




London Borough of Southwark

**INTERNAL AUDIT ANNUAL REPORT AND ANNUAL
STATEMENT OF ASSURANCE**

2019-20



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SUMMARY OF 2019-20 WORK

Internal Audit 2019/20

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

This is an interim internal annual report for 2019-20, as there are several audits not yet completed due to a necessary pause on fieldwork in light of the Covid-19 pandemic. An updated report will be presented to the July and September 2020 meetings of the Audit, Governance and Standards Committee as appropriate.

In addition, the testing of key controls in the audits was completed prior to the Covid-19 pandemic. As a result, the findings and conclusion relate to the control environment at this time and it may not relate to the control environment from March 2020 onwards.

The following reports have been issued for this financial year:

- Accounts Payable
- Appointeeships (draft)
- Barristers' framework
- Blue badges and freedom passes
- Cleaner, greener, safer programme
- Client services
- Community equipment
- Council tax (draft)
- Data and information management (draft)
- Direct Debits
- Enforcement (draft)
- Home ownership - garages
- Home ownership - mortgages
- Housing benefits (draft)
- Housing solutions - homelessness
- IT - Shared ICT service (draft)
- IT - Website security and maintenance (draft)
- Leathermarket CBS Grant Award
- Major works
- Materials
- Mental health services (draft)
- Mosaic operational audit/payments
- NNDR (draft)
- No recourse to public funds
- Payments to children and families (draft)
- Payroll and HR (interim draft)
- Planning applications and S106 agreements
- Play service
- Records management (draft)
- Tenancy management organisations - Falcon Point (draft)
- Tenancy management organisation - Fair Community Housing Services (draft)
- Trees Management (draft)

The internal audit team has also completed the following work:

- Delivery of the cyclical schools plan - as in previous years, an annual summary report will be presented to the Audit, Governance and Standards Committee in September.
- Monthly audit of the Council's Troubled Families grant claims - this is partly resourced from the internal audit plan and partly by the department. A separate letter of engagement and management reports cover this work.
- Transparency reporting support - advisory work to support the Council in ensuring the accuracy of its publically reported data.

For reports issued in final and draft, we have detailed the opinions for each audit and key findings on pages six to 18. Our internal audit work for the 12 month period from 1 April 2019 to 31 March 2020 was carried out in accordance with the internal audit plan approved by management and the Audit, Governance and Standards Committee. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

However, as a result of Covid-19 and associated changing priorities, the Council not been able to provide the information to allow us to complete our work in the audits below, the status of which are reported for information. We are working with the Council to complete this work at the earliest opportunity.

- Accounts receivable/debt management (fieldwork)
- Building control (awaiting exit meeting)
- Foster carers (fieldwork)
- Housing rents (fieldwork)
- IT - Cloud strategy (fieldwork)
- Parks (fieldwork)
- Payroll and HR (interim report)
- Pensions administration (fieldwork)
- Pest control (awaiting exit meeting)
- Supported accommodation family hostels (fieldwork)
- Suspense accounts management (fieldwork)
- Voids (awaiting exit meeting)

At the time of writing, the following audits have been deferred fully from 2019-20 to 2020-21. We recognise that the internal audit plan for 2020-21 will need to be revisited and revised accordingly in light of Covid-19:

- Complaints
- Community safety partnerships
- Fleet contract and strategy management
- Management of fairer future policy with regards to contracts
- Statutory disrepairs
- Supported living

Non internal audit services provided by BDO

The following non audit services have been provided by BDO during 2019-20:

- Risk management support
- Counter fraud support
- Review of the TMO allowances calculation - this is currently in progress and is being delivered outside of the internal audit plan on behalf of the Southwark TMO Committee.

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

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

HEAD OF INTERNAL AUDIT OPINION 2020-21

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

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

The basis for forming my opinion is as follows:

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

Overall, we are able to provide **Moderate Assurance** that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently.

Whilst this overall opinion is the same as 2018-19, we are seeing a positive direction of travel in the Council's control environment.

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

- The Council has performed broadly in line with budget regarding financial performance, with the outturn report for 2019-20 presenting a balanced outturn position, after movements to and from reserves, which the Council was able to increase in closing the 2019-20 accounts. The Covid-19 pandemic did not have a dramatic impact on the financial outturn for 2019-20 as the pandemic only started to make a notable impact on costs and income in the last two weeks of March. However, we note that the true scale of its impact on the Council's finances will be felt during 2020-21.
- In respect of the design of the controls, an opinion of moderate assurance was provided for 24 out of the 32 assurance audits where reports have been issued, substantial assurance was provided in 8 areas. No limited assurance opinions have been issued to date this year, which continues to demonstrate a year on year improvement in the Council's control environment since 2016-17.
- In respect of the operational effectiveness of the controls, an opinion of moderate assurance was provided for 21 of the 32 assurance audits where reports have been issued, substantial assurance was provided in 3 areas and limited assurance in 8. The proportion of substantial and moderate assurance opinions has increased marginally, showing an overall year on year improvement since 2016-17.
- Management has responded positively to reports issued and action plans have been developed to address the recommendations raised.
- We have confirmed that 88% of recommendations due for implementation by the date of reporting had been completed. Whilst this figure is the same as 2018-19, there has been an impact on implementation of recommendations due to Covid-19 and adjustment of priorities and redeployment of staff to address this. We have seen an improving picture with regards to the timely implementation of recommendations by the Council.

REVIEW OF 2019-20 WORK

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
Accounts Payable <i>Draft</i>	-	2	2	Moderate	Moderate	<p>Purpose of audit: to provide assurance on the arrangements to manage creditor payments processed via SAP, both by Financial Control and Processing and other departments, to ensure that they are promptly and effectively brought into use.</p> <p>Key findings:</p> <ul style="list-style-type: none"> SAP authorisation rights greater than those allowed under the Delegated Schemes of Management Purchase orders raised and approved after the receipt of the invoice Transactions that did not have a corresponding vendor account number.
Appointeeships <i>Draft</i>	-	3	1	Moderate	Moderate	<p>Purpose of audit: to provide assurance on the adequacy and the effectiveness of the management of clients finances where the council acts as appointee, including approvals, records maintained on use of clients' monies and possessions.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Continuation of inefficient manual processes due to delays in the automation of processes on mosaic and real time banking Inconsistency and lack of routine reconciliation of client accounts Delays and late submission of referrals to DWP.
Barristers Framework	-	3	-	Moderate	Moderate	<p>Purpose of audit: a contract management review, looking at monitoring against contractual requirements, delivery against key performance indicators, and the extent to which income generated is meeting expectations.</p> <p>Key findings:</p>

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> No specific KPIs relating to feedback submitted by staff Untimely reporting on performance and framework spend Lack of routine monitoring and reporting of off framework spend.
Blue Badges and Freedom Passes	-	2	2	Substantial	Moderate	<p>Purpose of audit: to provide assurance over the adequacy and effectiveness of the processes and controls for the award of blue badges and freedom passes, including validation of applicant's eligibility.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Evidence to support award not always on file Incorrect decision displayed due to Council's system's issues.
Cleaner, Greener, Safer Programme	-	1	1	Moderate	Substantial	<p>Purpose of audit: to provide a review of the monitoring of projects in the community, including delivery against project purpose and objectives, expected timeframes and budgets.</p> <p>Key finding:</p> <ul style="list-style-type: none"> Insufficiently detailed quarterly and end of year reporting to show the overall position of the service.
Client Services	-	1	-	Moderate	Substantial	<p>Purpose of audit: to provide assurance over applications and proof of needs meeting criteria, decisions on what goods/services or funds are awarded, authorisations and budget monitoring for the Southwark Emergency Support Scheme and Hardship Fund.</p> <p>Key finding:</p> <ul style="list-style-type: none"> Lack of clarity on approval process and documentation retention.
Community Equipment	-	1	1	Substantial	Moderate	<p>Purpose of audit: to review the controls in relation to the allocation of equipment, record keeping, equipment maintenance and the appropriateness of the split of funding between the Council and the NHS Southwark Clinical Commissioning Group (CCG).</p> <p>Key finding:</p> <ul style="list-style-type: none"> Evidence not always retained to support assessment based purchase of equipment.

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
Council Tax Draft	-	2	1	Moderate	Moderate	<p>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 the collection of council tax.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Review dates for discounts were not appropriately set and monitored and evidence for student discounts was not kept up to date. Court awarded costs for arrears cases had not always been followed up or written off.
Data and Information Management Draft	-	1	-	Substantial	Moderate	<p>Purpose of audit: to review the adequacy of management information to support decision-making in high cost / high volume areas.</p> <p>Key finding:</p> <ul style="list-style-type: none"> Routine annual reviews of information assets held by the teams reviewed (SBS and SEND) had not been undertaken.
Direct Debits	1	1	-	Moderate	Limited	<p>Purpose of audit: to provide an operational review on the process for the application and approval of direct debits, including a risk assessment and whether they meet the Council's business needs.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Direct debits were not appropriately requested and approved with retention of sufficient and accurate documentation. Two unauthorised payments had been made (High) Inaccurate cost codes recorded on business cases.
Enforcement Draft	-	3	1	Moderate	Moderate	<p>Purpose of audit: to review the adequacy of procedures and controls with regards to joint enforcement with the police and fixed penalty notices.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Lack of routine follow up of payments outstanding for fixed penalty notices Quarterly and year end reconciliations of expected and actual income

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>not undertaken</p> <ul style="list-style-type: none"> The new s92 agreement between the Council and GLA had not been signed on a timely basis.
Home Ownership - Garages	1	1	-	Moderate	Limited	<p>Purpose of audit: to provide assurance over the application process, awarding of garages, administration of garages and records, rent collection and monitoring and escalation for repossession.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Supporting documentation such as garage tenancy agreements had not been retained, weekly rent charged per the iWorld were below revised fees approved by the Cabinet and there was no formal procedure for timely debt recovery of former tenant accounts in arrears and in one case there had been no action taken in over 7 years (High) Application forms submitted by the applicants had not been retained centrally and there was no documentation trail of changes made to the garages waiting lists.
Home Ownership - Mortgages	-	2	3	Moderate	Moderate	<p>Purpose of audit: to provide assurance over the control framework in place to award and monitor repayments for mortgages.</p> <p>Key findings:</p> <ul style="list-style-type: none"> One mortgage was approved and entered onto Gemini for the incorrect amount. Once a mortgage has been paid off, redemptions of the charge did not require dual approval.
Housing Benefits Draft	-	3	1	Moderate	Moderate	<p>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.</p> <p>Key findings:</p> <ul style="list-style-type: none"> System access and user privileges could not be confirmed as appropriate in all cases.

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> An overpayment was identified, arising from uploading of incorrect information into the Council's system. Write-off proforma had not been retained and discrepancies were identified between the amounts requested on the proforma and approved to be written off as well as delays of up to three years.
Housing Solutions - Homelessness	2	3	-	Moderate	Limited	<p>Purpose of audit: to provide assurance over the controls around the application process, including the acceptance decisions and the accessibility and sustainability of the service.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Cases tested were not always processed within the statutory deadline of 112 days (High) A budgeting plan is not in place detailing possible solutions to increase funding given the likely reduction in government grant (High) Personal housing plan (PHP) documentation was not always available. The training monitoring schedule does not contain sufficient detail to appropriately manage the training needs of the service Solace and Shelter agreements are not sufficiently robust, excluding basic terms and lacking performance targets.
IT - Shared ICT Service <i>Draft</i>	1	1	-	Moderate	Moderate	<p>Purpose of audit: to provide assurance that the Inter Authority Agreement for the Shared ICT Service remains fit for purpose and serves the need of the Council.</p> <p>Key findings:</p> <ul style="list-style-type: none"> SICTS discusses issues as they arise without analysing root cause or trends. The IAA has not been reviewed or updated since 2017 nor does it include the terms of reference of the Operational Management Board.
IT - Website Security and Maintenance	1	3	4	Moderate	Moderate	<p>Purpose of audit: to appraise the design and operational effectiveness of the Council's procedures for identifying and protecting its website and for managing the security and maintenance risks on an ongoing basis. Our work</p>

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
<i>Draft</i>						<p>was designed to provide an assessment of the website security and maintenance arrangements that are in place, but cannot provide absolute assurance that the Council would withstand an attack on its web applications.</p> <p>Key findings:</p> <ul style="list-style-type: none"> No continuity or resilience plan is in place for SICTS to follow in the event of web server outage (Emergency Planning do not hold one) (High) Web server Operating System patches are being run manually and as a result the October 2019 patches were not deployed until February 2020 Restore from backup tests on web server (lbs-web-01) were last run in November 2019 and are not run monthly Nessus vulnerability scans are only being run on web servers externally. It should also be run internally so that insecure misconfigurations that could be exploited by hackers are identified.
Leathermarket CBS Grant Award	-	1	2	Substantial	Moderate	<p>Purpose of audit: 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.</p> <p>Key finding:</p> <ul style="list-style-type: none"> Out of date bank mandate and authorised signatory list.
Major Works	-	1	1	Substantial	Substantial	<p>Purpose of audit: to review the controls from identification and approval of major works schemes, project management and appointment of contractors and monitoring of delivery against expected timeframes, outputs and budget.</p> <p>Key finding:</p> <ul style="list-style-type: none"> The key data to manage, monitor and report on major works is all contained in one large, complex MS Excel spreadsheet, which carries a risk of data corruption and it also has limitations for reporting purposes.

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
Materials	-	3	-	Substantial	Moderate	<p>Purpose of audit: to focus on procurement of materials by the department, tendering approaches and resulting contractual arrangements.</p> <p>Key findings:</p> <ul style="list-style-type: none"> London living wage, apprenticeships, work experience and social value monitoring was not monitored and reported on A signed contract as not held centrally The original contract expired and single supplier award was required pending a full procurement exercise.
Mental Health Services <i>Draft</i>	2	2	-	Moderate	Limited	<p>Purpose of audit: to review the controls in relation to the governance, approvals, records maintained and monitoring of care packages and funding relating to clients receiving the Council's mental health services.</p> <p>Key findings:</p> <ul style="list-style-type: none"> An annual finance assessment was not completed for all clients in our sample (High) Reviews of expenditure to confirm there was not a surplus of funds and that funds had been spent appropriately had not been completed of client finances or client AllPay accounts (High) An annual review of the care and support plan had not been completed for one client Following a change in care and support plan personal budgets had not been updated in a timely manner.
Mosaic Operational Audit/Payments	1	1	-	Substantial	Moderate	<p>Purpose of audit: 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.</p> <p>Key findings:</p> <p>Key findings:</p> <ul style="list-style-type: none"> Sample testing identified a number of exceptions, where required documents and workflows were not available on Mosaic, including care support plans, funding requests, authorisation of panel assessments or

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>approvals and annual financial assessments (High)</p> <ul style="list-style-type: none"> No routine systems access review has been undertaken to ensure that the account for any staff leaving Southwark Council has been deactivated in timely manner.
<p>NNDR Draft</p>	-	3	2	Moderate	Moderate	<p>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 the collection of national non domestic rates.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Evidence of review and authorisation of the weekly reconciliations between the Valuation Office Agency (VOA) schedules and Northgate has not been retained and the reconciliations, although completed, have not been undertaken within a timely manner. Exemptions from business rates based on Empty property relief rate has been awarded to properties that have not been inspected and evidence has not been recorded on Northgate for eligibility of Charity relief rates being applied. There were large credit balances on business rate accounts due to a change in occupancy and refunds have not been claimed.
<p>No Recourse to Public Funds</p>	1	2	-	Moderate	Limited	<p>Purpose of audit: to provide assurance over applications for Council funds through NRPF, checks for eligibility, case management, and adequacy of data and records over numbers in the system, financial management and reporting.</p> <p>Key findings:</p> <ul style="list-style-type: none"> A significant number of exceptions were identified where case reviews had not been completed within the required timeframes or no evidence to support a review was on file (High) Sample testing identified that documentation was not available to support the eligibility criteria being met Payments had been made without appropriate approval or outside of

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						delegation limits.
Payments to Children and Families <i>Draft</i>	1	2	-	Moderate	Limited	<p>Purpose of audit: to provide a review of the controls for monies paid to children and families, including authorisation, records management and reconciliation.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Staff travel and expenses card are not issued correctly and documentation is not held centrally (High) Instant issue card documentation is not held centrally. Lack of evidence to confirm that instant issue cards are being used appropriately by client cardholders.
Payroll and HR <i>Interim Report Draft</i>	-	1	1	N/A to be provided when audit completed		<p>Purpose of audit: to provide assurance on the adequacy and operational effectiveness of the key controls in place to manage the identified risks in respect of the payroll and expenses.</p> <p>Key finding:</p> <ul style="list-style-type: none"> There was no root-cause analysis completed on three overpayments made to staff when the notification was received by the HR transactions team and the information recorded in the HR transactions team database was not correct based on the current position, with action not taken to recover the overpayment for at least two months.
Planning Applications and S106 Agreements	-	3	-	Moderate	Moderate	<p>Purpose of audit: to review compliance with Planning Regulations, including a customer focus (how easy is the current application process to use), and monitoring of S106 agreements for financial and non-financial commitments from developers.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Limited use of Exacom for the scrutiny of charging, collection and spending of S106 funds due to delay in the completion of the Exacom project. A Microsoft Excel spreadsheet is used to monitor financial activity in the interim. Our sample testing findings related to delays in validation and

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>determination of planning applications, missing data on Exacom records, S106 agreements not fully signed and late issue of demand notices for financial contributions and overdue debt.</p> <ul style="list-style-type: none"> No regular reporting of performance management information on planning applications, S106 financial and non-financial obligations to senior management and Cabinet, although this is being prepared for the end of 2020.
Play Service	1	3	-	Moderate	Moderate	<p>Purpose of audit: to provide assurance over operational management controls including documentation covering contractual arrangements with activity providers, income management and safeguarding.</p> <p>Key findings:</p> <ul style="list-style-type: none"> No signed agreement with Idverde (Quadron) detailing the roles and responsibilities and formalising the current working relationship in relation to managing bookings of the adventure playgrounds and sharing of income (High) A strategy has not been drafted of the aims and goals of the service that aligns to the Corporate Plan. Service users had made bookings for 2019/20 that did not reflect the amended fees and charges, although the difference was only £45 Quarterly payments are made from Idverde (Quadron) but these are not formally reconciled with expected income and the deduction made.
Records Management Draft	1	-	-	Substantial	Moderate	<p>Purpose of audit: to review the adequacy and effectiveness of the Council's controls and approach to its retention and disposal policies, and storage and retrieval of physical records held offsite.</p> <p>Key finding:</p> <ul style="list-style-type: none"> The Council does not maintains a centrally held information asset register and a review of the individual departmental asset registers highlighted inconsistencies and key information missing such as asset description, owner location, risk assessments, review date and retention period.

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	H	M	L	Design	Operational Effectiveness	
Tenancy Management Organisation - Falcon Point <i>Draft</i>	1	4	2	Moderate	Limited	<p>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 process, including the controls around statutory compliance.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • Actions to limit the effects of fire risks are not being implemented. There have been 38 risks identified but no actions to address these (High) • Management Committee terms of reference are not current, approved or reviewed on a regular basis and the Equal Opportunity Policy is not current • There is no formal lettings policy and one property was let after the deadline of 28 days, without explanation • Bank reconciliations are evidenced quarterly rather than monthly • Purchases, cheque payments and petty cash function are not operating according to finance procedures' guidelines (eg petty cash was held above the stated limits and a payment was authorised above the delegated level); direct debits do not have mandates.
Tenancy Management Organisation - Fair Community Housing Services <i>Draft</i>	-	5	2	Moderate	Limited	<p>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 process, including the controls around statutory compliance.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • A signed copy of the Management Agreement between the Council and TMO was not held by the TMO. • The annual budget was not finalised and signed off by the Council and appropriate committee members in advance of the financial year start • Budget monitoring is not being carried out on a monthly basis and is not discussed at Management Committee meetings • Purchases tested did not have a purchase order and one was approved by an unauthorised Officer, two invoices were paid late, one petty cash slip was claimed and approved for payment by the same person, and

Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>not all direct debits have mandates signed by two signatories</p> <ul style="list-style-type: none"> Equal Opportunities policy and finance procedures are not reviewed regularly.
Trees Management Draft	2	2	1	Moderate	Limited	<p>Purpose of audit: a review of the adequacy of the Council's Tree Management, ensuring key risks related to the Emergency Tree Recovery Plan are being adequately addressed.</p> <p>Key findings:</p> <ul style="list-style-type: none"> Through ongoing service reviews and monitoring activities, it has been identified by the Council management that the Tree Service team is significantly under resourced to carry out the required ongoing maintenance for the many ageing and growing trees across the borough (High) The new backlog generated between October 2019 and April 2020, through tree inspections and resourcing gap, is further increasing on a monthly basis, due to the inability of Tree Service team to complete the jobs allocated to them. As at April 2020, the new backlog generated stands at 2000 additional jobs (High) We recalculated the monthly KPI's within the "Performance Monitor" and highlighted several inconsistencies which resulted in a complete revision of the figures reported to the Project Board and senior management The Senior Arboriculture officer does not retain any formal working papers on the KPI calculation for the purpose of data validation.
Volunteer Management	-	5	1	Moderate	Moderate	<p>Purpose of audit: to provide assurance over operational management controls including documentation covering contractual arrangements with activity providers, income management and safeguarding.</p> <p>Key findings:</p> <ul style="list-style-type: none"> The council's volunteering strategy was out of date and there was no overarching volunteer policy or handbook There is no overall council policy for the vetting of volunteers and

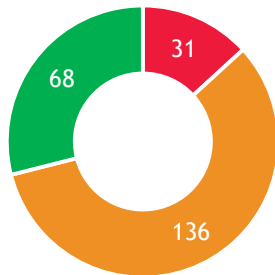
Report issued	Number of recommendations			Internal Audit Assurance Opinions		Purpose of Audit and Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>there is a lack of clarity on the renewal of DBS checks</p> <ul style="list-style-type: none"> • Test purchases risk assessments were not up to date • Members of staff use personal cash for council business owing to a discontinuation of petty cash in 2015-16 • A general user account profile and password is shared amongst Library staff and volunteers.

SUMMARY OF FINDINGS

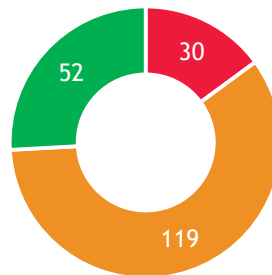
RECOMMENDATIONS AND ASSURANCE DASHBOARD

Recommendations

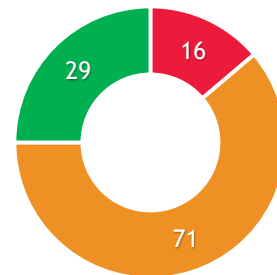
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2018-19

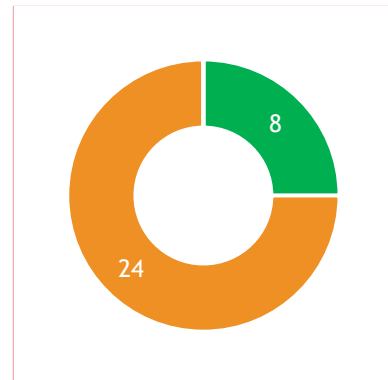
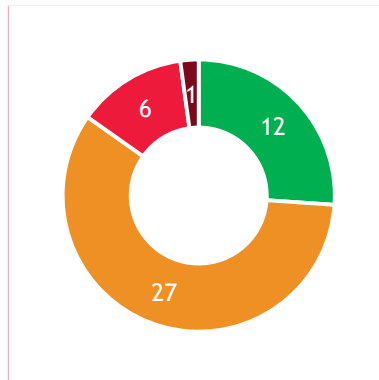
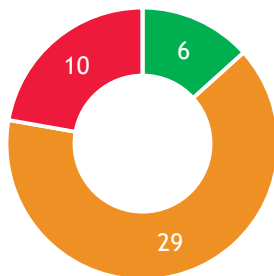


2019-20

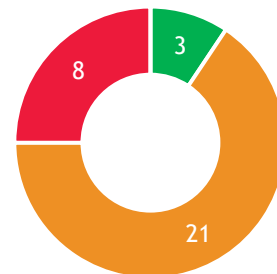
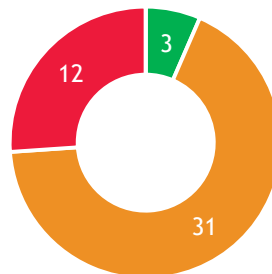
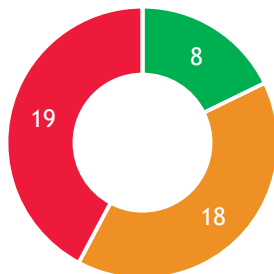


■ High ■ Medium ■ Low

Control Design



Operational Effectiveness



■ Substantial ■ Moderate ■ Limited ■ No

ADDED VALUE



USE OF SPECIALISTS

We continued to use our IT specialists to deliver the IT audit plan.



RESPONSIVENESS

We have been able to be flexible with the plan to respond to emerging risks and concerns (e.g. Tree Management, Direct Debits and Leathermarket Grant).

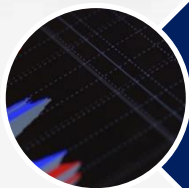


BENCHMARKING AND BEST PRACTICE

We undertook benchmarking to compare the Council's practices with other London boroughs (e.g. blue badges & freedom passes, home ownership - mortgages).

We identified where the Council could potentially be more commercial with its contracts (e.g. community equipment)

Best practice comparisons were undertaken (e.g. NRPF, projects and grants funding and monitoring).



INNOVATION

We utilised data analytics in audits where appropriate (e.g. accounts payable, council tax, enforcement, home ownership - garages, NNDR, mosaic, payments to children & families and payroll).



COMMON THEMES



- Whilst clarity of roles and responsibilities was evident in the majority of areas reviewed, guidance detailing the Council's expectations of its staff was out of date or missing in some areas, e.g. Appointeeships, Home Ownership - Garages, Volunteer Management. In other areas, we found that staff were not aware of the most recent requirements, e.g. Records Management.
- Training to help staff perform their duties effectively was not provided/ managed effectively in all cases, e.g. Housing Options - Homelessness.
- In some audits the same issues were identified as in previous years, indicating that further communication and awareness is required for budget holders and potential escalation, e.g. the raising of purchase orders and exceeding delegation limits.

- Governance and reporting requirements were found to be well defined and understood throughout our audits.
- Monitoring of the effectiveness of service delivery could be improved by the routine inclusion of KPIs within contracts, e.g. Barristers Framework, Housing Solutions - Homelessness, Materials.

- Whilst in the main we found the control framework to be well-designed, routine non compliance with key procedures and controls continues to be evident, e.g. Accounts Payable, Mosaic, Payments to Children and Families
- Delays in turnaround times to meet statutory and / or local requirements were evident, indicating a need to review how resources and systems are utilised, e.g. Appointeeships, NRPF, Planning Applications
- System implementation delays have resulted in inefficiencies inherent in manual systems continuing, e.g. Appointeeships, Housing Solutions - Homelessness, NRPF, Planning Applications and the Council could benefit from more robust systems in some areas, e.g. Major Works
- The retention of documentation to support decision-making was identified in some areas, e.g. Blue Badges & Freedom Passes, Community Equipment, Direct Debits, Home Ownership - Garages, Mental Health Services, Mosaic, NRPF, NNDR

BACKGROUND TO ANNUAL OPINION

Introduction

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

Our internal audit work for the 12 month period from 1 April 2019 to 31 March 2020 was carried out in accordance with the internal audit plan approved by management and the Audit, Governance and Standards Committee, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

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

Scope and Approach

Audit Approach

We have reviewed the control policies and procedures employed by London Borough of Southwark to manage risks in business areas identified by management set out in the 2019-20 Internal Audit Annual Plan approved by the Audit, Governance and Standards Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

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

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

The opinion provided on page 3 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

Reporting Mechanisms and Practices

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

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

Management actions on our recommendations

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

Recommendations follow-up

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

We have seen an improving position with regards to the timely implementation of recommendations.

Relationship with external audit

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

Report by BDO LLP to London Borough of Southwark

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

In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides London Borough of Southwark with moderate assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2019-20. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.





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

- All internal audits undertaken by BDO LLP during 2019-20
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to London Borough of Southwark
- Any limitations which may have been placed on the scope of internal audit - no restrictions were placed on our work



KEY PERFORMANCE INDICATORS

Description / KPI for Internal Audit 2019-20	Actual and comment	RAG Rating
Audit Coverage		
Annual Audit Plan delivered in line with timetable	Due to the Covid-19 pandemic, we have been unable to complete all of the audit plan to draft report stage. At the time of writing, 11 audits remain at fieldwork stage.	●
Actual days are in accordance with Annual Audit Plan - 1,030 days	We have delivered 998 days of the internal audit plan, the remaining days relate to the completion of the 11 audits in fieldwork at the time of writing.	●
Relationships and customer satisfaction		
Customer satisfaction reports - overall score at average of at least 3.5 / 5 for surveys issued at the end of each audit.	We have received five survey responses as at the end of the year, providing an overall rating of 5 in two cases and 4 out of 5 in three cases.	●
Annual survey to Audit, Governance and Standards Committee to achieve score of at least 70%	New survey to be issued.	-
External audit can rely on the work undertaken by internal audit (where planned)	N/A to date	-
Staffing		
At least 60% input from qualified staff	KPI has been met for the year.	●
Audit Reporting		
Issuance of draft report within 3 weeks of fieldwork `closing` meeting	All draft reports issued to date were within 3 weeks of the closing meeting.	●
Finalise internal audit report 1 week after management responses to report are received.	All final reports issued to date were within 1 week of receipt of the complete management responses.	●
90% recommendations to be accepted by management	Recommendations are largely accepted by management following the closing meeting.	●
Information is presented in the format requested by the customer	We have agreed the reporting format with the Strategic Director of Finance and Governance.	●
Audit Quality		
High quality documents produced by the auditor that are clear and concise and contain all the information requested - measured within customer satisfaction surveys	We have received five survey responses as at the end of the year, three providing a rating of 5 and two providing a rating of 4 out of 5 with regards to the quality of our outputs.	●

Positive result from any external review	No external review undertaken to date. The next one is due to take place in 2020-21.	
Description / KPI for Council Management and Staff 2019-20		RAG Rating
<i>Response to terms of reference and reports</i>		
Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within three weeks of receipt	With minor exceptions (usually due to leave commitments), Council management have responded in a timely manner.	
<i>Implementation of recommendations</i>		
Audit sponsor to implement all audit recommendations within the agreed timeframe	This is an improving area, but the timeliness of implementation rates could be improved. At the end of the year 88% of recommendations due had been implemented.	
<i>Co-operation with internal audit</i>		
Internal audit to confirm to each meeting of the Audit, Governance and Standards Committee whether appropriate co-operation has been provided by management and staff: a) providing unrestricted access to all of the Council's records, property, and personnel relevant to the performance of engagements b) responding to internal audit requests and reports within the agreed timeframe and in a professional manner c) being open to internal audit about risks and issues within the organisation d) not requesting any service from internal audit that would impair its independence or objectivity e) providing honest and constructive feedback on the performance of internal audit	We can confirm that to date the Council's management and staff have cooperated as per the commitments a) to e).	

FOR MORE INFORMATION:

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