

INTERNAL AUDIT PROGRESS REPORT

London Borough of Southwark

2024-25

For presentation to the Audit, Governance
and Standards Committee 13 November 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 2024-25 internal audit plan, approved by the Committee on 5 February 2024. It summarises the work we have undertaken, together with our assessment of the systems reviewed and the recommendations we have raised.

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 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.

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.

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 audit schedule. The status of the audits commenced to date is outlined within section two of this report.

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

INTERNAL AUDIT PROGRAMME FOR SCHOOLS

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

The school internal audit plan for 2024-25 has commenced with school site visits for the Summer term completed in June and July 2024 as planned and Autumn visits are underway.

A schedule of status and internal audit opinions for schools is included in section three of this report.

In respect of planning for the 2025-26 audit programme, we attended a meeting with the Children Services Leadership Team to discuss the school summary report presented to the Audit, Governance and Committee in September 2024. We are working together to provide support to schools to ensure that they are fully aware of the local authority expectations on financial related risks and controls, such that schools can proactively address areas where their existing control frameworks need to be strengthened.

We are also seeking to better take account of the timing and potential reliance on work completed by other functions (eg Finance and HR) within the Council and external regulatory bodies (eg Ofsted).

FOLLOW UP

The Council has a recommendation implementation rate of 92.2%, which is a marginal decrease compared to the 92.8% reported in September 2024.

Several recommendation target dates for 2022-23 and 2023-24 continue to be revised multiple times, which is preventing an improved implementation rate.

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

NON-INTERNAL AUDIT 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.

2025-26 INTERNAL AUDIT PLAN

The process for developing next year's internal audit plan will commence in mid-November. This will include, but not be limited to:

- review of the Council's key strategies, plans and priorities (including Southwark 2030).
- consideration of key risks identified in the Corporate and Directorate Risk Registers.
- consideration of the operating environment, new legislation and regulations, and emerging risk areas.
- taking account of other assurance providers and the work completed / planned.
- meeting with directorate management teams and CMT to identify any areas of concern, change, or interest.

A draft internal audit plan will be presented to the Audit, Governance and Standards Committee at the meeting on 3 February 2025.

NEW GLOBAL INTERNAL AUDIT STANDARDS AND CODE OF PRACTICE FOR THE GOVERNANCE OF INTERNAL AUDIT IN UK LOCAL GOVERNMENT

New Global Internal Audit Standards (GIAS) come into effect on 9 January 2025. This will be complemented by GIAS in the UK Public Sector which is currently under consultation and will be applicable from 1 April 2025.

CIPFA is currently consulting on a revised Code of Internal Audit Standards (CIAS) and new Code of Practice for the Governance of Internal Audit, to reflect the statutory framework in the UK and support local authorities in meeting their internal audit obligations. The revised GIAS and new Code will apply from 1 April 2025.

As the Council's internal audit providers, we will work with senior management to ensure that the Council and BDO in its governance and service delivery are compliant with both the CIAS and the Code.

Our internal audit charter will need to be updated to reflect the changes arising from this new framework. Therefore, we propose to include an initial charter with our draft internal audit plan for 2025-26 and present a revised version to the June 2025 meeting of the Committee.

2. SUMMARY OF INTERNAL AUDIT PLAN 2024-25

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

Audit	Director / Sponsor	ToR issued	Field work	QA / Reporting	Design	Operational Effectiveness
FINAL REPORTS - EXECUTIVE SUMMARIES INCLUDED IN THIS PROGRESS REPORT						
Adopt London Partnership	Strategic Director, Children and Families	✓	✓	Final	Moderate	Limited
Asset Management Statutory Compliance	Strategic Director, Housing	✓	✓	Final	Limited	Moderate
Information Requests	Assistant Chief Executive, Governance and Assurance	✓	✓	Final	Substantial	Limited
Mosaic Financial System	Director, Customer and Exchequer Services	✓	✓	Final	Moderate	Moderate
People Power Innovation Fund	Assistant Chief Executive, Strategy and Communities	✓	✓	Final	N/A - Advisory	
Scrutiny	Assistant Chief Executive, Governance and Assurance	✓	✓	Final	Limited	Moderate
Solace Overpayments	Director, Communities	✓	✓	Final	N/A - Advisory	
Supported Families - Quarter One	Strategic Director, Children and Families	✓	✓	Final	N/A - Grant	
Supported Families - Quarter Two	Strategic Director, Children and Families	✓	✓	Final	N/A - Grant	
TMO1 - Cooper Close	Director, Resident Services	✓	✓	Final	Limited	Limited
TMO2 - Falcon Point	Director, Resident Services	✓	✓	Final	Moderate	Moderate
Treasury management	Strategic Director, Resources	✓	✓	Final	Substantial	Substantial

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 February 2025 meeting.

Audit	Director / Sponsor	ToR issued / Planning Status	Fieldwork / Timing (planned / in progress)	QA / Report
CHILDREN AND ADULT SERVICES DIRECTORATE				
Deputyships and Appointeeships	Director, Adult Social Care	Scoping meeting held	December 2024	
Foster Carers	Director, Children and Families	✓	✓	
Payments to Children and Families	Director, Children and Families	✓	✓	
Substance Misuse	Director, Public Health	✓	✓	
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	✓	November 2024	
Waiting Lists	Director, Adult Social Care	Planning	December 2024	
ENVIRONMENT, SUSTAINABILITY AND LEISURE DIRECTORATE				
Climate Emergency	Climate Change Programme Director	✓	✓	
Enforcement	Director, Environment	Planning	January 2025	
Highways Maintenance	Director, Environment	Planning	January 2025	
Pest Control	Director, Environment	✓	✓	
Streets for People Strategy	Director, Environment	✓	November 2024	
Street Lighting and Signs	Director, Environment	Planning	January 2025	
Waste Contract / PFI	Director, Environment	✓	January 2025	
Youth and Play Service	Director, Leisure	✓	✓	

Audit	Director / Sponsor	ToR issued / Planning Status	Fieldwork / Timing (planned / in progress)	QA / Report
RESOURCES DIRECTORATE				
Accounts Payable	Director, Customer and Exchequer	✓	November 2024	
Bankline	Director, Customer and Exchequer	✓	✓	✓ Report being drafted
Bribery and Corruption Controls	Strategic Director, Resources	Planning	February 2025	
Budgetary Monitoring and Reporting	Director, Corporate Finance	✓	✓	
Council Tax	Director, Customer and Exchequer	✓	✓	
Housing Rents	Director, Customer and Exchequer	✓	✓	
IT - Change Management	Chief Digital & Technology Officer	✓	✓	
IT - Incident Management	Chief Digital & Technology Officer	✓	✓	Draft Report 28/10/24
IT - STS Financial Management	Chief Digital & Technology Officer	✓	✓	✓ Report being drafted
IT - Cyber Security Controls over Supply Chain	Chief Digital & Technology Officer	Planning	February 2025	
Leaseholder Service Charges	Director, Customer and Exchequer	Planning	December 2024	
Pensions Administration	Head of Pensions Operations	✓	✓	
Planning Applications and S106 Agreements	Director, Planning and Growth	✓	✓	✓ Report being drafted
Suspense Accounts Management	Director of Customer and Exchequer	✓	✓	
GOVERNANCE AND ASSURANCE				
Contract Management	Assistant Chief Executive	Planning	January 2025	
Corporate Facilities Management	Assistant Chief Executive	✓	✓	✓ Report being drafted

Audit	Director / Sponsor	ToR issued / Planning Status	Fieldwork / Timing (planned / in progress)	QA / Report
Mayor's Office and Expenses	Head of Constitutional Services	✓	✓	Draft Report 23/10/24
Payroll	Director, People and Organisational Development	Planning	March 2025	
Workforce Governance	Chief Executive / Assistant Chief Executive	Scoping meeting held	December 2024	
HOUSING DIRECTORATE				
Asset Management Systems	Director, Asset Management	Planning	February 2025	
Engineering Services	Director, Asset Management	Planning	February 2025	
Housing Applications and Allocations	Director, Resident Services	✓	December 2024	
Temporary Accommodation	Director, Resident Services	Planning	February 2025	
TMO - Gloucester Grove	Director, Resident Services	✓	✓	
TMO - Two Towers (Advisory)	Director, Resident Services	✓	✓	Draft Report 14/10/24
STRATEGY AND COMMUNITIES				
Communications and Media	Assistant Chief Executive	Planning	January 2025	
Emergency Planning and Resilience	Assistant Chief Executive & Emergency Planning & Resilience Manager	✓	✓	✓ Report being drafted
Southwark 2030 and strategic planning	Assistant Chief Executive	Planning	January 2025	
Transformation Programme	Assistant Chief Executive / Head of Strategy and Change	Planning	February 2025	

SCHOOLS INTERNAL AUDIT PROGRAMME

The table below shows the status of the school audit plan.

School	Status	Design	Operational Effectiveness
2023-24			
Victory Primary School	Draft Report 25/09/24	Substantial	Moderate
2024-25			
Bessemer Grange Primary School	Final	Moderate	Moderate
Bird In Bush School	Final	Moderate	Moderate
Boutcher Church of England Primary School	Final	Moderate	Moderate
Goodrich Primary School	Final	Moderate	Moderate
Heber Primary School	Final	Moderate	Moderate
St Thomas the Apostle School and Sixth Form College	Draft Issued 18/09/2024, response received and being clarified		
Highshore School	Draft Issued 01/10/2024		
The Cathedral School of St Saviour and St Mary Overie	Draft Issued 21/10/2024		
Nell Gwynn	Draft issued 23/10/2024		
John Ruskin Primary School	Report being drafted		
St Joseph's Catholic Infants School	Report being drafted		
St Francis's RC Primary School	November 2024		
Southwark Park Primary School	November 2024		
St John's and St Clement's Church of England Primary 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		

3. FINAL REPORTS - EXECUTIVE SUMMARIES

Adopt London South Partnership					
LEVEL OF ASSURANCE	MODERATE	LIMITED	RECOMMENDATIONS	High	4
				Medium	1
				Low	-
<p>Purpose: To provide assurance to the Council as the Host Authority that the financial arrangements with respect to the Adopt London South Partnership are appropriate and being administered correctly, such that Partners contribute an appropriate share of the Agency’s costs and receive proportionate funding.</p>					
<p>Areas of strength:</p> <ul style="list-style-type: none"> • The cost model used by the Council produces an output in line with methodology outlined in the Inter-Authority Agreement and the model correctly applies the KPI weightings. • Quarterly reports are presented to the ALS Board on the financial performance of the partnership, including financial position, interagency fees, position regarding debt (owed to the Council) and invoicing and an update on the Adoption Support Fund. Per the Q3 report, 2023-24, the forecasted position improved from an adverse variance of £154k in Q2 to an adverse variance of £72k (Q3), mainly due to the reduction of agency use. • There are adequate monitoring arrangements in place to track interagency expenditure to ensure that payments are made correctly and match the invoices. We confirmed that the interagency fees were charged to partner councils per the agreed partnership split and that the method for calculating the inter-agency costs was as per the Inter-Authority Agreement. • Appropriate approval for the additional costs to match funding received from the DfE was evidenced from each of the councils and correctly accounted for on the SAP system. 					
<p>Main areas of concern:</p> <ul style="list-style-type: none"> • We found inaccuracies in the KPI data used to calculate one borough’s contributions for 2023-24 and 2024-25. This error resulted in an overcharge of £178,626 (£78,794 for 2023-24 and £99,832 for 2024-25). As the borough’s contribution is calculated using a model that deviates from the standard model, this affected their contributions only but may also affect the other partners depending on the outcome of discussions between the ALS and the borough. • The Council has an increasing Adoption Support Fund (ASF) reserve (£352,726) as of May 2024 which included the funds overclaimed from the DfE for ASF payments. As at May 2024, a further £32,271 was overclaimed by the Council which will be allocated to the reserve. There is inadequate monitoring of ASF claims made from the DfE to ensure timely repayment of the funds to the DfE should this be required. • Our review of 10 ASF payments (totalling £38,046) made to providers identified four exceptions. In two instances invoices with a total value of £2,273 were not claimed back from the DfE, although at least three months had passed since date of payment. In one case, the Council overpaid the provider by £1,700. In the remaining instance, we identified that payments were paid (£1,440 and £450) against the wrong child as the incorrect purchase order number was quoted on these invoices by the provider and these payments have not been recovered from the DfE. The error made by the provider should have been identified prior to the payment being made. • The Council does not have formal procedures in place to provide guidance on the process for managing interagency and ASF payments. Although the process of the ASF payments was changed in April 2022 by DfE, the Council did not develop procedure documents that align to the new process. 					

Asset Management Statutory Compliance

LEVEL OF ASSURANCE

LIMITED

MODERATE

RECOMMENDATIONS

High	4
Medium	2
Low	1

Background: This audit was requested specifically by the Strategic Director of Housing to review the Council's compliance with statutory requirements and identify areas for improvement.

Purpose: To provide assurance over the adequacy and effectiveness of the arrangements for managing statutory compliance with regards to the health and safety standards set by the Regulator specifically for asbestos, electrical, fire, gas, lift safety and water.

Areas of strength:

- A review of a sample of 30 cases of compliance testing and scheduling process across the 'Big 6': asbestos safety, electrical compliance, fire safety, gas safety, lift safety and water safety, confirmed a structured approach to compliance administration and accurate record keeping.
- Statutory compliance reporting is completed on a monthly basis and our review of a sample of 30 cases confirmed the most recent monthly report was supported by valid compliance certificates.
- The Council's website provides comprehensive fire, smoke alarm and carbon monoxide safety information in line with the Fire Safety (England) Regulations 2022, alongside other relevant laws on fire and carbon monoxide (CO) safety in rented homes such as the Housing Act 2004, Fire Safety Act 2021, and Building Safety Act 2022.

Main areas of concern:

- There were 2,624 property status changes in 2023-24 due to voids, sales, and demolitions. However, there is no clear structured procedure to effect the change or confirm the comprehensiveness of the building list, as well as the categories of units requiring all of the various checks and inspections assured each month.
- The Council's statutory compliance is being met regarding emergency lighting, however internal Domestic Electrical Installation Condition Reports (DEICR) which became statutory in July 2023 were not previously being undertaken. An electrical safety programme commenced in April 2023 focusing on the higher risk buildings registered with the Building Safety Act (BSA) regulator (BSR). However, this programme is not expected to be completed before 2026.
- We saw evidence that the Council was not delivering the standards expected of a social housing landlord. Compliance was not 100% in 2023-24 or 2024-25 to date, particularly for electrical safety. The Council made a self-referral to the Regulator on 18 June 2024.
- An Apex Health & Safety issues report dated 12/08/2024 recorded 6,280 outstanding remedial works, primarily aimed at reducing the risk of spread of fire and smoke. The backlog of remedial works included high, medium, and low priority works dating back to 2021. We identified that a comprehensive and risk based remedial plan had not been maintained to ensure the backlog across all of the 'Big 6' areas is completed on a timely basis.
- The Council does not have effective housing asset management systems and is reliant upon one individual for the interim compliance administration and reporting across all 'Big 6' areas. There is no H&S Committee, or robust governance framework beyond line management to ensure sufficient understanding and oversight of the development and implementation of the new asset management systems, True Compliance and Northgate (NEC).
- All officers employed by the Council to perform the various compliance checks and inspections, compliance management and administrative activities would have been vetted. However, there is no mechanism to ensure there is a comprehensive log of their qualifications and CPD training.

Information Requests

LEVEL OF ASSURANCE	SUBSTAINAL	LIMITED	RECOMMENDATIONS	High	1
				Medium	1
				Low	2

Purpose: To provide assurance on the adequacy and effectiveness of controls relating to Freedom of Information (FOI), Subject Access Requests (SAR), and Environmental Information Requests (EIR) such that statutory requirements and timeframes are met.

Areas of strength:

- Roles and responsibilities for dealing with the various information requests are clearly defined.
- Guidance and procedural documents (handbook) for requests relating to Subject Access, Freedom of Information and Environmental Information Regulations 2004 are clear and comprehensive, and up to date. There are adequate training arrangements in place.
- For a sample of 15 information requests in the period April 2023 to April 2024 we confirmed that for all cases, appropriate reasons were recorded for the allocation of requests to the relevant departments and that allocations had been actioned correctly.
- The Council has appropriate mechanisms in place to assist staff in receiving information and responding to requests in an accurate and timely manner.
- In respect of Section 14 - refusal of vexatious or repeated requests under the Freedom of Information Act (FOIA), the handbook provides links to the ICO's website guidance and comprehensive details on what officers should consider and include when handling potentially vexatious requests. An example ICO decision notice is provided for officers to use as further reference. We confirmed that the handbook was consistent with the ICO guidance.
- There is an appropriate framework in place for monitoring and reporting the Council's compliance with information request legislation.

Main areas of concern:

- Although detailed guidance was in place, we identified that this is not maintained on the Council's intranet, Source, with the pages on the FOI Act, EIR requests, and SAR, not updated since 2019.
- We requested evidence of compliance with legislation and Council processes for a sample of 15 information requests. Exceptions relating to a delay or lack of response to the requests, as well as non-compliance with the response procedures as agreed by the Council's handbook were identified in five cases.
- The compliance rates for requests responded to within the legislative timeframe in Q3 2023-24 were below 90% for all request types. The ICO considers compliance rates below 90% as a cause for concern.

Mosaic

LEVEL OF ASSURANCE

MODERATE

MODERATE

RECOMMENDATIONS

High	1
Medium	1
Low	1

Purpose: To provide assurance over the arrangements for recording, approving, and processing social care packages within Mosaic, such that only valid and accurate amounts are generated for processing and payment. The audit also examined whether recommendations from the BUPA Advisory Review, conducted in August 2021, have been implemented.

Mosaic is the system used by the Council to record and manage social care provision and process payments to service providers.

Areas of strength:

- Access levels assigned to staff were commensurate with their role and in line with the departmental Scheme of Management. We recognise that effectiveness of controls for managing staff access has improved since our review completed in 2023-24, since no exceptions were identified.
- For a sample of 10 Adult Social Care Homecare living payments selected, we confirmed that the payments recorded on Mosaic, matched the amounts recorded on SAP. We found that in each case, the payments were recorded in the payment run and appropriate approval was evidenced.
- We completed a walkthrough of three types of payment runs; historic, current, and rejected and confirmed that payment runs were processed and approved appropriately. Supporting documentation was retained in each case to confirm the details recorded in the payment run and no exceptions were identified.

Main areas of concern:

- Our review of the application documentation for 10 ASC Homecare service users identified seven exceptions in relation to the delay in the completion of the Care Act Assessment, whereby it exceeded the 28-day timeframe. The time frames of assessments ranged from 31 to 59 days. In one case, application documentation was not retained, and it was not clear how the ASC Team determined the needs of the service user to set up a tailored care package and assess eligibility.
- The Council has implemented a four weekly reporting process to identify overpayments relating to service users who have passed away. We identified one case that was processed late that led to an overpayment of £1,347.60.
- The Council has a set of procedure documents covering various processes in Mosaic. We identified four draft procedure documents which had not been updated since April 2023.
- BUPA Recommendations Follow Up: Through interrogation of evidence, we confirmed the implementation of six out of the nine recommendations from the BUPA Advisory Review. For the remaining three, progress continues, and we will now follow them up as part of our routine follow up processes.

People Power Innovation Fund

LEVEL OF
ASSURANCE

N/A - ADVISORY REVIEW

RECOMMENDATIONS

High -
Medium -
Low -

Purpose: To support the national management trainees in the development of the governance and control framework for the People Power Innovation Fund.

Work performed and output:

- We held meetings and reviewed the documentation prepared to support the governance and control framework over the Fund and how it was to be allocated.
- We prepared an “Aide Memoire on good governance and internal control” relevant to the Fund, to support the discussions and as a basis for ensuring that key points were not lost. The contents were centred around the terms of reference and overview of the Fund provided to internal audit.
- The advice was derived from best practice in respect of governance and grant funding management and controls and draws from other grant audits at the Council and across our wider client base.
- The advice outlined areas raised in the meeting that the project managers should consider when designing and delivering the governance, management, and administration process for the People Power Innovation Fund, in the areas below:
 - Good Governance
 - Stages in a grant management process
 - Risk management and internal control.
 - Fraud risk
 - Application forms
 - Queries prompted by the Fund overview slides provided by Project Managers
 - What an internal audit of a grant would typically cover.
- The aide memoire also included specific advice and guidance where the proposed arrangements could be clarified or strengthened, such as further information on delivery timeframes, membership of evaluation panels and capturing learning to apply to future similar schemes.

Scrutiny

LEVEL OF ASSURANCE

LIMITED

MODERATE

RECOMMENDATIONS

High 1
Medium 2
Low -

Purpose: To provide assurance that the Council has suitable arrangements in place to implement the recommendations arising from the Scrutiny Improvement Review approved by the Overview and Scrutiny Committee.

Added Value: We reviewed similar CfGS reports from three councils. We have looked at these examples specifically as they are recent (within the last two years and have received high ratings).

Areas of strength:

- There are established governance arrangements to consider the action plans arising from the CfGS report. A formal action plan to address the recommendations made by the CfGS was presented by the Head of Scrutiny (HoS) to the OSC on 4 October 2023, and all proposed actions were agreed by the OSC. The minutes dated 29 November 2023 that these recorded an appropriate overview of the recommendations and timeline for implementation of actions.
- We found that though the timeline for delivery of this protocol has been delayed, the HoS has written to the chair of the Scrutiny Committee, Chief Executive and Leader of the Council, for comment on the draft protocol, and has received a response as a result of which the draft protocol is scheduled to be presented to CMT on 15 October 2024. The aim is to have the protocol signed off by 31 October 2024, and actions arising being implemented by 29 November 2024. This is a clear aim which has been included in this communication thus encouraging progress and accountability.
- There has been some progress against the action plan as evidenced from the action log as of 21 November 2023, at which point, 6 actions were marked as complete. By 13 March 2024, an update to the Chair of OSC via email showed that 22 actions were marked as complete.
- As part of our sample testing, we tested eight completed actions. For four of these actions documentation was available to evidence the implementation of these actions and confirm that they addressed the recommendations as per the CfGS report.

Main areas of concern:

- The action plan developed to record agreed actions was difficult to manipulate and thus made it difficult for the Council to track the progress of actions raised as a result of the CfGS review. In its current format the action log is not fit for purpose.
- We found that formal updates to the OSC were not made on a regular basis, thereby governance oversight and accountability for progress against actions is limited.
- We found that documentation was not sufficient to evidence the implementation of four out of our sample of eight agreed actions. Thereby there is a lack of assurance that actions that have been marked as complete, have been completed and progress has been made against the recommendations raised.

SOLACE Overpayments Recovery

LEVEL OF ASSURANCE

N/A - ADVISORY

N/A - ADVISORY

RECOMMENDATIONS

High -
Medium -
Low -

Purpose: To provide an independent advisory review of the data, methodology and findings from the financial review undertaken by the Council of the SOLACE over reporting of performance figures S01 to S07, to confirm that they are reasonable, and based upon the information available to the Council.

Solace Women's Aid exists to end the harm done through gender-based violence. Since 2016, Solace has received funding from the Council. The contract was 100% payment by results (PbR) up to 2019-20. PbR was suspended for 2020-21 due to the Covid-19 pandemic.

Summary of work completed:

- We reviewed the methodology used by the Council to calculate the Solace overstatement of performance results and associated overpayments, and found it to be clearly documented, sufficiently detailed and based on reasonable assumptions.
- We were able to agree the majority of the data used in the Council's calculations to source documentation. We found two figures relating to the 2018-19 SO4 and SO5 calculations which conflicted with the source data. However, this had no impact on the calculations as the amount claimed by Solace was subject to a cap at a value below both data points.
- We performed a number of calculations to validate and verify the Council's calculations.
 - We used a basic methodology using the figures provided by Solace
 - We reperformed the calculations using the Council's methodology with a minor amendment that shows the results of a variation in rounding techniques.
 - We recalculated the figures using a different method which demonstrates that use of a more basic % calculation results in the same result.
 - We used an alternate method of extrapolation to demonstrate that similar results were achieved to the Council's calculations.
- In conclusion, in terms of reclaiming back funds paid to Solace, extrapolation via a number of methods yields a minimum overpayment value of £395,9851 and a maximum overpayment value of £426,547 when we consider the caps on service user numbers. Although there are other ways that an extrapolation could be carried out, the Council's own calculation of £424,248 seems reasonable, however, we would recommend the use of more consistent rounding practices which creates the figure of £423,673.

Supported Families - Quarter One (1 April 2024 to 30 June 2024)

LEVEL OF ASSURANCE

N/A - GRANT

N/A - GRANT

RECOMMENDATIONS

High -
Medium -
Low -

Purpose: In accordance with the Supporting Families Programme Guidance, we have checked and verified a representative sample of 10% of families that the Council has supported, before the claim is submitted, to confirm the eligibility of the payments by results being claimed.

Areas of strength:

- For the period 1 April 2024 to 30 June 2024, we reviewed a sample of 18 claims (10%). We verified with reference to evidence that the summary of extracts and data correspond to the reasons why the family is considered a successful outcome.
- For each child of school age in the family, we confirmed that they achieved at least two consecutive terms of attendance over 90%. Of our sample, we identified no exceptions to prevent submission.
- We selected six of the 18 claims (one-third of our sample), to confirm the Council's assertions against primary data. For the six cases we reviewed in Mosaic, we identified no discrepancies between the source data and the successful outcome assertions provided by the Council.

Main areas of concern:

- Review of the Council's evidence summaries for the sample of 18 claims identified three instances whereby the case notes documented in Mosaic did not clearly separate the original family need from the subsequent success measure. We discussed all three instances with the Council and determined that the format of the notes made it difficult to summarise the case, but that they do not represent exceptions to prevent the claims.

Supported Families - Quarter Two (1 July 2024 to 30 September 2024)

LEVEL OF ASSURANCE

N/A - GRANT

N/A - GRANT

RECOMMENDATIONS

High -
Medium -
Low -

Purpose: In accordance with the Supporting Families Programme Guidance, we have checked and verified a representative sample of 10% of families that the Council has supported, before the claim is submitted, to confirm the eligibility of the payments by results being claimed.

Areas of strength:

- For the period 1 July 2024 to 30 September 2024, we verified for our sample of 18 claims (10%) with reference to evidence, that the summary of extracts and data correspond to the reasons why the family is considered a successful outcome.
- For each child of school age in the family, we confirmed that they achieved at least two consecutive terms of attendance over 90%. Of our sample, we identified no exceptions to prevent submission.
- For the six of the 18 claims (one-third of our sample), we confirmed the Council's assertions against primary data held in Mosaic. We identified no discrepancies between the source data and the successful outcome assertions provided by the Council.

Main areas of concern:

- For one claim, review of the Council's evidence summary and the source documentation within the Mosaic record identified that an additional family need, adult needs support with their mental health, had been met. The minimum requirement for three success criteria had already been evidenced, and the evidence supported a successful outcome in this additional area, therefore we determined that this did not constitute an exception to prevent submission.
- For one claim, review of the Council's evidence summary and the source documentation within the Mosaic record identified that family need, family require support with their finances and / or have unmanageable debt had been successfully met. However, this had been mistakenly recorded as family need, adult in the family is workless. We concluded that this was a mis-categorisation on the Council's summary sheet, but that the successful outcome of financial stability had been achieved. Therefore, we determined that this did not constitute an exception to prevent submission.

TMO - Cooper Close co-operative

LEVEL OF ASSURANCE

LIMITED

LIMITED

RECOMMENDATIONS

High	4
Medium	4
Low	-

Purpose: To provide assurance over the adequacy of the design and operational effectiveness of the controls in place relating to the TMO's operational and financial processes, such as financial management, procurement, and statutory compliance, including health and safety, fire risk assessment and asbestos.

Areas of strength:

- Budget monitoring was being undertaken on a regular basis and reports provided sufficient detail on budget performance including actuals and forecasts against full year budget. The financial report and accounts for 2023-24 had been presented and approved on time.
- External decorations funds were being kept in a reserve hold account, with the Reserve fund holding £120,104. We confirmed that no requests or expenditure had been made from this fund in the last 12 months (to March 2024). We were advised by the TMO that last external works were completed a few years ago and it was likely that further works will be due soon.
- The TMO employs contractors from its approved list, and that the payments were completed in accordance with the agreed TMO financial procedures.
- Management Committee meetings were quorate in accordance with the TMO rules, with actions outlined and followed up in the subsequent meetings. Council members had been invited. All Management Committee members had completed and signed a current declaration of interest.
- The TMO subscribes to the Council training plan. The TMO has a recruitment policy that details the recruitment, selection, training, promotion and working environment.
- The MMA outlines the arrangements between the Council and the TMO in terms of managing leaseholders and service charges, which we found to have been followed. The TMO retained all correspondence and completed all required checks prior to the award of a property.

Main areas of concern:

- Works orders and invoices were not raised and authorised in line with the MMA and financial procedures, and no supporting quotes were obtained for high-value purchases.
- The TMO does not have a formal rent collection process in place to ensure that arrears are identified, managed, and reported.
- While the TMO had a repair log in place, there was no work order tickets and quality checks undertaken on file, and remittance advices were not raised prior to the invoicing.
- Credit/debit card expenditure was not reviewed and signed as approved by the appropriate delegated authority as per the financial standing orders. The TMO has a finance policy, but we found it was last reviewed in November 2019. The policy does not specify procedures relating to credit card transactions.
- We found that our sample testing of three contractors (from the approved supplier listing) that in all cases the original contract documentation had not been retained on file.
- The TMO has specific Cooper Close Co-operative Rules in place, however they were last reviewed in August 2013. These rules incorporate the Management Committee roles, responsibilities, and quorum requirements at the TMO.
- The TMO has a staff handbook, but it did not have a publication date. The Equal Opportunities Policy had not been reviewed since July 2021. A Staff Appraisal Policy was not in place.

TMO2 - Falcon Point Management Group

LEVEL OF ASSURANCE

MODERATE

MODERATE

RECOMMENDATIONS

High
Medium
Low

1
4
-

Purpose: To provide assurance over the adequacy of the design and operational effectiveness of the controls in place relating to the TMO's operational and financial processes, such as financial management, procurement, and statutory compliance, including health and safety, fire risk assessment and asbestos.

Areas of strength:

- Budget monitoring was being undertaken on a regular basis and reports provided sufficient detail on budget performance including actuals and forecasts against full year budget. The financial report and accounts for 2023-24 had been presented and approved on time.
- External decorations funds are kept in a reserve hold account, the Reserve fund held £209,096. Additionally, we confirmed with the TMO accountant that no requests for external decorations had been made in the last 12 months. We reviewed the Falcon Point Management Group Nominal Activity as of 23 March 2024 which reconciled to the balance of £209,096. A comprehensive external decorations contract was awarded with works taking place in 2019 funded from the reserve and final payments made in 2020. All this work was completed per information provided. We were advised by the TMO that there has been no need for further redecoration at this point in time and the TMO will review the position in 2026.
- Our testing of three contractor payments made by the TMO concluded that the TMO undertakes work by contractors that are on its approved list. With contractor payments completed in accordance with agreed TMO financial procedures. Due diligence had been undertaken for recent approved contractors with contracts kept on file. We confirmed safe storage of the TMO Cheque book.
- Management Committee meetings were quorate as per accordance with the TMO rules, with actions outlined and followed up in the subsequent meetings. Council nominated members were invited. Management Committee members went through a training needs assessments and a training plan is in place.
- Our review of the TMO Equal Opportunity Policy and action plan confirmed it was last reviewed and updated by the Management Committee in April 2024. Additionally, the Equal Opportunities Policy incorporates the Southwark Stands together pledge.
- We reviewed the process design for leasing to prospective tenants as outlined within the MMA and confirmed that the TMO retained all correspondence and completed all required checks prior to the award of a property. The MMA outlines the arrangements between the Council and the TMO in terms of managing leaseholders and service charges, which we found to have been followed accordingly.

Main areas of concern:

- Works orders and invoices were not raised and authorised in line with the MMA and financial procedures and no supporting quotes were obtained for high purchases.
- The TMO does not have a formal rent collection process in place to ensure that arrears are identified, managed, and reported.
- While the TMO had a repair log in place, there was no work order tickets and quality checks undertaken on file, and remittance advices were not raised prior to the invoice.
- The TMO has a Falcon Point Management Rules in place from 1996, however we found that it was last reviewed in August 2006. One out of eight members of the Management Committee had not signed a declaration of interest form.

Treasury Management

LEVEL OF ASSURANCE

SUBSTANTIAL

SUBSTANTIAL

RECOMMENDATIONS

High -
Medium -
Low 1

Purpose: To provide assurance over Council's compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice, and the adequacy and effectiveness of the internal control environment for investment and borrowing transactions.

Areas of strength:

- A Treasury Management Strategy is in place for the financial year 2024-25, which is in line with statutory requirements and the requirements of the (CIPFA) Treasury Management Code of Practice. It was approved by the Council Assembly prior to 2024-25. A Treasury Manual supports the Strategy and is sufficiently detailed with clarity on roles and responsibilities,
- A cashflow forecast is completed by the Treasury Accountant and reviewed by the Treasury Manager daily. Potential issues are reported to the Director of Corporate Finance in the bimonthly treasury update, and the Council seeks advice from the external treasury advisor.
- Our review of the Council's bimonthly Treasury Management Activities Briefing Note dated 07 May 2024 identified that potential issues with cash flow shortage was reported and advice sought from the external treasury advisor to borrow short in the interim then take advantage of long-term rates when base rate falls according to market forecast. The Council took advantage of a short-term borrowing of £10m at a relevant low cost of 5.10% for six months.
- We confirmed that the external fund managers provided valuation reports monthly to ensure potential issues such as breach of counter-party limits were identified and actioned. We reviewed the valuation reports provided for the months of February, March and April 2024 and no issues were reported during this period, including no breaches to counter-party limits.
- In line with good practice, the Council obtains quarterly investment benchmarking information from its external treasury advisor to enable it to identify its relevant position in comparison to Councils average. Whilst considered useful information, it has not been deemed necessary to change the strategy as it continues to meet the Council's needs.
- The required Mid-year and Annual Treasury management performance reports on the Council's treasury activities and arrangements were reported to the Council Assembly in accordance with the CIPFA Treasury Management Code of Practice. We confirmed that the Council had complied with its prudential indicators throughout 2022-23 and our review of the Mid-year Report for 2023-24 confirmed that all treasury management activity was undertaken in compliance with the treasury management strategy 2023-24 from April to September 2023.
- For 2024-25, the strategy is to borrow externally when rates are favourable. The exact timing and amount are determined by the Strategic Director of Resources taking advice from the Council's external treasury advisors. The liability benchmark suggests the Council will require a minimum level of borrowing in 2024-25 of £275m to maintain the minimum investment level of £52m at year-end. This amount includes the Council's external fund managers' portfolio of approximately £25m, and an internally managed cash balance of £40m to maintain sufficient liquidity. Cash outflow has been volatile since the beginning of the financial year, and external advice is to borrow short in the interim and then take advantage of long-term rates when base rate falls. We confirmed that this policy advice has been followed.

Main areas of concern:

- The Treasury Manual did not include a defined process for reviewing or approving the Treasury Manual.

6. SUMMARY OF RECOMMENDATIONS STATUS

Of the 577 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 532 have been fully implemented or superseded.

This result represents an overall implementation rate of 92.2%, which is a marginal decrease compared to the 92.8% reported in September 2024.

Several recommendation target dates for 2022-23 and 2023-24 continue to be revised multiple times, which is preventing a better implementation rate.

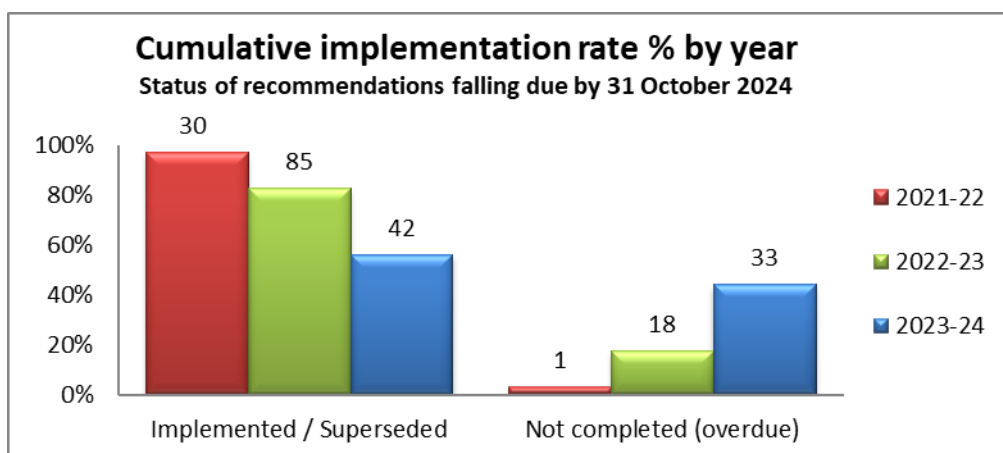
The chart below shows the relative implementation percentages with regards to recommendations raised and due for implementation across the years from 2021-22 to 2023-24.

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 - 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, Sustainability and Leisure directorate									
2020-21 South Dock Marina <i>Please refer to latest update in the supplementary report.</i>	1	-	-	-	-	1	-	0%	June 2022 November 2022 March 2023 March 2024 August 2024 January 2025

RECOMMENDATION IMPLEMENTATION - 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 Public Health - Tobacco Control	1	-	1	-	1	-	-	0%	September 2024 December 2024
2022-23 Safeguarding Adults	2	-	-	-	2	-	-	0%	November 2023 January 2024 March 2024 August 2024 January 2025
2023-24 Direct Payments	6	1	5	1	5	-	-	0%	July 2024 March 2025
2023-24 Legal Fees	2	-	-	-	2	-	-	0%	June 2024 December 2024
Environment, Sustainability and Leisure directorate									
2022-23 Cemeteries and Crematoria	4	-	3	-	1	-	-	75%	30 June 2023 December 2023 March 2024 May 2024 August 2024 December 2024
2022-23 Parking Management and Estates Parking Permits	5	1	1	2	1	-	-	40%	January 2024 March 2024 August 2024 November 2024 & March 2025
2023-24 Tree Management Services	4	-	3	-	1	-	-	75%	July 2024 April 2025

Audit Area	Total H & M	Implemented		In progress		Awaiting update/ evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
Governance and Assurance									
2022-23 Member Officer Protocol	2	-	1	-	1	-	-	50%	October 2023 March 2024 June 2024 September 2024 March 2025
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 February 2025
2023-24 Climate Strategy	1	-	1	-	1	-	-	0%	September 2024 May 2025
2023-24 Hospitality and Gifts	3	-	-	-	-	-	3	0%	March 2024 September 2024 December 2024
2023-24 Records Management	3	2	-	1	-	-	-	67%	June 2024 December 2024
2023-24 IR35	8	3	5	3	5	-	-	0%	July 2024 February to May 2025
2023-24 Overtime Review	3	-	2	-	1	-	-	67%	March 2024 June 2024 December 2024
Housing Directorate									
2022-23 TMO - Brenchley Gardens	8	-	-	7	1	-	-	n/a	Internal Audit Report has been superseded - refer to supplementary report
2023-24 Social Housing White Paper	1	-	-	-	1	-	-	0%	July 2024 March 2025
2023-24 TMO - Haddonhall <i>Awaiting evidence to verify implementation</i>	4	-	1	-	-	-	3	25%	March 2024 October 2024




Audit Area	Total H & M	Implemented		In progress		Awaiting update/ evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
Resources Directorate									
2022-23 Insurance	2	-	1	-	1	-	-	50%	December 2022 July 2023 September 2023 January 2024 March 2024 June 2024 August 2024 December 2024
2023-24 Asset Hardware Management	3	1	2	1	2	-	-	0%	September 2024 November and December 2024
2023-24 Cyber Security	5	1	1	2	1	-	-	40%	August 2024 December 2024

APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

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

RECOMMENDATION SIGNIFICANCE DEFINITION

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

FOR MORE INFORMATION:

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