

# INTERNAL AUDIT PROGRESS REPORT

London Borough of Southwark  
2023-24 and 2024-25

For presentation to the Audit, Governance  
and Standards Committee 5 September 2024

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# 1. SUMMARY OF INTERNAL AUDIT WORK

## INTERNAL AUDIT

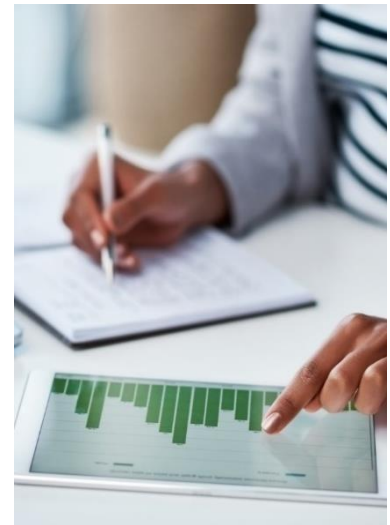
This report informs the Audit, Governance and Standards Committee of progress against completion of the 2023-24 internal audit plan and a summary status report relating to the progress against the 2024-25 plan. It summarises the work we have undertaken, together with our assessment of the systems reviewed and the recommendations we have raised.

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

## INTERNAL AUDIT METHODOLOGY

We agree terms of reference for each piece of work with the designated audit owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

Our reporting methodology is based on four assurance levels in respect of our overall conclusions as to the design and operational effectiveness of controls within the system reviewed - substantial, moderate, limited or no assurance. The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system, we are required to make a judgement when making our overall assessment. The definitions for our assurance levels are set out in the appendix to this report.



## 2023-24 INTERNAL AUDIT PLAN

The status of the audits commenced to date for 2023-24 is outlined within section two of this report. We have issued all final reports.

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

The final internal audit annual report and head of internal audit opinion for 2023-24 is included under separate cover with your papers.

## 2024-25 INTERNAL AUDIT PLAN

We have confirmed the specific timings with the lead officers for the majority of the audits in the plan for 2024-25 and we are making good progress on the audits scheduled for quarters one and two. A status report for the 2024-25 internal audit plan is included in section three of this report.

As the primary focus of this report is 2023-24, where 2024-25 work has been completed and reports have been finalised, the executive summaries will be included in our progress report presented to the November 2024 meeting of the Committee.

## INTERNAL AUDIT PROGRAMME FOR SCHOOLS

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

The annual schools summary report for 2023-24 is included under separate cover with your papers.

The school internal audit plan has commenced with school site visits for the Summer term completed in June and July 2024 as planned.

A schedule of status and internal audit opinions for schools across 2023-24 and 2024-25 is included in section four of this report.

## **FOLLOW UP**

Since our last report in June 2024 the Council has increased its recommendation implementation rate from 89.6% to 92.8%. This increase is largely due to receiving evidence to support the implementation of recommendations, and therefore being able to mark those recommendations as fully implemented.

Several recommendation target dates for 2022-23 audits continue to be revised, which is preventing this implementation rate from improving further. Overall, the remaining longstanding recommendations from previous years yet to be fully implemented have reduced in number.

Summary information and the status of recommendations that have not been completed is included in section six of this report. Further details on recommendations not yet implemented in full is included in our supplementary report.

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

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

## **RESULTS OF BDO INTERNAL QUALITY REVIEW**

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

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

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

## 2. SUMMARY OF INTERNAL AUDIT PLAN 2023-24

The table below includes the status of audits not previously reported to the Audit, Governance and Standards Committee. For those audits shaded in grey, the executive summaries are included in section 4.

Audit	Director / Sponsor	ToR issued	Field work	QA / Reporting	Design	Operational Effectiveness
<b>FINAL REPORTS - EXECUTIVE SUMMARIES INCLUDED IN THIS PROGRESS REPORT</b>						
Accounts Receivable and Debt Management	Director, Customer and Exchequer Services	✓	✓	Final	Moderate	Moderate
Building Safety	Assistant Director, Building Safety	✓	✓	Final	Moderate	Moderate
Capital Expenditure Management - Housing Revenue Account	Director, Finance	✓	✓	Final	Moderate	Moderate
Council Delivery Plan	Assistant Chief Executive, Strategy and Communities	✓	✓	Final	Moderate	Moderate
Housing Benefits	Director, Customer and Exchequer Services	✓	✓	Final	Substantial	Moderate
ICS / ICB Partnership Governance	Director, Commissioning	✓	✓	Final	Substantial	Moderate
IT - Cyber Security	Chief Digital & Technology Officer	✓	✓	Final	Moderate	Limited
IT - Hardware Asset Management	Chief Digital & Technology Officer	✓	✓	Final	Moderate	Limited
IT - Service Review	Chief Digital & Technology Officer	✓	✓	Final	Substantial	Moderate
Leisure Services Assurance	Director, Leisure	✓	✓	Final	Moderate	Substantial
Legal Fees	Director, Children and Families / Assistant Chief Executive - Governance and Assurance	✓	✓	Final	Moderate	Moderate
Payroll	Director, Customer and Exchequer Services	✓	✓	Final	Moderate	Moderate

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

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

Audit	Director / Sponsor	Timing / ToR issued	Field work	QA / Reporting	Design	Operational Effectiveness
<b>CHILDREN AND ADULT SERVICES DIRECTORATE</b>						
Deputyships and Appointeeships	Director, Adult Social Care	September 2024				
Foster Carers	Director, Children and Families	November 2024				
Social Care Contract Management	Director, Commissioning	December 2024				
Substance Misuse	Director, Public Health	September 2024				
Supported Families - Quarter One	Director, Children and Families	✓	✓	Final	N/A - Grant	
Supported Families - Quarter Two	Director, Children and Families	✓ September 2024				
Supported Families - Quarter Three	Director, Children and Families	✓ December 2024				
Supported Families - Quarter Four	Director, Children and Families	✓ March 2025				
Traded Services	Director, Children and Families	December 2024				
Waiting Lists	Director, Adult Social Care	October 2024				
<b>ENVIRONMENT, NEIGHBOURHOODS AND GROWTH DIRECTORATE</b>						
Climate Emergency	Climate Change and Sustainability Director	January 2025				
Enforcement	Director, Environment	January 2025				

Highways Maintenance	Director, Environment	January 2025				
Planning Applications and S106 Agreements	Director, Planning and Growth	✓	✓			

Audit	Director / Sponsor	Timing / ToR issued	Field work	QA / Reporting	Design	Operational Effectiveness
Pest Control	Director, Environment	✓ September 2024				
Solace Overpayments	Director, Communities	✓	✓	✓ Draft 08/07/24		
Streets for People Strategy	Director, Environment	October 2024				
Street Lighting and Signs	Director, Environment	January 2025				
Waste contract / PFI	Director, Environment	October 2024				
Youth and Play Service	Director, Leisure	October 2024				

### FINANCE DIRECTORATE

Accounts Payable	Director, Customer and Exchequer Services	November 2024				
Bankline	Director, Customer and Exchequer Services	✓	✓	✓ QA		
Bribery and Corruption Controls	Strategic Director of Finance	January 2025				
Budgetary Monitoring and Reporting	Director of Corporate Finance	✓	✓			
Council Tax	Director, Customer and Exchequer Services	October 2024				

Housing Rents	Director, Customer and Exchequer Services	November 2024				
Mosaic Financial System	Director, Customer and Exchequer Services	✓	✓			
Pensions Administration	Head of Pensions Operations	November 2024				

Audit	Director / Sponsor	Timing / ToR issued	Field work	QA / Reporting	Design	Operational Effectiveness
Service Charges	Director, Customer and Exchequer Services	December 2024				
Suspense Accounts Management	Director of Customer and Exchequer Services	✓ September 2024				
Treasury Management	Chief Investment Officer	✓	✓	✓ Draft 21/08/24		

#### GOVERNANCE AND ASSURANCE

Contract Management	Assistant Chief Executive	January 2025				
Corporate Facilities Management	Assistant Chief Executive	✓	✓			
Information Requests	Assistant Chief Executive	✓	✓	Final	Substantial	Limited
Mayor's Office and Expenses	Head of Constitutional Services	✓	✓			
Payroll	Director, People and Organisational Development	January 2025				
Scrutiny	Head of Scrutiny	✓	✓			



Workforce Governance	Chief Executive / Assistant Chief Executive	December 2024				
<b>HOUSING DIRECTORATE</b>						
APEX Asset Management System	Director, Asset Management	TBC				
Asset Management Statutory Compliance	Strategic Director, Housing	✓	✓	Draft 15/08/24		
Engineering Services	Director, Asset Management	TBC				
Housing Applications and Allocations	Director, Resident Services	December 2024				
Audit	Director / Sponsor	Timing / ToR issued	Field work	QA / Reporting	Design	Operational Effectiveness
Temporary Accommodation	Director, Resident Services	February 2025				
TMO - Cooper Close	Director, Resident Services	✓	✓	Final	Limited	Limited
TMO - Falcon Point	Director, Resident Services	✓	✓	Final	Moderate	Moderate
TMO - Gloucester Grove	Director, Resident Services	✓ September 2024				
TMO - Two Towers	Director, Resident Services	✓	✓			
<b>IT AND SHARED SERVICES AUDITS</b>						
Change Management	Chief Digital & Technology Officer	September 2024				
Incident Management	Chief Digital & Technology Officer	September 2024				

STS Financial Management	Chief Digital & Technology Officer	✓	✓			
Cyber Security Controls over Supply Chain	Chief Digital & Technology Officer	December 2024				
<b>STRATEGY AND COMMUNITIES</b>						
Communications and Media	Assistant Chief Executive	November 2024				
Emergency Planning and Resilience	Assistant Chief Executive & Emergency Planning & Resilience	✓	✓			
People Power Innovation Fund - Governance Framework	Assistant Chief Executive, Strategies and Communities	✓	✓	Final	N/A - Advisory	
Southwark 2030 and strategic planning	Assistant Chief Executive	December 2024				

## 4. SCHOOLS INTERNAL AUDIT PROGRAMME

School	Status	Design	Operational Effectiveness
<b>2023-24</b>			
Alfred Salter Primary School	Draft Report 02/04/2024	Moderate	Moderate
Comber Grove Primary School	Draft Report 12/04/2024	Moderate	Limited
Victory School	Draft Report 16/05/24	Substantial	Moderate
<b>2024-25</b>			
Goodrich Primary School	Final Report to be issued after the Summer break		
Heber Primary School	Draft Report 17/07/24 - response received, further evidence is being reviewed		
Boutcher Church of England Primary School	Draft Report 01/08/24		

Bessemer Grange Primary School	Fieldwork completed		
Bird In Bush School	Fieldwork completed		
Highshore School	Fieldwork completed		
St Thomas the Apostle School and Sixth Form College	Fieldwork completed		
The Cathedral School of St Saviour and St Mary Overie	Fieldwork completed		
John Ruskin Primary School	November 2024		
Nell Gwynn	November 2024		
St Francis's RC Primary School	November 2024		
St John's and St Clement's Church of England Primary School	December 2024		
St John's Roman Catholic Primary School (3669)	December 2024		
St Joseph's Catholic Infants School	December 2024		
St Joseph's Catholic Primary School, Gomm Road	January 2025		
St Saviour's and St Olave's Church of England School	January 2025		

## 5. FINAL REPORTS - EXECUTIVE SUMMARIES

<b>Accounts Receivable and Debt Management</b>			
LEVEL OF ASSURANCE	<b>MODERATE</b>	<b>MODERATE</b>	RECOMMENDATIONS
			High - Medium 4
			Low 3
<b>Purpose of review:</b> to provide assurance over the adequacy of and compliance with controls in respect of accounts receivable and debt management.			
<b>Added value:</b> we completed a series of data analytics to assess the effectiveness of the debt management arrangements at the Council. We did not identify areas of concern such as duplicate or incomplete records. We raised concerns over increases in the level of debt (see below).			

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**Areas of strength:**

- From our review of a sample of 20 invoices we confirmed that the Council accurately recorded the amount and issued the invoices to the correct customer within the prescribed timeframes.
- We found that the Council's guidance notes and corporate write off policy guidance set out a detailed framework. From our review of a sample of 20 invoice write offs we confirmed that the policy had been followed, documentation retained, the value amount matched the original invoice, appropriate authorisation was recorded, and customer details were documented.
- We reviewed the Council's process documentation and supporting guidance for how to use the new system Bottomline PT-X and found that the Council have supplied staff members with clear documentation for those responsible for the input into the dataset and reports.
- We confirmed via a review of six months of the Council's Corporate Debt Monitor that the Corporate Debt Monitor is being produced monthly. Additionally, we found the FC&P team brings to the attention of relevant departments their respective debt provisions.

**Main areas of concern:**

- The Council has an abundance of overarching AR policies and processes; however we found an absence of a central source document. Departments should have in place local procedures, however we found that one did not have any procedures in place.
- Council policy and guidelines mandate an audit trail for refund requests to be processed in SAP, including authorised credit/refund forms. Our review of a sample of 20 credit notes identified exceptions in 12 cases: seven lacked signatures from requestors and authorisers, three lacked the authorisers signature and two lacked the requestor's signature. Four of these credits / refund values were significant, ranging from £112k to £350k in value.
- Our review of a sample of 20 changes to existing customer accounts to assess change controls for maintaining data integrity, we found that ten transactions lacked the required approval for changes to be made to base data such as bank accounts, increasing the risk of bank mandate and payment fraud. In ten cases, the amendment form was missing but an email confirmation authorised the change and in three cases, there was no email thread or approval trail retained.
- Through our review of the Council's processes for monitoring debts, recovery of debts and bad debt provisions, the FC&P and Finance team highlighted a lack of visibility over bad debt provisions to ensure consistency and visibility across departments at the Council. The Council's bad debt provisions are not centrally managed, instead are handled individually within each department. The Chief Accountant highlighted the absence of a general provision for accounts receivable debts and the Accounts Receivable team have concurred that a centralised solution would be more effective.
- The aged debt from 2022-23 brought forward was valued at approximately £98.6 million in comparison to the outstanding debt at 2023-24 valued at approximately £85.2 million. However, we identified the following departments debt had increased: Highways 0.91% (£901k), Finance 1.24% (£1.2m) and MOSAIC 3.65% (£3.5m).

## Building Safety

LEVEL OF ASSURANCE

MODERATE

MODERATE

RECOMMENDATIONS

High - Medium  
1  
Low 4

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**Purpose of review:** to provide assurance over both the design and operational effectiveness of controls in place to ensure compliance with the Building Safety Act 2022. The review considered the key changes brought about by the Act and the actions taken or plans in place to address them in relation to higher risk buildings.

**Areas of strength:**

- The Council is working towards a documented timeline and produces monthly reports to track activities to show when the requirements of the Building Safety Act are to be met. Deliverables have been assigned responsible lead officers and progress is monitored using a RAG rating and reported at an Operational Group meeting. The Housing Board and CMT provide an additional layer of scrutiny and review the monitoring reports on a bi-monthly basis. Three KPIs are actively monitored. Additionally officers have introduced a new system called Risk Flag to enhance overall scrutiny of the completion of building safety case reports.
- The Council uses various systems (Apex, Northgate, Sharepoint) to record information relating to higher risk properties. A new database, True Compliance, is to be implemented to enhance the monitoring arrangements and maintain a golden thread of information in one location.
- The Council's list of Council-owned residential buildings identifies 187 higher risk buildings falling within the remit of the Building Safety Act 2022. For a sample of 15, we confirmed that all had a responsible officer assigned and had been registered with the Building Safety Regulator.
- There is a Council-wide system in place to investigate any complaints as stipulated by the Act.
- The Council has worked with the regulator and created a sub group with a number of representatives from other London Councils and Housing Associations. The Council has formulated an overall engagement strategy and analysed and incorporated feedback from residents. The Council has also partnered with the London Fire Brigade and the Council's Repairs Service to hold event days at various locations to engage further with different estates. The Council has built a new web page - Building Safety Programme - Common Place, which is a site dedicated to building safety. We confirmed that the Council had engaged with residents of each of our sample of 15 higher-risk buildings.

**Main areas of concern:**

- Our testing of 15 building safety case reports showed they were all still in draft and did not incorporate all of the elements recommended by the regulator.
- As of January 2024, the Council had missed two out of three of its key performance indicators: Target 1 (% of Surveys of the Building Safety Programme plan completed) - 57% (target was to complete 100%), Target 3 (% of Safety Cases of the Building Safety Programme completed - 75% (target was to complete 100%).
- The Council has a suite of documented procedures. However, the Southwark Building and Fire Safety Policy was still in draft and did not have an approval date or owner.
- We surveyed 25 members of staff and received 15 responses. One officer stated they had not received training on the Building Safety Act 2022 and was not confident they understood the requirements of the Act and how it affects their role.
- The Council publishes a list of higher risk buildings on its website. This list details 174 properties, however Council records show there are 187 properties, therefore the online list needs updating.

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## Capital Expenditure Management - Housing Revenue Account

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LEVEL OF ASSURANCE	MODERATE	MODERATE	RECOMMENDATIONS	High - Medium 2 Low -
<p><b>Purpose of review:</b> to provide assurance on the adequacy of the design and operational effectiveness of Capital Expenditure Management for the Housing Revenue Account. The audit purpose was not to focus on capital project delivery management but rather Capital Expenditure (budget) Management.</p>				
<p><b>Areas of strength:</b></p> <ul style="list-style-type: none"> <li>• Portfolio holders: For a sample of HRA schemes (Appendix I) our testing confirmed that capital projects are assigned to individual project teams, in line with their responsibilities, experience, and qualifications. This is demonstrated in the Asset Management month 8 forecast review report and Cashflow month 7.</li> <li>• Capital expenditure policies and procedural guidance: These are documented and readily available to staff on the intranet, however, our review identified an area of improvement.</li> <li>• Budget monitoring and reporting: Capital projects are monitored and scrutinised on an ongoing basis. This is occurring while the Council is undertaking detailed work to prioritise and reprofile the HIP and HRA in order to achieve best value and ensure long-term financial sustainability of the capital programme. Capital Expenditure (HRA) monitoring is reported to Cabinet as part of the month 4 and 8 budget monitoring and the outturn reports.</li> </ul> <p><b>Main areas of concern:</b></p> <ul style="list-style-type: none"> <li>• From an internal control perspective, there is generally a sound system of governance and internal control designed to achieve the capital expenditure (Housing Revenue Account) objectives. We made recommendations to improve the governance framework relating to mandate that the Strategic Director of Housing seeks an initial agreement from the Strategic Director of Finance to proceed with any new capital expenditure based on an initial scheme estimate, and appraisal and prioritisation of the available resources. In addition, the overarching Housing Asset Management Strategy covering the period 2016-17 to 2023-24 setting out how the Council intends to manage its property assets to support HRA business plan objectives was found to be a draft document.</li> <li>• However, the (primarily inflationary and interest rate increase) costs associated with delivery slippage in the new homes programme and asset management programme have impacted upon the ability of the Council to deliver the programme within its original approved budgets. The HRA budget for 2023-24 was £313m. The year end forecast reported to the HRA Budget Recovery Board (HRABRB) on 25 January 2024 was £352m. We were informed that the changes in forecast were due mainly to forecast corrections, and adjustments due to slippage in the new homes programme and asset management programme. A detailed HRA business recovery plan was presented to the HRABRB for approval on 25 January 2024.</li> <li>• The uncertainties for the medium and long-term sustainability of the Council’s budget, and a trend towards increasing overspending - including the Housing Revenue Account (HRA) deficit - were acknowledged in the LGA Corporate Peer Challenge, as reported to the Audit, Governance and Standards (AGS) Committee in February 2024. The Council’s external auditors also reported the gap between the forecast capital spending and current available funding in its updated annual report for 2021-22, also reported to the AGS Committee.</li> <li>• While there are acknowledged and significant budgetary pressures on the HRA capital expenditure programme, the Council is taking proactive measures to address them, primarily through the establishment of a budget recovery board. This mechanism has proven successful in the past with regards to other areas of budget pressure. Given that the Council is taking action to address the budget concerns and performance, we did not raise a specific recommendation.</li> </ul>				

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## Council Delivery Plan

LEVEL OF ASSURANCE

MODERATE

MODERATE

RECOMMENDATIONS

High - Medium  
2  
Low -

**Purpose of review:** to provide assurance on the adequacy of the plans underpinning the Council Delivery Plan, and the governance and reporting arrangements relating to its delivery.

### Areas of strength:

- We confirmed through review of evidence provided that the Plan was informed by large scale research and consultation, which included “Understanding Southwark”, research commissioned by the Council with Social Life; “Life after COVID”, research in partnership with The Social Innovation Partnership (TSIP), “Survey of Londoners” carried out by Ipsos Mori for London Councils. As a direct result of this work, the Council developed 62 objectives within the Plan, under which there are over 150 commitments, all of which were informed by what residents told the Council.
- We found the Delivery Plan is available to residents and other stakeholders via the Council’s website has been communicated to key staff.
- We found the tools used to monitor completion of the Delivery Plan to be effective. The Council has recently introduced a dashboard through which updates are requested and monitored. The Council uses a RAG rated system to show progress towards completing the Plan. The dashboard is an improvement on the previous monitoring system used which was an Excel spreadsheet.
- We confirmed updates regarding the Delivery Plan deliverables are regularly requested from lead officers and responses are monitored using the dashboard. We received evidence that quarterly reports are submitted to CMT. There is a clear six stage reporting timetable in place for each quarter, which has been communicated to officers, which covers requests for updates, departmental review and sign off by lead officers and reporting to CMT, Cabinet Members and sign off by Lead Cabinet Member, Performance Member and Leader.
- We consider there to be adequate resource/resilience to manage the oversight of the Plan. This area was identified as a risk during the scoping of the audit. However, the team used to monitor the Delivery Plan was increased by three officers in September 2023, during fieldwork, to provide additional resilience and resource. The monitoring of the Delivery Plan has also been enhanced with the introduction of the new monitoring dashboard which helps mitigate the risk.
- Officers responsible for monitoring the plan confirmed it is on track to be delivered. The latest report from the monitoring dashboard, covering the four years of the plan, shows 32.12% of metrics are complete, 56.58% are not yet due, 8.62% are overdue and 2.68% are not reported. Anything marked as overdue is rated as amber or red in the reporting quarter so this can be monitored and followed up.

### Main areas of concern:

- We sought to test a sample of theme objectives from the Delivery Plan to confirm underlying plans exist and that there is regular communication between the lead officer and the Cabinet Member. We chose one area under each Strategic Director (six in total) and requested supporting evidence. We received limited engagement and therefore could not provide full assurance in this area.
- We received a report from the monitoring dashboard showing the progress of the Plan. The report classified the metrics as complete, overdue, not yet due and not reported. Officers explained that any overdue metric that is subsequently completed should be classified as completed late, however this classification is not being used by officers as it was not understood.

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## Housing Benefits and Council Tax Reduction Scheme

LEVEL OF  
ASSURANCE

SUBSTANTIAL

MODERATE

RECOMMENDATIONS

High - Medium  
1  
Low 1

**Purpose of review:** to provide assurance on the continuing adequacy of and compliance with controls in respect of housing benefits and more recently, universal credits.

**Added value:** we completed a series of data analytics to confirm that records contained all necessary information, the validity of large overpayments or write-offs recorded on accounts, whether any duplicate benefits payments were being made to the same applicant and appropriateness of different applicants with the same bank details. This exercise did not reveal any issues.



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**Areas of strength:**

- The benefits system was accurately configured with the latest 2023-24 statutory allowances and rates according to the latest DWP guidance, and the latest approved discounts under the local Council Tax Support Scheme. Tests and live reconciliations had been undertaken on the updated parameters. All tests and live reconciliations have been signed off by the Benefits Manager.
- The Council had adopted the latest practice on income and capital disregards issued by the DWP on 29 January 2024.
- Through sample testing we confirmed that:
  - all users were current staff in the Council, user access to data in relation to Housing Benefits and local Council Tax Support applications was appropriate to the relevant roles of staff.
  - sufficient documentary evidence was obtained when assessing new Housing Benefit applications. Appropriate exemptions, based on documentary evidence, were granted where the applicants were vulnerable.
  - overpayment invoices were raised where applicable, and the others were recovered from the ongoing benefits.
  - bank detail changes were processed only when sufficient supporting documentation was provided. Changes were correctly updated on Northgate, and sufficient notes were attached to explain the change that had been made.
  - once notification of universal credit application was received from the DWP, an appropriate reaction was made in a timely basis. Notification was correctly processed on Northgate within 7 days, meeting the Council's target.
  - proformas with detailed reasons and explanations were provided for requesting write-offs. Appropriate authorisations were given for each write-off. Segregation of duty was evidenced.
  - each manual adjustment, a fully completed and authorised proforma was retained in the Council's image system.

**Main areas of concern:**

- We sought to test a sample of theme objectives from the Delivery Plan to confirm underlying plans exist and that there is regular communication between the lead officer and the Cabinet Member. We chose one area under each Strategic Director (six in total) and requested supporting evidence. We received limited engagement and therefore could not provide full assurance in this area.
- We received a report from the monitoring dashboard showing the progress of the Plan. The report classified the metrics as complete, overdue, not yet due and not reported. Officers explained that any overdue metric that is subsequently completed should be classified as completed late, however this classification is not being used by officers as it was not understood.

**ICS / ICB Partnership Governance**

LEVEL OF ASSURANCE	SUBSTANTIAL	MODERATE	RECOMMENDATIONS	High	Medium
				1	1
				Low	1

**Purpose of review:** to provide assurance on the adequacy and effectiveness of the Council's role regarding the governance arrangements in place for the Integrated Care System, such that it was meeting its responsibilities to support effective partnership working.

**Added value:** We compared Southwark Council’s practices in their integration with the ICS arrangements for four other Partnerships across London.

**Areas of strength:**

- We reviewed the key strategies of the Health and Wellbeing Board, Southwark Partnership, South East London Integrated Care Partnership, and the Integrated Care Board, and confirmed that the objectives and responsibilities detailed in the various strategies were consistent.
- The Terms of Reference (ToR) for the Boards and Groups related to the Council’s collaboration with the ICS clearly define the roles and responsibilities of these groups and the contents of meetings and actions performed by these groups were consistent with these.
- The Health and Wellbeing Board has met its statutory duty of producing a Joint Health and Wellbeing Strategy (JHWS), Joint Strategic Needs Assessment (JSNA), performing an oversight and monitoring role over the delivery of the JHWS.
- The Council had agreed the governance and financial delegation arrangements between the SEL ICB and Southwark Partnership and produced an assessment/documentation of changes to the constitution following the Bill.
- The Council performs routine monitoring of its budget through the BCF planning group and Partnership Southwark Strategic Board (PSSB), which considers finance updates and forecasts, with appropriate actions taken where necessary.
- The Health and Wellbeing Board monitors the delivery of the JHWS through JSNAs (last performed in October 2023) and progress reports (last reported in November 2023). We found that good progress was being made against the actions agreed in the JHWS. We confirmed that appropriate plans and actions have been developed in areas where further work is needed.

**Main areas of concern:**

- We identified a disparity in the information shared between the Council, ICB, and other members of the Partnership. The Council is not provided with performance or budget updates from other members of the Partnership, leaving them unable to foresee and adjust their budgets or plans accordingly. The Health and Wellbeing Board does not have a Borough Level Outcomes Framework in place, despite the JHWS mentioning that the Board would use this framework to monitor delivery. These areas undermine the Council’s ability to meet its responsibilities to support effective partnership working.
- In terms of financial management:
  - The final outturn position reported for the year 2023-24 was an overspend of £3.8m. The cost for ICES have increased significantly since the new provider NRS took over from Mediquip in April 2023. Latest data received recently shows that the ICB will be overspent by £1.1m.
  - We acknowledge that the Council has recognised that overspends will need to be managed during 2024-25 and additional resources will need to be made in order to ensure budgets reflect the likely expenditure for 2024-25 considering any efficiency plans. The Council is actively working with partners to manage the budgets with an aim to bring back to a breakeven position.
- Whilst we did not raise any recommendations in this area, it affected our assurance opinion for operational effectiveness.

**IT - Cyber Security**

LEVEL OF ASSURANCE	MODERATE	LIMITED	RECOMMENDATIONS	High	4
				Medium	4
				Low	1

**Purpose of review:** to provide assurance on whether adequate procedures are in place to protect the Council’s IT systems, services, and information against a cyberattack. Our work was designed to provide an assessment of the information and cyber security arrangements that are in place but have not provided absolute assurance that the Council would withstand an attack of its systems.

**Areas of strength:**

- An appropriately detailed network diagram is in place to show a detailed layout of the IT infrastructure within STS remit. There was an STS Cyber update reported by the Managing Director of STS at the November 2023 Joint Committee.
- There is a Vulnerability and penetration testing policy from January 2023 to outline the guidelines and procedures for conducting vulnerability and penetrative testing on all Council systems and networks. The Council’s internal and external penetration test was performed by a third-party vendor in March 2023 and action plans have been developed to address the weaknesses identified. The Qualys application has been deployed to scan the Council’s network for internal vulnerabilities on a quarterly basis and after any significant change in the network.
- STS has a documented patch management policy in place which was last reviewed in October 2023. There are six servers that are running on Windows 2008 unsupported operating system however, these are hosted in Azure cloud and are receiving extended support. Patch management updates are reported monthly at the Operational Management Group, exceptions made will depend on the scenario, for instance, if a zero-day vulnerability arises, they then take the decision to send out updates around those patches more regularly.
- There are appropriate information and network policies drawn for STS and Partner Councils to form a cornerstone of effective cybersecurity arrangements and these are reviewed on a regular basis. There is another suite of IT policies that have been allocated to each Partner Council to develop and share with the STS Partnership for implementation to ensure that all members of the STS Partnership are aligned in their approach to cyber security.

**Main areas of concern:**

- Whilst a Cyber incident response policy is in place, the policy lacks specific critical elements including the frequency at which testing exercises should be conducted to ensure the plan’s effectiveness and identifying the members of the Incident Response Team along with the roles and responsibilities.
- The Council lacks a formally documented cyber security policy to form a foundational element for the Council’s overall security posture, ensuring the protection of assets, compliance with regulations, and the trust of customers and partners.

## IT - Hardware Asset Management

LEVEL OF ASSURANCE	MODERATE	LIMITED	RECOMMENDATIONS	High	1
				Medium	2
				Low	-

**Purpose of review:** to provide assurance that the Council has maintained a full and complete hardware asset register for IT equipment. The audit also assessed whether the lifecycle of hardware, including phones, tablets and laptops/PCs has been considered in the IT Strategy and decision-making regarding replacement equipment is future focused.

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**Areas of strength:**

- The IT Hardware Asset Management Policy (dated November 2023) covers all three Councils included in the shared technology service (Brent, Lewisham and Southwark). The policy is owned by the STS Head of Strategy & Technology and reviewed on an annual basis, with change approval from the Operational Management Group (OMG).
- Directives are clear what steps must be taken should an asset be lost or stolen, and the responsibilities of Line Managers is also clearly defined and unambiguous. The disposal of assets process is also clear and contains guidance that is easily referenceable.
- Information about all relevant IT assets is held in the Asset Register, which is maintained by STS enabling assets to be tracked, managed and updated throughout their lifecycle.
- STS are currently engaged on a sizeable project to migrate laptops to a new Microsoft Office365/Windows 11 environment. It is good to see proactive action being taken to get ahead of the curve for when Windows 10 goes out of support by Microsoft in 2025. Full migration ahead of that time may reduce the need to purchase costly extended support agreements.
- The Council is part of a "London Device Bank" agreement with a registered charity called the Good Things Foundation, which aims to give access to digital services/hardware/knowledge/skills to people and communities who do not have access to computers/the internet.

**Main areas of concern:**

- The Data Destruction Certificates from the disposal company do not match the IT Asset Register, as they lack common identifiers. The register shows 58 laptops marked as "Assessing" for several months, with the earliest cases dating back to February 2024. Additionally, the naming conventions for assets on the certificates and status reports are inconsistent, preventing cross-verification.
- Two laptops were not retrieved from employees who left the Council, and there was a lack of effort to recover them before they were recorded as "Lost/Stolen". Service Request tickets regarding these laptops were closed without confirming their recovery. The Council needs to enforce stricter measures for equipment return upon employee departure, and Line Managers should be reminded of their duty to recover such assets.
- The January 2024 OMG report noted 597 laptops hadn't connected to the Council's network in over 90 days. This number increased to 627 in February 2024 and 668 by March 2024. While a lack of network connection does not necessarily mean these laptops are lost or stolen, there is no active effort to verify their status with HR. Moreover, these laptops could miss important security updates, posing a potential risk, so it is crucial to ensure they receive the necessary updates and patches.

**IT - Service Review**

LEVEL OF ASSURANCE

SUBSTANTIAL

MODERATE

RECOMMENDATIONS

High - Medium

2

Low

-

**Purpose of review:** to assess the effectiveness and efficiency of STS's adherence to the agreed-upon service levels outlined in the SLAs mentioned within the Inter Authority Agreement.

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**Areas of strength:**

- Schedule 3 of the Inter Authority Agreement (IAA) for the shared delivery of ICT services for Brent, Lewisham, and Southwark Councils clearly outlines specific SLAs (Service Level Agreements) and KPIs (Key Performance Indicators) that must be adhered to.
- Measurable SLAs (Service Level Agreements) are clearly documented and results against KPIs (Key Performance Indicators) is extracted directly from IT Service Management tooling, providing a level of accuracy and confidence in the data.
- These Service Levels are fair, and there are adequate monitoring and reporting mechanisms in place to measure successes as well as seek to identify areas for improvement. Lower priority incident tickets (Priority 3) and request tickets (Priority 4) should remain focus areas as these types of reported incidents make up the bulk of issues received by the Service Desk.
- There are established forums in place to monitor progress (eg, Operational Management Group/Joint Management Board meetings) and focus is applied to past events as well as current incidents, with a mind to identify potential areas for service level improvement and promotion of 'best practice'.
- Regular reporting is produced and management reviews SLA performance in weekly meetings.
- IT team members receive a daily email informing them of tickets that are approaching SLA breach levels. All Priority 1 (high priority) incidents and Priority 0's (incidents where multiple Councils are impacted) are discussed at monthly OMG meetings.

**Main areas of concern:**

- It was recorded in a previous review in October 2023 that SLAs had not been met for a number of Priority 3 (P3) and Priority 4 (P4) tickets. Although progress has been made, P3 tickets still remain an area that requires attention due to the number being logged, and trending analysis may provide useful information and identify areas for improvement/user
- A third-party company, Risual supports the IT Service Desk across the partner Councils through STS. Ensuring that key data is readily available is essential to measuring performance against published targets, or there is a risk that reported data statistics are not fully encompassing or potentially inaccurate. During discussions it was noted that it is often difficult to get information from Risual about SLAs and wait times / resolution times etc.

## Legal Fees (Childrens Services)

LEVEL OF ASSURANCE	MODERATE	MODERATE	RECOMMENDATIONS	High - Medium 4	Low -
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**Purpose of review:** to review the basis upon which legal fees relating to Childrens Services social care cases are determined, as well as the approval processes and adequacy of management information.

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**Areas of strength:**

- There is a detailed Office Procedures Manual (OPM) which was last reviewed by the Business Manager, Law & Governance and approved by the Head of Law (Communities) in October 2023.
- Annual charge out rates for 2023-24 relating to the Childrens Services social care were determined by the Head of Service / Senior Management Team (SMT) in line with the medium term resources strategy.
- All lawyers within Legal Services have a charge out rate for their services. Time recording for fee earners is mandatory in order to produce data about cost and volume of work undertaken for each client. These costs are then recovered through recharges from Childrens Service's budgets on a quarterly basis. A Trading Account model is used to fund Legal Services. Legal Services provide Childrens Services with direct access to Visualfiles data and spend reports based on client cost centre codes.
- Based upon budget and actuals data provided by the Senior Finance Manager for Children's Social Care, we can confirm that the overall expenditure for children and families legal costs from 2021-22 to 2023-24 (forecast outturn) has been managed within budget.

**Main areas of concern:**

- There is no comprehensive workflow or process map for the routine and complex child protection proceedings undertaken for Childrens Services to help mitigate against inappropriate authorisations, potential inefficiencies and inconsistent practices within the legal team. Our review identified that the OPM does not include guidance on the accurate preparation of reliable cost estimates and potential cost estimate discussions or negotiations with Childrens Services or the process and cross-reference to the need to obtain approval of legal costs and disbursements in line with the Scheme of Management. We found several exceptions where records were not maintained to support estimated initial costs and their approval, client care email detailing the initial estimate of costs, and ongoing review of costs.
- There has been a concerted effort by Children and Families and Legal Services in recent years to reduce the use of more expensive external legal resources. This has had a positive effect on Children's Services total legal costs, leading to underspends since 2021-22. However, internal legal costs have been consistently increasing, and there was a significant increase of £171k (or 11.7%) from 2022-23 to the £1.633m forecasted for 2023-24.
- The reasons for this include a few cases very expensive cases in 2023-24 and duration in court proceedings. The lack of judicial and court room capacity in the Central Family Courts that hear Southwark's cases causes delays in resolving proceedings within a timely manner. Importantly, decisions on safeguarding and litigation are case specific and driven by the specific needs of the child[ren] and this can result in increased instructions by Children Services to the legal team, which will have an impact on internal legal costs/budgets. In 2022-23, Children Services instructed Legal Services to issue 36 care cases and in 2023-24, 44 care cases. Legal Services continue to work collaboratively with Children Services to monitor internal legal charges to determine whether this increase in demand is a short term phenomenon or more permanent in nature.
- We were informed the existing Trading Account model has been in place for over 20 years and a potential change to Block Charging is being considered as an option for implementation within Legal Services in 2024-25, as well as the enhanced use of new technology for task automation.

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**Leisure Services - Assurance**

LEVEL OF ASSURANCE

MODERATE

SUBSTANTIAL

RECOMMENDATIONS

High - Medium

1

Low -

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**Purpose of review:** to provide assurance on the operational management arrangements and controls in place for the new Council delivered leisure services.

**Areas of strength:**

- We confirmed that the Council's Leisure Services Delivery Plan was replaced with an approved 2024-25 Business Plan, which presents the overall aims and targets for the leisure centres. Specific quarterly action plans for each leisure centre also outline the responsible officer, actions, objectives and KPIs that are required for each centre. The KPIs cover the following areas: Finance, Human Resources, Attendance, Membership, Equalities, Aquatics, operations, Exercise Referral and Customer Service.
- The Council has documented procedures such as Environmental procedures, Quality procedures and Operations procedures. They are kept and monitored on the Harvard Management System. The procedures are reviewed and approved by two different individuals and dates are kept on the System.
- The Council has reviewed the staffing requirements for each leisure centre and a gap fulfilment strategy was put in place to address the roles and vacancies as well as the roles currently occupied by TUPE employees.
- We confirmed that there is an asset register in place for each leisure centre, which outlines the location, last review date, conditions and serial numbers of the assets.
- For a sample of three leisure centres, (Castle Leisure Centre, Dulwich Leisure Centre and Seven Islands Leisure Centre), we confirmed that the last building condition survey was completed in January 2023. In two instances, a five-year maintenance plan was in place. For one leisure centre, a maintenance plan was not in place as it is due to be decommissioned in April 2025, but we were informed that regular compliance and maintenance checks will be performed at the centre.
- We confirmed that the Council's Scheme of Delegation outlined the relevant authorisation and ordering levels of officers. It was being applied consistently with the running of the leisure centres.
- Monthly budget monitoring occurs where variances are addressed, and monthly income reports are sent to the Commercial Manager and the Finance Team.
- Changes to the member fees was proposed by the Environment and Leisure Department. Membership fees were proposed to increase as well as class fees. We reviewed the Record of Decision document and confirmed that the Cabinet approved of the fee changes. We reviewed the Management Capital Reports from September 2023 and December 2023 and confirmed that they were sent to the Division Finance Lead to incorporate into the wider capital monitoring report for the division and the department.
- We confirmed that there is weekly reporting of the Expenditure Report to General Managers and the Leisure Operations Manager. Monthly Budget Monitoring is reported to the Head of Leisure Insourcing which is forwarded to the Division Finance Lead who will incorporate the report into the wider budget monitoring report for the division and department. Additionally, Quarterly Capital Monitoring is updated and reviewed by the Leisure Division Senior Management Team.

**Main areas of concern:**

- We sampled three leisure centres from a total population of eight and confirmed that in all instances, the risk assessment documents such as fire, gas, electrical installations, are outdated, with the majority completed in 2021 or before. The risk assessments were done prior to the takeover so the Council themselves have not conducted a risk assessment, although this was due for a review in April 2024.

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## Payroll



LEVEL OF ASSURANCE	MODERATE	MODERATE	RECOMMENDATIONS	High - Medium 4 Low 3
<p><b>Purpose of review:</b> to provide assurance over the adequacy of and compliance with controls in respect of payroll.</p>				
<p><b>Added value:</b> we completed a set of data analytics using the payroll standing data for all 5,177 employees, for the following areas: Potential duplicate National Insurance numbers, names and addresses, Potential duplicate bank details and Blank names, birth dates and tax codes. This exercise did not reveal any issues.</p>				
<p><b>Areas of strength:</b></p> <ul style="list-style-type: none"> <li>• From testing a sample of two payroll leavers we found these were consistently notified to payroll and subsequently removed from the SAP system the day after their leaving date, and that the forms were accurate.</li> <li>• From testing a sample of five SAP users granted access in the year we found that user access forms were appropriately completed and approved by the delegated authority ensuring adequate segregation of duties is in place. All temporary users are also limited to an access period of three months maximum.</li> <li>• From conducting a walk-through of the SAP systems, we confirmed that parameters such as tax codes and National Insurance thresholds had been populated correctly. A series of control total checks are in place, including BACS, cash, and balancing figure checks.</li> <li>• From testing a sample of one employee who was being paid an acting up allowance, we found that the acting up allowance form was filled in appropriately, approved and the allowance was removed in line with details on the form.</li> <li>• Controls built into the SAP payroll system do not allow duplicate payroll payments to be processed.</li> <li>• All three employees who we interviewed about the merger of the HR and payroll teams highlighted that they found the monthly whole-team meetings useful and that they felt that the team were working better due to being physically together which was supporting the development of better working relationships.</li> </ul> <p><b>Main areas of concern:</b></p> <ul style="list-style-type: none"> <li>• Through our testing of six overpayments we found that action to recover overpayments is not consistently taken in a timely manner (within a month) whilst payroll await HR decisions.</li> <li>• During our testing of five access forms, we found that the form used to grant access to SAP relied upon manual selection of access categories, this creates a risk that users may accidentally be granted inappropriate access rights.</li> <li>• We spoke to three employees in the payroll team regarding the merger of the HR and Payroll teams, a challenge raised by all three employees was knowing who to contact and who had responsibility over different areas and actions.</li> <li>• Through our sample testing of five advances (payments made to employees prior to the usual pay run, often to rectify underpayments) we found that one of these did not have an advance form completed or other appropriate approval shown.</li> <li>• Our review of contract monitoring with Zalaris found that the actions log was not consistently kept up to date.</li> <li>• From the sample of 10 starters tested, one was found for whom a starter form was not completed until 17 days after their start date.</li> </ul>				



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## 6. SUMMARY OF RECOMMENDATIONS STATUS

Of the 541 high and medium recommendations relating to 2017-18 to 2023-24 that have fallen due to 31 March 2024 (financial year end), we have been able to confirm with reference to evidence that 502 have been fully implemented or superseded.

This result represents an overall implementation rate of 92.8%, which is a significant increase from the 85.6% reported in June 2024. This is largely due to receiving evidence to support the implementation of recommendations, and therefore being able to mark those recommendations as fully implemented.

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

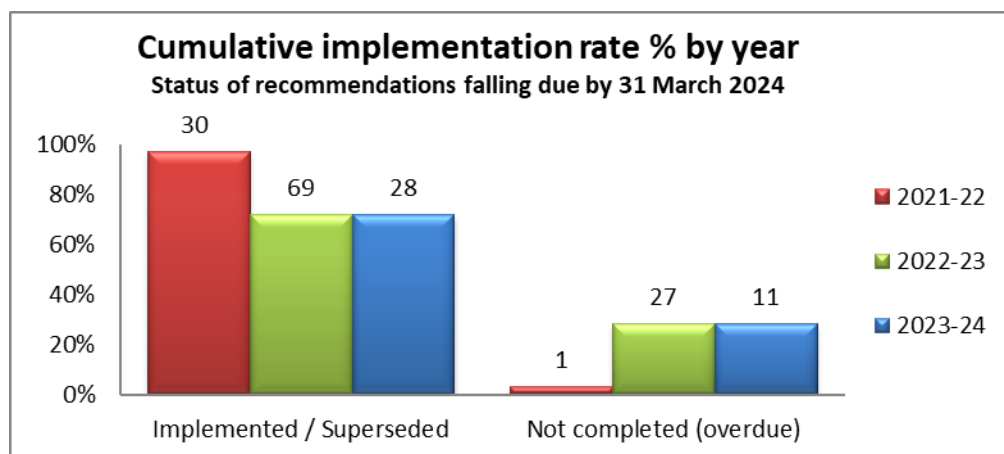
The chart below shows the relative implementation percentages with regards to recommendations raised and due for implementation across the years from 2021-22 to 2023-24.

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

*Please note that the table does not include audits where:*

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

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



## RECOMMENDATION IMPLEMENTATION RATES BY AUDIT - LONGSTANDING IN PROGRESS

Audit Area	Total H & M	Implemented		In progress		Awaiting update/ evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
Environment, Neighbourhoods and Growth Directorate									
2020-21 South Dock Marina <i>Please refer to latest update in the supplementary report.</i>	1	-	-	-	-	1	-	0%	<del>June 2022</del> <del>November 2022</del> <del>March 2023</del> <del>March 2024</del> August 2024

## RECOMMENDATION IMPLEMENTATION RATES BY AUDIT - NOT YET FULLY COMPLETED

Audit Area	Total H & M	Implemented		In progress		Awaiting update/ evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
Childrens and Adults Directorate									
2022-23 Safeguarding Adults	2	-	-	-	2	-	-	0%	<del>November 2023</del> <del>January 2024</del> <del>March 2024</del> August 2024
2022-23 SEND Finance	7	1	1	3	2	-	-	71%	January 2024 May 2024 August 2024
Environment, Neighbourhoods and Growth Directorate									
2022-23 Cemeteries and Crematoria	4	-	3	-	1	-	-	75%	<del>30 June 2023</del> <del>December 2023</del> <del>March 2024</del> May 2024 August 2024
2022-23 Markets <i>Awaiting evidence to verify implementation</i>	3	-	-	-	-	-	3	0%	<del>September 2023</del> April 2024 June 2024 July 2024
2022-23 Parking Management and Estates Parking Permits	5	1	-	2	2	-	-	20%	<del>January 2024</del> <del>March 2024</del> August 2024
Finance Directorate									

2022-23 Insurance	2	-	-	-	2	-	-	0%	December 2022 July 2023 September 2023 January 2024 March 2024 June 2024 August 2024
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Audit Area	Total H & M	Implemented		In progress		Awaiting update/ evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
<b>Governance and Assurance</b>									
2022-23 Member Officer Protocol <i>Awaiting evidence to verify implementation</i>	2	-	-	-	-	1	1	0%	October 2023 March 2024 June 2024 July 2024
2022-23 Payroll	2	-	1	-	1	-	-	0%	October 2023 March 2024 June 2024 July 2024 December 2024
2022-23 Supplier Resilience	5	1	3	-	1	-	-	80%	August 2023 October 2023 January 2024 October 2024
2023-24 Hospitality and Gifts	3	-	-	-	-	-	3	0%	March 2024 September 2024
2023-24 Overtime Review	3	-	2	-	1	-	-	67%	March 2024 June 2024 December 2024
<b>Housing Directorate</b>									
2022-23 TMO - Brenchley Gardens	8	-	-	7	1	-	-	0%	November 2023 March 2024 September 2024
2023-24 Social Housing White Paper	1	-	-	-	1	-	-	0%	July 2024 March 2025
2023-24 Statutory Disrepairs <i>Awaiting evidence to verify implementation</i>	3	-	1	-	-	-	2	33%	April 2024 July 2024





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2023-24 TMO - Haddonhall <i>Awaiting evidence and full update</i>	4	-	1	-	-	-	3	25%	<del>March 2024</del> September 2024
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# APPENDIX 1

## OPINION SIGNIFICANCE DEFINITION

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

## RECOMMENDATION SIGNIFICANCE DEFINITION

### RECOMMENDATION SIGNIFICANCE

High



Medium



Low



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.

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.

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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