London Borough of Southwark

INTERNAL AUDIT PROGRESS REPORT

Presented to the Audit, Governance and Standards Committee 11 February 2019

BDO

CONTENTS

1. SUMMARY OF WORK SINCE THE LAST MEETING

Purpose of the report

This report informs Southwark Council's audit, governance and standards committee of the status of work undertaken by BDO in respect in 2018-19 since the last meeting of the committee on 21 November 2018. Where audit reports have been finalised, the executive summaries are included in this report.

Internal audit approach and methodology

As part of our audit approach, we agree terms of reference for each piece of work with management, identifying the key risks that are to be covered by the audit. 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 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.

Professional standards and results of the peer review

We undertake to comply with the Public Sector Internal Audit Standards (PSIAS).

Standard 1312 of states that "External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation… External assessments may be accomplished through a full external assessment, or a self-assessment with independent external validation."

In London, The London Audit Group has organised a system of peer review, with 32 of the 33 London Boroughs agreeing to take part. It has been agreed that self-assessments will be carried out and that these will be validated by suitably qualified individuals or teams from other members of the group across a 5 year cycle.

A peer review of the internal audit service provided to the council against the PSIAS has been undertaken during 2018-19 by the Head of Assurance and an Audit Manager from OneSource (who work on behalf of the London Borough of Bexley).

The review was based on the self-assessment conducted by the Engagement Partner and Chief Audit Executive, with evidence provided to support its conclusions. In addition, interviews were conducted with some of internal audit's key stakeholders: The Director of Finance (CFO and S151 Officer and the BDO Engagement Partner. Also available were the results and analysis of customer questionnaires.

Their report concludes that:

- Based on the work carried out it can be confirmed that the internal audit function at the London Borough of Southwark generally conforms to the UK Public Sector Internal Audit Standards. This outcome should be reflected in the Chief Audit Executive's annual opinion report for the year 2018-19.

    The definition of generally conforms is "The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.

- The IT provision at the London Borough of Southwark is a shared service, with Brent and Lewisham. Internal audit, across the three authorities, are in discussion with management and the ICT provider to determine and plan the ICT audits going forward, including audit allocation, cross cutting audit reviews and how assurance will provided to members.

- Some minor observations were made relating to: audit Execution – improved consistency of numbering of working papers on the electronic system, audit review points – consistency of the location of key sign offs through the quality assurance process and clarity over the final version of the test schedule on the file

- The conclusion reached from the customer questionnaires was that the Standing and Reputation of Internal Audit is generally positive. There were some best practice improvements suggested by some survey responses in the areas of ensuring recommendations are commercial and practical, ensuring adequacy of resources and skills, and demonstrating Internal Audit's influence on the organisation, which the Chief Audit Executive has agreed to consider.

Follow up

As part of finalising each audit report, we agree with management the actions that will be taken in response to each finding and recommendation. Within their response, management include the date by which the actions will be completed.

Internal audit routinely follows up all high and medium recommendations made, in the month after the management implementation date.

Changes to the internal audit plan 2018-19

Since the last meeting of the committee, the following additional audits have been requested, which are being provided by internal audit:

- Procurement – this audit is being undertaken to assess the council's compliance with the Fairer Futures Procurement Strategy, as requested by the committee. Fieldwork is in progress. This audit is being undertaken as part of the internal audit plan 2018-19.

- Leathermarket CBS grant – this audit is being undertaken to provide assurance that the grant awarded by the council has been spent in accordance with the council's conditions and on the adequacy and effectiveness of the control framework in place for procurement. As a grant audit this is being undertaken outside of the internal audit plan.

Non internal audit services provided by BDO

BDO LLP has been commissioned to provide the following non internal audit services since the last meeting, these are provided by teams outside of the public sector internal audit team:

- Tax advice - on the tax issues arising from the dissolution of the One Tower Bridge Partnership (for the Regeneration Division of the Place and Wellbeing Department)

- Refinancing advice - to support the council's assessment of the refinancing gain arising and the proposed sale of equity for a schools PFI by Amber infrastructure

- Assurance on development and payments due to the Council – checking the costs and allocation of amounts to be distributed on account monies due from Berkeley Homes in relation to the One Tower Bridge development.

This work is delivered by a separate team from the internal audit team and does not pose a threat to our independence or objectivity.

2. ANTI-FRAUD UPDATE

We have been engaged to provide management support and strategic advice to the anti-fraud team at the council. The lead for this work is Nick Baker (FCCA, ACFS), an accredited counter fraud senior manager and forensic accountant within BDO forensic services. Assistance is provided by James Shortall, an accredited counter fraud manager within BDO forensic services.

Our work to date

We have held weekly meetings with Paul Bergin, who manages the anti-fraud service, which enable us to monitor case progress and where appropriate provide direction and guidance. There are currently 22 live cases under investigation.

We have drafted an initial counter-fraud work-plan to the year to April 2020. The work plan focusses on the requirement for the anti-fraud team to be able to provide both a reactive and pro-active response. The work plan has been devised with reference to the Government Counter Fraud Profession Standards. The Government Counter Fraud Profession was launched towards the end of 2018. It is a structure for counter fraud specialists working in government and aims to bring the counter fraud community together under a common set of standards and develop that community as they protect public services and fight economic crime.

Following on from this, we have also considered the potential changes to the structure and staffing of the anti-fraud team that will be required to enable the work plan to be carried out and the costs likely to be involved.

Specifically in respect of pro-active work, we have started work with Paul Bergin in meeting the Council's appointed Risk Champions, with the aim of identifying those specific areas within the council susceptible to fraud. We will first focus on Environment & Leisure, followed by Housing and Modernisation. This will entail us meeting with the managers and senior managers within those departments to identify the specific threats that they consider exist. Once the primary areas of concern and threat have been identified, then the next stage will be to plan the appropriate work to be undertaken to best address those risks. This work will also be planned in conjunction with BDO Internal Audit, to ensure a fully joined up approach.

Ongoing activities

These will include:

- Holding weekly meetings with Paul Bergin to discuss case progress and provide operational-level direction and guidance, including case prioritisation (we will not engage directly in investigative fieldwork and / or individual case management, or provide quality assurance). There are currently 22 live cases under investigation.

- Providing an initial sense-check of referrals received by counter-fraud staff, forwarding those suitable for internal investigation and / or disciplinary action to HR, and internal audit where appropriate.

- Preparing and presenting update reports on counter fraud activity for the audit, governance and standards committee.

- Briefing of strategic directors as to the role they and their departments play in dealing with fraud-related issues.

- Identifying any needs for further additional counter-fraud training for relevant council staff.

3. REVIEW OF WORK UNDERTAKEN IN 2018-19

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	Reporting	Committee	Design	Operational Effectiveness
Internal Audit Plan 2017-18								
Financial planning/ budget monitoring	Director of finance / chief officers team	25	✔	✔	✔	November 2018	Moderate	Moderate
Temporary accommodation (continued into 2018/19)	Director of customer experience	15	✔	✔	✔	November 2018	Limited	Moderate
Internal Audit Plan 2018-19								
Access to secure housing estates (new request by management)	Director of asset management	10	✔	✔	✔	July 2018	No	Limited
Better care fund	Directors of adult social care and commissioning	15	✔	✔	✔	November 2018	Substantial	Moderate
CCTV	Director of environment	15	✔	✔	✔	July 2018	Substantial	Moderate
CHAPS (new request by management)	Strategic director finance and governance	10	✔	✔	✔	November 2018	Moderate	Moderate
Chargebacks (new request by management)	Director of finance	10	✔	✔	✔	November 2018	Moderate	Moderate
Legal fees	Director of law and democracy	15	✔	✔	✔	November 2018	Moderate	Moderate
Members allowances	Director of law and democracy	10	✔	✔	✔	November 2018	Substantial	Substantial
Parking management	Director of environment	15	✔	✔	✔	November 2018	Moderate	Moderate

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	Reporting	Committee	Design	Operational Effectiveness
Placements – children in care service	Director children's social care	20	✔	✔	✔	November 2018	Moderate	Limited
Right to buy, &	Director of customer experience	20	✔	✔	✔	November 2018	Moderate	Moderate
Ad hoc sales							Limited	Limited
Sheltered housing	Director of resident services	15	✔	✔	✔	November 2018	Substantial	Moderate
Tenancy management organisation - Haddenhall	Director of communities	25	✔	✔	✔	November 2018	Limited	Moderate
Community Council manual cheque payments (new request by management)	Strategic director finance and governance	8	✔	✔	✔	February 2019	Limited	Limited
Community support and engagement	Director of communities	15	✔	✔	✔	February 2019	Substantial	Substantial
Contact centre	Director of customer experience	15	✔	✔	✔	February 2019	Moderate	Moderate
Housing solutions – applications and allocations	Director of customer experience	15	✔	✔	✔	February 2019	Moderate	Moderate
Housing benefits and universal credit	Director of exchequer	15	✔	✔	✔	February 2019	Moderate	Moderate
IT change controls	Director of modernise	15	✔	✔	✔	February 2019	Moderate	Limited
Markets	Director of environment	15	✔	✔	✔	February 2019	Moderate	Moderate

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	Reporting	Committee	Design	Operational Effectiveness
Tenancy management organisation - Browning	Director of communities	25	✔	✔	✔	February 2019	Moderate	Moderate
Youth service	Director of leisure	15	✔	✔	✔	February 2019	Moderate	Limited
Accounts Payable (Healthcheck)	Strategic director finance and governance	10	✔	✔	✔ Draft report	June 2019		
Commercial Waste	Director of environment	15	✔	✔	✔ Draft report	June 2019		
Customer Services Channel Shift	Director of customer experience	15	✔	✔	✔ Draft report	June 2019		
Health and safety	Director of modernise	20	✔	✔	✔ Draft report	June 2019		
Housing Rents and universal credit	Director of exchequer	15	✔	✔	✔ Draft report	June 2019		
Mosaic operational audit/payments	Directors of adult social care and children's social care	20	✔	✔	✔ Draft report	June 2019		
National non-domestic rates	Director of exchequer	15	✔	✔	✔ Draft report	June 2019		
Safeguarding – adults	Director of adult social care	15	✔	✔	✔ Draft report	June 2019		
Tenancy management organisation - Browning	Director of communities		✔	✔	✔ Draft report	June 2019		
Tenancy management organisation – Two Towers	Director of communities		✔	✔	✔ Draft report	June 2019		

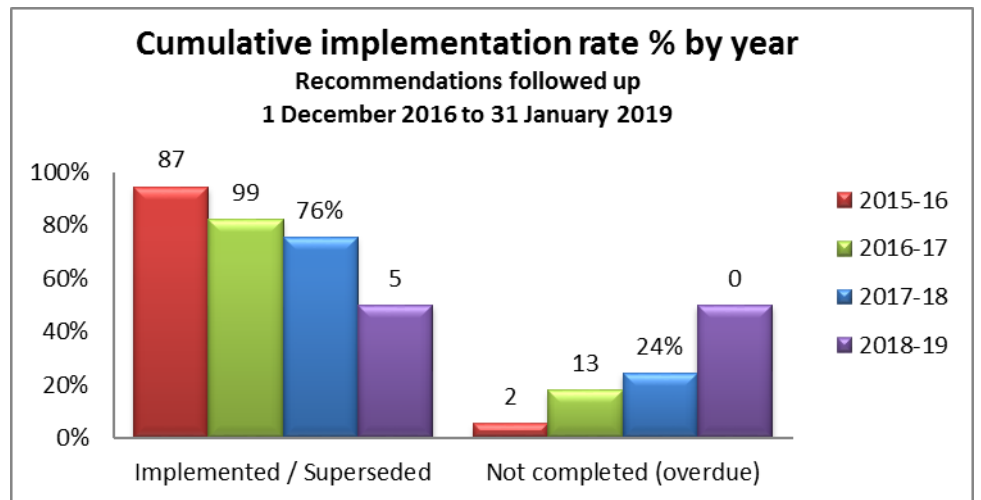| Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	Reporting	Committee	Design	Operational Effectiveness
Public health – health in all policies	Director of health and wellbeing	20	✔	✔	✔	June 2019		
Budget recovery board	Strategic director of children's and adults' services	15	✔	✔	✔	June 2019		
Waste contract/ PFI	Director of environment	15	✔	✔	✔	June 2019		
Business continuity planning	Head of chief executive's department	25	✔	✔	✔	June 2019		
Estates cleaning and grounds maintenance	Director of Environment	10	✔	✔		June 2019		
Music Service	Director of education	10	✔	✔		June 2019		
Payroll	Director of exchequer services	20	✔	✔		June 2019		
Procurement – fairer future strategy compliance	Strategic director finance and governance	25	✔	✔		June 2019		
Repairs and maintenance	Director of asset management	20	✔	✔		June 2019		
Southwark building services	Director of Environment	20	✔	✔		June 2019		
Commissioning of social care	Director of commissioning	15	✔			June 2019		
Data protection / GDPR	Head of financial & information governance	20	✔			June 2019		

Schools internal audit plan 2018-19

We have programmed in the internal audit plan for schools on behalf of the director of education, to take place during term times between May 2018 and March 2019. The internal audit assurance opinions provided for the schools where a final report has been issued are as follows:

School	Status	Design	Operational Effectiveness
Ann Bernadt Nursery School	Final Report	Limited	Limited
Dulwich Wood Nursery	Final Report	Moderate	Moderate
John Ruskin Primary School	Final Report	Moderate	Moderate
English Martyrs' Catholic Primary School	Final Report	Substantial	Moderate
Highshore School	Final Report	Moderate	Moderate
Dog Kennel Hill Primary School	Final Report	Moderate	Moderate
Bellenden Primary School	Final Report	Limited	Moderate
Beormund Primary School	Final Report	Substantial	Moderate
Bethlem & Maudsley Hospital School	Final Report	Substantial	Substantial
Spa School	Draft Report		
Michael Faraday	Draft Report		
Oliver Goldsmiths	Draft Report		
St Anthony's Catholic Primary School	Draft Report		
St James the Great Roman Catholic Primary School	Draft Report		
Kintore Way Nursery School and Children's Centre	Draft Report		
Bessemer Grange	Draft Report		
Dulwich Village Church of England Infants' School	Draft Report		
Nell Gwynn Nursery School	Draft Report		
Notre Dame Roman Catholic Girls School	Draft Report		
Albion Primary School	Draft Report		
St Peter's Walworth Church of England Primary School	Draft Report		

4. SUMMARY OF RECOMMENDATIONS STATUS

The cumulative summary provided here relates to 358 high and medium recommendations followed up in the period when BDO was appointed as internal auditors to the council on 1 December 2016 to 1 February 2019 relating to the years 2015-16, 2016-17, 2017-18 and 2018-19.

We have confirmed with reference to evidence that 281 (78%) of the recommendations have been implemented.

Cumulative implementation rate % by year
Recommendations followed up
1 December 2016 to 31 January 2019

Implemented / Superseded: 2015-16: 87, 2016-17: 99, 2017-18: 76%, 2018-19: 5

Not completed (overdue): 2015-16: 2, 2016-17: 13, 2017-18: 24%, 2018-19: 0

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

- *The table incudes only those audits previously reported to the committee where the recommendations have fallen due and some / all have not been implemented, and have not been previously reported.*

- *Where management assurance has been provided that the recommendations have been implemented but where evidence is yet to be provided, these are classified as in progress, and stated as such.*

- *The table does not include audits that will be followed up as part of another audit during the year (for example in respect of key financial systems, procurement and records management issues identified in the access to services audits).*

RECOMMENDATION IMPLEMENTATION RATES BY AUDIT

	Total High & Medium recommendations raised by BDO due for implementation	Implemented H M		In progress at the follow up date H M		No update provided H M		% verified complete	Management Implementation dates
2018-19									
Access to Restricted areas on Housing Estates	8	2	-	-	-	-	-	25%	~~November 2018~~ February 2019 May 2019
Parking Management	3	-	1	-	2	-	-	33%	December 2018 Awaiting Evidence
Data Sharing – Multi agency working	4	2	1	-	1	-	-	75%	~~December 2018~~ February 2019
Governance – Decision Making	4	-	4	-	-	-	-	100%	December 2018
Better Care Fund	1	-	1	-	-	-	-	100%	December 2018
Residential Placements - Children in Care Services	4	-	-	1	3	-	-	0%	November 2018 Awaiting Evidence
Tenancy Management Organisation - Haddonhall	6	2	4	-	-	-	-	100%	December 2018
Temporary accommodation	3	-	-	-	-	2	1	0%	December 2018
2017-18									
Network Security	6	-	-	2	4	-	-	0%	~~December 2017~~ ~~October 2018~~ May and June 2019
Children with disabilities service	5	2	2	-	1	-	-	80%	September 2018 Awaiting evidence
Mosaic	3	2	1	-	-	-	-	100%	December 2018
Corporate energy	2	-	-	-	-	-	2	0%	~~December 2017~~ ~~October 2018~~ Revised date required
Information Governance	9	2	6	-	1	-	-	88%	~~June 2018~~ March 2019

	Total High & Medium recommendations raised by BDO due for implementation	Implemented		In progress at the follow up date		No update provided		% verified complete	Management Implementation dates
Electoral Services	4	-	3	-	1	-	-	75%	~~April 2018~~ August 2019
Integration of customer based systems	2	-	-	-	-	-	2	0%	~~July 2018~~ ~~November 2018 and January 2019~~ Revised date required
Register of Interests	4	2	2	-	-			100%	~~May 2018~~ November 2018
2016-17									
Planning applications	5	-	-	-	-	-	5	0%	~~October 2016~~ ~~April 2018~~ March 2019
Payment Card Project	5	2	3	-	-	-	-	100%	~~August 2017~~ ~~January 2018~~ December 2018
Access to Services	3	-	-	-	-	1	2	0%	~~August 2018~~ Revised date required.
S106 Agreements	3	-	1	-	-	-	2	33%	~~October 2016~~ ~~April 2018~~ June 2019

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
2018/19 – Parking Management		
The council should check the cases involved and obtained the relevant information to establish their validity. In future a permit should not be issued until all the appropriate documentation is obtained and retained and should be approved by the parking contracts manager. **Medium**	Parking services and development manager/ Parking contracts manager November 2018	Management has responded that they are up to date with the recommendation raised. We are awaiting evidence to confirm this.
Parking services should receive weekly reports of chargebacks and the actions taken to recover fees owed to the council. **Medium**	Parking services and development manager/Business planning and performance manager November 2018	As stated above.
2018/19 – Data Sharing – Multi Agency Working		
Each department should maintain a record of those officers from outside of their directorate with access to their database and ensure this is reviewed on a regular basis to verify the level of access is still appropriate to their current role in the organisation. **Medium**	Housing & Social Care Partnership Board ~~December 2018~~ February 2019	Management stated that they hoped the databases could automatically identify relevant users but unfortunately this was not possible. Instead service managers were contacted to confirm which staff required access. They identified 152 staff from 25 different services. Information Governance advised that a Data Protection Impact Assessment should be completed before proceeding further. This is expected to be finalised shortly. Staff will then be invited to training sessions and asked to sign a form setting out their responsibilities when accessing databases held by other directorates. Changes have been made to systems so that staff from outside departments can be identified automatically in future and dormant accounts are shut down quickly.
2018/19 – Residential Placements - Children in Care Services		
An attempt to negotiate lower fees should be made in all cases and evidence supporting such actions should be retained. The brokerage team should ensure that sufficient evidence is retained to show that commissioned residential care packages are market competitive and that negotiations to attempt to reduce costs where achievable were appropriate without compromising the quality of care received by the child. **High**	Access to Resources Manager December 2018	Management has responded that they are up to date with the recommendation raised. We are awaiting evidence to confirm this.
Evidence of the High Cost and Quality Panel's decision for each individual case should be recorded on the appropriate case notes. Management should undertake periodic quality	Access to resources manager	As stated above.

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
checks to ensure that panel decisions are being recorded on the individuals' files correctly. **Medium**	November 2018	
The Access To Resources team should liaise with the Information and Governance Team to discuss the retention of documentation by the council and unsuccessful providers to ensure it meets GDPR requirements. Once clarified all work carried out as part of a placement search (providers contacted, responses received) should be retained by the council and confirmation sought that information is destroyed by unsuccessful providers. **Medium**	Access to resources manager December 2018	As stated above.
2018/19 – Temporary accommodation		
Management should ensure that all staff involve in the process of collecting, checking and confirming invoices are required to update iWorld to match the data in the financial system (SAP). Reconciliation of the two systems should then happen at regular intervals to ensure that the information contained in one matches the other. Any inconsistencies should be followed up and resolved and the reasons for recurring inconsistencies should be investigated and addressed. Longer term, the two systems should be integrated and information input in one system should automatically update in the other. **High**	Placements Team Manager ~~November 2018~~ March 2019	The responsibility for temporary accommodation has been reassigned to the business support team. There is a new manager in place in that team. Therefore we will seek an update of this positon in March 2019.
Management should ensure the responsibilities for recording void properties is clear to all staff to ensure that all available properties are recorded in one centralised system accessible to all and updated on a regular basis, so that real time information is available to the placement team. This system should be Northgate (iWorld) which is already used for the management of placements. If spreadsheets are used by staff members for recording the different types of properties, these should be saved centrally so all staff can access them, updated at regular and set intervals and the information transferred to Northgate as soon as possible. The system should be updated whenever the status of a property changes so that staff have access to the most up to date information when making a placement. **Medium**	Placements Team Manager December 2018	Management has advised that temporary accommodation voids are now all recorded on the Voids List which is held on the housing Options shared drive and can be accessed by all staff. We will carry out a review of the information held and limited sample testing to confirm its completeness and accuracy.
a. Management should formally require staff to follow a consistent process when filling placement, cancellation and continuation	Placements Team Manager	a) Management has advised that temporary accommodation documents are held on Info@work (EDMS) under temporary

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
decisions and provide training if necessary, in order to have a consistent trail of the decisions process. The most efficient way to save evidence that relate to the various steps in the processes is to attach the documents directly onto the Northgate system. Management should monitor whether staff follow the process by periodically reviewing the records. b. The resourcing of the placements team should be reviewed by senior management to ascertain whether the necessary grades are included in order for staffing to be better aligned to the different levels of responsibility and resources are used in the most efficient manner. The ability to delegate responsibility to the appropriate grade staff would free up some time to allow for more formal reviews to take place. **Medium**	~~December 2018~~ April 2019	accommodation. All staff have access and in-house training and demonstration provided as at when required. We will carry out a review of the information held and limited sample testing to confirm its completeness and accuracy. b) Management has advised that the housing solutions department is undergoing a restructure which will see the merger of the placement and procurement Teams. This move is expected to increase the scope of knowledge, resource the team more adequately at the right grades. The new Team will resume on 1 April 2019 as the temporary accommodation team.
2017/18 – Children with disabilities service		
All timesheets should be reconciled to their respective invoices. Once this reconciliation has been completed, the completing officer should sign both documents and then save them to the system to evidence that they have been appropriately checked. **Medium**	Finance Manager ~~May 2018~~ September 2018	It was confirmed by management that reconciliation between timesheets and invoices is in place and signed off as approved by the appropriate personnel. We are awaiting evidence to confirm this.
2017/18 – Corporate Energy		
For each of the council's buildings in the green building programme a performance target should be set for each key area and should be allocated to an officer who should monitor and report to senior management on performance to enable the council to evidence how it is reducing costs and its environmental impact. The energy team should further enhance communication with departments on how the green buildings programme is progressing and how staff across the council can play a role in achieving the council's targets. **Medium**	Sustainability & energy manager ~~January 2018~~ September 2018	Management had responded to follow up request but we have not received any further update on this, therefore a further follow up will be carried out before the next audit, governance and standards committee.
A formal programme and budget plan for use of the capital carbon fund should be developed to clearly show where funds have or are to be allocated. This can then be monitored along with the outcomes from the original proposal to ensure the fund was used appropriately. To support the above, the energy team should liaise with the appropriate forums to ensure council staff are aware of the capital funding for carbon reduction and how proposals to obtain funding covering how the funding might be used.	Sustainability & energy manager ~~January 2018~~ September 2018	As stated above.

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
Medium		
2017/18 - Integration of customer based systems		
Service level agreements should be created detailing the responsibilities of the various council departments involved in the management and maintenance of the MySouthwark website. This should include response timeframes and reporting lines, as well as the role of each of the parties and how updates can be provided should the resident re-contact the council. **Medium**	Service Improvement Manager ~~June 2018~~ January 2019	We have not received an update from management on this, therefore a further follow up will be carried out before the next audit, governance and standards committee.
The performance monitoring objectives should be reviewed and objectives created for the service level agreements which can be accurately measured and used to assess the actual performance of the service, without the results being skewed. **Medium**	Service Improvement Manager ~~June 2018~~ November 2018	As stated above.
2017/18 – Network Security		
All devices that are running unsupported operating systems should be upgraded to operating systems that are supported by the developer. Where it is not possible to upgrade the operating system of a device, it must be isolated from the council's IT network and appropriate security controls should be implemented. **High**	Jason Carney Enterprise Architect – IT Shared Services. ~~July 2017~~ June 2019	This recommendation has been affected by a change freeze that was put in place until 15 January 18 due to the transition to the shared ICT service and SAP HANA. Evidence was provided of the road map to upgrades, with non-compliant servers being addressed by September 2018 for the transition to shared ICT service servers. Due to ongoing issues with the link between Spring Park and the new Datacentres, the migration from the 2003 has been delayed. This activity will continue until the completion of the Southwark datacentre migration to the new datacentre.
Management must apply all missing operating system and firmware patches to the council's IT estate. Where an operating system or firmware patch cannot be applied to a device the council should implement appropriate security arrangements. Furthermore, there should be a defined and consistent procedure in place for applying operating system and firmware patches as and when they are made available. **High**	Jason Carney Enterprise Architect – IT Shared Services. ~~July 2017~~ June 2019	A review has been undertaken to apply patches. A risk-based approach is being taken to ensure continuity of systems. Processes were explained and provided for testing and applying patches. This procedure will be put in place as part of the data migration project to ensure that shared ICT service servers run with only appropriate patches. Ongoing System Centre Config Manager (SCCM) is being used to deploy updates, windows 2003 servers which can't be patched are part of the project to upgrade during the datacentre moves.
Management should establish a complete record of the council's firewall rules, which includes but is not limited to: • The service that the firewall rule supports, including the owner of the service	Jason Carney Enterprise Architect – IT Shared Services.	As part of the data centre migration, firewall rules will be reviewed and vendors will be consulted to establish the required rules for their products. The shared ICT service has elected to not copy and paste the rules across

Recommendations in progress

Recommendation made and Priority Level	Manager Responsible and Due Date	Current Progress
• Whether the rule allows for inbound, outbound or both connections • The expected levels of traffic for the rule. Furthermore, a full review of the Council's internal and external firewall rules should be performed and, where necessary, insecure or redundant rules should be removed. **Medium**	~~July 2017~~ June 2019	due to the risks associated. Evidence was shown of the security management policy which addresses the recommendation and will be put in place. During the move to the new datacentre new Firewall rules will be created and documented. This will allow for the removal of obsolete firewall rules as only active rules will be migrated across.
The anti-malware signatures for all council IT assets should be updated with the most recent anti-malware signature. Devices that cannot be updated should be isolated from the council's IT network. Furthermore, Capita should be required to provide assurance that the devices running the Microsoft Endpoint anti-malware solution have up to date anti-malware signatures. **Medium**	Jason Carney Enterprise Architect – IT Shared Services. ~~October 2018~~ June 2019	A review of antivirus and anti-malware issues will be undertaken as part of the data centre migration. Evidence was provided of the antivirus procedures that will be put in place. The Symantec Anti-virus pattern files are updated on a regular basis. Symantec licenses have been extended until November 2019. With the move to the new datacentre System Centre Endpoint Protection (SCEP) will be deployed and updated. Symantec reports are now available to show coverage.
The council's IT network diagram should be reviewed in order to establish whether: • Connections to external networks are secured • Appropriate redundancies exist within the IT network to prevent a loss of service. Action should be taken to address any issues with the design and configuration of the IT network. **Medium**	Jason Carney Enterprise Architect – IT Shared Services. ~~May 2017~~ June 2019	Work on this remains in progress, delays caused by link issues between Spring and the new datacentre have delayed moves. An audit has been carried out by Fordway of all the links in to the old datacentres. Virtual Private Network (VPN) links are secure. During the move of services which should be in the demilitarized zone (DMZ) will be placed within the DMZ in the new network infrastructure being deployed by Fordway and Axiom.
Network activity should be baselined and pro-actively monitored in order to identify unusual or suspicious activity. This monitoring should include, but not be limited to: • A record of the balance of network activity and external traffic • A record of all open and closed ports and where these have been changed • A record of standard network activity for any given time, which includes known peaks. Furthermore, management should establish a programme to review the efficacy of the network security controls that have been deployed. **Medium**	Jason Carney Enterprise Architect – IT Shared Services. ~~October 2017~~ May 2019	When the council transitioned from Capita, Capita retained the configuration of the System Centre Operations Manager (SCOM) monitoring system as intellectual property. As part of the data migration project, the shared ICT service will review the monitoring requirements and reconfigure SCOM to address this recommendation. This security design has now been implemented. A server plan has been provided that shows that this process is underway. As the servers are moved to the new network infrastructure, the new Juniper infrastructure has some Intrusion Detection built in. This will log anomalies to the monitoring infrastructure. The monitoring solution (Splunk) is in place and being configured. The new network is scheduled for completion in early 2019 with all the servers being moved on to it as part of the moves from Spring\Cody and Tooley street. A record of open and closed ports is kept within the firewall rules. These are checked during the IT Health check. Copies of the rule sets will be copied to a file share on a monthly basis to check for changes.

5. KEY PERFORMANCE INDICATORS

Description	Target	Actual and comment	RAG Rating
% of audits from the plan reported to the planned meeting of the audit, governance and standards committee (as per the approved terms of reference).	90%	86% This reflects 4 audits where the reporting has been delayed due to staff absence at BDO, 1 audit where responses were not received by the committee reporting dealine and 2 audits where council staff asked for deferral of fieldwork due to staff availability.	🟡
% of high and medium rated recommendations implemented by the agreed management implementation date	75%	78% As reported in section 4 of this report.	🟢
% of recommendations in draft report accepted by audit sponsor / owner	90%	95%	🟢
% of draft reports issued within 15 working days of the audit closure meeting.	90%	92%	🟢
% of returned audit satisfaction survey forms achieving a score of 4 or 5 out of 5	75%	100% In respect of the audit reports finalised for 2018-19, we have received three completed surveys, two of which rated us as 4 and one which rated us as 5 out of 5.	🟢
Annual chief officer and audit, governance and standards satisfaction survey results	Average of 75% and above	The annual survey will be issued at the end of 2019-20.	⚪
% of audits from the plan completed to draft report stage by 31 March 2019	100%	To be reported at the end of 2018-19.	⚪

APPENDIX 1 – EXECUTIVE SUMMARIES (NOT PREVIOUSLY REPORTED)

HM22 **Community Support and Engagement – Southwark Conversation** January 2019	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	-
			Medium	-
	Substantial	Substantial	Low	1

Purpose of audit	To review the current process and controls on placing children in residential care, including commissioning, approval and financial monitoring and reporting.	Added value	Many Local Authorities across London have launched community engagement projects with the aim to develop a deeper understanding of perceptions and experience of regeneration in the area. The return rate of local people responding on a council plan and the communication channels used by the council were benchmarked against the performance of other Local Authorities.

The council decided to launch a major community engagement project "the Southwark Conversation" with an aim to develop a deeper understanding of perceptions and experience of regeneration in the borough. This event took place over nine and half weeks between October and December 2017. The Southwark Conversation was aimed as a discussion with local people about change in the borough. This demonstrates the council's commitment to community engagement ensuring the involvement and co-operation with residents are key to its approach to social regeneration. It aims to use the results of the Conversation to help shape the policy framework, ensuring all residents in the borough have a say in the future development. From this engagement with local people, the council was to identify themes and areas to factor into policy development.

Good practice:

- An engagement plan was created which outlined the objects of the project:

  a) To keep in touch with residents and show the council is listening

  b) Understand the residents' views on the changing borough and use the information to test the council's regeneration frameworks that works for everyone; help shape future plans for the borough, and ensure that change works for everyone and no resident is left behind

  c) To develop over time a new and more robust narrative around the process and outcomes for change in Southwark, to challenge myths and misconceptions with facts, real local stories and information

  The engagement plan document was further substantiated with a detailed activity plan that outlined all the events that were to be held to ensure sufficient public engagement was achieved. The engagement plan was shared with the two lead cabinet members and project board members for their review and comments which fed into the final version.

- Approval of the plan was given by the cabinet on 19 October 2017, and the head of the cabinet office drafted a shortened version for formal signing by the cabinet members. This contained sections on the background, objectives, approach, branding, materials, governance arrangements and

management of the project. The two co-lead members approved the questionnaire to be used with input from internal and external stakeholders.

- A dedicated budget was awarded for the project which enabled the project team to identify and engage in new ways of engagement with the community through a variety of owned and paid for channels. This not only meant the regular approach through printed advertising and council website but:

  a) Using a local radio station, which targets a younger audience

  b) Use of younger people to assist in attending events for younger residents as peers

  c) Street touch down areas, where a 'family front room' was set up for residents to drop in and have a chat

  d) Talkaoke at Surrey Quays shopping centre.

- All responses were logged on the 'Consultation Hub' in real time and could not be edited after submission. It was also confirmed that the Hub's privacy policy clearly set out how personal information was processed and stored, which was in accordance with GDPR rules and regulations. In addition, only a limited number of people had direct access to the data, safeguarding the council from data leaks.

- In-house expertise from the Public Health team was utilised to analyse data being returned. The Public Health team devised an analysis framework which outlined how the data was to be coded on the database and then analysed to ensure consistency in reviewing the responses. Common themes from the response analysis were reported to the project board on a regular basis and formed the evidence for the interim report presented to the cabinet in March 2018.

- The results of the Big Conversation were initially reported to the cabinet, in March 2018, and have been used to update the Council Plan, covering the period 2018-19 to 2021-22, which is to be sent for review and potentially be approved by the Council Assembly in November 2018.

- A review of similar size London councils on the issues being raised when engaging with their local populace and the number of responses received highlighted that the council was facing similar issues but had received a higher level of responses. It was also found the council had engaged in new ways including the local radio station and the use of youth peers

Key findings:

- The review raised only one [low] finding, which highlighted the lack of minutes being taken for the Operational Group meetings.

ADD04 Community Council Manual Cheques December 2018	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	1
			Medium	3
	Limited	Limited	Low	1

Purpose of audit	To provide assurance over the processes in place for manual cheque payments made by the community council.	Added value	We compared the council's expected practice against the actual practice in place to identify the discrepancies, as well as highlight the weaknesses found in each of the areas.

Community council manual cheque payments fall outside the scope of the council's usual payment process. There are five community councils in place, based on the council ward boundaries, with elected councillors as voting members and each has their own account: Bermondsey and Rotherhithe, Camberwell, Borough Bankside and Walworth, Peckham and Nunhead, Dulwich.

Each account has its own bank mandate stipulating who may authorise payments, and each cheque payment requires two signatures. There are in total 10 main account signatories who appear on the community council bank mandates and 17 councillor signatories. Dulwich has 10 main account signatories and 5 councillor signatories. Camberwell, Peckham, Bermondsey, and Bankside have 10 main and 3 councillor signatories.

Grants are approved by the community council at one of the five public meetings held per year and grant payments are made by manual cheque. Since 1 April 2018, there have been 158 community council manual cheques processed, totalling £518,000.

The review was requested due to the identification of a cheque payment which included an undated cheque which had not been made out to a specified person or group and had discrepancies between the written amount and the numerical figure.

Good practice:

- The payments sampled had all been authorised by the community council
- All cheques had been signed by two officers/elected members and no blank cheques had been authorised
- All cheques paid had been completed in full.

Key findings:

- Our review identified a divergence away from the original intention for the community councils to operate independently and be responsible for the completion and issuing of their own cheques. We found that the council has over time taken on greater involvement in the process, including preparing the cheques for signing, reviewing the supporting documentation to confirm if the grant funding conditions have been met and physically issuing the cheques to successful groups.
- We identified that the cheque giving rise to this audit was issued from the Borough, Bankside and Walworth community council bank account for £6,280. The cheque was written out by the community council officer, and signed by the authorised councillor signatories. This cheque had been authorised without a date being recorded, and was also authorised despite the value in words and figures not reconciling and the recipient being recorded as a generic '1 2 3 current account'.

• The issuing of cheques without a date is a common practice as the councilors sign the cheques in bulk at the start of the year and the community council officers may then retain the cheques for a long period of time until the groups provide the required supporting documentation.
• As part of the agreed terms of reference, we also reviewed the design and operational effectiveness of the control framework. Our review identified the following issues:
   - The bank mandate contained non-current councillors.
   - A copy of the specimen signatures was not retained so it was not possible to confirm whether cheques had been signed by authorised signatories
   - Cheques had been made out to different persons than those approved by the committee
   - There was a lack of training in the cheque payment process for both councillors and community council officers
   - There was a lack of independent oversight of the payments being made
   - A large number of authorised cheques were held in community council officers' lockers.			

Looking forward: supporting the council's journey from limited to substantial assurance			
Design	Limited	Substantial	• Copies of the specimen signatures should be retained • Community council officers should hold a copy of the bank mandate • A record should be retained of those instances in which a cheque is made out to someone different from the decision notice • Training should be provided to both officers and councillors • Cheques should be signed in line with the timeframes for the project delivery, rather than at the start of the year • An independent review should be implemented to reconciled the decisions with payments
Operational Effectiveness	Limited	Substantial	• Update the bank mandates to include only current members of staff • The same template listing the group and project should be used for recording decisions across all community councils • Cheques should be cancelled after the end of the financial year
Follow up A review of the actions taken since the audit will be undertaken in March 2019.			

HM32 **Contact Centre** January 2019	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	-
			Medium	3
	Moderate	Moderate	Low	1

Purpose of audit	To provide assurance over the Southwark Monitoring and Alarm Response Team (SMART) service, including whether responses are timely and appropriate, as well as providing guidance on opportunities available to the council for expanding this service.	Added value	We have identified the key areas where the council can develop the service to improve the assurance ratings from moderate to substantial.

SMART offers security and help to older and vulnerable people and operates 24 hours a day, 365 days a year. There are a range of devices installed in service users' homes, such as pendant alarms, which notify the team if someone is in need. The SMART service works closely with the emergency services to determine when they may need to be contacted for more serious cases. Training has been undertaken so responders are able to identify these cases.

The SMART service has two key roles; call handlers who are responsible for taking calls and any initial actions, and responders who undertake the visit to the client.

These devices are installed based upon assessments undertaken by occupational therapists in the Adults' service to determine what will most suit their needs. A financial assessment is undertaken and an amount to be paid determined in line with the Fairer Charging Policy.

The SMART service is funded mainly by the Better Care Fund, with smaller amounts of funding being received from the Housing Revenue Account (HRA). A separate audit of the Better Care Fund has been undertaken as part of the 2018-19 internal audit plan.

There are currently no arrangements in place to allow for 'self-funded' people, who do not meet the requirements to be classified as in need of having these devices installed, to choose to have devices installed at their own expense. This is something which is being utilised by other local authorities to enable customers, or families of customers, to have comfort in their own home and therefore represents a potential opportunity to the council which is yet to be utilised. At the time of the audit, proposals were in the process of being created to explore this.

Good practice:

- Call handlers and responders had clearly defined roles
- Procedures were in place to guide staff on the actions to be taken for a variety of scenarios
- Staff received a range of training based upon their roles.

Key findings:

- The guidance in place did not provide sufficient detail in some areas, including the need to liaise with the adults' service, scenarios outlining when to contact the Local Ambulance Service and the instances when the action to be taken is discretionary and how this should be documented

• The training matrix did not clearly record the training to be undertaken by each role and the staff members who had completed / were yet to complete the training • The exceptions performance monitoring reports did not detail the action to be taken to address non-conformance.			
Looking forward: supporting the council's journey from moderate to substantial assurance			
Design	Moderate	Substantial	• Update the procedures to provide additional guidance on contacting the Local Ambulance Service (for call handlers), the need to liaise with the adults' service and the documentation and commentary required relating to client calls • Update the training matrix to clearly record the training expected to be completed by each role and the training which has been completed by staff to allow any gaps to be identified • Record the actions to be taken to address areas of non-compliance within the performance reports and re-introduce provide higher level reports to senior management.
Operational Effectiveness	Moderate	Substantial	• Use enhanced sample checks to focus on key areas which have recurring issues identified • Remind staff of the expectations regarding reviewing Mosaic, retaining evidence of correspondence with the adults' service and recording actions on Answerlink.
Follow up A review of the actions taken since the audit will be undertaken in April 2019.			

MA09 **Housing Benefits and Universal Credit** January 2019	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	-
			Medium	2
	Moderate	Moderate ↑	Low	5

Purpose of audit	To provide assurance on the continuing adequacy of the design and operational effectiveness of internal controls, processes and records in place to mitigate the identified risks relating to housing benefit and universal credit.	Added value	We have undertaken data analytical work on the council's standing data to identify: potential duplicate client accounts or payments, matching bank accounts of clients and staff, and transactions being undertaken outside of 'normal' working hours.
			Our data analytics revealed that there are no duplicated accounts or payment and manual transactions are undertaken within normal working hours. We identified 30 staff that share a matching bank account with housing benefit claim clients. For 25 of the matches it was found to be due to where the building society uses a central bank sort code and account and then reference to the relevant individual account on receipt. For the remaining five, these officers were employed by the council and in all cases it was confirmed staff were entitled to claim Housing Benefits.

Housing Benefit and Local Council Tax Support is a key financial system, through which significant sums of public funds are processed.

The estimated figures for 2018-19 are:

- Housing benefit subsidy – £180m to £190m arising from 28,000 claims
- Council tax reduction support - £21m arising from 22,000 claims.

As Universal Credit continues to be rolled out, this has seen a £60m decrease in the value of claims processed, and the benefits team at the council has consequently been reduced by 30%. The need for a risk based approach to validating the eligibility of claims and checking of supporting documentation has therefore continued.

The council continues to be one of the authorities supporting the DWP in its trialling and testing of systems relating to Universal Credit, including the notifications portal where claimants transfer over to Universal Credit.

Good practice:
- Housing benefits payments are cancelled in a timely manner where individuals have been set up by DWP to receive universal credit payment
- DWP directives are implemented in a timely fashion.

- Reconciliations are performed regularly and evidenced
- The Universal Credit arrangements are being implemented appropriately.

Key findings:

- Write offs take place prior to authorisation and do not happen on a regular basis
- A sample of user's access was reviewed and found one to have an inappropriate level of access. Although it was found there were no transactions for this account which has now been removed. A local support officer has housing benefit assessor access on Northgate which is not within their work remit. Leavers are not notified to the system team to have their access removed.

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

Design	Moderate	Substantial	• Write off policy and procedure to be created and updated • Evidence requirement, process time frame and notes on Northgate • HR to notify system of any change in staff job roles and leavers.
Operational Effectiveness	Moderate	Substantial	• Evidence of review of the reconciliation between AIM, SAP and Northgate to be documented • Test and live reconciliations of system parameters should be dated by all inputters and reviewers.

Follow up
A review of the actions taken since the audit will be undertaken in quarter 3, 2019-20 as part of the annual audit.

HM35 **Housing Solutions – Applications and Allocations** January 2019	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	-
			Medium	3
	Moderate	Moderate	Low	-

Purpose of audit	To provide assurance over the allocation of housing, including the application of the council's allocation policy and waiting list management.	Added value	We benchmarked the council's allocation process, including the banding methodology, to identify if the council is operating in line with other similar local authorities. The council appears to have more criteria than most other local authorities for submitting an application and the banding system for other local authorities is simpler. However, the differences in the systems appear to be small.

The current housing allocations procedure has been in place since august 2014. To be eligible for housing, households must meet the 'local connection' criteria, satisfying one of the following: lived in southwark for the last five years, work in the borough, want to live near to a close relative who has lived in southwark for more than five years and received or provide support / care, homeless person placed in southwark in temporary accommodation by another local authority or another specific reason you need to live in southwark.

If households submit a successful application, they will be entered onto the council's waiting list and allocated a band, between 1 and 4. Band 1 have the highest priority and is generally awarded to those applicants who have to move due to major works or overcrowding or are discharged from the armed forces.

As of September 2018, there were approximately 9,000 households on the waiting list, with just under half of these in band 4. The council has seen a falling number of properties available to let due to a number of reasons, including the right to buy scheme, with this number now around 1,000.

The council operates a bidding method to award housing. Households on the waiting list are allowed one bid per week, with bidding opening on Wednesday morning and closing Sunday night. The bidders will then be prioritised based first upon their band, then upon the stars they have been awarded, then upon award date and then registration date. This priority listing is automatically generated by Abatras. If a household rejects three properties they have successfully bid on, they will have a reduced priority and move to band 4 for 12 months. Direct offers may also be made in exceptional circumstances meaning the household does not go through the bidding process.

Good practice:

- The priority listing for bidders is generated by the system and is followed by officers when contacting applicants to view the properties. Periodic reviews of the offers are conducted by the Housing choices manager to ascertain the process has been followed

- Direct offers are reviewed by the Housing Choices Manager, supporting documentation is requested and review of each case is performed where necessary before a decision is made

- Additional priority within bands is offered based on the policy

• Band demotion for certain applicants follows the policy.			
Key findings:			
• Documentation is not consistent and required evidence is not always attached to support local connection, banding and registration dates and evidence regarding the award of priority stars is not always complete			
• The policy and procedures are out of date and have not been reviewed for over four years. Decisions that have been made recently have not been included (eg direct offers to homeless people in temporary accommodation). The policy document does not state who it was approved by and when it should be reviewed			
• There is a lack of evidence at the viewing stage to confirm that the applicant is still eligible.			
Looking forward: supporting the council's journey from moderate to substantial assurance			
Design	Moderate	Substantial	• Ensure policies and procedures are up to date, complete and reflect changes in process or decisions made regarding housing allocations • Perform periodic reviews of offers and file completeness to ensure that all applications have the appropriate evidence attached and the Abatras listing order has been followed • Create a formal scheme of delegated authorisation.
Operational Effectiveness	Moderate	Substantial	• Ensure the evidence required to be saved in each applicant's file is complete and there is consistency in documentation • Ensure a checklist of evidence seen at the viewing stage is completed accurately, appropriate evidence has been viewed and saved on the system to confirm applicant is still eligible for a council property.
Follow up A review of the actions taken since the audit will be undertaken in September 2019.			

IT11 IT Change Management January 2019	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	-
			Medium	3
	Moderate	Limited	Low	-

Purpose of audit	To assess the adequacy of the design and effectiveness of the controls in place for IT change management for all activities within the scope of the SICTS delivered to and on behalf of Southwark and those managed by the LBS applications function.	Added value	We conducted additional work to identify whether the weaknesses in the design and operational effectiveness of the change management controls contributed to the council's IT outages in November and December 2018.

A good change management process mitigates the risks associated with the introduction of new elements and other modifications into the IT environment to prevent unapproved changes and to rapidly recover from change related problems.

ICT services are provided to the Council by the shared ICT service (SICTS), which comprises the London boroughs of Lewisham, Brent and Southwark. A change advisory board (CAB) was established in January to govern and manage the review, authorisation and prioritisation of changes raised across the three authorities. This includes changes made to the live and development environments by both the council and the SICTS.

SICTS has deployed Firmstep, an IT application, in order to raise new IT changes and to manage the assessment and approval of IT change requests. The changes go through a peer and technical review by relevant stakeholders for authorisation before the change can be implemented.

Original audit scope - 117 change requests were raised for SICTS in relation to the council during the period of 01/02/2018 to 15/06/2018. This was the basis for the samples selection for the original internal audit carried out in June 2018.

Additional work undertaken - Between issuing the original draft report on 11 July 2018 and the management committee meeting held on 21 August 2018 to formalise the council's response to the findings, there were a series of IT incidents that resulted in major IT outages. At a meeting between the internal audit team and the council's director of modernisation and IT team management on 1 October 2018, the council expressed the view that these incidents were a result of poor change management controls. This gave rise to concern that the internal audit report assurance opinions of moderate assurance did not reflect the experience of the council. We were therefore asked to assess the recent major incidents and revisit our findings, recommendations and audit assurance if appropriate.

Good practice:
- There is a Change Advisory Board in place to review all the major changes
- There is a change management process in place and all the IT changes are adequately recorded and tracked
- Changes are reviewed and approved before being implemented.

Key findings:
Original audit
• Changes are not adequately risk assessed for the potential factors that could arise from the change, nor are there adequate procedures for assessing the impact of a change on the council's wider operations.
• Requests for change do not record sufficient detail or all relevant information.
• There is no formal change management policy in place and not all of the council's service areas follow a standardised process.
Additional work
• A review of the council's major incident report from May to August 2018 identified two incidents (out of six) that occurred due to a change that was implemented
• We found that the changes implemented for which these major IT outages occurred, were not appropriately risk assessed and tested prior to approval and implementation of those changes (these were reported as key findings on our original draft report.

Looking forward: supporting the council's journey from moderate / limited to substantial assurance

Design	Moderate	→	Substantial	• Develop a formal IT Change Management policy and procedures ratified by the senior management and follow a standardised process across the council • Establish formal procedures to perform an appropriate business impact assessment of the new IT changes prior to implementation.
Operational Effectiveness	Limited	→	Substantial	• All the changes requested should be appropriately risk assessed prior to implementation. • Establish the requirement to include appropriate back out and test plans for every change requested.

Follow up
A review of the actions taken since the audit will be undertaken in February 2019.

ESR46 **Markets** January 2019		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	-
				Medium	4
		Moderate	Moderate	Low	1

Purpose of audit	To provide assurance over the controls in place for the management of markets, particularly relating to income collection.	Added value	A comparison exercise was undertaken between Southwark Council and five other London Local Authorities to identify variances in the fees charged and methods for charging. This identified that, on the whole, Southwark fees are generally in line with the average, with some higher fees charged for more expensive locations. Westminster Council offer a 5% discount to those traders who make payments by direct debit. This method of payment is offered by the council but has not seen a great uptake. Encouraging this payment method could reduce administration time and outstanding debts.

Within the borough of Southwark there are 28 markets. These are made up of a combination of local authority markets, privately operated markets and seasonal markets, with East Street market being the council's largest local authority market. The management of the markets is overseen by the markets and street trading manager, with a number of officers, primarily being based off site at SAST House, where the East Street market is held. The legislation to be followed depends upon the number of stalls present. Markets are to follow the Food Act 1984, with the classification as a market being met if there are greater than five stalls. If there are fewer than five stalls, meaning individual street traders or miscellaneous pitches, these are instead licensed under the London Local Authorities Act 1990. Southwark Council is the only London authority to license under the Food Act. Privately operated markets are also licensed under the Food Act. These are operated on private and public land and charged based upon the number of stalls the market will have. Prior to granting a licence, the council must consider the impact this may have on the local authority markets and the existing stall holders.

All fees are outlined in the fees and charges, as approved by Cabinet on an annual basis. The payment process will depend on the type of stall holder. Permanent traders pay via standing order or direct debit whilst temporary traders must produce a pre-paid invoice to evidence their right to trade. No cash is collected by the service. The income generated for 2017-18 was £903,000, with a forecasted £950,000 to be collected for 2018-19. The debt collection process for permanent traders is not undertaken by the council's central debt collection function, instead there are local arrangements in place undertaken by the markets and street trading manager and officers, including calling and meeting with the traders, with the option to revoke licences. This approach was decided by management as the best means of ensuring debts are paid.

All licences must be renewed on an annual basis. Each year the traders are required to provide proof of identification, along with a number of other documents in accordance with the respective legislation. Temporary traders are allocated pitches based upon a seniority listing. This is determined by the length of time a trader has traded with the council, meaning long standing traders receive a higher seniority.

Good practice:			
• There is clear guidance on the information to be provided by permanent and temporary traders • Up to date licences were in place for the traders selected in our sample • The allocations process was undertaken in line with the seniority listing • Evidence was available that temporary traders had paid for their pitch prior to allocation. **Key findings:** • A number of exceptions were identified in the documents held on file for traders, including proof of the right to work in the UK, public liability insurance and food hygiene certificates. In some cases these are checked by telephone but there was no evidence held to confirm this • There was no guidance in place relating to the granting of discounts, including who is authorised to make these decisions and any thresholds • Documentation was stored in the personal drives of staff members, meaning information was not always accessible or was lost when staff left the council • There was insufficient evidence that the annual renewal fees had been paid by traders • Insufficient evidence was retained relating to the actions taken to recover outstanding debts.			
Looking forward: supporting the council's journey from moderate to substantial assurance			
Design	Moderate	Substantial	• Implement an authorised listing for who can offer discounts • Have internal guidance relating to private or seasonal markets recording what should be provided and how this should be scrutinised. • Clarify how the seniority listing should be used for traders with two permits • Simplify the debt spreadsheet to enable clear scrutiny of traders who are in debt and ensure this records debt relating to private or seasonal markets.
Operational Effectiveness	Moderate	Substantial	• When the annual renewal process is undertaken, ensure all documentation is held for traders, with evidence of payment of the renewal charge • Document action taken to recover debts, including any verbal correspondence with the trader • Ensure all documentation is saved centrally rather than on personal drives.
Follow up A review of the actions taken since the audit will be undertaken in September 2019.			

HM24	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
Tenancy Management Organisations - Browning January 2019	Design	Operational effectiveness	High	-
			Medium	4
	Moderate	Moderate	Low	1

Purpose of audit	To provide assurance over the control framework in place at the TMO to ensure there is effective administration of operational and financial processes.	Added value	We benchmarked the three TMOs subject to audit in 2018/19 against one another to ensure a consistent governance and control framework was in place across the council's TMOs.

Southwark Council has 17 Tenant Management Organisations in total managing the council's housing stock. Each TMO has an allocated tenant management initiatives (TMI) council officer to support and monitor the TMO, and a management agreement in place with the council. The TMOs employ their own staff members and also have an elected management committee made up of tenants and leaseholders residing in the TMO's area.

Browning TMO had 498 units under its management at the end of the last financial year, 338 of which were tenanted and 160 of which were leasehold. The management committee currently has 11 members, elected annually at the annual general meeting (AGM) who represent the residents and set priorities for the TMO.

Good practice:

- The TMO is meeting the KPI for overall turnaround time for void and lettings.
- Declarations of interest are completed consistently by management committee members.
- The TMO's housing officers take regular and appropriate action to chase outstanding rent arrears.
- Budget Monitoring is undertaken on a quarterly basis in accordance with the management agreement.
- Bank Reconciliations are undertaken with the Board's Treasurer in attendance
- Completion of repairs was found to be 99.7% for 2017/18.

Key findings:

- One out of 10 invoices tested were approved by officers in excess of their authorised limit and all invoices tested were paid without receipt of goods received notes or confirmation of works completed.
- Tender decisions are not being fully documented in the board minutes to evidence agreement by the board.
- The TMO's financial regulations need updating to include an agreed limit for a petty cash transaction, who are the authorised signatories for the bank mandate and a section on the use and authorisation for debit cards.
- Minutes for AGMs are not produced in a timely manner or circulated for approval.
- Actions and notes covering rent arrears are not being recorded on Northgate but in manual files.

- Dates for each step of the voids and lettings processes are not always being recorded, making it difficult to confirm completion in set target dates. - The required identity documentation is not always received from individuals taking up new tenancies with the TMO - There is no formal system in place to ensure that the regular review of policies takes place, and policies are not easily available to and accessible by TMO staff.			
Looking forward: supporting the council's journey from moderate to substantial assurance			
Design	Moderate ⟶	Substantial	- Implement the use of the governance checklist template and a HR policy. - Committee meeting minutes should be reviewed and signed by the chair and annual general meeting (AGM) minutes produced in a timely manner. - Implement system to record and monitor actions relating to rent arrears collection electronically. - Update lettings process/procedures to include signing and dating copies of ID and a checklist of documents provided to new tenant.
Operational Effectiveness	Moderate ⟶	Substantial	- Housing officers should ensure both photo ID and proof of address are provided by new tenants when registering for a new tenancy. Copies should be taken and retained on the appropriate file. - Key dates in the voids and lettings process to be recorded. - Ensure tender award.
Follow up A review of the actions taken since the audit will be undertaken in April 2019.			

ESR15 Youth Service January 2019	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	2
			Medium	2
	Moderate	Limited	Low	-

Purpose of audit	To provide assurance over the operational management controls in place within the youth and play services.	Added value	We compared the results of the previous audit undertaken of the youth service to identify the progress made to implement recommendations raised and address deficiencies in the control framework. Significant improvements have been made with the withdrawal of cash and the control framework has been made significantly more robust with the introduction of spot checks and recording. However, the service still has issues with compliance with these controls which leaves them exposed. We identified centres available in other London boroughs, how these are used and the prices charged to enable the council to compare the existing arrangements with the commercial opportunities offered in other boroughs.

The youth and play service aims to achieve a balance between operating for the benefit of the community in a sustainable manner which allows the service to continue through the charging of Cabinet approved fees.

An internal audit of the youth and play service was undertaken in May 2016, which identified a number of deficiencies in the control framework, as well as large-scale non-compliance by staff members within the service.

Subsequently, there has been a number of staffing changes within the service and management has undertaken a review of the way in which the service operates and the controls in place. This has included the removal of cash at all sites and the decentralisation of the management function to individual sites (due to the removal of the Albany Road site).

The youth and play services have been separated, the youth service has remained within the culture division, whilst the play service now operates within parks and leisure.

The youth service has five centres in operation - Brandon Success House, Odessa, Damilola Taylor Centre and Kingswood House. The play service has five sites, two of which - Mint Street and Peckham Rye - were opened at the start of 2018-19.

The total collective income collected and budgeted for the youth and play services for 2017-18 and 2018-19 respectively was £51,605 and £37,733, whilst the cost of the services was £1,608,460 and £1,549,613.

Good practice:

- The commissioning process had been followed for a sample of commissioned services, with the appropriate level of authorisation evidenced
- A list of staff working at the sites was maintained.

Key findings:

- VAT was inconsistently charged and there was a lack of clarity regarding the expected VAT treatment on invoices to service users
- The incorrect value had been charged to service users for a the cost of a weekend youth worker
- Errors were identified in the bookings log, payments were not collected in a timely manner and sessions for the hiring of facilities were cancelled without appropriate authorisation
- Reconciliations were not undertaken between signing in sheets, booking records, invoices and payments to confirm the completeness and accuracy of bookings.

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

Design	Moderate	→	Substantial	- Implement reconciliations between the bookings log, signing in book, invoices and payments - Update the procedure to accurately document the payment terms to be adhered to - Liaise with the FC&P team to implement a system for reviewing payment receipt and invoice cancellation.
Operational Effectiveness	Limited	→	Substantial	- Ensure fees are charged in line with the agreed fees and charges, including the correct VAT rate - Ensure the bookings calendar is kept up to date and accurate - Ensure cancelled sessions are documented appropriately with authorisation - Ensure session times are adhered to - Undertake formal reviews to ensure there are no informal arrangements in place.

Follow up
A review of the actions taken since the audit will be undertaken in July 2019.

APPENDIX 2

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.

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