in place to support delivery. In late 2025, the council commissioned specialist support to design refreshed governance, assurance and performance arrangements to help deliver Southwark 2030 commitments, including the Good Landlord Plan. The work will produce:

- A refreshed housing governance framework defining boards/forums, responsibilities and reporting lines (including external audit interfaces) to strengthen oversight.
- A new housing performance framework aligning outcomes, regulatory requirements and resident priorities, enabling consistent measurement, reporting and improvement.
- An outline governance structure (roles, skills and responsibilities) to support the new frameworks within a redesigned housing business functions hub.

4.19 The work also proposes two new boards

- A Southwark Housing Board (replacing the Strategic Housing Oversight Board) to provide scrutiny and challenge on behalf of Overview and Scrutiny, chaired by the Leader of the Council, with three external members. A separate Housing Associate Partnership Board will also provide external perspective.
- A Resident Advisory Panel to provide resident-led scrutiny of landlord performance and act as a critical friend, with implementation recommended once new resident boards have embedded (towards the end of 2026–27).

4.20 A risk-based assurance framework will be aligned to the Good Landlord Plan and tailored to Southwark's risk profile. The proposed performance framework is intended to meet regulatory and senior management assurance needs through four levels of oversight (Strategic, Corporate,

Operational and Resident), with consistent KPIs to support tracking, comparison and timely intervention.

Housing – Management of Tenant Management Organisations (TMOs)

4.21 Tenant Management Organisations (TMOs) play an important role in delivering good landlord services. However, historic weaknesses in TMO management and governance have created significant financial and reputational risk for the council and undermined the TMOs' ability to deliver consistently high-quality services.

4.22 Key improvements to TMO governance and financial oversight included:

- A dedicated TMO Governance Team (established November 2024) to strengthen oversight, accountability and compliance with statutory and contractual duties.
- Quarterly collection and reporting of TMO performance and compliance data (supported by a TMO Data Analyst) to Housing DMT, the Strategic Director of Housing and the Cabinet Member for Council Homes.
- Regular governance reports to Housing Scrutiny Committee and Audit, Governance and Standards Committee.
- Annual risk-based audits and annual TMO governance reviews, incorporating Tenant Satisfaction Measures (TSMs).
- Independent oversight by the Council's external auditor (BDO), alongside monitoring of TMOs' Annual General Meetings to support accountability to residents.
- Training and capacity-building for TMO boards and tenant representatives, supported by a training needs audit reviewed regularly by the TMO Governance Team.
- A bespoke web-based TMO Governance and Monitoring App, developed with Technology and Digital Services.
- A TMO contract monitoring checklist, developed with BDO, to support consistent assurance and follow-up.
- Stronger financial monitoring, including finance reports to each Management Committee meeting, logged agendas/minutes via a governance calendar, and quarterly bank statement checks to identify emerging issues.
- TMOs must submit annual audited accounts, filed with Companies House or the Financial Conduct Authority (FCA), with copies provided to the Council.

Housing -Housing Revenue Account (HRA)

4.23 Southwark is one of the largest social landlords in the country, with around 55,000 rented, leaseholder and freeholder homes. Following a significant Housing Revenue Account (HRA) budget deficit in 2023–24, the Council implemented an HRA Recovery Plan to restore financial resilience and support long-term sustainability. Strong governance remains essential to ensure statutory compliance, financial control and delivery of high-quality housing services.

4.24 The Recovery Plan is being delivered in two phases. Phase 1 covers 2023–24 to 2025–26 and has now been extended to 2026-27 in light of emerging pressures. Phase 1 includes a year-1

spending moratorium, tight service cash limits and savings targets, flexibility in revenue contributions to support the capital programme, disposal of obsolete/uneconomic assets, and pausing some pre-construction New Homes sites to limit borrowing costs. Phase 2 now due to start in 2027 and will reset revenue and capital budgets to sustainable levels, repay temporary borrowing, restrict new unsupported borrowing, and rebuild reserves to a prudent target of £50m. Delivery is monitored through the HRA Budget Recovery Board (HRA BRB), which oversees the plan and supports early intervention where pressures emerge. Dashboard reporting is also provided to the Audit, Governance and Standards Committee to support Member oversight and transparency.

4.25 Governance and monitoring arrangements were strengthened through formal reporting in 2025–26. The report *Housing Revenue Account (HRA) Governance and Financial Monitoring* was presented to the Audit, Governance and Standards Committee on 19 November 2025, covering in-year performance and the approach to budget setting for 2026–27. The external auditor’s Annual Report (also reported on 19 November 2025) noted improved control of HRA financial sustainability through delivery and governance of the recovery plan, with no significant weakness identified for the year.

4.26 Financial performance improved in 2024–25, with a favourable variance of £3.9m driven by income windfalls, reduced debt financing charges and short-term savings from delays in capital and maintenance works. However, the underlying position remains challenging and required in-year savings to meet 2025–26 cash limits, with pressures including rent policy impacts, unfunded regulatory costs (Fire Safety and Building Safety Acts), construction and energy inflation, and higher interest rates since December 2021. The HRA outturn report will be considered by the Executive after this Audit, Governance and Standards Committee meeting and is expected to show a net overspend, driven mainly by repairs and maintenance due to increased spend on one of the housing estates in order to bring properties back into use and a shortfall in rental income, partly offset by financing underspends and deferred contributions to reserves. For 2026–27, Cabinet approved the overarching HRA budget framework in February 2026. Following a more detailed budget setting exercise, a further paper to the HRA BRB in April 2026 set out emerging affordability risks, including £7.6m growth pressures and £6.4m inflation pressures, and an assumed savings requirement of £8.25m (with £5.25m identified at the time, leaving a £3.0m gap). Despite progress, the HRA remains under significant pressure and achieving balance depends on delivering further savings. Phase 2 of the Recovery Plan will coincide with a newly established 30-year HRA Business Plan and is expected to be presented to the Executive in line with the 2027–28 budget setting timetable.

Housing – Temporary accommodation

4.27 The cost and demand for temporary accommodation remains unrelenting, driven by the growing national homelessness crisis, unaffordable private rented accommodation, and restrictions on Local Housing Allowance (LHA) rates, meaning welfare benefits no longer cover the cost of many private rented homes. The reported overspend of £9.5m as at 31 March 2025 was reported to Cabinet in June 2025. These pressures were closely monitored in 2025–26 through a cross-departmental Temporary Accommodation Budget Recovery Board, alongside a newly established Residential Supply Board taking practical steps to increase the supply of appropriate housing solutions. Despite

this oversight, the 2025–26 outturn position is estimated to be higher than this and will be reported to the Executive after this Audit, Governance and Standards Committee meeting. The Government has recognised these additional pressures on local authorities and has allocated additional funding for homelessness prevention; Southwark was awarded £3m more in 2025–26 than the allocation in 2024–25. Mitigations will continue in 2026–27, with short- and long-term solutions in progress.

Enterprise Resource Planning (ERP) system

4.28 Southwark has used SAP as its ERP system for HR and Payroll, Finance and Purchase-to-Pay since 1999. Through Southwark360, the council is replacing the legacy platform with a modern, integrated ERP to support core processes and deliver a wider corporate transformation across systems, data, processes and ways of working. Aligned to the Southwark 2030 Strategy and the Technology and Digital Inclusion Strategy, the programme aims to improve resident and customer experience and provide staff with secure, modern digital tools.

4.29 Southwark360 is delivered through a governance framework designed for large-scale ERP implementation and tailored to the council. It provides clear roles, escalation routes and timely decision-making. Financial management includes monthly reporting of overall programme position and targeted deep-dive challenge sessions on budgets, risks and cost-reduction opportunities.

4.30 Stakeholders have been mapped to shape business change, communications and engagement. Each programme workstream is sponsored by one or more directors, accountable for stakeholder engagement and delivery of intended benefits in their functional areas.

4.31 The procurement strategy uses seven contracts to deliver a fully integrated ERP solution. Cabinet approved the approach in June 2024, with contract awards delegated to the Strategic Director of Resources in consultation with the Cabinet Member for Equalities, Democracy and Finance. Following award of the core ERP contract to SAP, Southwark awarded further contracts in August 2025 to support implementation, business change, data migration and reporting. During 2026, additional contracts are expected to be tendered to provide managed post go-live support and compliant access to legacy data in line with HR and Finance retention requirements.

4.32 A Contract Management Plan is in place, with spend tracked against milestones and payment mechanisms. The programme is in implementation, and the design stage is nearing completion. Progress, risks, issues and benefits are reported to the Southwark360 Programme Sponsorship Board and corporately through the Corporate Transformation and Efficiencies Board (CTEB). Delivery is scheduled to complete by October 2027, followed by six months of post go-live support.

Cyber security

4.33 Attempted cyber-attacks remain a significant and ongoing risk for local government. The council continues to take proportionate action to reduce the likelihood and impact of cyber incidents, including mandatory staff training in cyber security and data protection, and the use of continuous threat-detection and blocking tools across the ICT infrastructure (including that of the council's shared service provider). The effectiveness of these controls is reported quarterly to the Senior

Information Risk Owner (SIRO). Cyber security assurance is also built into the council's procurement processes, with cyber risk checks forming part of due diligence when appointing suppliers that will connect to, or interface with, council systems.

Schools and Education

4.34 There is a London-wide issue of continuing decline of pupil numbers which led to several maintained schools experiencing financial difficulties due to the close link between pupil numbers and the funding. To address this oversupply of places, there have been a number of PAN (Published Admission Number) reductions this year, with school amalgamations and school closures across the borough over the last few years. The council remains at financial risk for any maintained schools that close with deficit balances. A joint board of education service and finance officers has been working under a Licensed Deficit Framework to support schools in or at risk of entering a deficit, developing recovery plans to ensure financial sustainability.

Special Educational Needs and/or Disabilities (SEND)

4.35 At the end of the 2022–23 financial year, the Council entered into a formal Safety Valve Agreement with the Department for Education (DfE). This programme was established by the DfE in recognition of insufficient funding for children and young people with Special Educational Needs and/or Disabilities (SEND). The agreement aims to improve outcomes for children and young people while restoring the Dedicated Schools Grant (DSG) to an in-year balanced position. The council received £2.7m in 2025–26 following acceptance of monitoring reports, in addition to the £15m received in previous years.

4.36 The SEND improvement programme integrates delivery of the SEND Strategy while meeting the conditions of the Safety Valve Agreement. The programme is overseen by the multi-agency SEND Strategic Partnership Board, supported by the council-led SEND and Inclusion Quality and Improvement Board, which drives operational improvements on behalf of the Partnership Board. Additional assurance is provided through oversight by the Strategic Directors for Children's and Adults Services and Resources, ensuring progress against the actions required to achieve the financial targets set out in the agreed DSG management plan.

Staffing: Recruitment and retention of staff

4.37 The council continues to focus on recruiting and retaining a highly skilled permanent workforce. Following a comprehensive review of recruitment practice, the council agreed to invest in the establishment of a dedicated recruitment team in 2024. Since this team was established, the time to advertise a vacancy has reduced from 10 days to two, while the time to vet and onboard successful candidates has reduced from 96 days to 38. Benchmarking data shows the council benefits from lower turnover than many other London boroughs.

4.38 As part of the Southwark 360 programme, the council is implementing a new HR system, which will include new functionality to support recruitment and undertake exit surveys, which will help to improve the council's understanding of employees' experience and why they choose to leave. In

addition, the council's work to design and implement a new target operating model includes a significant focus on our workforce and the capabilities required to deliver the council's priorities effectively and efficiently.

Leisure Services

4.39 Southwark's leisure centres were brought back in-house in June 2023 to support a more flexible, high-quality leisure offer under direct council management. Insourcing was intended to make it easier to tailor programmes to local needs, combining a universal offer with targeted interventions that help residents maintain and improve their health and wellbeing, and to align delivery with the council's wider commitment to direct provision.

4.40 The opening of the new Canada Water Leisure Centre in September 2025 was a major milestone, providing a modern, accessible and more energy-efficient facility to replace the 60-year-old Seven Islands Leisure Centre. While there were early operational setbacks, including a delayed opening and a temporary pool closure due to technical issues, the new facility has increased participation and is contributing positively to residents' health and wellbeing. In 2025–26 overall attendance increased by 16% compared with 2024–25, and the Free Swim and Gym scheme saw a 1% increase in visits over the same period.

4.41 It was recognised at the point of insourcing that the service would initially cost more, predominantly due to higher staffing costs linked to improved terms and conditions and pension provision, including staff harmonisation in April 2024. However, since 2023 the net cost of the service has reduced and, based on current forecasts, the service is expected to reach a break-even position by 2029—significantly earlier than anticipated when the insourcing decision was taken in 2021.

4.42 Working with the council's Climate Change team, the service has delivered energy-efficiency improvements across the leisure estate and strengthened planned repairs and maintenance, reducing overall energy consumption and improving asset resilience. The council is on track to deliver the leisure decarbonisation and enabling works capital programme (c. £15m) during 2026–27 and 2027–28, with these measures contributing to cost savings and supporting delivery of the council's environmental commitments.

4.43 Performance is managed through a defined suite of financial and operational KPIs, monitored monthly (financial) and quarterly (operational). This provides early warning of under-performance and supports timely management action to maintain service quality, financial recovery and delivery of intended resident outcomes.

Areas of significant change – looking forward to 2026-27 and the medium term

5.1 The council continues to face a set of interrelated external pressures and governance challenges that will have an impact over 2026–27 and the medium term. These include economic volatility, sustained demand pressures—particularly in housing and social care—continued legislative and regulatory change (including funding reform, devolution and wider structural change), delivery of climate commitments and the transition to net zero, and the growing use of data and

artificial intelligence in decision-support processes. In addition, the local elections in May 2026 represented a significant period of organisational and governance transition requiring careful management to ensure continuity of decision-making, financial oversight and statutory functions.

5.2 In response to economic volatility and demand pressures, the council is strengthening financial resilience through longer-term planning and transparent reporting. The Medium Term Financial Strategy (MTFS) is underpinned by prudent assumptions and has been extended to include projections to 2029–30, supporting scenario planning and assessment of external shocks and the impact of the Fair Funding Review on council funding. A three-year national funding settlement provides some additional stability, but the council remains focused on managing longer-term risks as transitional protections unwind. The key areas requiring continued oversight are summarised in Table 5.

Table 5 Looking ahead

Looking Ahead to 2026 and beyond	Action	Paragraph
Macro-economic outlook and impact on local government	The council's medium term financial strategy is set with prudent assumptions on future resources and updates reported regularly to Executive	5.3 – 5.6
Fair Funding Review	Impact on Council funding and mitigation actions reflected in the MTFS and reserves strategy	5.13 – 5.15
Statutory changes to Procurement	Implementation of the Procurement Act and strengthened procurement and contract management governance	5.16 – 5.20
Southwark 2030 and transformation	Strengthened governance, benefits realisation and alignment with MTFS savings	5.7 – 5.12
Use of AI	Proportionate governance framework to manage transparency, accountability and data risks	5.21
Local Elections – May 2026	Member induction and training; refresh of committees and governance structures; ensure continuity of statutory and financial oversight during transition	5.22-5.25

Macro-economic outlook and impact on local government

5.3 Geopolitical instability has increased during the year, heightening risks to global energy markets and supply chains. Disruption to shipping routes and energy infrastructure may increase volatility in oil and gas prices and raise transport, insurance and construction costs. For the UK, this could renew inflationary pressure, feeding through to domestic energy bills, supplier contracts and service delivery costs. For local government, these factors may increase operating costs—particularly across energy-intensive services and the housing estate—add pressure to capital programme costs and increase demand for support as households face cost-of-living pressures.

5.4 Inflation, pay and financing conditions remain material drivers of cost pressure. Although headline inflation has eased, the council continues to face contract inflation in areas such as construction, repairs and maintenance, social care, waste and facilities management. Higher interest rates also increase the revenue impact of debt-funded capital programmes and can constrain affordability. These pressures are managed through prudent inflation and interest assumptions, disciplined capital governance, regular affordability reviews, and alignment with the Medium Term Financial Strategy (MTFS).

5.5 Economic volatility continues to affect demand and income. Cost-of-living pressures can increase demand for homelessness support, temporary accommodation and local welfare assistance, while also impacting collection rates, fees and charges and wider economic activity. These risks are monitored through MTFS updates, in-year budget monitoring and corporate risk reporting. Mitigations include demand management, investment in energy efficiency, and strengthened procurement and contract management to support timely challenge, escalation and financial control.

5.6 The national and global macro-economic outlook remains uncertain, with ongoing implications for local government finances and funding. Public spending plans are sensitive to changes in growth, productivity and inflation, increasing volatility for unprotected departments such as local government. The council therefore continues to apply prudent assumptions within the MTFS, supported by active monitoring of emerging risks, longer-term planning and scenario modelling. Governance arrangements emphasise clear accountability for managing budget pressures and timely reporting to Members through established financial, performance and risk routes.

Southwark 2030 – transformation programmes

5.7 The council's transformation programmes are central to delivering Southwark 2030 and supporting long-term financial sustainability, service improvement and value for money. Activity is coordinated through a portfolio of cross-council programmes focused on modernising services, strengthening corporate capability and delivering efficiencies, while maintaining a strong focus on resident outcomes.

5.8 Governance of the transformation portfolio is provided through the Corporate Transformation and Efficiencies Board (CTEB), which oversees delivery and provides strategic direction on priorities, resources and risks. CTEB ensures alignment between transformation activity, the Medium Term Financial Strategy (MTFS) and the Council Delivery Plan, supported by Director-level groups and

programme boards (including the Director Champion's Group), with Directors and Heads of Service acting as Senior Responsible Owners.

5.9 Programmes operate within defined governance arrangements, with clear sponsorship, decision-making routes and accountability. Regular reporting to CTEB and the Corporate Management Team provides oversight of delivery, benefits, risks and dependencies. A corporate transformation delivery framework is being implemented to standardise approaches to risk and issue management, benefits realisation and reporting, and to strengthen integration with performance and financial governance.

5.10 The council has developed a financial benefits framework to improve how cashable and non-cashable benefits are identified, appraised, monitored and reported. This strengthens transparency and accountability, aligns benefits with budget-setting, and helps mitigate optimism bias or double counting, reinforcing the link between transformation delivery and the MTFS.

5.11 The portfolio includes major programmes such as Redesign of Business Resources, Corporate Real Estate, Procurement and Third-Party Spend, Housing Improvement and the Corporate Programme Management Office (PMO). These programmes are monitored through regular highlight reports and performance reporting to CTEB, providing visibility of progress, risks and financial performance. Governance continues to be strengthened through clearer SRO roles, improved resource planning and better integration between transformation governance, workforce planning and financial controls.

5.12 Future Southwark remains a key element of the Council's transformation approach and will continue through Phase II, focusing on delivery of Southwark 2030 through changes to culture, skills, accommodation and service delivery models. The work is overseen by CTEB to ensure cross-department integration and alignment with wider transformation activity, including cross-cutting savings workstreams. Delivery will depend on pace of implementation, data quality and alignment with organisational priorities, with business cases and sourcing plans developed in stages and early benefits anticipated in some areas.

Fair Funding Review and the Medium Term Financial Strategy (MTFS)

5.13 Council Assembly approved a balanced budget for 2025–26 in February 2025. Financial performance has been monitored through in-year budget monitoring, including monitoring of departmental and transformation savings. The 2025–26 outturn position will be reported to the Executive after this Audit, Governance and Standards Committee meeting. The 2026–27 budget was approved in February 2026, with draft budgets for the following four years to 2029–30 updated following the Final Local Government Finance Settlement. This confirmed implementation of the Fair Funding Review, a full reset of the business rates retention system and a three-year funding arrangement—representing the most significant reform of local government funding in over a decade.

5.14 For Southwark, the new funding formula results in a reduction in assessed relative need over the medium term, reflecting changes in national deprivation measures and the positive impact of long-term regeneration outcomes on the borough's relative needs position. The final settlement

confirmed a three-year transitional protection package, including the Recovery Grant Guarantee, which protects the council at 100% of its 2025–26 funding baseline through to 2028–29. The Council has reflected the final settlement within its Medium Term Financial Strategy, including earmarked reserves to manage the transition.

5.15 The MTFS identified agreed transformation savings of £3m in 2025–26 and a further £7m in 2026–27. The outturn report to be considered by the Executive after this Audit, Governance and Standards Committee meeting is expected to confirm that there is unlikely to be any material in-year savings delivered against the £3m target. As a result, the total savings requirement for 2026–27 increases to £10m, which is significant for delivery of the MTFS and the council's longer-term financial sustainability, including the potential for increased reliance on reserves. Looking ahead to 2026–27, the council will strengthen governance of corporate transformation programmes to improve oversight, pace and benefits realisation, and will plan early remedial actions in the year where delivery is at risk.

Statutory Changes to Procurement

5.16 The Procurement Act came into effect in February 2025 alongside the National Procurement Policy Statement (NPPS), strengthening transparency and governance requirements across the commercial lifecycle. The NPPS priorities include value for money, growth, transparency and support for Small and Medium-Sized Enterprises (SMEs). The council continues to strengthen procurement and contract management assurance to meet these requirements.

5.17 During 2025–26, the council implemented key transparency duties, including a forward procurement pipeline for contracts over £2m and publication of statutory notices for higher-value contracts over £5m via the Central Digital Platform. The statutory duty to consider SME participation has been embedded through updated processes and templates, including simpler documentation and earlier market engagement.

5.18 The council reviewed its procurement framework to align with the Act, the NPPS and Southwark 2030 and agreed an implementation plan. The review also highlighted that decentralised arrangements—particularly for contract management—reduced corporate grip and value for money. The council approved a hub-and-spoke procurement and contract management operating model with integrated category management to strengthen ownership of major spend and clarify decision rights. The contract register and procurement pipeline are being embedded as the single source of truth for third-party spend and statutory publication.

5.19 The Act requires proportionate, risk-based governance across procurement and contract management. During 2025–26, a work plan began to consolidate decision forums, streamline gateways and strengthen contract management oversight to embed the new operating model. Over 2026–27, governance will be lighter for low-risk activity and tighter for higher-risk and higher-value procurements through risk-tiered gateways, supported by an accountability framework, standard templates, and KPIs, dashboards and escalation routes for the highest-risk and highest-value contracts.

5.20 Delivery will be overseen through CTEB and scrutinised by the Audit, Governance and Standards Committee. The intended outcome is a more transparent and consistent commercial framework, with clearer accountability, improved value for money and stronger social and local economic outcomes.

Use of AI

5.21 The growing use of artificial intelligence (AI) and automated decision support tools presents both opportunities and governance risks. While AI may help improve productivity and insight, it also raises risks relating to transparency, accountability, information governance, bias, cyber security and supplier dependency. The council will therefore ensure that any adoption of AI is risk assessed, proportionate and consistent with legal duties, including data protection and equality obligations. Key controls include:

- Clear policy and guidance on approved use cases and human oversight.
- Data protection, records management and information security controls (including supplier assurance).
- Testing for bias and monitoring of outcomes where tools affect resident decisions.
- Transparent documentation of how tools are used to support decisions, with auditability and accountability.

Local elections – May 2026

5.22 The council successfully delivered the local elections in May 2026 in accordance with statutory requirements, supported by well-established governance and operational arrangements. The elections resulted in no political group holding an overall majority on the council. A new administration was subsequently formed by the Green Party and the Liberal Democrats, representing a change in the council's governance context for 2026–27. Governance arrangements were updated accordingly to support effective decision-making through the council's established constitutional framework.

5.23 Ahead of the election count, all candidates and agents were provided with information on onboarding and induction arrangements. Following declaration of the results, successful candidates received a welcome pack setting out key information on the role of the council, the code of conduct and the role of a councillor.

5.24 The main induction sessions took place on 11 and 12 May 2026. These sessions enabled Members to receive their IT equipment, obtain essential information on the council's services and responsibilities, and meet senior officers to support an effective start in office.

5.25 A comprehensive member induction programme has been established for the four-year term, including mandatory training on the code of conduct, planning and licensing. Additional training is being provided on scrutiny, finance, casework, housing and chairing skills to support continuity of core governance, financial oversight and statutory functions.

Conclusion

6.1 This Annual Governance Statement has reviewed the actions and outcomes during 2025-26 and identified areas requiring continued focus in future years, set against a challenging external environment, including prolonged macro-economic uncertainty. Additional assurance, transformation and improvement activity has been put in place during the year to strengthen resilience and ensure that robust governance arrangements continue to support effective decision-making, accountability and value for money.

6.2 Taken together, the issues outlined in this Statement demonstrate that the council is operating in a period of heightened volatility and uncertainty, shaped by economic conditions, geopolitical risk and constrained national funding. While many of these pressures are external, the council's governance framework emphasises disciplined financial planning, scenario modelling and clear accountability for managing risk within available resources. The Medium Term Financial Strategy (MTFS) provides the primary framework for balancing short-term pressures with longer-term sustainability, supported by strong in-year budget monitoring, capital governance and corporate risk management.

6.3 The extension of the MTFS to 2029–30, alongside the introduction of a three-year national funding settlement, provides a firmer basis for medium-term planning. However, material risks remain once transitional funding protections unwind. These risks are compounded by sustained demand pressures—particularly in temporary accommodation and social care—and the need to deliver significant savings and transformation outcomes within planned timescales.

6.4 In this context, effective governance will continue to depend on timely and transparent reporting to Members, robust challenge through established decision-making and scrutiny forums, and the ability to take early corrective action where risks to delivery or affordability emerge. These arrangements will also support continuity and stability through the local elections in May 2026, ensuring that statutory functions, financial oversight and corporate priorities remain firmly embedded during the transition into 2026–27.

6.5 Progress against the action plans set out in Tables 4 and 5 will be monitored by the Corporate Management Team, with delivery and emerging risks reviewed on a regular basis. Updates will be reported at least quarterly through established governance and performance monitoring arrangements, with issues escalated as necessary to the Audit, Governance and Standards Committee and, where appropriate, to the Executive. This approach is intended to ensure effective follow-up, sustained oversight and transparency in the Council's continued strengthening of its governance arrangements.

6.6 This assurance statement was approved by the Corporate Management Team in May 2026 and is presented to the Audit, Governance and Standards Committee in July 2026 for consideration of the draft statement. Subject to that consideration, it will be formally approved by the Audit, Governance and Standards Committee in September 2026. It is signed on behalf of Southwark Council and made publicly available on the council website:

Chief Executive

Date:

Leader of the Council

Date

Meeting Name:	Audit, Governance and Standards Committee
Date:	13 July 2026
Report title:	Compliance with CIPFA Financial Management code
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Strategic Director of Resources

RECOMMENDATION

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

BACKGROUND INFORMATION

2. CIPFA published the 'CIPFA Financial Management Code' ('FM Code') in autumn 2019. The purpose was to support and improve councils' financial resilience enabling them to better meet unforeseen demands on services and to manage unexpected shocks and provide a strong foundation to manage the short, medium and long term finances of the organisation.
3. The Financial Management (FM) Code aligns with other legislation and associated CIPFA codes and provides evidence of compliance with statutory and professional frameworks. It is based on six principles:
 - i) Leadership
 - ii) Accountability
 - iii) Transparency
 - iv) Standards
 - v) Assurance
 - vi) Sustainability

The six principles are translated into 17 Financial Management standards.

4. The FM Code came into effect from 1 April 2020. Authorities were encouraged to work towards compliance in 2020-21, with full compliance by 2021-22. The council has reported annually to this committee on its compliance with the Code.

CIPFA FINANCIAL MANAGEMENT CODE

5. The purpose of the FM Code is to provide a strong foundation from which to manage financial resilience. In recent years, the number of authorities facing acute financial difficulties has increased significantly. Although the

circumstances leading to these difficulties are unique to each authority, the background context has often been similar: sharp cuts to funding during the austerity years, substantial growth in service demand (particularly in adult social care and temporary accommodation (TA)), and higher-than-expected inflation and interest rates.

6. The FM Code provides a standardised framework to assess all aspects of financial management and resilience. The council has reviewed compliance against the Code for the 2025-26 financial year. Appendix A sets out the assessment against each FM standard, including the evidence reviewed and how the council meets each standard.
7. To support financial resilience, CIPFA highlights the importance of a robust medium-term financial plan that supports the authority's corporate strategy and priorities, strong governance, and effective monitoring and reporting, which are tested through compliance with the FM Code. Council Assembly agreed a three-year Medium Term Financial Strategy in February 2024 for 2024-25 to 2026-27. This strategy has focused on identifying savings and potential budget pressures over the three-year period, together with identifying council-wide transformation programmes to reconfigure services to support the council's priorities.
8. The section on medium- to long-term financial management includes a specific FM standard: *'The authority has carried out a credible and transparent financial resilience assessment'* (Appendix A, Section F, p. 20). The council has met this requirement by completing the 2025 CIPFA Financial Resilience Index, which draws on Department for Levelling Up, Housing and Communities (DLUHC) revenue outturn data for 2024-25, alongside the judgement on children's social care and the external auditor's value for money assessment.
9. The 2025 CIPFA Financial Resilience Index rates the council as 'low risk' for changes in reserves and overall financial sustainability, with a positive 'good' judgement for children's social care. However, it also identifies a number of higher-risk areas, including Housing Revenue Account (HRA) reserves, the interest payable ratio, the gross external debt ratio, business rate growth, and the relative cost of homelessness. The council has assessed these risks and continues to mitigate them through financial planning, its reserves strategy, demand management, and ongoing transformation and savings programmes. These areas are kept under regular review through budget monitoring and the Medium Term Financial Strategy.

Policy framework implications

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

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

Community impact statement

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

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Consultation

16. There was no consultation.

BACKGROUND DOCUMENTS

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

APPENDICES

No.	Title
Appendix A	CIPFA Financial Management Code 2025-26

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Geraldine Chadwick, Assistant Director of Finance (Corporate)		
Version	Final		
Dated	25 June 2026		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments Included
Director of Law and Governance		N/A	N/A
Strategic Director of Resources		N/A	N/A
Executive Member		N/A	N/A
Date final report sent to Constitutional Team			25 June 2026

Appendix A CIPFA Financial Management Code 2025-26

Review of Southwark Council's compliance with the CIPFA Financial Management Code 2025-26

Contents

Introduction	3
CIPFA Statement on the Purpose of the Code	3
A The leadership is able to demonstrate that the services provided by the authority provide Value for Money (VfM)	6
B The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government	9
Governance and financial management style	11
c The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control	11
D The authority applies the CIPFA/SOLACE Delivering Good Governance in LG: Framework (2016).....	14
E The financial management style of the authority supports financial sustainability	15
Long to medium term financial management	18
F The authority has carried out a credible and transparent financial resilience assessment.....	18
G The authority understands the prospects of sustainability and reported to members.....	20
H The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities	22
I The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	26
The Annual Budget	29
J The authority complies with its statutory obligations in respect of the budget setting process	29
K The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves	30
Stakeholder engagement and business plans	33

Appendix A CIPFA Financial Management Code 2025-26

L The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	33
M The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions	34
Monitoring financial performance.....	36
N The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	36
O The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	38
External Financial reporting	40
P The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.....	40
Q The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	41

Appendix A CIPFA Financial Management Code 2025-26

Introduction

CIPFA Statement on the Purpose of the Code

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

Appendix A CIPFA Financial Management Code 2025-26

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

Appendix A CIPFA Financial Management Code 2025-26

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

Appendix A CIPFA Financial Management Code 2025-26

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
A The leadership is able to demonstrate that the services provided by the authority provide Value for Money (VfM)	1. <u>Understanding VfM</u>, and principles of VfM as the four pillars of economy, efficiency, effectiveness, equity 2. <u>Promote VfM</u> through: – a clear governance structure – scrutiny arrangements – Audit arrangements (remit for VfM) – corporate plan – annual budget detailing plans to deliver strategy – financial regulations – procurement regulations – contract management regulations – systematic approach to identifying and managing risk – compare VfM with others (efficiency reviews, benchmarking, peer review, monitoring of performance data,	<u>1 - Understanding VfM</u> • The council's Fairer Future Financial Strategy sets out clear financial principles enabling best use of resources and continued provision of value for money services. • This strategy directly aligns with the Council Delivery Plan 2025-2026, ensuring VfM considerations are embedded in strategic planning. <u>2 – Promoting VfM</u> Governance Structure: • Constitution (updated November 2025) assigns VFM as a key Cabinet function (Part 3B, para 13). • The overview and scrutiny committee meets 6-7 times per year to examine service performance. Strategic Planning:

Appendix A CIPFA Financial Management Code 2025-26

	service reviews, user surveys, external assessments) – equity – Equality Impact Assessments, engagement with service users and voluntary organisations. <u>3. Demonstrate VfM:</u> – Overview of governance arrangements – Details of savings achieved – Results of surveys – Address in narrative reports or AGS in financial statements – Provides information via its website on VfM	• Annual Budget 2025-26 demonstrates commitment to VfM and keeping council tax low through departmental savings through effective use of resources and efficiencies totalling £46 million over 3 years from 2024-25 to 2026-27. • Widespread organisational transformation programme to identify an additional £10m of efficiency savings over 2025-26 and 2026-27. Savings are a by-product of ensuring the council's corporate centre is efficient and well run. • Savings tracker is maintained by Finance team and monitors achievement of efficiency targets. • Professional advice from finance, legal and procurement is provided on all decisionmaking reports as evidenced in the concurrent section. Procurement Framework: • The Fairer Future Procurement Framework, (updated in April 2024) embeds VfM with “Spending money as if it were from our own pocket” principle.

Appendix A CIPFA Financial Management Code 2025-26

		• Gateway 0 reports required for all contracts over £10 million ensuring strategic VfM assessment. • The transformation programme will improve VfM by implementing a category management approach with a single contract register, managing third party spend by category rather than procurement location to drive economies of scale and better value for money <u>3. Demonstrating VfM Achievements</u> • Southwark consistently meets its savings targets demonstrating its continual commitment to value for money. • £15.5m savings delivered in 2024-25 against a target of £20.8m (Cabinet approved £5.3m reserves drawdown to balance the 2024-25 outturn in June). The 2026-27 outturn will be reported to June cabinet. • The financial resilience index enables comparative analysis with other London boroughs, providing essential benchmarking data to identify performance gaps and opportunities for improvement.

Appendix A CIPFA Financial Management Code 2025-26

B The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government	5 principles: Principle 1: Key member of the leadership team. Principle 2: Actively involved in all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered and aligned with the authority's overall financial strategy. Principle 3: Lead the promotion and delivery of good financial management Principle 4: Lead and direct a finance function that is resourced to be fit for purpose. Principle 5: The CFO in a local authority must be professionally qualified and suitably experienced.	CFO (Clive Palfreyman) is Strategic Director of Resources <u>1. &2. Key member of the leadership team</u> • CFO (Clive Palfreyman) is Strategic Director of Resources and member of Corporate Management Team • CFO attends all Cabinet meetings and Council Assembly meetings involving financial decisions, as statutorily required. • Direct reporting line to Chief Executive • CFO actively involved in budget strategy, policy development, and resource allocation <u>3. Leads the promotion and delivery of good financial management across the authority</u> • Three-year budget process includes Cabinet Member, CFO and Strategic Director-led departmental budget challenge sessions. • All decision-making reports include financial implications section and CFO concurrent.

Appendix A CIPFA Financial Management Code 2025-26

		• Scheme of Management defines clear financial delegation limits ensuring appropriate authorization levels. <u>4. Fit for purpose Finance team</u> • Director of Corporate Finance serves as Deputy Section 151 officer (CIPFA qualified, more than 13-year Southwark experience). • Four Assistant Directors, all professionally qualified with years of experience across different LA's and departments. • Finance function staffed mainly through long term permanent staff with good levels of knowledge and experience. • Investment in new ERP system to improving efficiency and accuracy of finance function. <u>5. Suitably qualified and experienced</u> • CIMA qualification with ongoing CPD requirements. • 13 years of experience as a London LA Director of Finance. • Previous Chair of the Society of London Treasurers Advisory Committee (SLTAC).

Appendix A CIPFA Financial Management Code 2025-26

		• Regular participation in CIPFA and London Councils professional networks. • Technical updates through subscription services and professional seminars. Knowledge-sharing through sector working groups.
<i>Governance and financial management style</i>		
c The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control	<u>1. Nolan Principles</u> <u>2. Governance structure</u> (terms of reference, scheme of delegation, conduct at meetings). Transparent constitution that's available to public	1. Southwark's leadership team actively espouses and champions the Nolan principles through both their personal conduct and the organizational culture they have created as shown below: 2. <u>Clear framework for governance and internal control:</u> • Governance structure publicly available via Southwark website. • Constitution comprehensively reviewed annually with November 2025 updates • Scheme of Managements clearly define roles and responsibilities. These are being reviewed and updated as part of the ERP project.

Appendix A CIPFA Financial Management Code 2025-26

	<u>3. Clear arrangements for assurance and accountability</u> • internal audit planning and reporting • risk management • effective audit committee • recommendations from external auditor acted upon promptly <u>4. Ensuring high standards of governance and internal control</u> • code of conduct for leadership team • register of interests • constructive challenge (audit, scrutiny and oversight committees, stakeholder engagement) • realism bias (robust analysis of data, evidence-based savings, robust decision-making procedure)	3. <u>Effective arrangements for assurance, internal audit and internal accountability:</u> • Internal Audit is provided in house through a shared service agreement with Lambeth Council from January 2026. • Our Internal audit plan, outlines our strategy and planned audit activity coordinated with External auditors. This document provides assurance on the adequacy of internal control, risk management and governance arrangements. • Risk management strategy helps the council manage risk. • Progress on implementation of external audit recommendations reported to Audit, Governance and Standards Committee annually. 4. <u>Southwark's leadership team espouses high standards of governance and control:</u> • Register of interest for members and senior leaders. • Member and officer protocol and members code of conduct sets clear standards • Officer declarations are undertaken annually.

Appendix A CIPFA Financial Management Code 2025-26

	• balanced decision making-between desired social outcome and financial resources, and admin efficiency <u>5. Culture of good governance</u> (continuous improvement, reward good behaviours in perf monitoring)	• Whistleblowing policy actively promoted on the council • Scrutiny committees provide constructive challenge the decisions, policies, and performance of the council. • All cabinet meetings are open to the public and are live-streamed. • In 2024 the council reviewed its decision-making processes and report writing guidance to ensure greater transparency. This was approved by CMT in March 2024. • Annual budget is subject to scrutiny by Overview and Scrutiny Committee before approval by council assembly <u>5 - Southwark's Leadership team nurtures a culture of effective governance and robust internal control:</u> • Southwark's Shared values are published widely and guide decision making • Southwark's annual staff Expo promotes the council plan nurturing a culture of transparency and informed decision-making across all levels of the organisation • Southwark staff performance outcomes and appraisals are linked

Appendix A CIPFA Financial Management Code 2025-26

		to the delivery of council commitments. • Leadership maintains culture of effective governance and internal control through maintaining, reviewing and approving all elements of the governance processes and policies as listed above.
D The authority applies the CIPFA/SOLACE Delivering Good Governance in LG: Framework (2016)	Assess governance structures, maintain local code of governance, report publicly on compliance with code and how plans to improve (undertake in AGS) 1. Adherence to the Principles of the good governance framework in the CIPFA code 2. Adherence to ethical codes and rule of law	<u>1 - The authority applies the CIPFA/SOLACE Delivering Good Governance in LG: Framework (2016)</u> The council demonstrates comprehensive application of the CIPFA/SOLACE framework through established governance structures and systematic compliance processes. <u>The Annual Governance Statement</u> (AGS) (published November 2025) demonstrates adherence to the CIPFA code and commitment to the framework's core principles (Para 3.1) <u>2- Code of Governance</u> The <u>Local code of corporate governance</u> was updated and agreed by the Audit, Governance and Standards Committee in

Appendix A CIPFA Financial Management Code 2025-26

	<u>3.</u> Assurance, Transparency, reporting and audit	February 2024, ensuring currency and best practice alignment. This is consistent with the principles of the CIPFA/SoLACE framework (2016). <u>3- Assurance Process</u> The council operates a comprehensive assurance process: Committee Oversight: Audit, Governance and Standards Committee reviews (June 2025) and approves (September 2025) the AGS Departmental Assurance: Directors conduct annual governance reviews using risk registers, audit reports, and internal/external reviews Ethical Oversight: Member scrutiny function includes ethical decision-making review
E The financial management style of the authority supports financial sustainability	Robust approach to ensuring financial stability, able to plan for and have appropriate skills and training to deliver across the council	<u>1 – Effective Framework of financial accountability</u> The council maintains a robust financial framework of accountability comprising of Financial standing orders, Financial Regulations, Contract standing orders, and Risk management strategy. Decision-

		making report templates require resource considerations, embedding financial accountability into operational decisions. <u>2 - Commitment to continuous improvement in VFM</u> The authority demonstrates its VFM commitment through: • Action on external auditor VFM recommendations are acted on by financial management teams and achievement was reported to Audit Governance and standards committee in July 2025. • The council's Fairer Future Financial Strategy sets out clear financial principles enabling best use of resources and continued provision of value for money services. <u>3 - Finance leadership and team provides:</u> • Strategic Level: Finance leadership continuously reviews MTFS with annual updates and in-year adjustments for material events • Operational Level: Business partners work directly with service managers on budget development and service planning

Appendix A CIPFA Financial Management Code 2025-26

		• Risk Assessment: Finance team input into budget strategy addressing key pressures (temporary accommodation, NRPF, funding risks) <u>4 - The council supports service manager financial literacy through:</u> • Business Partnering: Finance team provides direct support and guidance to service managers • Training Provision: Finance Accountants provide financial training to managers to ensure that they have skills for effective budget management • Budget Responsibility: Service managers have delegated budget responsibilities with finance support <u>5- Peer review</u> • Southwark council was subject to peer review – Corporate Peer Challenge (CPC) which was undertaken in October 2023. The report included eleven recommendations. • In response to the recommendations, the council created an action plan, which assigns senior officer

Appendix A CIPFA Financial Management Code 2025-26

		responsibility for delivery for specific actions and a timeframe for delivery. - Southwark's progress review in May 2025 allowed the council to receive feedback, assess achievements, and identify areas requiring further improvement to delivered vision for the borough. <u>6 - Skills and delegated powers</u> Finance department has well-qualified, experienced staff with: - Professional competencies and business partnering capabilities - Appropriate training for service delivery and transformation support - Clear delegated powers enabling effective financial management
<i>Long to medium term financial management</i>		
F The authority has carried out a credible and transparent financial resilience assessment	<u>Financial resilience assessment</u> The authority must explore the sensitivity of its financial resilience to alternative plausible scenarios for key drivers of costs, service demands and resources focusing on the LT	<u>1 - Finance resilience assessment</u> The Authority has carried out a financial resilience assessment using CIPFA Financial Resilience Index analysis over 5 years comparing performance with nearest neighbours, with Strategic Director of Finance review of 2024-25 data.

Appendix A CIPFA Financial Management Code 2025-26

		Assessment identifies lower risk areas (sustainability of reserves, change in reserves) and higher risk areas (gross external debt, interest payable ratio, fees and charges to service expenditure ratio, business rate reset impact). <u>2- Scenario Testing</u> Scenario testing is integrated into MTFS processes with "what if" analysis, percentage variations, and contingency planning. Regular MTFS updates (July, January, February) incorporate scenario analysis, with ring-fenced grants mapped against commitments and tested for funding and demand variations. <u>3 - Action Taken to Address Identified Risks</u> The council has taken action to address identified risks through targeted mitigation: • Treasury Live system for debt monitoring, • £10m transformation efficiencies in 2025-26, • HRA Recovery Plan, • Temporary Accommodation Recovery plan

G The authority understands the prospects of sustainability and reported to members	<u>Strategic Planning</u> Authorities to set up long- term strategic planning usually on a rolling period of five years. This plan will set out the authorities' vision and how it plans to achieve its vision. Alongside this there will be a financial strategy (which could be part of the strategic plan) which focuses on how the authority will finance their aims, strategies and activities set out in the strategic plan. <u>Financial Strategy</u> There are a broad range of factors that affect the authority's long-term financial success • Balance of authority's sources of income and exposures to volatile income streams • Authorities cost base and to what extend costs are fixed, stepped or variable within a timeframe considered • Asset Management priorities • Capital Programme	<u>The Council demonstrates comprehensive risk understanding through multiple mechanisms.</u> • The Policy and Resources Strategy 3-year report to 2026-27 (Cabinet February 2026) identifies specific financial pressures including a £19.03m budget gap requiring efficiencies and transformation savings, and a larger cumulative impact of circa £80m from 2027-28 to 2029-30 resulting from the fair funding review. • This is supported by external validation through the Financial Resilience Report and Auditors Annual Report which highlight high-risk areas. • The Council maintains a comprehensive Risk Management Strategy which will be updated in July 2026) with departmental risk registers and allocated risk owners, ensuring systematic risk identification across all areas. • Scenario planning is integrated the MTFS processes, enabling assessment of different financial scenarios.

Appendix A CIPFA Financial Management Code 2025-26

	• Policies, procedures, financial systems and processes • Relationship with key stakeholders <u>4.</u> The development of longer-term financial strategies can be characterised by the use of Scenario planning in contrast to forecasts. This should represent plausible scenarios and reject extreme scenarios. <u>4.Communication to Members</u> Authorities should communicate to members what financial sustainability is, its importance, and how the authority is going about realising and handling threats.	<u>The Policy and Resources Strategy lay out a long-term plan to address these risks:</u> • Departmental saving programme through savings and efficiencies totalling £46 million over 3 years from 2024-25 to 2026-27. • Widespread organisational transformation programme to identify an additional £10m of efficiency savings over 2025-26 and 2026-27 without looking for further departmental savings and efficiencies. • Risk contingency has been set aside to ensure the council has resilience against demand pressures • HRA Recovery Plan for housing revenue pressures <u>Scenario planning</u> Scenario planning is integrated into strategic development: • Grant and Commitment Mapping: Ring-fenced grants systematically mapped against commitments with scenario testing for potential variations in funding levels, ensuring financial

Appendix A CIPFA Financial Management Code 2025-26

		sustainability under different grant scenarios. • Strategy Development: Scenario planning integrated into Policy and Resources Strategy development with options assessment for efficiency savings. • Service Integration: Incorporation of service demand commitments under various financial scenarios. • MTFS Process: Regular scenario testing through Medium-Term Financial Strategy updates assessing "what if" variations and contingency requirements. <u>The authority reports effectively to leadership and members through:</u> • Policy and Resources Strategy reported to Cabinet (February 2026), Annual report on corporate risk is reviewed by the audit, governance and standards committee in February each year.
h The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities	<u>Capital Strategy</u> There should be a capital strategy in place that sets out the long-term context in which capital expenditure and	<u>1 - Capital Strategy</u> Capital Strategy 2026-27 – 2036-37 is an overarching document which sets the policy framework for the development,

Appendix A CIPFA Financial Management Code 2025-26

	investment decisions are made and that gives due consideration to risk and reward and to impact on the achievement of the authorities priorities. The capital strategy should address key themes within - Capital expenditure • Overview of governance process regarding capital expenditure with links to the authorities policies on capitalisation • A long-term view of capital expenditure plans where long term is defined by the financing strategy of, and risk faced by the authority with reference to the life of projects/assets. • Overview of asset management planning and any restrictions the authority may face in terms of borrowing, funding or capital finance Debt, borrowing and treasury management	management and monitoring of capital investment. This aligns with the Council Delivery Plan and is integrated into the medium-term financial strategy and treasury management strategy. This includes the governance framework, with refreshed set of governance proposals to ensure that all capital bids remain affordable and in alignment with key council objectives. The approach taken each year will be to assess the overall funding envelope, the affordability criteria, which will be determined by the estimated capital funding available and within a predetermined and prudent limit on borrowing. <u>2 - Prudential Indicators</u> The annual investment management strategy 2026-27, states the council's investment objectives and investment limits. Treasury Management Strategy report 2026-27, which meets the requirements of CIPFA's Treasury Management and Prudential Codes (2021-25), was considered by audit, governance and standards committee in November 2025 meeting, prior to approval by council assembly in February 2026.

Appendix A CIPFA Financial Management Code 2025-26

	• A projection of external debt and the use of internal borrowing to support capital expenditure, provisions for the repayment of debt, • The authorised limit and operational boundary for the following year • The authorities approach to treasury management including processes in place to ensure effective due diligence and defining risk appetites in respect of such activity Commercial activity • Approach to commercial activities ensuring effective due diligence Other long-term liabilities • Overview of the governance process Knowledge and skills • Summary of the knowledge and skills available to the authority	The Council has established comprehensive prudential indicators covering capital expenditure, external debt, and affordability measures, set annually before each financial year as required. <u>3 – Monitoring Performance</u> Council has implemented robust monitoring systems: Treasury Live System: Prudential indicators are produced and monitored via the Treasury Live system with: • Real-time monitoring through live dashboards • Quarterly reporting at strategy meetings and internal meetings • Close monitoring of balance sheet movements including debt, investments, MRP and CFR/reserve movement • Forward-looking projections based on linked treasury, housing, capital and other balance sheet forecast Enhanced Governance: The system enables the Council to: • Manage in accordance with CIPFA's liability benchmark principles

Appendix A CIPFA Financial Management Code 2025-26

	The authority should set up prudential indicators for the forthcoming and following years before the beginning of the financial year. The CFO is required to establish procedures to monitor performance against all forward-looking indicators. Specify prudential indicators for capital expenditure, external debt and affordability.	• Provide risk-based due diligence for investment and debt decision-making • Operate within clearly defined risk appetite parameters • Deliver enhanced investment returns and lower debt costs Operational Improvements: A full operational review has enhanced staff capabilities and processes, including: • Replacement of spreadsheet-based approaches with systematic monitoring • Data cleansing exercises improving decision-making processes • Complete elimination of temporary borrowing requirements • Enhanced governance and reporting capabilities for non-treasury investments Knowledge and Skills: A comprehensive Knowledge and Skills Policy have been developed based on training needs assessment, with a full training program covering regulatory, operational/accounting, market and strategic skills.

1 The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	<u>The Medium-Term Financial Plan</u> The MTFP is a translation of the authority's strategy into the near plan and provides a critical link between the authorities' financial strategy and service delivery. For an effective medium term financial plan, it should be • Be integrated with the authorities service plans and its capital strategy • Respond to uncertainty in the authorities funding regime • Translate the authorities longer-term aims into the medium term • Be developed in a robust manner • Be subjected to sensitivity analysis to allow any vulnerabilities to be identified (probability spread, regression analysis) The asset management plan might include • An overview of the authorities asset portfolio	<u>1 -The Council has established a comprehensive medium-term financial planning framework:</u> <u>Policy and Resources Strategy Report:</u> This strategy provides a refreshed remit and was formally reported to Cabinet in February 2026. The strategy establishes the financial planning framework extending to 2029-30, ensuring medium-term sustainability. <u>2 - MTFP and Service delivery plans</u> The Medium-Term Financial Strategy (MTFS) establishes the Council's overall financial envelope through direct integration with service plans and the capital strategy. Service plans inform the MTFS by identifying operational pressures, growth requirements, and efficiency opportunities, while the capital strategy shapes long-term investment priorities within the financial framework. This integrated approach ensures services operate within MTFS-determined limits, with service budgets directly reflecting both financial constraints and service delivery commitments, creating full consistency between the medium-term financial plan, service plans, and capital strategy.

Appendix A CIPFA Financial Management Code 2025-26

	• Assessment of the condition and performance of the assets held • The authorities priorities for maintaining, enhancing, adding to and divesting from its asset portfolio • The actions that will be taken to achieve these priorities, together with the outputs and outcomes that are to be achieved • The resources necessary to maintain and improve the asset's portfolio and how it will be secured Timescales and responsibilities for the actions identified	<u>3 - Robust Assessment of Cost Drivers</u> The financial planning process includes comprehensive assessment of key drivers: The Medium-Term Financial Strategy (MTFS) is managed by the Finance Leadership Team and regularly updated based on current affairs and evolving cost/demand drivers, including: • Government funding announcements and policy changes • Economic indicators (inflation rates and economic growth projections) • Political and economic landscape changes • Local service demand variations The strategy incorporates and assesses service demand commitments, ensuring future resource requirements are properly evaluated and integrated into long-term planning. Systematic identification of efficiency savings demonstrates thorough analysis of cost optimization opportunities while maintaining service quality. Resilience Testing

		Scenario Planning: The Policy and Resources Strategy is backed up by comprehensive scenario planning to test financial resilience against various potential outcomes and external factors. Options Analysis: Multiple options are evaluated to ensure the Council can respond effectively to different financial and service demand scenarios. 4 – New Strategic Asset Management Plan (SAMP) The Council's Asset Management Plan has been updated as part of the corporate real estate programme within the transformation programme, with a new Strategic Asset Management Plan (SAMP). The plan sits alongside the Medium-Term Financial Strategy and Capital Investment Strategy ensuring strategic integration. Development involves comprehensive stakeholder consultation addressing portfolio assessment, condition analysis, utilisation opportunities, and governance structures. The framework is organized under four key themes (Data, Property/Assets, Finance, Governance) with service-led actions to drive savings and efficiency while supporting

Appendix A CIPFA Financial Management Code 2025-26

		the Southwark 2030 vision and enabling effective service delivery.
<i>The Annual Budget</i>		
J The authority complies with its statutory obligations in respect of the budget setting process	<u>Statutory requirements regarding Budget-Setting</u> - Local Government Act 2000 requires councils to approve the annual budget, on the recommendation of the executive or equivalent, together with the associated council tax demand - Local Government Act 2003, Section 25 requires the S151 officer to report on the council's robustness of their estimates made in the annual budget and on the adequacy of the proposed financial reserves assumed in the budget calculations. Setting a robust and sustainable budget (in accordance with Local Government Finance Act 1992)	<u>1 - Statutory obligations are fully embedded within the Council's budget-setting processes and governance arrangements:</u> The Council operates within the statutory requirements of: - Local Government Act 2000 (annual budget approval and council tax setting) - Local Government Act 2003, Section 25 (S151 officer reporting requirements) - Local Government Finance Act 1992 (balanced budget requirements) - S151 Officer Responsibilities: The S151 officer fulfils statutory duties to report on budget robustness and adequacy of financial reserves <u>2 – Balanced Budget</u>

Appendix A CIPFA Financial Management Code 2025-26

		A balanced budget has been set for 2026-27 despite significant financial challenges from the fair funding review. <u>3 - The Council understands its Section 114 obligations:</u> • Legal Requirement: The Council is aware that a Section 114 notice must be issued when the authority's expenditure in the financial year is expected to exceed available resources. • S151 Officer Responsibility: The S151 officer has the statutory duty to issue a Section 114 notice when the legal threshold is met, and the Council understands this process. Financial Monitoring: The Council maintains robust financial monitoring systems to identify potential Section 114 scenarios early and take appropriate corrective action to avoid reaching this statutory threshold.
K The budget report includes a statement by the chief finance officer on the robustness of the	The authority's financial reserves should only balance general reserves should only be used for	<u>1 – CFO statement</u> The Policy and Resources Strategy Report approved by cabinet in 2026 includes a comprehensive statement by the

Appendix A CIPFA Financial Management Code 2025-26

estimates and a statement of the adequacy of the proposed financial reserves	• Planned investment • Capital projects • Change programmes • Unexpected events such as natural disasters • Other reasonable uses for which they have been earmarked	CFO (Section 151 Officer) on the robustness of estimates and adequacy of proposed financial reserves (paragraphs 104-120), as required under Section 25(1) of the Local Government Act 2003. <u>2 – Budget Estimates</u> The CFO statement comprehensively addresses key budget estimates and associated risks: Budget Development Process: The budget for 2026-27 had been agreed in draft as part of the 3-year MTFS. Updates were made following a rigorous process including, updating all assumptions following the Fair Funding review and new methodologies, validation of three-year savings, confirmation of MTFS assumptions, and consideration of both short-term and medium-term demand and inflationary pressures. Key Risk Areas Identified: • Homelessness Support Costs: Identified as the Council's key General Fund risk, with demand pressures potentially exceeding budget capacity. • Fundamental Review of local government finance – fair funding review Significant changes to funding

		following the fair funding review. The council's net grant will reduce over the three-year period but partially protected by a 'recovery grant'. This was expected and planned use of resources enabled a balanced budget to be set. • HRA Financial Pressures: Housing Revenue Account under considerable pressure with clear recovery plan required • Inflationary Pressures: Allowances included for inflation and debt interest charges <u>3 – Reserve levels</u> The CFO assessment indicates mixed reserve adequacy depending on fund type: General Fund Reserves: Considered adequate by the Strategic Director of Resources to support the Council in the short to medium term. The budget includes £2.5m contribution from general reserves, maintaining this as a buffer against service demand fluctuations. HRA Reserves: Identified as low both in cash terms and as percentage of rents. Currently at £20m with a recovery plan to

Appendix A CIPFA Financial Management Code 2025-26

		increase to approximately £50m by 2029-30 through the HRA recovery plan.
Stakeholder engagement and business plans		
L The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	In order to comply with this code authorities are encouraged to consider the extent of stakeholder engagement in the LT strategy/MT financial plan and annual budget. • Identify key stakeholders • Engage effectively • Use the results of this engagement wisely Where the authority has good productive strategic relationship with its key stakeholders, this level of engagement may not be necessary, providing the needs of these stakeholders are sufficiently well understood.	<u>1 - The Council engages key stakeholders comprehensively across all key stakeholder groups:</u> Members: Overview and Scrutiny Committee review all budget areas with formal recommendations, member-led scrutiny sessions focus on financial risks, and Audit, Governance and Standards Committee considers strategies before Council Assembly approval. Residents and Communities: • Southwark 2030 plan shaped by extensive consultation events, online surveys, partner surveys, research groups • Policy and Resources Strategy ensure the council's vision illustrated through Southwark 2030 and Council Delivery Plan remains at the heart of budget development, translating

Appendix A CIPFA Financial Management Code 2025-26

		stakeholder priorities into financial planning. Multi-ward budget meetings enable direct local input on annual budget proposals, ensuring geographic representation and community voice in financial decision-making. Partners and Businesses: Statutory consultation with community organisations, local businesses, and service users across council functions on level of business rate and council tax. Internal Stakeholders: Service-level business plans incorporate consultation results, with input from staff, trade unions, and senior leadership contributing operational expertise. <u>2 - Engagement has been effective:</u> Southwark 2030 Vision: Community engagement directly contributed to the development of the Southwark 2030 strategic vision
m The authority uses an appropriate documented option appraisal methodology to	Option Appraisal Methodology - Understanding what the authority wants to achieve - Generating options	<u>1 - Option appraisal methodology</u> Strategic Framework: The Southwark 2030 Procurement Framework establishes comprehensive option appraisal

Appendix A CIPFA Financial Management Code 2025-26

demonstrate the value for money of its decisions	• Assessing the options • Making the decision Use CIPFAs 'Option appraisal: A practical guide for public service organisations'	methodology including Gateway processes mandatory "make or buy" assessments with explicit consideration of in-house delivery as the first planning step, strategic assessment of delivery options, whole life analysis, risk assessment, and value for money evaluation across all service delivery. • This includes guidance to officers as to when an option appraisal should be undertaken. Clear thresholds are established: Gateway 1 reports for contracts over £100,000, strategic assessment mandatory for services valued at £10m+, and option appraisal required when reviewing service delivery, challenging procurement arrangements, or considering collaboration opportunities. <u>2 - Quantitative and Qualitative techniques</u> • Qualitative and quantitative techniques include whole life cost analysis, value for money assessment, price/quality balance evaluation, multi-criteria analysis, benchmarking with other London boroughs, efficiency measurement,

Appendix A CIPFA Financial Management Code 2025-26

		strategic alignment with council priorities, and assessment of diverse supplier options including small firms, social enterprises, and voluntary sector providers. <u>3 – Risk and Uncertainty</u> • Risk is mitigated through whole life risk analysis, strategic risk evaluation, performance risk management, multiple option comparison, collaboration risk-sharing, peer review validation, and continuous monitoring with post-action learning. <u>4 - Reporting of results</u> Results are reported through structured Gateway reports with clear recommendations, performance monitoring commitments, and post-action planning to capture lessons learned.
<i>Monitoring financial performance</i>		
N The leadership team takes action using reports enabling it to identify and correct emerging	In order for the leadership team to have access to the information it needs to identify emerging risks, leadership must:	<u>1 - Reports provided to leadership team</u> Leadership are provided with comprehensive reporting including:

Appendix A CIPFA Financial Management Code 2025-26

risks to its budget strategy and financial sustainability	• Receive reports about the right things (planning assumptions/financial performance against budgets/risks short-, medium- and long-term plans/Performance in implementing savings initiatives) • Receive reports at the right time (critical reports at right time) • Receive reported in the right format (clear/concise/accurate) • Takes action in respect of any issues identified (minutes as a record of action)	• a formally approved risk management strategy. • annual corporate risk reports to Audit, Governance and Standards Committee. • Risk management system capturing departmental and corporate risks. • budget monitoring reports at Period 4 and Period 8 to Cabinet with budget vs actual, forecast outturn, and required mitigations for variances. • annual performance reports. <u>2- Forward and Backward-looking</u> Reports cover backward-looking budget monitoring and outturn reports with actual performance data, and forward-looking Medium-Term Financial Strategy, budget setting reports to Council Assembly, and forecast outturn projections within monitoring reports. <u>3 - Performance of significant delivery partnerships</u> The Risk Management Strategy explicitly addresses partnerships and contracts through risk identification and assessment processes for key contractual arrangements, development of robust risk arrangements

Appendix A CIPFA Financial Management Code 2025-26

		with partnerships recorded and monitored on JCAD system, and integration of partnership risks into corporate risk management framework. <u>4 – Timeliness and format</u> Reports are clear and written in a standard format. CMT reviews reports before they are taken to Council Assembly / Cabinet. 5 - Leadership satisfaction The leadership team can effectively use the reports that it receives and take appropriate action.
o The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	The CIPFA publication Balance Sheet Management in Public Services: A Framework for Good Practice (2007) outlines a number of elements of good practice for balance sheet management from a governance perspective. Including: In order to comply with the FM code authorities: • Determine which elements in balance sheet pose a significant risk to its financial sustainability • Monitor these elements (treasury management/cash	<u>1 - Critical balance sheet items</u> • Elements of the balance sheet which are critical to financial stability include DSG deficit balance general and earmarked reserves, corporate debt, capital programme commitments, and provisions for bad debt. <u>2 - The council has comprehensive monitoring including:</u> • Director of Corporate Finance responsible for BSM.

Appendix A CIPFA Financial Management Code 2025-26

	management/need for new provisions/level of reserves) Respond promptly and proactively to any issues that these mechanisms identify (impact of performance on reserves/use of unplanned reserves/monitoring against prudential indicators)	- Treasury Live system providing real-time monitoring of balance sheet movements including debt, - investments, MRP and CFR/reserve movements. - rolling three-year balance sheet projection model; daily cash balance projections. - monthly Corporate Debt Monitor. - quarterly prudential indicator reporting - Annual earmarked reserve assessments with ongoing general reserve affordability reviews. <u>3 – Use of unplanned reserves</u> 2024-25 was the first year that the council has had unplanned use of reserves. This was reported to CMT as part of the outturn report which was approved by cabinet in June. The 2025-26 use of reserves will be reported to 22 June 2026 cabinet <u>4 - Integration with Management Accounts</u> Balance sheet risks are integrated into the authorities reporting processes through the Treasury Live system which enables real-

Appendix A CIPFA Financial Management Code 2025-26

		time balance sheet monitoring and forward projections linked to treasury, housing, capital and other balance sheet data; monthly Corporate Debt Monitor; daily cash projections; regular provision updates; quarterly prudential indicator reporting; and integration with Council Delivery Plan performance reporting under Director of Corporate Finance oversight.
External Financial reporting		
P The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom	External financial reporting processes require statutory accounts are produced on an annual basis in accordance with - the Accounts and Audit Regulations 2015 for English Authorities - Comply with Code of practice - Comply with CIPFAs statement on the role of the CFO in Local government (accounting policies/prevention of fraud/reasonable estimates - Demonstrate compliance-preparation and submission of	<u>1- CFO statutory responsibilities</u> The CFO is fully aware of his statutory responsibilities for preparation of annual financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, the Accounts and Audit Regulations 2015, and CIPFA's Statement on the Role of the CFO in Local Government. <u>2 - CFO responsibilities are formally embedded in governance and performance frameworks:</u> Constitutional Framework: The responsibilities of the Chief Financial Officer are set out in the Council's

Appendix A CIPFA Financial Management Code 2025-26

	accounts in CFO JD and annual performance targets/ submitted on time/finance team resourced to comply.	constitution, providing formal statutory recognition. • Employment Documentation: CFO responsibilities are included in the employment contract and job description, ensuring contractual accountability. • Performance Management: Accountability for financial statement preparation is integrated through the performance management system, ensuring regular monitoring and assessment of delivery. <u>3- Compliance with the Code of Practice</u> The Council demonstrates consistent compliance with Code requirements. Financial statements are prepared in full accordance with the Code of Practice for Local Authority Accounting in the United Kingdom. The 2024-25 accounts were published on time, before the 30th June statutory deadline.
Q The presentation of the final outturn figures and variations from budget allows the	<u>Presenting effective financial outturn information</u> • Accurate	<u>1- Outturn reports for leadership</u> Revenue and capital outturn are reported each year to the cabinet, enabling strategic

Appendix A CIPFA Financial Management Code 2025-26

leadership team to make strategic financial decisions	• Relevant • Granular • Analysed • Put into context	financial decisions to be taken, e.g. variations to the capital programme. In addition to this, revenue and capital reports are taken to CMT and cabinet at critical reporting dates during the year to update leadership on in-year forecasts and movements. <u>2- Effective reporting</u> The format of revenue and capital reports are consistent with previous years. A new format for updating CMT has been designed to highlight variances and key risk areas in an effective way. <u>3- Relevant</u> Reports detail significant variances which supports appropriate scrutiny and are contextualised through narrative. High risk areas are identified along with significant uses of reserves. <u>4 - Supports decision making</u> The Leadership team are able to develop strategic plans for mitigation as a result of these reports.

Meeting Name:	Audit, Governance and Standards Committee
Date:	13 July 2026
Report title:	Formation of audit, governance and standards sub-committees for 2026-27
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Chief Executive

RECOMMENDATION

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

BACKGROUND INFORMATION

7. 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.
8. 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

9. The membership for these sub-committees is drawn from the main committee.
10. There is one meeting of the civic awards sub-committee, around February of each year to discuss and agree the grants of civic awards.
11. The standards sub-committee meets when it is required on an ad hoc basis; it has been required once in the past five years.
12. The meeting of the audit, governance and standards committee of 14 July 2016 recommended that the civic awards sub-committee be sex-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.
13. 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.
14. 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:

Audit, governance and standards sub-committees	Total	Lab	Green	Lib Dem
Audit, governance and standards (civic awards) sub-committee	4	2	1	1
Audit, governance and standards (standards) sub-committee	3	1	1	1
Total	7	3	2	2

Co-opted members of the civic awards sub-committee

15. 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.
16. 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.
17. 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.
18. 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 2026. Further advertising for volunteers will be done via community engagement teams in late 2026.

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

Community impact statement

19. 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.
20. 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

21. There are none.

Health impact statement

22. There are none.

Climate change implications

23. There are none.

Resource implications

24. There are none.

Consultation

25. None required.

APPENDICES

No.	Title
	None

BACKGROUND DOCUMENTS

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

AUDIT TRAIL

Lead Officer	Chidi Agada, Head of Constitutional Services		
Report Author	Virginia Wynn-Jones, Principal Constitutional Officer		
Version	Final		
Dated	1 July 2026		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER			
Officer Title		Comments sought	Comments included
Director of Law and Governance		N/A	N/A
Strategic Director of Resources		No	No
Executive Member		No	No
Date final report sent to Constitutional Team			1 July 2026

Meeting Name:	Audit, Governance and Standards Committee
Date:	13 July 2026
Report title:	In year review of work programme 2026-27: July 2026
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Head of Constitutional Services

RECOMMENDATIONS

1. That the audit, governance and standards committee note the proposed work programme for 2026-27.

BACKGROUND INFORMATION

2. At their meeting in February 2026, the committee considered and agreed a work programme for 2026-27 and requested that this be brought back to future meetings for updates if required.

KEY ISSUES FOR CONSIDERATION

3. 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.
4. 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.

5. The work programme for 2026-27 has been included at Appendix 1 for the committee's consideration. Some items are standing items which will only be brought forward if and when they arise.
6. 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.
7. 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.
8. 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.
9. 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.

Policy implications

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

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

Community impact statement

11. 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

12. There are none.

Health impact statement

13. There are none.

Climate change implications

14. There are none.

Resource implications

15. There are none.

Consultation

16. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None.		

APPENDICES

No.	Title
Appendix 1	Work programme 2026-27
Appendix 2	Extract from the constitution – Part 3K: Audit and governance committee

AUDIT TRAIL

Lead Officer	Chidi Agada, Head of Constitutional Services		
Report Author	Virginia Wynn-Jones, Principal Constitutional Officer		
Version	Final		
Dated	1 July 2026		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER			
Officer Title		Comments sought	Comments included
Director of Law and Governance		No	No
Strategic Director of Resources		N/A	N/A
Executive Member		No	No
Date final report sent to Constitutional Team			1 July 2026

APPENDIX 1

Work plan items

TUESDAY 8 SEPTEMBER 2026
Report Title
Statement of accounts 2025-26: Draft including Annual governance statement
Annual governance statement (part of accounts – see above)
Housing revenue account update
Enterprise Resource System Progress Update (S360)
Progress report on the work of internal audit
Internal audit shared service update
Anti-fraud update
External audit update report
Progress report on implementation of external audit recommendations (if required)
Corporate governance framework (if required)
Budget challenge and governance (if required)
Work plan for 2026-27
TUESDAY 24 NOVEMBER 2026
Report Title
Statement of accounts 2025-26: Final
Final Annual governance statement (included with final accounts)
Treasury management strategy
Audit findings reports (ISA 260) – including pension fund) (part of statement of accounts)
Auditor's Annual Report 2025-26, including annual audit letter and audit fee letters, and external audit update report
Member induction and training: outcomes of programme and updates planned
Progress report on the work of internal audit, including schools 2025-26 outturn
Progress report on the work of anti-fraud
Revised corporate risk register
Southwark 360/Enterprise Resource System Progress Update
Outcomes of the whistleblowing policy
Request for recommendations for non-voting co-opted members of the civic awards sub-committee
Review of member officer protocol (if required)
Review of communications protocol (if required)

Corporate governance framework (if required)
Work plan for 2026-27
MONDAY 1 FEBRUARY 2027
Report Title
Risk management and insurance
Pension fund audit plan for 2025-26
External audit plan for 2027-28
Internal audit plan and strategy for internal audit and Internal audit charter
Progress report on the work of internal audit, including update on shared service
Progress report on the work of anti-fraud
External audit update report
Outcomes of the whistleblowing policy
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 (2027-28)
Nominations of non-voting co-opted members of the civic awards sub-committee for 2026-27
Audit update report (if required)
Progress report on implementation of external audit recommendations (if required)
Corporate governance framework (if required)
Budget challenge and governance (if required)

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

COPIES**COUNCILLORS**

Councillor Colin Boyle (Chair)	1
Councillor John Batteson	1
Councillor Esme Dobson	1
Councillor Felix Hamer	1
Councillor Richard Macmillan	1
Councillor James Moyse	1
Councillor Graham Neale (Vice chair)	1

RESERVES

Councillor Andy Bates	By email
Councillor Tori Griffiths	By email
Councillor Francesco Guerrieri	By email
Councillor Renata Hamvas	By email
Councillor Adam Hood	By email
Councillor Pascale Mitchell	By email
Councillor Kath Whittam	By email

GOVERNANCE AND ASSURANCE

Sarah Feasey	By email
Doreen John Scarborough	1

COMMUNICATIONS

Eddie Townsend	By email

CONSTITUTIONAL TEAM

Virginia Wynn-Jones	2

INDEPENDENT PERSONS

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

FINANCE

Clive Palfreyman	By email
Tim Jones	By email
Geraldine Chadwick	By email
Hasina Shah	By email
Ashleigh Jones	By email
Courtnei Thomas	By email

BDO (Internal Auditors)

Aaron Winter	By email

KPMG

Via Finance	By email

Total Print Run:	10

List Updated: June 2026