



London Borough of Southwark

**INTERNAL AUDIT ANNUAL REPORT AND ANNUAL
STATEMENT OF ASSURANCE 2021-22**

For presentation to the Audit, Governance and Standards Committee

18 July 2022



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SUMMARY OF 2021-22 WORK

Internal Audit 2021-22

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

All work relating to the internal audit plan for 2021-22 has been completed to at least draft report stage, and we are working with the Council to issue all final reports by the end of July 2022.

The reports that have been issued and which form the basis of the annual report for 2021-22 are listed below.

Chief Executive's Department

- Commercial Property Portfolio
- Covid-19 Expenditure
- Emergency Planning

Children and Adults Services

- Adoption Service
- All Age Disability Service (0 to 24 Years)
- Continuing Healthcare
- Contract Mobilisation
- Departmental Response to Schools in Financial Difficulties
- Older People's Services (draft)
- Youth Offending Service and Youth Violence

Environment and Leisure

- Highways Maintenance
- Leisure Services
- Library Service (draft)
- Licensing
- TMO - Cooper Close
- TMO - JMB Leathermarket

Finance and Governance

- Electoral Register and Elections
- Housing Revenue Account
- Insurance
- Member / Officer Protocol (draft)
- Objections Review (draft)
- Pensions Administration

Financial Systems

- Accounts Payable
- Council Tax
- Housing Benefits
- Non-Domestic Rates
- Payroll and HR (draft)
- Suspense Account Management (draft)

Housing and Modernisation

- Customer Access Strategy (draft)
- Facilities Management
- Health and Safety
- Housing Tenancy Management - Successions
- Major Works
- Southwark Building Services (draft)

IT Audits

- Disaster Recovery
- Hornbill Service Desk

Thematic and Cross Council Reviews

- Contracts Register (draft)
- Data Protection
- Fairer Future Procurement Framework (draft)
- Financial Planning
- Fraud Protocols
- Risk Management

The opinions for each audit and key findings are summarised on pages seven to 36.

The internal audit team has also completed the following work in 2021-22:

- Supporting Families Grant - quarterly audit of the Council's claims. A separate letter of engagement and management reports covered this work.
- Transparency Reporting - advisory work to support the Council in ensuring the accuracy of its publicly reported data.
- URBACT Thriving Streets EU funded project - First Level Control (FLC) grant claims verification for the period 1 April 2021 to 7 August 2022. A separate letter of engagement and management report covered this work.

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

The following audits were deferred from 2021-22 to 2022-23:

- APEX Asset Management (draft)
- Borough Plan Delivery
- Children's Quality Assurance Unit
- Cloud Computing
- General Ledger
- Home to School Transport
- Private Sector Licensing Right to Buy
- Temporary Accommodation

The internal audit programme for schools recommenced in April 2021. For six schools we focussed upon budget and financial strategy governance and controls and have subsequently resumed our cyclical standard compliance audits.

Budget and Financial Strategy audits:

- Cobourg Primary School
- Comber Grove Primary School
- Dog Kennel Hill Primary School
- Rotherhithe Primary School
- St Francesca Cabrini Primary School
- St Joseph's Catholic Infants School

Cyclical compliance audits:

- Charlotte Sharman Primary
- Southwark Inclusive Learning Service

The opinions for each school and a summary of key findings are included on pages 37 to 40.

Non internal audit services provided by BDO

The following non audit services have been provided by BDO during 2021-22:

- Risk management support
- Counter fraud support

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

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

HEAD OF INTERNAL AUDIT OPINION 2021-22

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

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

The basis for forming my opinion is:

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

Overall, we can provide **Moderate Assurance** that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently, the same opinion as in 2019-20 and 2020-21. We continue to consider this to be a positive result given the ongoing impact of Covid-19, increased demands on services and funding challenges faced.

Our annual report and head of internal audit opinion has been prepared based on the audit work undertaken during the year. In forming my view, I have taken into account that:

- In respect of the design of the controls, an opinion of moderate assurance was provided for 21 out of the 39 assurance audits, substantial assurance was provided in 15 areas and limited assurance opinions in three areas. Overall, the Council has maintained its control environment during 2021-22. The relative proportion of substantial assurance opinions provided for the design of the Council's controls has improved from 24% in 2020-21 to 38% in 2021-22.
- In respect of the operational effectiveness of the controls, an opinion of moderate assurance was provided for 26 of the 39 assurance audits, substantial assurance was provided in six areas and limited assurance in seven areas. The relative proportion of substantial assurance opinions provided for the operational effectiveness of the Council's controls has improved from 6% in 2020-21 to 15% in 2021-22, which continues the overall previous year on year improvement since 2016-17.
- Management has continued to respond positively to reports issued and action plans have been developed to address the recommendations raised.
- In respect of school audits and ongoing financial pressures, the Council is taking proactive steps to manage these and our programme of audits has been aimed at prioritising schools with high levels of risk.
- We have confirmed with reference to evidence that 87% of recommendations due for implementation by the date of reporting had been completed. This represents an increase

from an implementation rate of 76% in 2020-21, due to the continued impact on the implementation of recommendations due to Covid-19 and the adjustment of priorities and redeployment of staff. The current rate of implementation is at pre-pandemic levels.

- In terms of financial performance, for the financial year 2021-22, the overall original budget was exceeded by £8m and further planned movements in reserve were completed resulting in an overall overspend of £12.9m. Covid-19 funding support was also received and utilised to mitigate against some of this overspend and our internal audit of Covid-19 expenditure confirmed that related costs were being identified, recorded and reported to Government on a timely basis. However, there was still an overall overspend of £1.9m which is to be met from reserves. The Council has unallocated general fund reserves of £21m and net earmarked reserves of £205m. We recognise that the financial position continues to be complex as the Council reconciles the additional costs and lost income with the funding support received from government and looks to prioritise resources for further recovery.

REVIEW OF 2021-22 WORK

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
Chief Executive's Department						
Commercial Property Portfolio	-	-	-	Substantial	Substantial	<p>Purpose: 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.</p> <p>Key findings:</p> <ul style="list-style-type: none"> 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. We also found the information flows for the management of debtors and arrears to be sufficient.
Covid-19 Expenditure	-	-	1	Substantial	Substantial	<p>Purpose: to provide assurance over the design and operational effectiveness on the controls relating to the governance and reporting of Covid-19 related expenditure.</p> <p>Key findings:</p> <ul style="list-style-type: none"> We provided assurance that the process was robust, consistent and had the necessary oversight and governance and in line with MHCLG guidance. We were of the opinion that it would have been appropriate to have a more formal procedure around the preparation of the MHCLG returns and Covid-19 expenditure. However, this has not affected our rating for the design of the framework, which is substantial assurance.
Emergency Planning	-	2	2	Substantial	Moderate	<p>Purpose: to provide assurance over the design and operational effectiveness of the controls relating to the emergency planning response and arrangements at the Council. The audit included a review of whether roles and responsibilities are clear across the Council and with other</p>

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>agencies, along with the impact of the response to Covid-19 on working practices and resilience.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • Departmental business continuity plans were not being prepared in a consistent manner, with some departments not including key contacts in their plan, some having contacts that are not current employees of the Council and others that have not been reviewed regularly. • Business Continuity Steering Group meetings understandably took on a different role through the Pandemic. Minutes were also not prepared in the regular template, which did not include a list on attendees, a section for actions and action owners. There has since been a return to business as usual.
Children and Adults Services						
Adoption Service	2	1	1	Moderate	Limited	<p>Purpose: to review the adequacy and effectiveness of the controls in place over payments made to adopters, to confirm accuracy of payments derived from documentation and appropriate approvals.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • Due to Covid-19, annual reviews were not taking place. In all 10 cases sampled, annual reviews were meant to take place between July 2019 and January 2021. However, the dates of the latest reviews provided for our sample were dated between July 2018 and January 2020. • The policies and procedures handbook had not been updated since April 2019 and still referred to the National Minimum Standards for Adoption 2011 when these standards were revised in 2014. • From our testing of a sample of 15 adoption payments we found that in three instances, a signed purchase order could not be evidenced. For the 12 cases where a purchase order could be evidenced, we found that in all cases, the purchase order was not signed by the individual making the requisition, and in one instance, there was no evidence of

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>who authorised the purchase order.</p> <ul style="list-style-type: none"> The form for financial assessments did not clearly stipulate the thresholds for when approval is required from either the Team Manager or Service Manager.
All Age Disability Service (0 to 24 Years)	-	3	1	Moderate	Moderate	<p>Purpose: to review the adequacy and operational effectiveness of the control framework in place for the identification and documentation of care needs and the associated approval, allocation, and monitoring of funding.</p> <p>Key Findings:</p> <ul style="list-style-type: none"> From a sample of ten payments made to care providers for the ages 18 - 25, we found four discrepancies between the funding approved and payments to providers. For a sample of five care packages approved for the ages 18 - 25, we found one case where the initial assessment was not completed within the required deadline of 28 days. From a sample of ten care packages for the ages 0 - under 18, we found that on one occasion, the initial assessment for ensuring that only eligible children and young people are assigned a care plan was not completed within the required 45 days. From a sample of ten care plans across the ages 0-25 that had been in place for longer than 12 months, we found that on two occasions, the care package had been adjusted following a review, but this did not go to panel for approval.
Continuing Healthcare	-	3	-	Moderate	Moderate	<p>Purpose: to provide assurance that the Council's adult support governance arrangements align with its responsibilities under the national framework for NHS continuing healthcare (CHC) and NHS funded Nursing Care (FNC). We analysed whether the Council has worked collaboratively with the CCGs when reviewing applications and related processes, verifying that robust quality and monitoring mechanisms were in place. Our review included an</p>

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>evaluation of performance management, risk escalation, quality, and monitoring mechanisms. We reviewed the framework that supports relationship management and collaboration between the Council and CCGs.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The Council’s record of CHC and FNC applications did not consistently retain a final decision rationale, line manager Decision Support Tool (DST) approval or key milestone dates within the process. Defined monitoring mechanisms were not in place to verify that the CHC and FNC application lifecycle aligns to the prescribed processing timelines within the Council’s official policy. The Council did not systematically perform periodic quality assurance checks on negative checklists, DSTs, and Healthcare Panel decisions. The Council did not have an official local CHC Dispute resolution policy in place. The length of time case disputes remain open and progress updates were not being reviewed systematically to ensure they were being completed within specified timescales.
Contract Mobilisation	-	4	-	Moderate	Moderate	<p>Purpose: to provide assurance over the adequacy of the design and operational effectiveness of the mobilisation process regarding contract management for contracts within Children’s and Adults’ Services (CAS). This included whether an effective transition process from the contract award stage to business as usual was in place. We also considered if the recently published contract management handbook and, where necessary, operational procedures incorporate lessons learned from previous mobilisation.</p> <p>Key findings:</p> <ul style="list-style-type: none"> While there are overall effective procurement policies and procedures in place, there were no documented governance protocols underpinning the processes related specifically to the mobilisation stage. There were no defined or documented decision tree or workflow illustrating the mobilisation procedures or related responsibilities that

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>should be followed in various scenarios.</p> <ul style="list-style-type: none"> There was not a standardised set of mobilisation monitoring requirements across each project. Key Performance Indicators focused on the mobilisation stage were not utilised to ensure the process remains on schedule or progresses in an effective manner. There was not a defined list of key stakeholders or senior managers who should be included in the mobilisation stage to approve changes or assist with decision making. There was inconsistency in the level of engagement between external and internal stakeholders during the mobilisation phase. Standardised change control and contract variation documentation was not used within the mobilisation stage of the Adult Advocacy contract.
Departmental Response to Schools in Financial Difficulties	-	4	1	Moderate	Moderate	<p>Purpose: to provide assurance over the adequacy of the design and operational effectiveness of the Council's approach to identifying, supporting, and agreeing action with regards to schools in financial difficulty, heading towards deficit, and supporting deficit recovery plans.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Seven schools (9.5% of Council supported school population) had outstanding loans, five schools of which had made no repayments towards their balance within 2020-21 or at the time of the audit in 2022-22. There were no defined process map outlining how the various school supporting stakeholders / teams within the Council should collaborate and assist each other in managing schools in financial difficulty, in addition the school supporting teams' individual responsibilities were not defined. There were inconsistent practices in the frequency of reporting, and internal collaboration meetings taking place between Finance, the

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>Education service, HR, and other relevant stakeholders to discuss the status of schools in financial difficulty.</p> <ul style="list-style-type: none"> The Council did not have a compiled list and / or a risk register containing common reasons schools are falling into financial difficulties to aid their effective management.
Older Peoples Services <i>Draft Report</i>	-	1	1	Substantial	Moderate	<p>Purpose: to provide assurance over the adequacy of the design of the controls and operational effectiveness relating to the operational management.</p> <p>Key findings:</p> <ul style="list-style-type: none"> We found well documented policies and procedures to be in place for the and operating as intended with reference to evidence. In respect of the process from an initial referral to panel approval. We also confirmed that supervisory meetings are being held periodically with unqualified staff, social workers, and occupational therapists to address concerns around continuous professional development, health and safety and wellbeing. From a sample of 15 care packages on two occasions we were unable to verify the number of hours approved by panel agreed to the purchase order as the value input was '1 day a week' and '1 unit'. The oversight process on the timeliness of annual reviews could be commenced sooner to identify potential delays and backlogs
Youth Offending Service and Youth Violence	-	3	1	Moderate	Moderate	<p>Purpose: to provide assurance over the design and operational effectiveness of the YOS's organisational delivery of service. To confirm that the current framework aligns with Domain, one of Her Majesty's Inspectorate of Probation's rules and guidance, in preparation for the inspection.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The YOS policies and procedures reviewed as part of the audit had not been reviewed and updated since 2015. Staff we spoke to did not

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>definitively know where they could access all YOS policies or if certain ones existed.</p> <ul style="list-style-type: none"> Not all Youth Crime Management Board (YCMB) members are appropriately engaged at meetings or knowledgeable about YOS operations. The December 2020 and March 2021 YCMB minutes indicated that 10 members were absent at consecutive meetings. The YOS team risk register did not align to the Council's methodology for assessing risks and the process that should be followed to ensure that risks are appropriately mitigated. Risks are not described in detail and are not provided with root causes, action owners or expected resolution dates. The YOS had no documented career pathway for staff, detailing routes they can take for promotion or sideways routes.
Environment and Leisure						
Highways Maintenance	-	1	1	Substantial	Substantial	<p>Purpose: to provide assurance over the adequacy and effectiveness of the controls and processes the Council has in place for its Highways Maintenance Services (minor works). The audit considered the extent to which the highways maintenance processes, deliverables and key performance indicators are being met.</p> <p>Key findings:</p> <ul style="list-style-type: none"> There was no systematic percentage of Lot A jobs which should be audited each month, impacting the consistency of KPI data comparison throughout the year. Operational policies did not contain standardised guidance stating the exact requirements and reporting parameters for the K2 audits or the circumstances when an on-site K2 audit should take place.
Leisure Services	-	1	-	Substantial	Moderate	<p>Purpose: to provide assurance over the design and operational effectiveness of the controls relating to contract management and oversight of leisure facilities in the borough. The audit included the</p>

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>assessment of the impact of Covid-19 on income levels and whether it has been reflected in longer-term financial plans.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Basic controls are in place to address risks faced by the Council, including a contract variation agreement detailing the revised terms and conditions and information on the financial support offered by the Council. In addition to this, the Council conducts contract management meetings with SLM on a weekly basis and SLM presents quarterly reports where information on the KPIs is included. However, we identified that the minutes of the weekly contract meetings do not always include all the required information such as officer responsible for action, target implementation date, date of completion where an action is complete or reasons for any delays.
Library Services <i>Draft Report</i>	-	4	2	Moderate	Moderate	<p>Purpose: to provide assurance over the design and operational effectiveness of the controls relating to the operational management arrangements over the library service, including roles and responsibilities, budget management and income management.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The Council's Library Operations Manual was last reviewed in February 2019, and did not clearly define roles and responsibilities, the escalation process for service-related issues, reporting and monitoring arrangements. Actions within the Library and Heritage Strategy action plan were not specific and did not clearly state how the actions would be achieved. The Council did not have a specific process for the management of library arrears and recovery of outstanding debt. There were no formal improvement plans in place to address the underperformance identified in the annual and monthly performance statistics reports.

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> From a sample of five cash breakdown slips, in one instance, we were unable to confirm that the amount deposited matched the amount recorded centrally on the SAP system, as the cash was not deposited by the Council's cash collection agent to the bank. Cash had not been collected from Brandon Library since January 2020.
Licensing	-	2	-	Moderate	Moderate	<p>Purpose: to provide assurance over the adequacy of the design and operational effectiveness of the internal controls in place relating to licensing, including granting and ongoing review of licences, collection of fee income and monitoring to ensure compliance with legislative and regulatory requirements.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Licensing fees are not always collected or suspended on a timely basis and there were £490k of unpaid license fees at the time of audit. Performance management reports were not being produced and reported to senior management to ensure underperformance is identified, monitored, and addressed.
Tenancy Management Organisation - Cooper Close	-	4	1	Moderate	Moderate	<p>Purpose: to provide assurance over the adequacy of the design of controls and operational effectiveness relating to the TMO's operational and financial processes, such as financial management, procurement, and statutory compliance, including health and safety, fire risk assessment and asbestos.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The reasons behind budget variances could have been better documented. Some key documents, such as the Cooper Close Rules (which include the Management Committee's terms of reference) and the staff handbook required review. There was no standalone performance management framework, so arrangements were not in line with TMI expectations.

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> Record keeping of procurement information could be improved to better demonstrate compliance with procurement rules.
Tenancy Management Organisation - JMB Leathermarket	1	1	-	Moderate	Moderate	<p>Purpose: to provide assurance over the adequacy of the design of controls and operational effectiveness relating to the TMO's operational and financial processes, such as financial management, procurement, and statutory compliance, including health and safety, fire risk assessment and asbestos. We also sought to determine whether the current controls are in line with the provisions of the Modular Management Agreement (MMA) signed in 2013.</p> <p>Key findings:</p> <ul style="list-style-type: none"> There were nine fire safety actions from the most recent fire risk assessments across the six blocks that had not been completed. Of these actions, seven were medium priority (two low priority) and implementation targets dated back to August 2020. The service charge arrangements did not reflect those documented in the MMA. The agreement also referred to the need for a 30-year major works plan, however in practice the plans are for a shorter period. The document therefore required revision to reflect current arrangements.
Finance and Governance						
Electoral Register and Elections	-	2	1	Moderate	Substantial	<p>Purpose: to provide assurance over the core processes relating to the design controls and effectiveness relating to election management, to ensure that they are well documented, subject to appropriate approval and lessons learned.</p> <p>Key findings:</p> <ul style="list-style-type: none"> A project plan was not in place for the elections carried out in 2021 outlining specific actions with timelines to ensure all actions were complete and reviewed prior to the election taking place Procedure notes on processing applications and canvassing for the electoral services had not been reviewed since 2020. In addition, a

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>succession plan was not in place to reduce the dependency on the Head of Service</p> <ul style="list-style-type: none"> Support from the finance team is not offered to members of the Electoral Service Teams when submitting election claims for reimbursement of allowable election expenses therefore the claims are being completed by an office that has limited finance experience, leading to potentially lower claims.
Housing Revenue Account	-	1	-	Substantial	Substantial	<p>Purpose: to provide assurance that the Council has robust management controls and governance systems in place over the processes around the recording of Housing Revenue Account income and expenditure.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Robust management controls and governance systems were found to be in place over the processes around the recording of Housing Revenue Account (HRA) income and expenditure. Through our testing, we were able to confirm that the controls that are in place over the HRA budget setting and monitoring processes are being consistently applied. Our review of SAP finance and accounting system users' security report dated December 2021, identified 80 current users' identifications not logging into SAP in the previous 90 days, and four users' last password changes that were between 2017 and 2020.
Insurance	-	2	1	Substantial	Moderate	<p>Purpose: to provide assurance that the Council has robust management controls and governance systems in place to ensure appropriate cover of insurance risks faced by the Council.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The Council has in place a contract for insurance brokering and advisory services which is used to source insurance. The Council has sufficient coverage for the main areas of work completed, and on an annual basis to complete the insurance renewals, claims monitoring is completed on a regular basis to identify progress and the amount spent

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>on claims. Recharges and charging for insurance coverage is completed on an annual basis across the Council.</p> <ul style="list-style-type: none"> The Council is in the process of sourcing cyber security insurance, however, has not been able to complete this due to requiring further information from the IT shared service. The Council does not hold insurance relating to climate change. Trend analysis of claims received is not routinely completed but noted on an ad hoc basis where several claims are received in a specific area.
Member / Officer Protocol <i>Draft Report</i>	1	2	-	Limited	Limited	<p>Purpose: to provide assurance that the member/officer protocol reflects good practice and that it is being operated in practice and cases where it is not working effectively are identified and addressed.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Our review of the training programme an absence of specific governance related training and low completion rates of training provided by senior officers regularly consulting with members. A focussed survey of members and officers found consistent messages that training on the Member/Officer Protocol was not sufficient. From reviewing all complaints that were raised between April 2021 and January 2022, we were able to confirm that complaints were dealt with and reported on in an appropriate manner. However, the complaints log was not complete and did not record key dates such as when the complaint was received to ensure they are dealt with in a timely manner and progress on complaints. The Member/Officer Protocol was last reviewed and published in February 2020. The Protocol covers key information such as the roles and responsibilities of Officers and Members and declarations that should be made such as relationships between a Member and Officer. However, it does not provide any information on conflict resolution and who they should report to in case a conflict does arise.

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						A revised training programme was introduced for new members appointed at the May 2022 elections. We have not provided assurance on the contents of the programme as this was provided outside the audit period for 2021-22, however we have agreed with the Director of Legal and Governance to undertake the audit again as part of the 2023/24 internal audit plan.
Objection Review <i>Draft Report</i>	5	-	-	Advisory Review		<p>Purpose: to review the contractual relationship between the Council and one of its contractors. The request followed an objection made to the Council's External Auditors by a member of the public to the Council's statutory accounts for 2019-20. The objection suggests there have been inappropriate procurement practices in the award of contracts.</p> <p>The key lines of enquiry followed in our review were: procurement strategy, contracts and record keeping, compliance with contract standing orders (CSOs), insurances held by the contractor, contract monitoring and approved list, and how the Council ensures relationships between the Council and its contractors are and remain appropriate, and leasing agreements with the contractor.</p> <p>Key findings:</p> <ul style="list-style-type: none"> We found no direct evidence of fraud or impropriety, however our review identified significant gaps in the control framework relating to the governance and procurement arrangements for the use of the contractor. We identified deficiencies and weaknesses in the current system of control in relation to the financial and operational management, compliance with the Council's CSO's and Employee Code of Conducts, specifically the completion of declarations of interest. We further identified an absence of regular due diligence other than the assessments undertaken annually by Alcumus, to continuously: <ul style="list-style-type: none"> review the appointment of the contractor in line with the CSO's determine the appropriateness of the continuing appointment of the contractor.

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> Our overriding recommendation (actioned) was that the Council pause the use of the contractor until a decision has been made around the tendering requirements for such works, the extent to which the inhouse team should be carrying out these activities and full due diligence, including declarations of interest, have been completed. We also recommended that a joint decision-making group is formed to determine future arrangements, comprising senior officers from the Housing and Modernisation department, Finance team and Legal Services / Procurement team. <p>The findings and recommendations arising from our review have been agreed and a cross service action is being finalised.</p>
Pensions Administration	-	-	2	Substantial	Moderate	<p>Purpose: to provide assurance over the administration of the LGPS, such that contributions and any payments made are valid and accurate, and that management of members is correct based on policies and procedures.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Whilst a robust set of procedure documentation is available, late returns of retirement forms suggest that some employers were not fully aware of pensions regulations and processes. Whilst the sample selected were satisfactory, in relation to flexible retirements late returns from employers suggest that some employers are not aware of their responsibility to ensure the process is completed.
Financial Systems						
Accounts Payable	-	2	2	Substantial	Moderate	<p>Purpose: to provide continuing assurance on the adequacy of the design and operational effectiveness of internal controls in managing accounts payable processed via SAP, to ensure that they are promptly and effectively brought into use. We also reviewed the effectiveness of the processes relating to supplier set up and amendments, raising and approval of purchase orders, payment processing and approvals.</p>

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>Key findings:</p> <ul style="list-style-type: none"> Whilst no payment errors have been identified, our review identified some non-compliance with the Council's required procedures. For a sample of 20 vendor payment transactions from 1 April 2020, we found the following exceptions: <ul style="list-style-type: none"> On five occasions, the purchase order was raised after the invoice was received. On one occasion, the invoice was not attached against the transaction on SAP. On six occasions, payments were not made within 30 days. On three occasions, the authoriser of the purchase orders was not listed on the scheme of management. The issues concerning the scheme of management and the timely raising of purchase orders were identified in the last three audits.
Council Tax	-	1	2	Substantial	Moderate	<p>Purpose: to provide assurance on the continuing adequacy of the design and operational effectiveness of internal controls, processes, and records in place to mitigate the identified risks relating to the collection of Council Tax.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The control framework is well designed to address the risks to the Council considered in our audit. The Council has detailed work notes on policies which are clear, concise, and easy to follow. However, we noted that some of the policies had not been reviewed on a regular basis. We found operational control weaknesses which included write offs not being reviewed and approved in line with the policies and procedures, and review dates for assessing discounts awarded not consistently recorded on Northgate.

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
Housing Benefits	-	1	2	Moderate	Moderate	<p>Purpose: to provide assurance on the continuing adequacy of the design and operational effectiveness of internal controls, processes, and records in place to mitigate the identified risks relating to housing benefit and universal credit.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • Our review of a sample of users with access to the Northgate system identified one case where an officer who had access to manually adjust housing benefits claims was incorrectly set-up as a 'Pupil Tracking and Licensing Manager' where it should have been 'Benefits Officer'. • For a sample of ten write-offs, we identified that a debt of £7585.31 had not been approved in accordance with the delegation thresholds in the scheme of management. • Our review of a sample of monthly reconciliations between the AIM, SAP and Northgate systems identified that the reconciliation files were not signed or dated when performed.
Non-Domestic Rates	-	1	1	Moderate	Substantial	<p>Purpose: to provide assurance on the continuing adequacy of the design and operational effectiveness of internal controls, processes, and records in place to mitigate the identified risks relating to the collection of NDR. We also provided assurance that controls adequately mitigate the risk of fraud.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • Based upon the work performed, our review of the controls relating to National Non-Domestic Rates found several good practices in place, however, there are some areas where improvements to the controls framework can be made. For instance, segregation of duties does not exist between evaluating and approving exemption/relief.
Payroll and HR <i>Draft Report</i>	1	-	1	Substantial	Moderate	<p>Purpose: to provide assurance on the adequacy and operational effectiveness of the key controls in place to manage the identified risks in respect of payroll and HR. We also provided assurance on the</p>

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>implementation of the recommendations made in the Payroll and HR audit undertaken in 2020-21 financial year.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The control framework is overall well designed with clear roles and responsibilities, timeframes and approval mechanisms clearly defined. From testing a sample of payroll overpayments, we identified that a consistent approach was not followed in the recovery of the debt. Sufficient action was not taken to recover the debt in three out of five instances, with no action taken for months in these cases. A review of the recovery process is being undertaken. Two recommendations made in 2021-22 had not been implemented. These related to the advance notification of starters and leavers to HR, to ensure the timeliness and accuracy of final salary payments. We noted that notifications to Payroll of starters and leavers are also delayed due to the way the system functions, and the Council is working with the software provider to fix the associated reporting error.
Suspense Account Management <i>Draft Report</i>	-	2	1	Substantial	Moderate	<p>Purpose: to review controls and administration of the Council's suspense accounts to provide assurance that staff are following the policies and procedures, access levels to suspense accounts are set appropriately, the number of transactions routed to the suspense accounts is minimized and transactions are authorised, cleared, and transferred to the correct account on a timely basis.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Basic controls are in place to address risks faced by the Council, including the Suspense Account Operational Policy being in place and adequate documentation supporting the transfers out of the suspense. However, we identified that suspense account items are not allocated to the correct account within a reasonable timeframe and spot checks

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>are not undertaken on Housing Benefit transactions to evidence adequate segregation of duties.</p> <ul style="list-style-type: none"> We also identified that a list of users who can access/amend the suspense account transactions is not in place for all funds and their approval to access the system could not be evidenced.
Housing and Modernisation						
Customer Access Strategy <i>Draft Report</i>	-	3	-	Advisory Review		<p>Purpose: We undertook an advisory review of the approved Customer Access Strategy, considering the appropriateness of the implementation timeframe, resourcing, roles and responsibilities, governance, and monitoring.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The Council has a Customer Access Strategy which sets out the four key strategic outcomes. We found that the strategy has been categorised into five workstreams, which include actions, and identifies owners for each action. While there is a draft governance structure in place, we found no formal documentation to support the governance arrangements, for example terms of reference, roles, and responsibilities and KPIs are not in place. The Customer Experience Team has created a draft governance framework which also sets out the resources and budgetary requirements to implement the Customer Access Strategy. Our review found that the proposal does not consider the formalised action plan or set out the approval process. We also noted that resourcing was not formally agreed when the CAS was approved in December 2020. We reviewed the CAS workstream scoping action plan and found that it does not include any specific action completion dates, responsible officers have not been assigned to each action, and the risks identified have not been recorded in a risk register.

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
Facilities Management	-	2	-	Substantial	Moderate	<p>Purpose: to provide assurance over the adequacy and effectiveness of the monitoring processes the Council has in place relating to their facilities management (FM) Contract. The audit considered the extent to which the contract objectives, deliverables and key performance indicators are being met.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The Corporate Facilities Management team has demonstrated routine oversight and monitoring of the current provider Mitie's performance. KPIs are consistently being reported on and reviewed and collaboration related to ongoing delivery issues is prompt. Senior managers are actively engaged in performance discussions and the last three months have demonstrated a decrease in work jobs which remain open. The FM Contractor did not perform at a consistent standard over the last five years. This can be attributed to several issues, including internal restructuring, the impact of the Covid-19 pandemic on the ability to mobilise, supply chain issues and Brexit. However, the design of the Council's control framework was strong and was generally being adhered to. The Council has issued noncritical default notices where necessary, which have resulted in action plans to remedy performance issues identified. Risks related to overall FM Contractor failure are captured in the risk register. Whilst mitigating controls and actions are in place, they are currently vague and do not include detailed measures and tasks which are required be taken in each event.
Health and Safety	-	3	-	Moderate	Moderate	<p>Purpose: to provide assurance over the adequacy and effectiveness of the monitoring processes the Council has in place relating to their facilities management (FM) Contract. The audit considered the extent to which the contract objectives, deliverables and key performance indicators are being met.</p> <p>Key findings:</p>

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> The Corporate Facilities Management team has demonstrated routine oversight and monitoring of the current provider Mitie's performance. KPIs are consistently being reported on and reviewed and collaboration related to ongoing delivery issues is prompt. Senior managers are actively engaged in performance discussions and the last three months have demonstrated a decrease in work jobs which remain open. The FM Contractor did not perform at a consistent standard over the last five years. This can be attributed to several issues, including internal restructuring, the impact of the Covid-19 pandemic on the ability to mobilise, supply chain issues and Brexit. However, the design of the Council's control framework was strong and was generally being adhered to. The Council has issued noncritical default notices where necessary, which have resulted in action plans to remedy performance issues identified. <p>Risks related to overall FM Contractor failure are captured in the risk register. Whilst mitigating controls and actions are in place, they are currently vague and do not include detailed measures and tasks which are required be taken in each event.</p>
Housing Tenancy Management (Successions)	-	2	3	Moderate	Moderate	<p>Purpose: to provide assurance over the adequacy and effectiveness of the housing tenancy processes the Council has in place relating to their succession case management. The audit considered the extent to which the succession legislation, processes, deliverables, and key performance indicators are being met.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Based upon our review of succession files, we identified several cases where all supporting documentation had not been retained, including one case where there was insufficient proof of eligibility for succession, missing application forms, joint tenancy agreements and letters of confirmation. In two cases there was no evidence of the decision being approved and

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>in two out of five cases the documentation to support the reason for the rejected application was not available.</p> <ul style="list-style-type: none"> • There were no set timeframes for issuing correspondence, therefore we identified inconsistencies in when confirmation letters were issued. • The current succession procedures were last reviewed in 2016 and we found some minor differences between these and current practice. A new policy and procedures document has been created, with the draft version dated April 2021. • During our testing we identified that there are notices of seeking possession which are not indexed on the system.
Major Works	2	1	-	Limited	Moderate	<p>Purpose: to provide assurance over the design and operational effectiveness of the controls relating to the delivery of the major works programme, including planning, procurement, monitoring quality, timeliness, and budgets.</p> <p>Key findings</p> <ul style="list-style-type: none"> • We identified anomalies between the company names on the partnering agreements originally signed for the delivery of the major building works and the current names registered at Companies House. This presented a risk to the Council over the legally enforceable nature of the partnership arrangement. • The Council's asset management database, Apex is the primary source of data for over 50,000 property units. However, there was an absence of data quality policy documents, standards, and documented procedures to ensure the quality and consistency of the data input by project managers, and other departmental officers within the investment team. Performance monitoring reports and a report of users' access privileges to the Apex system could not be provided. • There are specific KPIs in the major works contracts in the areas of time, cost, and quality. Performance on the contracts is monitored by the Head of Investment and Asset Management. However, our review

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						identified there are insufficient performance monitoring arrangements for the Contract Framework for major works, or evidence of such monitoring occurring, as the Partner Contract KPI report for 2021-22 provided was incomplete, KPI monitoring results for Lot 1 for contracts under £3.5m were incomplete. The three most recent minutes of meetings and cash flow forecasts could not be provided in all contracts subject to audit.
Southwark Building Services <i>Draft Report</i>	1	4	-	Moderate	Limited	<p>Purpose: to provide an end-to-end review of the internal repairs process, to include organisational management, performance against KPIs and clarity of cost and charging structures including what work is being completed to prevent overspends.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • Procedure documentation does not contain sufficient detail in relation to the Key Performance Indicators expected quality assurance processes or process to be followed when using contractors. • From a sample of 20 repairs, eleven were completed later than the expected date of completion (longest delay was 34 days). • Whilst complete and accurate KPI reporting was available, this did not identify the root causes for the delays. • The out of hours rota forms completed by operatives does not record sufficient detail to ensure the timings of jobs are correct and that this had been approved by a manager. • Cashflow forecasting was completed monthly, however the data is not cumulative and is being overwritten each month.
IT Audits						
IT Disaster Recovery	2	3	-	Limited	Limited	<p>Purpose: to provide assurance that the Council would be able to continue to offer its critical services in the event of a disruption or disaster.</p> <p>Key findings:</p>

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> The Council does not have Council-wide IT disaster response, recovery, and management plan in place. The Council's inhouse IT team does not centrally manage the recovery and continuity plans for the systems hosted by third party suppliers, as required by NCSC and best practice guidance. There are no documented procedures in place to identify and add any new business critical systems hosted by Council's IT services or third parties. Our sample testing of third party hosted systems identified that no assurances have been received from suppliers by the system owners relating to business and continuity protocols, for four out of six sampled systems i.e., Acolaid, Tribal, EPJS, and Mosaic. Additionally, one system "Tallis" has been replaced by "Civica Spydus". An informal business continuity statement from the supplier was provided which does not provide assurance how the supplier will ensure the continuation of services to the Council in event of a disaster or whether these arrangements have been tested in recent 12 months. (High finding) The Council does not have an IT business continuity plan in place, outlining the Council's risk appetite, business impact analysis (BIA) and risk assessments. As a result, organisational priorities and continuity and recovery thresholds are not clear. No Business Impact Analysis (BIA) or risk assessments have been conducted to identify the critical systems within Council's IT infrastructure and to prioritize them as part of disaster recovery planning activities.
Hornbill Service Desk	-	2	1	Moderate	Moderate	<p>Purpose: to provide assurance over the design and operational effectiveness of the Council's IT Service desk (Hornbill) operations, only including a review of IT security related tickets raised through the service desk.</p> <p>Key findings:</p>

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> We found that the Shared Technology Services (STS) has adequate and documented systems of internal control in place. Our review of controls confirmed that these have been designed in line with the performance targets specified within the agreed SLA. The SLA service specifications have been recently revised in July 2021 to ensure they are in line with industry best practices. However, a small level of non-compliance has been identified such as the Processes Manual is due a review and some errors in the monthly performance reported, most of which under-reported performance. Our review of performance has been limited to P3 and P4 targets and our opinion reflects that these are being under-reported. A review of other targets may have resulted in a different opinion.
Thematic and Cross Council Reviews						
Contracts Register <i>Draft Report</i>	1	1	-	Moderate	Limited	<p>Purpose: to review the adequacy of the design and operational effectiveness of the controls relating to the completeness and accuracy of the Council's contract register, including the extent to which contract leads are keeping information up to date so that the version published via the London Tenders Portal is accurate and complete. We also reviewed the expenditure incurred against the contracts to confirm that the original contract value has not exceeded the planned costs, or an approved variation agreement is in place where the actual costs have exceeded the budgeted costs.</p> <p>Key findings:</p> <ul style="list-style-type: none"> We reviewed the published monthly spending reports for the year 2021-22 and selected a sample of 15 items of expenditure over £5,000. We interviewed the Lead Contract Officers (LCOs) to assess whether the Council's guidance on publishing details on the contract register is complete, adequately understood and followed. We identified the following exceptions:

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> - In three cases, the LCO was either not aware of their responsibility of updating the register or believed it to be a procurement function - In three cases, the LCO advised that the guidance is adequate, however is not provided directly to the teams who undertake this work and that there is scope for further training - In two cases, the LCO advised that, when the contract is finalised, they do not tend to re-visit the system to publish the data on the register - In one case, the LCO advised that the guidance is useful, however could be updated and processes laid out more clearly. • We reviewed the Council’s contract register for May 2021 from the London Tenders Portal to assess whether the sampled contracts were listed on the register and the details were complete. We identified that three contracts were not included on the register • We assessed whether the Council’s contract register is periodically reviewed by the LCOs to ensure up to date information is maintained on the register. We identified in 12 cases that the LCOs do not review the contracts register periodically. The primary reason given for this was lack of clarity on their responsibilities. <p>Internal audit is to work with Departmental Senior Management teams to identify solutions to the issues raised (alongside those identified in the internal audit of Fairer Future Procurement Framework.</p>
Data Protection	-	4	1	Moderate	Moderate	<p>Purpose: to assess the Council’s compliance with Data Protection regulations and standards, including the requirements of the GDPR, that these have been applied in practice and that sufficient training has been completed by all officers.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • Freedom of Information/Subject Access Request response rates are

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>consistently below target. Overall, 22%-38% of cases were dealt with late.</p> <ul style="list-style-type: none"> • Dissolution of the Information Governance & Security Group has left a void that should be filled by alternative data governance arrangements • Although user education/security awareness has been provided to staff, this is not done on a regular basis. Ideally, Data Protection and Information Security training should be provided at least on an annual basis, and not only during the initial New Starter induction process. This is particularly important due to staff working from remote locations. • The Council's Data Classification plans, which would help to manage data appropriately, have been stalled and not progressed to completion.
Fairer Future Procurement Framework <i>Draft Report</i>	-	5	-	Moderate	Limited	<p>Purpose: to complete a review of departmental compliance with the Fairer Future Procurement Framework (FFPF), focusing on post award contract monitoring, reporting and governance.</p> <p>Key findings:</p> <p>Our sample testing of 15 contracts identified the following areas of non-compliance:</p> <ul style="list-style-type: none"> • Record maintenance - in three cases, records were not provided. • Inclusion of FFPF requirements in the contract - for three contracts insufficient documentation was provided to confirm the contract included the FFPF requirements. • Contract monitoring including FFPF requirements - In five cases, there was inadequate monitoring against the fairer future requirements. For one contract this was in mobilisation but no KPIs were agreed despite the contract being awarded. • Annual Reporting - for four contracts a report was not provided to confirm that an annual report had been made to the relevant board.

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>For one contract a report had been drafted but there was no evidence to confirm it had been passed to the relevant board.</p> <p>Internal audit is to work with Departmental Senior Management teams to identify solutions to the issues raised (alongside those identified in the internal audit of the Contracts Register).</p>
Financial Planning	-	-	1	Substantial	Moderate	<p>Purpose: to review the monitoring and reporting of budgeted income and savings and the extent to which they will be realised.</p> <p>Key findings:</p> <ul style="list-style-type: none"> For both the 2020-21 and 2021-22 financial years, budgets were submitted and approved by both Cabinet and Council Assembly in the February prior to each financial year commencing in accordance with the Corporate Timetable. In between the Cabinet reporting, forecasting was completed within departments based on Strategic Director and Chief Officer Team requirements. This was based on a risk-based approach and monthly reporting was completed on higher risk areas. Budgets were subject to the Council's monthly budgetary control process and areas of pressure identified through the year. This included the establishment of a Budget Recovery Board for Temporary Accommodation. For the financial year 2021-22, the overall original budget was exceeded by £8m, with housing and modernisation being the largest overspend area of £8m, alongside chief executives and finance and governance both overspending by £3m each. However, this was balanced by underspends and adult social care and strategic finance of almost £2m, and environment and leisure of almost £5m. Further planned movements in reserve were completed resulting in an overspend of £12.9, Covid-19 funding support was also received and utilised to mitigate against some of this overspend and our internal audit of Covid-19 expenditure confirmed that related costs were being identified, recorded, and reported to Government on a timely basis.

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>However, there was still an overall overspend of £1.9m. The Council has unallocated general fund reserves of £21m and net earmarked reserves of £205m.</p> <ul style="list-style-type: none"> • Due to the overall overspend and the need for the Council to use reserves, we provided an internal audit opinion of moderate assurance for the operational effectiveness of controls.
Fraud Protocols	-	5	-	Moderate	Limited	<p>Purpose: to review whether Council staff are aware of the fraud protocols, the extent to which Council departments are using the new fraud protocols and the timeliness of the decision-making process for how concerns should be pursued and whether reporting on the KPIs is in place.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • The Corporate Anti-Fraud Strategy was dated March 2012 to last until the 2015-16 financial year and had not been subsequently reviewed. • Responses received to a survey sent out to staff identified that none had received communications in relation to the fraud protocol, no training had been received in relation to the fraud protocol and one respondent advised they were unsure of the correct route to follow when reporting a fraud. • Two cases from the sample of 20 were not opened within the required three working days timescale. For 18 cases from the sample of 20, the s.151 and Monitoring Officer were not notified about the case by the fraud team case officer following initial assessment, in accordance with the fraud protocols. For seven cases there were delays of 31 days between action being taken and case notes being updated of any subsequent progress. • Details of bespoke training delivered to the housing, social care, and parking teams between October 2020 and March 2021, was provided however this did not include references to the fraud protocol. • A completion rate of the corporate mandatory fraud training was identified as 47% within the 12 months in the period March 2020 to

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings																		
	H	M	L	Design	Operational Effectiveness																			
						<p>April 2021. Reports were previously issued of those who had not completed the training, but this has not been recently undertaken.</p> <ul style="list-style-type: none"> Case reviews were undertaken monthly. However, these were not always fully documented based on discussions held, and these did not cover the timescales recorded in the officer work plans. 																		
Risk Maturity Assessment	17 advisory recommendations have been made across the five areas reviewed.			Advisory Review		<p>Purpose: to help ensure that an effective risk management culture becomes embedded across the Council, by highlighting areas where processes could be improved. As a primarily advisory piece of work, the assessment will not generate an assurance opinion. This review assessed how Southwark is managing risk and benchmarked the Council's approach against other authorities and made recommendations for improvement.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The current and target maturity levels for the five areas assessed, based on our work performed and a realistic trajectory of progress for the Council, are summarised below: <table border="1"> <thead> <tr> <th></th> <th>Risk Governance</th> <th>Risk Assessment</th> <th>Risk Mitigation</th> <th>Reporting and Review</th> <th>Continuous Improvement</th> </tr> </thead> <tbody> <tr> <td>Current</td> <td>Aware</td> <td>Aware</td> <td>Aware</td> <td>Naïve</td> <td>Naïve</td> </tr> <tr> <td>Target</td> <td>Managed</td> <td>Managed</td> <td>Managed</td> <td>Defined</td> <td>Defined</td> </tr> </tbody> </table> <ul style="list-style-type: none"> We found that the Council is performing in line with other Councils around governance and risk assessment. However, the Council has two naïve areas in reporting and continuous improvement when compared to other Councils. The Corporate and departmental risk registers have not been formally linked to the objectives set out in the Borough Plan 2020-2022. We found no evidence that the Risk Management Policy Statement and 		Risk Governance	Risk Assessment	Risk Mitigation	Reporting and Review	Continuous Improvement	Current	Aware	Aware	Aware	Naïve	Naïve	Target	Managed	Managed	Managed	Defined	Defined
	Risk Governance	Risk Assessment	Risk Mitigation	Reporting and Review	Continuous Improvement																			
Current	Aware	Aware	Aware	Naïve	Naïve																			
Target	Managed	Managed	Managed	Defined	Defined																			

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>Strategy has been approved by the Cabinet or the Audit, Governance and Standards Committee and it has not been updated since July 2018. Three out of the four Risk Champions we interviewed were not aware of the existence of the Council’s Risk Management policy or how to access it.</p> <ul style="list-style-type: none"> • Our interviews with four Risk Champions also highlighted that training had not been provided to them in this role. Furthermore, their performance as Risk Champion for their department is not formally covered and reviewed as part of their annual appraisal and continuing professional development • We found that there is no regular reporting on risk to the Chief Officer’s Team (COT) or to the departmental senior management teams; the CRR is not presented to any further groups for review and the local risk registers are not presented to any of the Council’s committees. • The Audit, Governance and Standards Committee review the Corporate Risk Register once a year as part of the annual report on corporate risk and insurance. More regular review would improve the oversight provided on the management of the risks facing the Council and the adequacy of the steps that have been taken to mitigate and manage risk. • There is inconsistency in the approaches to managing, identifying, or monitoring risk or risk registers across departments. <p>A detailed improvement plan has been developed in response to the assessment, which is to be delivered during 2022-23.</p>

REVIEW OF 2021-22 SCHOOLS INTERNAL AUDIT PROGRAMME

Budget and Financial Strategy Audits

The purpose of these audits was to review the adequacy and effectiveness of each school’s financial management strategy and controls, and the extent to which the expectations set out in the Schools Financial Value Standards for School Strategy and Setting the Annual Budget were being met.

The results of the first tranche of school audits have been previously as part of the Internal Audit Progress Report presented to the Audit, Governance and Standards Committee at its meeting on 20 September 2021.

The individual school’s internal audit opinions and assurance ratings against the School Financial Value Standards are summarised in the table below:

SCHOOL INTERNAL AUDIT SUMMARY	COBOURG PRIMARY	DOG KENNEL HILL PRIMARY	ROTHERHITHE PRIMARY	COMBER GROVE PRIMARY	ST FRANCESCA PRIMARY SCHOOL	ST JOSEPH’S CATHOLIC INFANTS
Internal Audit Assurance Opinion - Control Design	Moderate	Limited	Limited	Moderate	Moderate	Moderate
Internal Audit Assurance Opinion - Operational Effectiveness	Substantial	Limited	Limited	Moderate	Moderate	Substantial
Does the school have a realistic, sustainable, and flexible financial strategy in place for at least the next 3 years, based on realistic assumptions about future funding, pupil numbers and pressures?	Green	Amber	Amber	Green	Green	Green
Is the financial strategy integrated with the school’s strategy for raising standards and attainment?	Green	Amber	Amber	Green	Green	Green
Does the school set a well-informed and balanced budget each year (with an agreed and timed plan for eliminating any deficit)?	Amber	Red	Red	Amber	Amber	Green

SCHOOL INTERNAL AUDIT SUMMARY	COBOURG PRIMARY	DOG KENNEL HILL PRIMARY	ROTHERHITHE PRIMARY	COMBER GROVE PRIMARY	ST FRANCESCA PRIMARY SCHOOL	ST JOSEPH'S CATHOLIC INFANTS
Does the budget setting process allow sufficient time for the governing body to scrutinise and challenge the information provided?	Green	Amber	Amber	Green	Green	Green
Is the school realistic in its pupil number projections and can it move quickly to recast the budget if the projections and the reality are materially different?	Green	Amber	Amber	Green	Green	Green
Is end year outturn in line with budget projections, or if not, is the governing body alerted to significant variations in a timely manner, and do such variations result from explicitly planned changes or from genuinely unforeseeable circumstances?	Green	Red	Red	Amber	Green	Green
Are balances at a reasonable level and does the school have a clear plan for using the money it plans to hold in balance at the end of each year?	No closing Balance due to deficit	No closing Balance due to deficit	No closing Balance due to deficit	No closing Balance due to deficit	No closing Balance due to deficit	Green

Cyclical Compliance Audits

The purpose of a compliance audit is to assess whether the school has adequate controls to help prevent financial management weaknesses that could result in budget overspend or inappropriate decision making and expenditure.

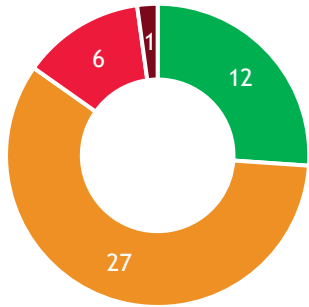
We completed two compliance reviews during 2021-22, a summary of the internal audit opinions, number of recommendations and key findings is provided below:

Report issued			Number of recommendations			Internal Audit Assurance Opinions		Key Findings
			H	M	L	Design	Operational Effectiveness	
Charlotte Sharman Primary	8	15	4	Moderate	Limited		<ul style="list-style-type: none"> The school is in deficit but did not have a recovery plan that had been approved by the Council. The financial procedures covered all key processes and roles and responsibilities, however the document used was dated November 2017. The bank mandate included a former governor and as per the Scheme of Delegation, a governor is not one of the stipulated signatories. Record keeping was limited in some areas. For example, direct debit mandates could only be found for two of our five sample and there were no central contracts register. The school's 2021-22 budget was not approved prior to 31 May (approved on 13 July 2021). Two actions regarding the budget were discussed at the May 2021 Resources Committee meeting but were not reported back at the subsequent meeting in October 2021. The payroll contract was dated 2014-16 and there was no record of the school testing the market to confirm value for money. Three of five salary payments were inaccurate; the gross salary in the January 2022 payroll report did not match the apportioned amount as per the September 2021 salary statement. Two were significant roles at the school - one was paid an amount higher than expected, another was paid an amount lower than expected. Purchase orders were not in operation at the school, there was no evidence of goods receipting and significant delays in invoice payment. The named holder of the school's credit card was the school's previous Head Teacher. 	

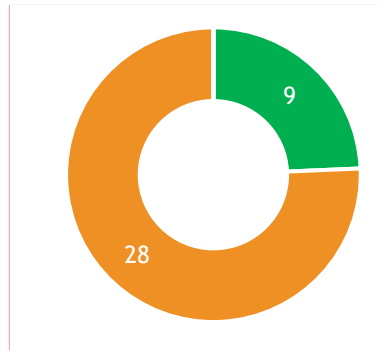
Report issued	Number of recommendations			Internal Audit Assurance Opinions		Key Findings
	H	M	L	Design	Operational Effectiveness	
Southwark Inclusive Learning Service	2	3	5	Moderate	Moderate	<ul style="list-style-type: none"> • Purchase orders were not appropriately raised, and goods received notes are not completed, goods received notes are not being recorded and payments to suppliers are not always made in a timely manner. • Cashflow forecasting was not completed by the school. • The payroll contract had not been updated to cover the current period of April 2021 to March 2022 and has not been retendered for since 2014. • Signed contracts for all employees are not retained. Declarations of interest were not completed by all governors.

ASSURANCE OPINIONS AND RECOMMENDATIONS DASHBOARD

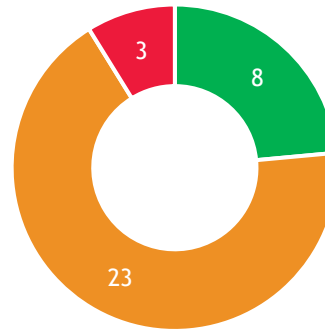
2018-19
Control Design



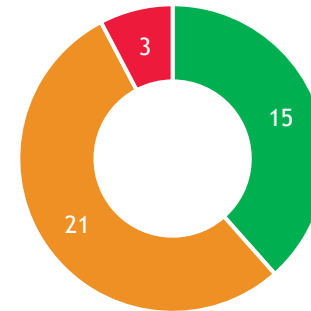
2019-20



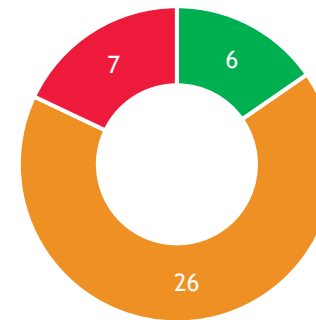
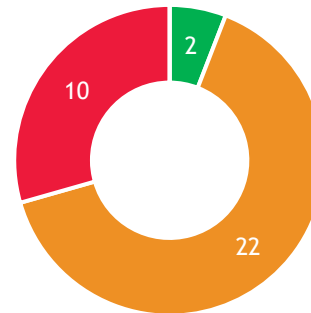
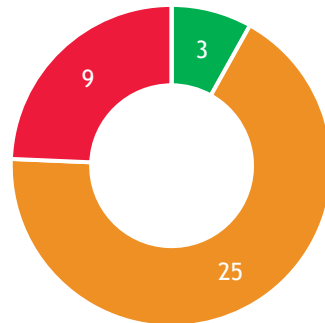
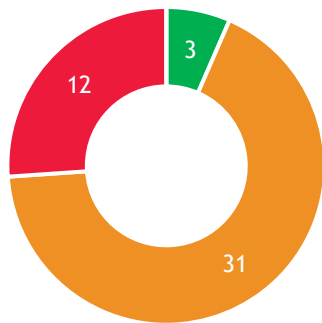
2020-21



2021-22

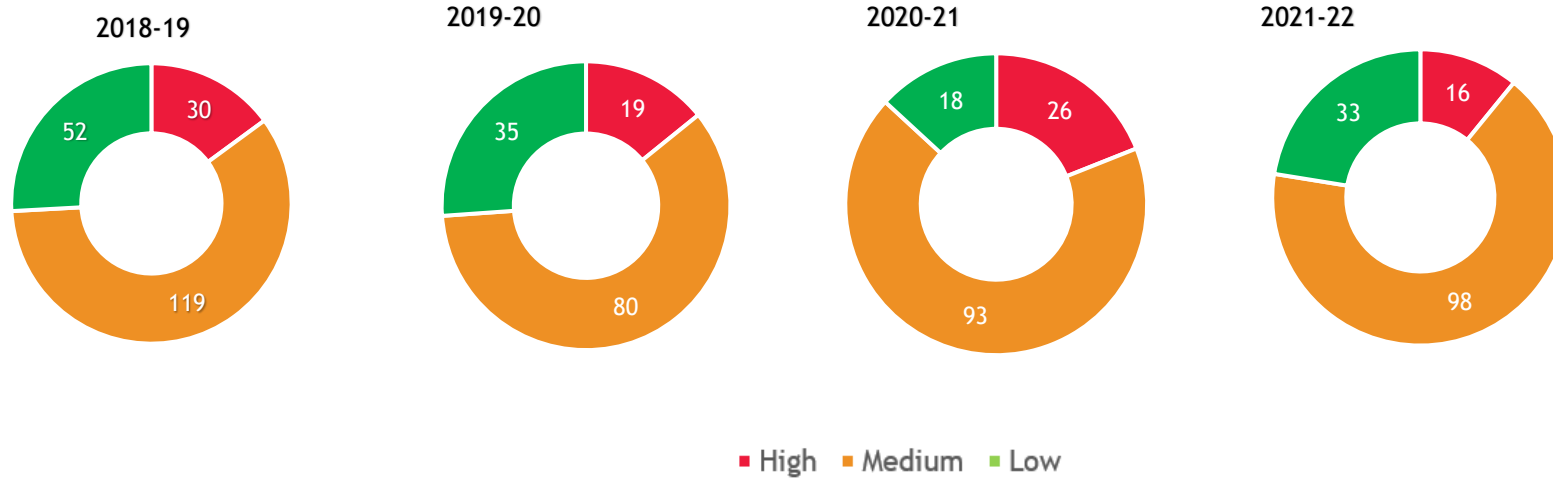


Operational Effectiveness



■ Substantial ■ Moderate ■ Limited ■ No

Recommendations



ADDED VALUE



USE OF SPECIALISTS

We continued to use our IT specialists to deliver the IT audit plan, and for the Data Protection audit.



RESPONSIVENESS

We have continued to be flexible with the audit plan in light of the continuing impact of Covid-19, undertaking detailed reviews at relative short notice, including grant certifications.



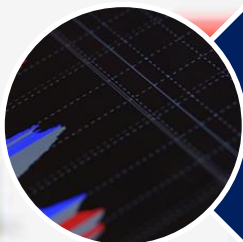
BENCHMARKING AND BEST PRACTICE

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

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

We identified areas where the Council can improve performance and create efficiencies e.g. risk management, contract and partnership management.

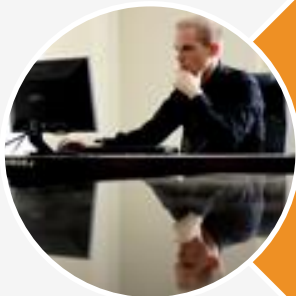
Best practice comparisons were undertaken (e.g. emergency planning, continuing healthcare, tenancy succession management and insurance)



INNOVATION

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

KEY THEMES



PEOPLE

Overall, there were clear roles and responsibilities within the areas reviewed. There have been changes in senior management responsibilities and reliance on key individuals is more apparent as funding and resources tighten further. The impact of Covid-19 continues and the challenge of developing hybrid ways of working and return to the office. The need to revisit training provided was also identified in some areas, including Member/Officer protocols, data protection and Mosaic systems.



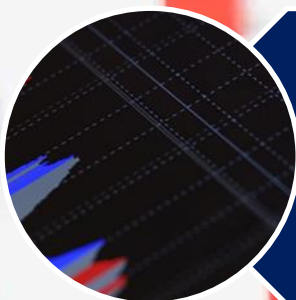
SYSTEMS & PROCESSES

There are policies and procedures in place for the majority of systems. However, we continued to identify non-compliance with these within some key areas such as Accounts Payable, Processing of social care payments in Mosaic, procurement and contract management and fraud protocols.



POLICES & PROCEDURES

There are insufficient policies and procedures in the following areas reviewed: Demolition Process (MSHO), Substance Misuse Rehabilitation Service (SMRT), New Homes Programme and IT Software Asset Management



GOVERNANCE & FOLLOW UP

Overall there are sound Governance and effective monitoring arrangements in place across the Council. The Risk Maturity assessment identified areas where oversight and reportign could be enhanced.

Recommendation implementation rates have improved and returned to pre-Covid19 levels.

BACKGROUND TO ANNUAL OPINION

Introduction

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

Our internal audit work for the 12-month period from 1 April 2021 to 31 March 2022 was carried out in accordance with the internal audit plan approved by management and the Audit, Governance and Standards Committee, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

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

Scope and Approach

Audit Approach

We have reviewed the control policies and procedures employed by London Borough of Southwark to manage risks in business areas identified by management set out in the 2021-22 Internal Audit Annual Plan approved by the Audit, Governance and Standards Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

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

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

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

Reporting Mechanisms and Practices

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

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

Management actions on our recommendations

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

Recommendations follow-up

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

The implementation rate for previous recommendations is currently 87%. This rate is an improvement from 2020-21 and is commensurate to pre-Covid-19 levels.

Relationship with external audit

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

Report by BDO LLP to London Borough of Southwark

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










In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides London Borough of Southwark with Moderate assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2021-22. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.





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

- All internal audits undertaken by BDO LLP during 2021-22
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to London borough of Southwark
- Any limitations which may have been placed on the scope of internal audit - no restrictions were placed on our work.



KEY PERFORMANCE INDICATORS

Description / KPI for Internal Audit 2021-22	Actual and comment	RAG Rating
Audit Coverage		
Annual Audit Plan for 2021-22 delivered in line with timetable	All internal audit work agreed with senior management for completion during the year has been completed. Some audits as detailed in this report have been deferred to 2022-23.	
Actual days are in accordance with Annual Audit Plan - 1,030 days	We delivered 1,089 days of internal audit work the internal audit plan, the additional days related to work carried forward from 2020-21 and audits not in the original plan.	
Relationships and customer satisfaction		
Customer satisfaction reports - overall score at average of at least 3.5 / 5 for surveys issued at the end of each audit.	We have received seven survey responses relating to 2021-22 audits, providing an overall rating of 5 in four cases and 4 out of 5 in three cases.	
Annual survey to Audit, Governance and Standards Committee to achieve score of at least 70%.	A survey will be issued during the year.	-
External audit can rely on the work undertaken by internal audit (where planned)	N/A to date	-
Staffing		
At least 60% input from qualified staff	KPI has been met for the year.	
Audit Reporting		
Issuance of draft report within 3 weeks of fieldwork `closing` meeting	All draft reports issued to date were within 3 weeks of the closing meeting.	
Finalise internal audit report 1 week after management responses to report are received.	All final reports issued to date were within 1 week of receipt of the complete management responses.	
90% recommendations to be accepted by management	Recommendations are largely accepted by management following the closing meeting.	
Information is presented in the format requested by the customer	We have agreed the reporting format with the Strategic Director of Finance and Governance.	
Audit Quality		
High quality documents produced by the auditor that are clear and concise and contain all the information requested - measured within customer satisfaction surveys	We have received seven survey responses as at the end of the year, four providing a rating of 5 and three providing a rating of 4 out of five with regards to the quality of our outputs.	





<p>Positive result from any external review</p>	<p>In June 2021 an External Quality Assessment by the Institute of Internal Auditors reported that BDO LLP's Public Sector Internal Audit Team 'generally conforms' with the International Professional Practices Framework (IPPF) and the Public Sector Internal Audit Standards (PSIAS).</p> <p>This is the highest of the three ratings categories.</p>		
<p>Description / KPI for Council Management and Staff 2021-22</p>			
<p><i>Response to terms of reference and reports</i></p>		<p>Actual and comment</p>	<p>RAG Rating</p>
<p>Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within three weeks of receipt</p>	<p>With minor exceptions (usually due to leave commitments), Council management have responded in a timely manner.</p>		
<p><i>Implementation of recommendations</i></p>			
<p>Audit sponsor to implement all audit recommendations within the agreed timeframe</p>	<p>At the end of the year 87% of recommendations due had been implemented.</p>		
<p><i>Co-operation with internal audit</i></p>			
<p>Internal audit to confirm to each meeting of the Audit, Governance and Standards Committee whether appropriate co-operation has been provided by management and staff:</p> <ul style="list-style-type: none"> a) providing unrestricted access to all the Council's records, property, and personnel relevant to the performance of engagements b) responding to internal audit requests and reports within the agreed timeframe and in a professional manner c) being open to internal audit about risks and issues within the organisation d) not requesting any service from internal audit that would impair its independence or objectivity e) providing honest and constructive feedback on the performance of internal audit 	<p>We can confirm that to date the Council's management and staff have cooperated as per the commitments a) to e).</p>		

APPENDIX I

ANNUAL OPINION DEFINITION

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

REPORT OPINION SIGNIFICANCE DEFINITION

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

RECOMMENDATION SIGNIFICANCE DEFINITION

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



FOR MORE INFORMATION:

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