



INTERNAL AUDIT AND ANTI-FRAUD PROGRESS REPORT

London Borough of Southwark

For presentation to the Audit, Governance and Standards Committee

20 September 2021



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1. SUMMARY OF INTERNAL AUDIT WORK

Purpose of report

This report informs the Audit, Governance and Standards Committee of progress against completion of the 2020-21 and 2021-22 internal audit plans. It summarises the work we have undertaken, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards.

Internal audit methodology

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

Internal audit plan 2020-21

All work relating to the 2020-21 plan has been completed. We are awaiting management responses to one draft report. Where reports have been finalised, the executive summaries are included in section 4 of this report.

Internal audit plan 2021-22

The 2021-22 internal audit plan has commenced with the current status outlined within section 3 of this report.

Internal audit programme for schools 2021-22

We have agreed a work programme with the Director of Education that will meet the assurance needs of the Council, whilst recognising that schools have faced significant pressure during the year and have remained closed for significant periods of time. We completed the first set of individual schools audits during the period April to July 2021. A summary report of the results of those audits is attached at appendix 2.

The plan for the remainder of the year is to be agreed with the Director of Education.

Follow up

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

The implementation rate for previous recommendations has decreased from 79% to 75%. There continues to be several audits for which the required updates and / or evidence is not being provided by the date of reporting. The implementation rate may be higher than 75%, however without management responses and supporting evidence we cannot confirm this.

2. ANTI-FRAUD UPDATE

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

Summary of investigations 2021-22 to date

2021-22	Corporate Anti-Fraud		Housing Waiting List		Right to Buy		COVID-19 Referrals	
	Open	Closed	Open	Closed	Open	Closed	Open	Closed
C/f	18		0		9		18	
April 2021	17	21	2	2	6	5	1	0
May	12	9	9	2	3	6	3	0
June	15	13	1	2	1	1	1	0
July	6	12	7	8	3	2	0	0
August	8	7	4	4	4	4	8	8
Total	76	62	23	18	26	18	31	

* The figures represent investigations from 1 April 2021 to 31 August 2021.

Active investigations

There are currently 39 active investigations.

- Children & Adult Services 3 cases
- Environment & Leisure 1 case
- Housing & Modernisation 6 cases
- Finance & Governance 9 cases
- Regeneration & Planning 1 case
- COVID-19
 - Business Grants- 10 cases
 - Community Grants- 9 cases.

In total six cases relate to former Council employees and two cases relate to a current Council employee. No further information in respect of these investigations can be given at this time.

Pro-active investigations

As we start to look at the new normal we will review The Anti-Fraud Strategy and incorporate the Fraud Response Protocol and the Anti-Fraud Response Plan to cover the period from October 2020 to March 2021.

Facilities' management has recently agreed the use of certain rooms for witness and caution interviews which will allow us to pick up the cases which require interviews to obtain the relevant evidence to allow us to conclude our investigations, held up due to lock down. We will be inviting attendance for 18 Covid-19 related cases and 7 corporate cases.

Following the recent internal audit on Fraud Protocols, 272 staff have been identified as

having responsibility for a finance function such as raising or approving a purchase order or an invoice at the Council who require fraud awareness training around anti-tax evasion. We will deliver relevant anti-tax evasion awareness training to this group and use the feedback to inform our updated fraud awareness e-learning package. We plan to start the delivery of this training in November 2021 as part of the annual International Fraud week.

Update on fraud response policy

The Council's Fraud Response Plan sets out in detail the Council's approach to identifying and dealing with potential fraud, the responsibilities of staff and the public in reporting suspicions of fraud, the approach the Council is committed to in investigating allegations of fraud, and the possible sanctions open to the Council when fraud is proven to have taken place. A meeting will be scheduled in September with the Strategic Director Finance & Governance to review the policy.

Grant update

Following a direction from BEIS concerning recovery of grant payments we reviewed with Exchequer Services to determine which cases should be referred to BEIS releasing resources so the Anti-Fraud Team could focus on actual fraud cases.

The Anti-Fraud Team will write to Covid-19 grant recipients that concern payments made in error to give the option to return payments or arrange a repayment plan which must meet BEIUS guidelines i.e. £10k repaid within 12 months, £25k to be repaid within 24 months. Businesses that do not respond to this will be referred to BEIS for recovery action.

The current value of these cases exceed £285k, comprising Small Business Rates 5 x £10k, Retail Hospitality & Leisure 6 x £10k and 7 x £25k.

National Fraud Initiative (NFI)

The NFI match review continues; we have processed 2455 matches which has so far identified in excess of £69k of recoverable funds. We have not received all our matches and we are pursuing The Cabinet Office, National Fraud Initiative to confirm when we are likely to receive the matches. There has been no significant change to NFI figures since the last report. We are waiting for further matches to be released in relation to Creditors history.

Staff Training

The Fraud and Verification Officer and Fraud Trainee have both successfully passed their related courses. The team availability has been reduced due to medical issues, including catching Covid-19.

Other business

We are currently rewriting the fraud Awareness training to incorporate changes to Anti-Tax Evasion legislation. We will also look at refreshing other training i.e. bribery & corruption as it has been some years since staff have received any refresher training. We seek to reduce the mandatory training for new joiners to ensure the fraud awareness training is completed within 6 months of joining and not the current 12 months.

3. SUMMARY OF WORK IN PROGRESS

INTERNAL AUDIT PLAN 2020-21

The table below includes those audits currently in draft or finalised since the last meeting of the Audit, Governance and Standards Committee. For those shaded in grey, the executive summaries are included in section 4.

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
2020-21							
Anti-facilitation of Tax Evasion	Strategic Director of Finance and Governance	15	✓	✓	Final report	Moderate	Moderate
Bupa Overpayments	Strategic Directors of Finance and Governance, and Childrens' and Adults	15	✓	✓	Final report	NA Advisory	
Payroll and HR	Director of Exchequer Services	25	✓	✓	Final report	Moderate	Limited
SAP Scheme of Delegation and Authorisations	Director of Exchequer Services	15	✓	✓	Final report	Moderate	Moderate
Accounts Receivable and Debt Management	Directors of Exchequer, Environment and Leisure	15	✓	✓	Draft Report issued 06/07/21 -partial management response received, being followed up		
South Dock Marina	Director of Leisure	12	✓	✓	✓		

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
					Draft Report issued 07/07/21 - following management response, further evidence and testing to be undertaken		
Accounts Payable	Director of Exchequer Services	15	✓	✓	✓ Draft Report issued 15/07/21 management response received with additional evidence and report being updated		

INTERNAL AUDIT PLAN 2021-22

The table below includes those audits where planning work or fieldwork has commenced:

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
2021-22							
Supporting Families Grant	Director of Children and Families	24	Council guidance compared to new MHCLG reviewed and audits completed on a sample of 10% of claims on a quarterly basis.		For the quarter to 30 June 2021, some proposed amendments to the guidance were made. No exceptions were noted on the sample of claims reviewed.		
Commercial Property Portfolio	Director of Planning and Growth	15	✓	✓	✓ Final	Substantial	Substantial
Adoption Services	Director of Children and Families	15	✓	✓	✓ Draft 28/07/2021 management response overdue		
All Age Disabilities Service	Director of Adult Social Care	25	✓	✓	✓ Draft 12/08/2021 management response received and under review		
NNDR	Director of Exchequer Services	15	✓	✓	✓ Draft 16/08/2021 management response received and under review		

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
Data Protection	Director of Law and Governance	15	✓	✓	✓ Draft 25/08/2021		
TMOs - Cyclical Compliance Audits - JMB Leathermarket	Director of Communities	15	✓	✓	✓ Draft 26/08/2021		
TMOs - Cyclical Compliance Audits - Cooper Close	Director of Communities	10	✓	✓	✓ Draft 31/08/2021		
Fraud Protocols	Strategic Director of Finance and Governance	20	✓	✓	✓ Draft 09/09/2021		
Youth Offending Service	Director of Children and Families	15	✓	✓	✓ Draft 09/09/2021		
Contracts Register	Director of Law and Democracy	25	✓	✓	✓		
Fairer Future Procurement Framework	Director of Law & Governance	25	✓	✓	✓		
Financial planning and budget monitoring	Strategic Director of Finance and Governance	25	✓	✓	✓		
Objection Review	Strategic Director of Finance and Governance		✓	✓	✓		
Suspense Account Management	Director of Exchequer Services	15	✓	✓	✓		

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
Customer Access Strategy	Director of Customer Experience / Director of Exchequer Services	15	✓	✓			
Covid-19 Expenditure	Strategic Director of Finance and Governance	15	✓	✓			
Departmental response to schools in financial difficulties	Director of Education	15	✓	✓			
Health and Safety	Director of Asset Management	20	✓	✓			
Older People's Services	Director of Adult Social Care	15	✓	✓			
IT - Hornbill Service Desk	Head of ICT	15	✓ Draft				
Pensions Administration	Strategic Director of Finance and Governance / Pensions Manager	15	✓ Draft				
Schools Budget and Financial Strategy - Comber Grove Primary School	Director of Education	10	✓	✓	✓ Final	Moderate	Moderate
Schools Budget and Financial Strategy - Dog Kennel Hill Primary School	Director of Education	10	✓	✓	✓ Final	Limited	Limited
Schools Budget and Financial Strategy - Rotherhithe Primary School	Director of Education	10	✓	✓	✓ Final	Limited	Limited
Schools Budget and Financial Strategy - Cobourg Primary School	Director of Education	10	✓	✓	✓ Final	Moderate	Substantial

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
Schools Budget and Financial Strategy - St Francesca Cabrini Primary School	Director of Education	10	✓	✓	✓ Draft 26/07/2021	Moderate	Moderate
Schools Budget and Financial Strategy - St Joseph's Catholic Infants School	Director of Education	10	✓	✓	✓ Draft 02/08/2021	Moderate	Substantial

4. EXECUTIVE SUMMARIES OF REPORTS FINALISED SINCE THE LAST MEETING

ADD03 Anti-facilitation of tax evasion September 2021		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	-
		Moderate	Moderate	Medium	3
				Low	-
Purpose of audit:	To review the controls in place in identifying, reporting and recording suspected tax evasion to ensure the Council is able to mitigate the risk of facilitating tax evasion.		Added value:	Our survey has identified gaps in the understanding and training of officers in this area.	
<p>Background:</p> <p>An anti-tax evasion policy was put in place by the Council in May 2020 following the Criminal Finances Act 2017 which created two new corporate criminal offences relating to facilitation of tax evasion. If the Council does not have procedures in place to prevent a person providing a service for it or on its behalf (this includes staff, agency workers, volunteers and contractors) from facilitating tax evasion, this may result in an offence being committed by it. The policy sets out information relating to the identification, reporting and recording of suspected tax evasion. For the facilitation of tax evasion to be a criminal act, a person must have deliberately and dishonestly helped another person to evade tax; this does not include the accidental, ignorant or negligent facilitation of tax evasion.</p> <p>The government has published guidance on the procedures that relevant bodies can put in place to prevent persons acting in the capacity of an associated person from committing tax evasion facilitation offences. Although it is not entirely clear that the legislation applies to local authorities, it is considered that HMRC are likely to regard a local authority as a body corporate, particularly as they have not been specifically excluded. Organisations are encouraged to self-report to the HMRC if they have failed to prevent the criminal facilitation of tax evasion and consider that they may be guilty of one of the offences under the Criminal Finances Act 2017, but if a relevant body can demonstrate that it has put in place a system of reasonable procedures to identify and mitigate its tax evasion facilitation risk, this would be a defence in the event of a prosecution.</p> <p>We sent a link to a survey to 272 staff responsible for a finance function such as raising or approving a purchase order or an invoice at the Council. The survey link was active for two weeks from 27 April to 7 May 2021. We received 99 responses amounting to a response rate of 36.40%. The aim of this survey was to confirm whether staff were aware of the anti-tax evasion policy and who the nominated officers are, what steps they would take in case they suspect a tax evasion related activity and whether they believed they were sufficiently trained in this area.</p> <p>Good Practice:</p> <p>The Council, the nominated officers to whom suspicions of tax evasion should be reported, the reporting procedures and staff training. The policy was created in May 2020 and is due to be reviewed in May 2023, or earlier in the event of new legislation.</p>					

We reviewed a sample of 20 new vendors who were set up on SAP since 1 April 2020 to assess whether adequate due diligence checks were undertaken to confirm these include elements of their credibility and legitimacy for the purpose of anti-tax evasion. We identified the following for all 20 cases:

- A new vendor form was attached to their SAP account
 - Evidence of Companies House check was available
 - Bank details were recorded.
- The Council has nominated the Strategic Director of Finance and Governance, as the nominated officer to whom suspicions of tax evasion activity should be reported. The Council also has nominated the Fraud Manager as the nominated deputy officer to whom such suspicions should be reported.
 - We reviewed a sample of 20 payments made to Non-VAT registered traders to assess if reasonable procedures were in place in relation to preventing facilitation of tax evasion. Reasonable procedures include checking if VAT is erroneously charged and paid and the VAT registration number included on the invoice indicating that the trader is a VAT-registered trader. We identified the following for all 20 cases:
 - The invoice was attached on the vendor's SAP account
 - No VAT was charged
 - The VAT registration number was not included on the invoice.

Key Findings:

- 44 out of 99 officers were not aware of the Council's anti-tax evasion policy.
- 68 out of 99 officers were not aware of who the nominated officers are in the Council to whom suspicions of tax evasion activity should be reported. Where the staff responded that they were aware of who the nominated officers are, we asked them to confirm the same. Out of 31 responses, the breakdown is as follows:
 - 74% responded that the Strategic Director of Finance and Governance is the nominated officer
 - 19% responded that the nominated officer is either the Senior Investigation Officer, Fraud and Verification Officer or Fraud Unit.
 - 7% responded the Director of Law and Democracy and Head of Local Economy as the nominated officers.
- We conducted a walk through with the Strategic Lead - HR Customer Delivery on the processes around risk assessments being undertaken for the 'associated persons' within the Council which includes employees, agents, intermediaries and contractors. We were advised that the usual hiring checks are undertaken however, the 'associated persons' are not risk assessed considering the motive, means and opportunity for facilitating tax evasion.
- 80 out of 99 officers did not believe they were sufficiently trained in identifying, reporting and recording of tax evasion related activities. We asked the respondents to confirm which areas they would like to be trained on. The most common response amongst the ones listed was the ability to identify tax-evasion and practical case studies to help them understand the requirement better.
- We conducted a walk through with the Senior Investigation Officer to discuss the training arrangements in place in relation to anti-facilitation of tax evasion. We noted that an on-line fraud awareness training is in place for staff which is mandatory as part of their induction. We were advised that the Anti-fraud Team is aiming to update the training material as it may have become out of date.

Conclusion:

We concluded a moderate opinion on both the control design and operational effectiveness of the controls in place. The control framework is designed to address the risks to the Council considered in our audit. The Council has an anti-tax evasion policy in place which includes information on the obligations of the Council, the nominated officers to whom suspicions of tax evasion should be reported, the reporting procedure and staff training. Based on our sample testing, we identified that due diligence is adequately carried out when dealing with new vendors to assess their credibility and legitimacy. We also identified that reasonable procedures are in place relating to payments made to non-VAT registered traders. We were advised that the 'associated persons', including agency workers, volunteers and contractors are not risk assessed considering the motive, means and opportunity for them in facilitating tax evasion.

We identified some issues in the operational effectiveness of the controls in place, including some staff not being aware of the policy or who the nominated officers are to whom suspicions of tax evasion should be reported. We also identified that the training arrangements in place were inadequate and staff did not believe they were sufficiently trained in this area.

Looking forward: supporting the Council's journey from moderate to substantial assurance

Design	<ul style="list-style-type: none"> • Ensure that risk assessments are undertaken for those who act on the Council's behalf. Given the size of the workforce at the Council, it is not practical to undertake a risk assessment for all the 'associated persons'. Therefore, a risk assessment should be carried out and documented based on the job roles.
Effectiveness	<ul style="list-style-type: none"> • Ensure that staff are periodically reminded that the Council has an anti-tax evasion policy in place which governs the identification, reporting and recording of suspected tax evasion. They should also be reminded of who the nominated officers are and the implications of reporting a suspected tax evasion activity to any other officer apart from the nominated ones. • Ensure that the training material is created and training provided to all staff involved in a finance function such as raising or approving a purchase order or an invoice. The training completion rate should be tracked and reported to the nominated officers.

ADD03 BUPA Overpayments August 2021		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	7
		N/A - Advisory Review		Medium	1
				Low	-
Purpose of audit:	<p>The purpose of the review was to support the Council in establishing an accurate funding situation, to check that the correct fees are being paid and that the overpayments are recovered. The review focussed primarily on Collingwood and Havelock, but was cognisant that a wider issue may be present with regards to the procedures and controls over the generation of payments to BUPA.</p> <p>This has been an iterative exercise, with Internal Audit working in collaboration with the Council's Professional Finance Services Division, FC&P, Placements Team and Systems and Support Team to understand the designed controls and local processes in place, to support the analysis of data held and provide advice on how the Mosaic system operates.</p> <p>The review was extended to include a testing sample across a wide range of providers and service provision to test the internal controls, identify any inappropriate working practices and to mitigate the risk of overpayments and financial loss.</p>				
<p>Background:</p> <p>The Care Act 2014 sets out the duties of local authorities in relation to assessing people's needs and their eligibility for publicly funded adult social care and support following a financial assessment. Local authorities carry out needs assessments to determine individual care and support requirements, produce a plan, allocate a personal budget, carry out a financial assessment to determine a client's contribution to the cost of care, and engage with local providers for care and support services. Southwark Council engages with several local care homes for permanent nursing placements and residential care on block contracts and on a spot basis. For the financial year 2019/20, the Council paid £34.3m for permanent nursing and residential care placements, followed by £23.5m in financial year 2020/21 (to December 2020).</p> <p>BUPA Care Homes provides permanent nursing and residential placements, and third party top up care to the Council's clients at six locations. For the financial year 2019/20, £1.71m was paid to BUPA in regards to permanent nursing and residential care for 55 clients, followed by £997k for 51 clients in financial year 2020/21 (to December 2020). The BUPA Financial Administration team contacted the Council on 14 May 2020 and subsequently on 16 June 2020 due to an absence of response, to draw attention to a number of anomalies with payments made relating to nine clients. In particular BUPA referenced two clients, in regards to whom, significant sums had been paid with a combined overpayment of £130,886.50. BUPA highlighted that the Council's remittances narrative on their bank statement did not provide sufficient information other than the payments had been backdated to July 2018.</p> <p>On 27 August 2020, the Council processed a clawback of £123,333.48, after adjusting annual uplift underpayments. But instead of clawing back, they made a payment of further £123,333.48 due to a clerical error. After investigation, the Process Manager in the Council's Financial Control and Processing (FC&P) Team confirmed on 9 September 2020 that double the previous amount would have to be clawed back.</p>					

On 10 September 2020, the Team Manager Placements wrote to BUPA confirming a cumulative total of £387,440.12 had been paid in errors and as such a refund was required. In response, BUPA requested a full breakdown of the cumulative total to be refunded. The breakdown along with the supporting documentary evidence was sent to BUPA, including general ledger extracts and purchase orders (PO). These resulted in further queries raised by BUPA including the accuracy of service rates and client contributions collected as the PO narratives could not be reconciled to the amounts received by BUPA.

On 30 September 2020, the Team Manager Placements emailed BUPA confirming the cumulative overpayment amount has increased to £452,950.47 and provided evidence to support the claim. BUPA only agreed to a partial refund of £344,736.47, as further discrepancies were identified in the evidence and calculation sent to them by the Team Manager Placements. The Council accepted the partial refund of £344,736.47 and is currently investigating the outstanding balance of £108,214, with ongoing assistance from Internal Audit. At the time of draft reporting, the Council has processed a clawback of £193,720.06, after adjusting annual uplift underpayments and has made further payments of £108, 214.

Key Findings:

- The review of the financial information for 76 client accounts identified overpayments of £141,443.24 for the 40 sampled BUPA clients residing at Collingwood and Havelock Court (including the eight clients already queried by BUPA) and £248,412.08 for 36 other client accounts selected from the wider population.
- The POs include both historical and current information, which makes it difficult to understand what is covered. The root cause of this issue was the ongoing and prolonged use of the same POs.
- Detailed procedures and guidance are available for the key operational modules in Mosaic, including Social workers, Placements Team, Approval Panel, Client Affairs and Supported Living. However, there is no documented guidance for Mosaic's finance module.
- A training module has not been developed for new starters in the operational teams. New starters are provided with on the job training by the individual teams themselves and the Systems and Support team has little or no involvement in the process. This has led to inappropriate working practices and absence of knowledge and expertise, in the operational and finance teams.
- Limited information is recorded in Mosaic relating to the Children's and Adult's Services Department's Scheme of Management (SoM) and the financial thresholds. A reconciliation exercise we conducted to confirm that the Mosaic SoD is in line with the Children and Adults Services (CAS) Scheme of Management (SoM) identified several exceptions and identified that POs are being approved by individuals over their financial limit. Similar issues were identified in the approval of nursing and residential placements and care packages. The Systems and Support team confirmed that the above limits were setup in Mosaic in April 2016 and no subsequent reviews have been conducted to ensure that they remain aligned to the SoM.
- The Professional Finance Service Division is not monitoring the accuracy of the financial information incorporated within Mosaic or reviewing payments due for any duplicate payments prior to payments being made to suppliers.
- The review identified that the end date for the POs for all clients, are always left open to facilitate regular monthly payments without delays. A review of the ongoing purchase orders for the sampled clients identified 12% were raised in FY 2016-17, 4% in FY 2017-18, 10% in FY 2018-19 and 23% in FY 2019-20. Only 51% were raised in 2020-21. No reviews have been conducted on the open POs to ensure they contain correct amounts and are still valid.

Conclusion:

Our review identified significant gaps in the control framework relating to payment processing from the Mosaic system. The review initially included only BUPA queries including eight clients but was then extended to a wider sample including 68 further clients to identify deficiencies and weaknesses in the current system of controls.

We have concluded that there is a risk that several potential client accounts exist in the financial systems where overpayments have been made either due to the death of the client, or clerical errors including duplication and the amounts have not been clawed back. No controls are in place to monitor potential overpayments or ongoing regular payments as the Professional Finance Services Division is not checking the accuracy of information held in Mosaic, and based upon our review of POs, this information is not based upon the latest cost information for the placements made.

Significant overpayments have been identified, of which some have been reclaimed, however there are further overpayments of £267,737.83 that need to be reclaimed identified within this review.

KFC05 Payroll and HR September 2021		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	-
		Moderate	Limited	Medium	6
				Low	1
Purpose of audit:	To provide assurance on the adequacy and operational effectiveness of the key controls in place to manage the identified risks in respect of the payroll and benefits to staff.	Added value:	We performed a data analytics exercise on 4847 employees on SAP for the risk areas and undertook targeted testing to assess whether the payroll data is complete and accurate. The results in all areas were satisfactory.		
<p>Background:</p> <p>Southwark Council processes the monthly payroll for approximately 4,600 staff. Within the Exchequer Services Division of the Finance and Governance Department, the Council has a Financial Control and Processing Team which includes the officers responsible for SAP Payroll management. The Council has a HR service which has moved from the Modernise Division of the Housing and Modernisation Department to the Chief Executive's Department from 1 September 2020. The HR service includes the Head of HR and three HR operational teams (HR Customer Delivery, HR Business Partnering and HR Policy and Projects). Council managers work with the HR operational teams with regards to starters, leavers and variations for the staff that have line management responsibilities. HR notifies the Payroll Team for the financial aspects of these changes to be reflected on the payroll system.</p> <p>The Council operates an employee self-service (ESS) system where processing/approval regarding sickness, annual leave, unpaid leave, overtime and expenses can be undertaken. If individuals cannot access the system then managers can do this on the individual's behalf. There are some services that are not on ESS such as Southwark Cleaning where managers issue payroll with Excel documents of time to be compensated which is then processed.</p> <p>Good Practice:</p> <ul style="list-style-type: none"> • Controls built into the SAP system do not allow duplicate payments to be processed. • HR notifies the Payroll team regarding leavers on a timely basis, consequently we found through testing and data analytics that leavers are removed from the payroll system on a timely basis. • We recalculated the salaries created by SBS Payroll Services for a sample of five employees and confirmed that information was translated correctly from timesheets through to the final payment. <p>Hours and jobs logged on 'Impact' were reflected appropriately in the 'master spreadsheet' and all bonuses were accurately calculated and paid. We re-calculated all the additional payment figures with the 'Payroll Manager and no exceptions were identified.</p> <p>Key Findings:</p> <ul style="list-style-type: none"> • We tested a sample of ten overpayments; eight instances were identified where late notification of leavers from the Line Manager to HR delayed the notification to Payroll team, which eventually led to overpayments. • Segregation of duties does not exist between preparing and reviewing monthly payroll reconciliations as both these tasks are currently being 					

performed by the Principal SAP Officer. Additionally, monthly payroll reconciliations are neither signed nor dated by the preparer.

- We tested a sample of ten new starters; nine instances were identified where HR notified the Payroll Team after the employee’s start date. Out of nine, there were five instances where the delay was at least ten days or more.
- We were informed that the Principal SAP Officer randomly checks payroll parameters and recalculates employee salaries to confirm that these are accurate, however, this activity is not documented and could not be evidenced during fieldwork.
- Once the payroll is calculated, the Principal SAP Officer emails BACS requests to SAP Finance and HR Systems Manager for processing. However, the final payroll is not reviewed/approved by another person before the BACS request is processed.
- We confirmed that a two year contract is in place for the delivery of IT consulting and application support services. We were informed that in the unlikely event that the Council is unable to run payroll normally, the contractor will take the responsibility to ensure continuity. Upon review of the contract, we found that this responsibility is not explicitly listed, rather it has general clauses covering IT Consulting and Application Support Services.

Conclusion:

Based upon the work performed, our review of the controls relating to Payroll and HR found some good practices, however, there are some areas where improvements to the controls framework can be made. For instance segregation of duties does not exist between preparing and reviewing monthly payroll reconciliations and the final payroll is not reviewed/approved by another person before the BACS request is processed.

We therefore provided moderate assurance over the control design and limited assurance over the operational effectiveness of the controls in place.

Looking forward: supporting the Council’s journey from moderate / limited to substantial assurance

Design	<ul style="list-style-type: none"> • Segregation of duties should be introduced between the preparation and review of the monthly payroll reconciliation. Monthly reconciliation should be signed and dated by both the preparer and reviewer. • The process pertaining to review of payroll parameters in SAP should be documented. • Final payroll should be formally reviewed and approved by a different individual before releasing payments to employees and this activity should be documented. • The scope and extent of business continuity services to be provided by Zalaris to the Council should be agreed and documented as part of a contract.
Effectiveness	<ul style="list-style-type: none"> • Staff should be advised to copy in the HR Team when sending resignation letters so that the payroll team can be informed about leavers on a timely basis. • The HR team should notify payroll about new starters no later than their first day at work.

KFC11 SAP Scheme of Delegation and Authorisation September 2021		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	-
		Moderate	Moderate	Medium	2
				Low	2
Purpose of audit:	We completed a review of the SAP scheme of delegation for the authorisation of payments, including consideration on the appropriateness of the limits for different Council staff, usage of the limits and if they are adhered to.				
<p>Background:</p> <p>The Council's schemes of management set out the details of who has the authority to commit expenditure, and the financial limits of their authority. Although the delegations of authority will generally allow management to commit to expenditure, there will be levels of expenditure, or financial decisions that may be reserved for the Council or committees. Compliance with the delegated authorities ensure that financial decisions are taken at the appropriate level and all expenditure is appropriately authorised on SAP.</p> <p>The policies, procedures and guidance to staff should be in line with the financial delegations of authority. In addition, the authorisation levels set within systems used to order, and pay for, goods and services should also reflect the authorisation limits in the delegations. To record an officer as a delegated authority on SAP, a form is completed and their role is compared with the scheme of management to confirm their financial limits.</p> <p>Good Practice:</p> <ul style="list-style-type: none"> • Each of the Council's departments has a documented scheme of management • The schemes of management had all been updated within the last 12 months • From our sample testing of 20 payments on SAP from 1 April 2020 we confirmed that all were authorised by the correct individual as per the departmental scheme of management • In addition, all 20 payments were completed with clear segregation of duties between the requester and authoriser of purchase orders. <p>Key Findings:</p> <ul style="list-style-type: none"> • We reviewed a sample of nine officers who have been added onto SAP since 1 January 2020 and identified the following exceptions: <ul style="list-style-type: none"> - On the two out of three occasions, where transactional limits had been requested, whilst the SAP user limits were comparable to those for officers undertaking similar roles, they had not been included within the scheme of management. - On one occasion, access was granted on SAP before the date on the signed authoriser's form. On another occasion, due to covid restrictions whilst authorisation had been provided by senior management via email, a completed authorisation form was not held. 					

- Through the use of data analytics, we compared a list of SAP users against a list of leavers in the last 12 months and identified that there were seven staff who had left the Council with SAP access.
- We also compared a list of officers who changed their roles in the last 12 months who have SAP access and found that the FC&P team had not been made aware if an individual changes roles.

Conclusion:

The control framework is generally well designed. However, our review identified areas where the controls in place were not being followed and operating effectively. In particular, the SAP user authorisation forms designed to ensure a consistent approach to authorizing user access were not always being fully completed and signed off prior to access being granted.

With regard to control design, issues were identified with regard to processes adopted for ensuring that leavers are removed from the system in a timely manner and for ensuring that changes to users' roles within the Council are appropriately communicated to the FC&P team.

We have therefore concluded a moderate opinion for both the control design and operational effectiveness.

Looking forward: supporting the Council's journey from moderate to substantial assurance

Design	<ul style="list-style-type: none"> • The FC&P team should ensure that existing quarterly reviews of user access levels undertaken by the SAP team are completed effectively and should request evidence to show this is the case. • All council staff should be reminded of the requirement to advise the SAP team of any changes to a user's access limits or role irrespective if the SAP limits do not change consequently.
Effectiveness	<ul style="list-style-type: none"> • Staff should be reminded of the necessity of completing the standard form when requesting authorisation of users onto SAP and FC&P should reject any requests not completed in this required format.

CX22 Commercial Property Portfolio August 2021		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	-
		Substantial	Substantial	Medium	-
				Low	-
Purpose of audit:	To provide assurance over the design and operational effectiveness of the control framework for managing the Council's commercial property portfolio. We also considered the controls and information flows for the management of debtors and arrears. We did not assess whether the Council achieves value for money from its commercial properties.	Added value:	<p>Using the May 2021 aged debt report, we completed an analysis of aged commercial property debtors. The total debt as of that month was £9,595,224 and was spread across 792 debtors. The most notable findings were:</p> <ul style="list-style-type: none"> • Nearly one third of the total debt (29%) is over 12 months overdue • Three cost centres (RH307, RH204, and RH207) have disproportionately higher debt levels compared to the number of tenants under those cost centres. <ul style="list-style-type: none"> ▫ RH307: Accounts for 7% of tenants and 12% of the total debt ▫ RH204: Accounts for 1% of tenants and 9% of the total debt ▫ RH207: Accounts for 1% of tenants and 5% of the total debt • 13% of the debt is owed by tenants who no longer have active leases. <p>Nearly all business types have been affected by the Covid-19 pandemic and so although debt levels have increased over this time period, this is unsurprising given the restrictions on the methods of recovery action available. The Council has demonstrated it routinely monitors debt levels and has had to take a different approach to recovery during the pandemic, with the focus more on dialogue rather than direct action, as directed by the Asset Management Plan. We believe this approach, as well as focussing on pre-pandemic debts, is reasonable given the circumstances.</p>		
Background: Southwark Council is the landlord to over 35,000 dwellings, 15,000 residential leaseholds and more than 5,000 other properties. This includes 500 low rent local businesses such as retail establishments and a number of acquisitions over the last four to five years which generate higher income for the Council as investments. The Property Team consists of approximately 30 staff members and half of the team support with the management of commercial properties. The Manhattan system, used for managing the Council's income generating properties, has recently been upgraded to a cloud					

based system which went live on 10 September 2020. Data from the previous version of the system was migrated and a reconciliation was carried out to ensure that this was completed successfully. The system is used to record properties and raise bills, and the rent collection system feeds into Manhattan. The system also holds a record of all lease agreements and provides reminders for rent reviews and lease renewals.

Total rental income of £21-£22m per annum is managed through the Manhattan system.

Good Practice:

- There is clear, up-to-date guidance in place relating to the management of commercial properties.
- Data was accurately and completely migrated onto the new cloud-based system.
- Reconciliation of rental income and expenditure between the various systems (Manhattan, the SAP finance system and AIM income manager) is routine and accurate.
- Appropriate controls are in place to ensure Manhattan is updated to reflect new acquisitions.

Commercial property debt levels are routinely monitored. More information on the level of debt is provided in the added value section.

Key Findings:

We have raised no recommendations in respect of our review of the design and operational effectiveness of the identified risks.

Conclusion:

The Council has appropriate controls and processes in place to properly manage its commercial property portfolio. We found each control is well designed and operating as expected.

Up-to-date, comprehensive guidance is readily available to staff to help ensure the Manhattan system is kept accurate. Our sample testing demonstrated data was accurately migrated to the cloud. We obtained evidence to show regular reconciliation takes place, new properties have been added to the system and debt levels are regularly monitored to help inform recovery action, which has been restricted by Covid-19

We also found the information flows for the management of debtors and arrears to be sufficient. The Debt Recovery team obtain daily debt reports from Manhattan to inform their next course of recovery action, while External Agents provide monthly updates on the debts they seek to recover. Statistics (such as collection rates and the total debt) are reported monthly to key directors and officers.

Therefore we have concluded an overall opinion of substantial assurance for both the design and operational effectiveness of the control framework.

5. SUMMARY OF RECOMMENDATIONS STATUS

Of the 341 high and medium recommendations relating to 2017-18 to 2020-21, that have fallen due as at the end of June 2021, we have confirmed with reference to evidence that 270 have been fully implemented or superseded, representing 75%. The chart shows the relative percentages for each of the four years.

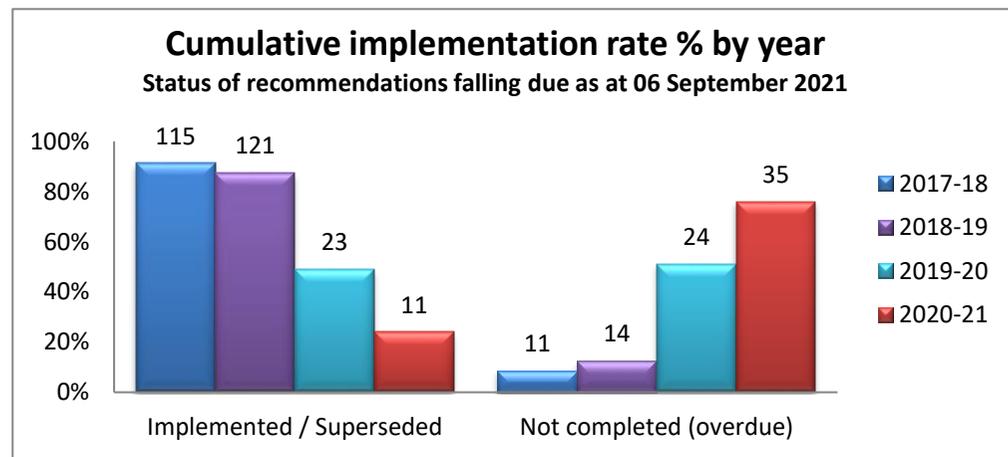
The implementation rate for previous recommendations has marginally decreased from 79% to 75% since the last report to the Committee. There are some longstanding recommendations from previous years that remain to be implemented.

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

There were several audits for which the required update was not provided by the date of reporting, which are indicated on the summary. The implementation rate may be higher than 75%, however without management responses and supporting evidence, we cannot confirm this.

Please note that the table does not include audits where:

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



RECOMMENDATION IMPLEMENTATION RATES BY AUDIT

Audit Area	Total High & Medium recommendations due for implementation	Implemented		In progress at the follow up date		Awaiting update, revised date or evidence		% verified complete	Management Implementation dates
		H	M	H	M	H	M		
Chief Executive's Department									
2017-18 Land Charges	5	-	2	1	2	-	-	40%	April 2019 December 2019 Awaiting update
2018-19 Business Continuity Planning	7	-	2	-	3	-	2	40%	July 2019 October 2019 January 2021 Awaiting update
2019-20 S106 Agreements	3	-	-	-	-	-	3	0%	January 2021 December 2021
2020-21 Building Control	3	-	-	-	-	-	3	0%	June 2021 Awaiting update
2020-21 Community Infrastructure Levy	1	-	-	-	-	-	1	0%	December 2020 Awaiting evidence
Children's and Adults Department									
2018-19 Commissioning	3	-	1	-	2	-	-	33%	November 2019 February 2020 Awaiting update
2019-20 Mental Health Services	3	-	-	-	-	2	1	0%	September 2020 Evidence pending
2019-20 Mosaic (Learning Disabilities)	2	-	1	-	-	1	-	50%	September 2020 Awaiting update
2019-20 Appointeeships	3	-	-	-	3	-	-	0%	September 2020 Awaiting evidence

Audit Area	Total High & Medium recommendations due for implementation	Implemented		In progress at the follow up date		Awaiting update, revised date or evidence		% verified complete	Management Implementation dates
		H	M	H	M	H	M		
2020-21 Foster Carer Payments	4	-	-	-	-	-	4	0%	December 2020 Awaiting update
2020-21 Payments to Children and Families	3	-	-	-	-	1	2	0%	January 2024 Awaiting update
2020-21 Substance Misuse	5	-	-	-	-	1	4	Not due	October 2021
2020-21 Travel Assistance	1	-	-	-	-	-	1	Not due	September 2021
2020-21 Supported Living	3	-	-	-	-	1	2	Not due	September 2021
2020-21 Direct Payments	3	-	-	-	-	-	3	0%	August 2021 Awaiting update
Environment and Leisure Department									
2019-20 Volunteer Management	5	-	-	-	2	-	3	0%	June 2020 January 2024 July 2021
2020-21 Enforcement	2	-	1	-	1	-	-	50%	August 2020 January 2024 July 2024 TBC
2020-21 Parks	2	-	-	-	2	-	-	0%	April 2024 Awaiting evidence
2020-21 Climate Change	4	-	-	-	-	-	4	0%	November 2021
2020-21 Tree Management	2	-	1	-	-	1	-	50%	September 2021

Audit Area	Total High & Medium recommendations due for implementation	Implemented		In progress at the follow up date		Awaiting update, revised date or evidence		% verified complete	Management Implementation dates
		H	M	H	M	H	M		
Finance and Governance Department									
2019-20 Direct Debit Payments	2	-	-	-	-	1	1	0%	April 2020 June 2021
2019-20 Home Ownership - Garages	3	1	-	-	1	-	1	33%	April 2020 January 2024 November 2021
2020-21 Records Management	1	-	-	1	-	-	-	0%	March 2021 July 2021
2020-21 Corporate Credit Cards	4	-	-	-	-	-	4	0%	March 2021 Awaiting update
2020-21 Bankline	3	-	-	-	-	-	3	0%	April 2024 Awaiting update
Housing and Modernisation Department									
2017-18 IT - Disaster Recovery	5	1	2	2	-	-	-	60%	April 2019 June 2019 October 2019 May 2020 July 2024 November 2021
2017-18 IT - Network Security	8	1	3	1	3	-	-	50%	December 2017 October 2018 June 2019 September 2020 April 2024 October 2021
2018-19 Temporary Accommodation	8	2	5	-	1	-	-	88%	April 2019 June 2019

Audit Area	Total High & Medium recommendations due for implementation	Implemented		In progress at the follow up date		Awaiting update, revised date or evidence		% verified complete	Management Implementation dates
		H	M	H	M	H	M		
									November 2020 February 2021 September 2021
2019-20 Blue Badges	2	-	1	-	1	-	-	50%	April 2020 September 2021
2019-20 Homelessness	5	2	3	-	-	-	-	100%	May 2020
2019-20 Materials	3	-	1	-	2	-	-	33%	June 2020 April 2021 June 2021 October 2021
2020-21 Supported Accommodation	3	1	1	-	-	1	-	66%	March 2021 October 2021
2020-21 Software Asset Management	4	-	-	-	-	-	4	Not due	March 2022
2020-21 Housing Applications and Allocations	2	-	-	-	-	-	2	Not due	September 2021
2020-21 Demolition Process	4	-	1	1	2	-	-	25%	May 2021 September 2021
2020-21 New Home Programme	2	-	-	-	2	-	-	Not due	October 2021
2020-21 Housing Application and Allocations	2	-	-	-	2	-	-	Not due	September 2021
Council Wide Reviews									

Audit Area	Total High & Medium recommendations due for implementation	Implemented		In progress at the follow up date		Awaiting update, revised date or evidence		% verified complete	Management Implementation dates
		H	M	H	M	H	M		
2018-19 IR35	3	-	-	-	1	-	2	33%	January 2021 Awaiting update

RECOMMENDATIONS NOT YET IMPLEMENTED

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

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
Environment and Leisure		
2020-21 Enforcement		
<p>A policy on whether or not to prosecute residents for unpaid FPNs should be agreed and on a quarterly basis, a report of open and unpaid FPNs should be generated. These should be reviewed by the manager and team leader and a decision formally made whether to prosecute. If the decision is to not prosecute then a record should be made of the decision and the FPN formally closed down.</p> <p>Medium</p>	<p>Team Leader/Unit Manager</p> <p>1 August 2020 or once normal services resume</p> <p>January 2021</p> <p>June 2021</p> <p>TBC</p>	<p>We were advised by the Unit Manager that:</p> <p>The reports are generated on a quarterly basis and a traffic light system is set up and reviewed for consideration of prosecution. The decisions on FPNs are being contested/closed and are recorded and held centrally.</p> <p>The Enforcement policy for the whole of Regulatory Service is being reviewed.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
Finance and Governance Department		
2019-20 - Home Ownership - Garages		
b) Waiting lists should be moved onto iWorld to centralise the waiting list procedure. This would minimise the risk of the waiting list being manipulated and would increase the transparency in the awarding of garages. Changes made would be reflected in an audit trail and will be identified if unauthorised. This will also ensure that priority of application as recorded in the Garage Lettings and Voids procedure Medium	Operations Manager November 2019 August 2020 November 2021	We were advised by the Operations Manager that: Currently this is not implemented as they are waiting on availability of the Housing i-world team. This is due to be completed in November 2021
2020-21 - Bankline		
a) On an annual basis a verification should be completed to ensure that all current corporate users of Bankline remain employees of the Council and require their account and any account maintenance taken accordingly. b) On an annual basis Southwark Schools Finance should verify whether users are still employed at the school and that the accounts are still required and take appropriate action to close accounts. Medium	Divisional Accountant & Senior Finance Manager April 2021 September 2021	We were advised by the Divisional Accountant that this has been scheduled for completion for September 2021.
2020-21 - Records Management		
a) Management should conduct a thorough exercise covering all systems, locations and business areas in order to fully record the types of data being created and retained and to ensure all the Council's information assets were identified, with appropriate and specific information added to the asset registers. b) A central inventory record should be maintained and reviewed annually.	Information Governance Manager 31 March 2021 June 2021 31 October 2021	We were advised by the Corporate Information Governance Manager that: a) An equivalent to IG&SG has not yet been formed. This issue was raised by the IG Manager in the recent Information Governance audit (commenced by BDO 19/07/21). See action b) for progress by IG team. b) This is set up on the global drive and progress has been made with several teams with priority given to Adult Social Care (in line with DSP toolkit). Out of the 29 IARs identified across departments, 12

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>c) Mapping of all information held needs to be completed. Management should develop and draft a more detailed plan and timescale for cleansing and mapping existing information. Following this, we recommend that the achievement of the actions recorded is regularly reviewed, as part of team meetings within Corporate Services, to ensure they stay on track and remain relevant. Once a complete map of information is developed and relevant cleansing and migration has taken place, these should be reported to the SMT.</p> <p>High</p>		<p>were updated by end July, 17 are in progress. Expected completion date October 2021.</p> <p>c) The council does not currently have the resources to conduct this exercise, currently undertaking a migration to Outlook 365. Recommendation to be reviewed again by 31 October 2021.</p>
Housing and Modernisation Department		
2018-19 Temporary Accommodation		
<p>a) Management should ensure that a formal decision on the exemption from using the Contract Standing Orders is approved and recorded as well as the reasons for the exemption.</p> <p>b) They should also record any discussions, decisions and reasons for the frameworks to be used instead and any other ways they ensure value for money in the procurement of properties. Their meetings with the Legal team and Corporate Procurement should provide direction and advice on what is the best course of action around this issue.</p> <p>Medium</p>	<p>Business and Procurement Manager</p> <p>March 2019 July 2019 October 2019 June 2020 April 2021 September 2021 October 2021</p>	<p>We were advised by the Head of Housing Solutions that: This is still ongoing, there have been recent discussions with BDO to explore an updated audit to examine the interim control measures. Formal decision to be explored in Autumn 2021.</p>
2017-18 IT Disaster Recovery		
<p>A risk assessment of the Council's ICT service must be performed in order to identify: The threats to the continuity of the Council's ICT services The mitigating actions that have been put in place and the residual risk to the Council.</p>	<p>Emergency Planning & Resilience Manager</p> <p>September 2018 June 2020 July 2021 November 2021</p>	<p>We were advised by the Emergency Planning Reliance Manager that: The implementation of the Clearview business continuity package is now underway. Completion date has been pushed back to November this year The departmental BC plans to include mitigation to ensure that critical services can be delivered during IT failure. BC lead officers from each department are now being supported to transfer data from existing plans</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>A business impact assessment should be performed in order to determine the impact on the Council of the loss of its ICT services, including the financial, reputational, and regulatory impacts.</p> <p>The shared ICT service should review and revise its recovery arrangements based on the business impact and risk assessments</p> <p>High</p>		<p>onto new platform incorporating changes to organisational structure and lessons from the Covid 19 response.</p> <p>The planning arrangements for the recovery of the authority-shared service IT systems should be included within the IT shared service BC plans. The responsibility for the ongoing risk assessment to the shared service will be with the shared service manager.</p>
2019-20 Materials		
<p>Where actions are raised in relation to social value, these should be included within the agreed actions and monitored by the Strategic Core Group.</p> <p>The council should seek to confirm the number of apprenticeship and work experience slots and compare these against an expected standard. Evidence should also be received detailing that staff are paid the London Living on a quarterly basis to ensure the contractor is meeting its requirements under the Fairer Future Procurement strategy.</p> <p>Medium</p>	<p>SBS Business Service Manager</p> <p>April 2021</p> <p>TBC</p> <p>October 2021</p>	<p>We were advised by the Business Service Manager that:</p> <p>Conversations were held with Travis Perkins at the core group meeting in July, from this a commitment for Travis Perkins to provide unused work placements allocations has been agreed, to be used in 2021/22 in the local branch in Peckham.</p> <p>Travis Perkins are proposing a new placement scheme for work placements, which will be put in place in October 2021.</p> <p>We are in discussions with Travis Perkins regarding their Kick Start Apprentice Scheme.</p>
2020-21 Supported Accommodation		
<p>Across the wider temporary accommodation estate team:</p> <ol style="list-style-type: none"> 1. Documentation should be stored in individual documents on the information@work system. 2. Management should complete quarterly spot checks of weekly health and safety checks and quarterly audits to ensure that they have been completed and signed off appropriately. 	<p>Director of Resident Services</p> <p>Head of Accommodation and Support</p> <p>December 2020</p> <p>October 2021</p>	<p>We were advised by Head of Accommodation and Support that:</p> <ol style="list-style-type: none"> 1. Documentation is being stored on the I@W systems. This has been incorporated in work plans for TA Team 2. Management spot checks are ongoing. Health and Safety issues/checks are being completed and monitored, documents signed off and stored on I@W. <p>Improvement is required to ensure sign off and I@W filing of the safety checks is done consistently each week - the H&S checks are being</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>3. It should be ensured that repairs are raised onto the system once identified in any health and safety checks.</p> <p>High</p>		<p>completed each week. This has slipped due to capacity whilst the team focused on handing over hostels to New homes team and leave.</p> <p>A revised date of implementation will be 6 September 2021; the team to arrange weekly meet to complete actions on sign off and I@W filing of the reports.</p> <p>To address issues with remote working sign off and leave absences - this has been incorporated in team meeting agenda, work plans and 121 meetings for TA Team, to ensure frequent monitoring</p> <p>3. Repairs are being raised following the H&S checks - case management and complaints monitored to ensure service is effective. All but 2 Hostels have been handed over to New Homes which has reduced the number of weekly H&S checks.</p>
<p>2020-21 Demolition Process</p>		
<p>The procedure document should be amended to reflect:</p> <p>The three different processes for issuing the different type of notices (initial, final and extension) are clear and distinguishable</p> <p>The requirements of the legislation governing the issuance of demolition notices.</p> <p>High</p>	<p>Sales & Acquisitions Manager</p> <p>May 2021 September 2021</p>	<p>We were advised by the Sales & Acquisitions Manager that:</p> <p>The procedures were amended to reflect the different processes for issuing the different types of notices for clarity.</p> <p>The requirements of the legislation governing the issuance of the demolition notices is pending the response from our Legal representatives which is now due on the 7th September 2021.</p>
<p>(i) All templates relating to demolition notices should be reviewed and updated to ensure they are compliant with the relevant legislation. The legal department should be consulted to ensure existing notices are valid.</p> <p>(ii) The agreed demolition templates and the process for their completion should be incorporated within the department's procedure documentation</p>	<p>Sales & Acquisitions Manager</p> <p>May 2021 September 2021</p>	<p>We were advised by the Sales & Acquisitions Manager that:</p> <p>(i) The Notices were sent to Legal for approval in April 2021. Despite numerous attempts for a response, we are now advised they will be returned on the 7 September 2021.</p> <p>(ii) On receipt the Notices will be added to the amended procedures as appendixes on receipt.</p> <p>(iii) The agreement was that all Notices would be approved by Legal prior to issuance and any changes incorporated into procedures. However, we</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>(iii) An annual process review should be scheduled to ensure that relevant documentation and notices remain up to date.</p> <p>Medium</p>		<p>have included they will be reviewed every 2 years to ensure any amendments are captured. Notices are issued infrequently and are checked by Legal now prior to issuing. As such, an annual review is not required.</p>
<p>2020-21 New Home Programme</p>		
<p>(i) Introduce a monthly meeting that is minuted regarding the results of the Highlight Reports and more information should be provided that the reports have reconciled appropriately with the formal financial records of the Council and if not provide the relevant commentary.</p> <p>(ii) Introduce action logs for project manager's / site meetings to ensure that they are captured and the completion dates are entered.</p> <p>(iii) An up to date delegated authority for approval of purchase orders and invoices should be available for Project Managers.</p> <p>(iv) Project Managers to hold a payment tracker of all expenditure paid for the scheme.</p> <p>(v) All schemes produce an Optimix report showing whether they are still viable or not and these are updated on an annual basis and dated.</p> <p>(vi) Introduce a change control summary log for management review of all changes, carry out sample checking of these and ensure that staff use the same standard items for any Covid-19 changes.</p> <p>Medium</p>	<p>Delivery New Homes Manager</p> <p>April 2021</p> <p>October 2021</p>	<p>We were advised by the Delivery New Homes Manager that:</p> <p>(i) Notes are taken at monthly review meetings attended by the Programme Office, relevant Development Manager and Head of Development. This will be enhanced to provide more detail in place by the end of October 2021.</p> <p>(ii) The responsibility for minuting and noting actions at site meeting is the Council's Employers agent. Will ensure trackers in place to ensure action are noted and completed. In place by end of October 2021.</p> <p>(iii) This is included in the Council's scheme of delegation and has been updated to include new permanent staff.</p> <p>(iv) The payment trackers will be added to all Optimix cashflows by the end of October 2021</p> <p>(v) The Optimix viabilities are already updated at key milestones (e.g. pre planning, contract award, completion) and reported to the Delivery Programme Board. The viabilities should also be updated when schemes are on site and a Gateway 3 is required due to increased costs. Will introduce this by end of Oct. Also to note, schemes that are 100% social rent are not viable in the true sense.</p> <p>(vi) To be introduced by end of October. Change control forms and approval currently stored by individual scheme.</p>
<p>2020-21 Housing Application and Allocations</p>		

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>(i) Staff should be reminded that all supporting documentation is required to be stored onto the EDMS.</p> <p>(ii) Spot checks should be conducted (we recommend annually) for a sample of cases to ensure compliance. These checks should be recorded and stored electronically.</p> <p>Medium</p>	<p>Acting Head of Housing Solutions</p> <p>June 2021 Completed</p> <p>September 2021</p>	<p>We were advised that:</p> <p>(i) This has now been completed.</p> <p>(ii) The spot checks are due to take place in September 2021.</p>
Children and Adult's Services Department		
2020-21 Substance Misuse		
<p>(i) The funding for care packages should be authorised in accordance with the hierarchy stated in the Scheme of Management. These limits require that funding requests in excess of £250 and below £800 should be authorised by the Head of Service or Service manager. An appropriate control should be put in place to ensure that payments are checked to ensure they are correctly authorised before funds are released.</p> <p>(ii) If required, the Team managers and Deputy limits for authorising payments should be reviewed and appropriate authority provided in the Scheme of Management.</p> <p>High</p>	<p>Team Manager</p> <p>June 2021 September 2021</p>	<p>We were advised by the Team Manager that:</p> <p>(i) A mosaic change request is to be made and will be actioned in Q3</p> <p>(ii) N/A - The scheme of management has recently been reviewed and the levels set remain as previously stated.</p>
2019-20 Appointeeships		
<p>1) Client Finance review the 72 hour appointeeship referral processing target and consider its achievability to ensure it acts as a motivator to staff.</p>	<p>1) Service Development Manager</p> <p>July 2020 TBC</p>	<p>We were advised by the Service Manager that:</p> <p>The target of 72 hours turnaround has been included within the Service Development Personal Budget and Client Finance service plan for 2021/22.</p> <p>The Mosaic business analysts are in the process of building a performance report to monitor compliance with the 72 hour target.</p>

APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

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

FOR MORE INFORMATION:

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