

## APPENDIX 1

### Responses from Management

Area	Question	Management Response
<b>Fraud</b>	Please provide your assessment of how your financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments	The council is required to manage its affairs to secure the economic, efficient and effective use of resources as reported in its financial statements and to safeguard its assets. It has appointed the strategic director of finance and governance as the officer responsible for proper administration of its financial affairs (the S.151 officer). As part of his responsibilities, he is required to prepare the statement of accounts and in order to do this, he has taken reasonable and appropriate steps to prevent and detect fraud. Assessment of this risk is therefore considered as part of the overall internal audit and anti-fraud proactive planning processes (see below).
	What are your processes for identifying and responding to the risks of fraud? Have you identified any specific risks of fraud and/ or areas where the risks of fraud likely to exist?	Fraud risk assessments are undertaken by the anti-fraud team supported by BDO. These risks are considered as part of the internal audit and anti-fraud proactive planning processes and discussed with management. A best practice council-wide proactive counter fraud plan is being developed. Management are ultimately responsible for managing the risks, but internal audit consider the control environment and provide challenge where appropriate. Significant control weaknesses, or those which remain unaddressed would be reported to the Audit, Governance and Standards (AGS) committee via the Internal Audit and Anti fraud progress reports.
	How do you communicate with those charged with governance regarding your processes for identifying and responding to the risks of fraud?	The annual internal audit plan and anti-fraud proactive plan are reported to the AGS committee, highlighting potential areas of risk. The internal audit progress reports also identify any control weaknesses. The progress report also includes outcomes from fraud investigations.  The AGS committee also receive an annual report on whistle blowing outcomes, and the format of these reports has been reviewed against other local authority reporting to provide more information to the committee.
	How do you communicate your views to your employees regarding business practices and ethical behaviour?	The council has an induction programme, and a fraud and bribery response plan. Information and relevant documents are communicated via the intranet site and the council also offers training and awareness on anti-fraud which includes ethical behaviour. The staff code of conduct requires reporting of gifts and hospitality. Staff and any external advisors involved in procurements are also required to complete declarations of interest. The process of declaring interests has been subject to a recent audit review and recommendations arising will

		<p>be implemented.</p> <p>The council's rules on gifts and hospitality are set out in the code of conduct, and relevant staff (including those involved in contracting) complete a declaration of interests.</p> <p>The Fairer Future Procurement Strategy and other council policies have encouraged ethical behaviour by contractors in areas such as the London Living Wage, anti-blacklisting and tax compliance.</p> <p>The Investment Strategy Statement for the Pension Fund stipulates that the Fund will seek to engage with and vote company shareholdings in accordance with high ethical standards.</p>
	Do you have knowledge of any actual, suspected or alleged fraud affecting the entity?	<p>The council continues to maintain a high profile anti-fraud stance and to vigorously pursue those who attempt to defraud the council of the public funds which it administers. Once investigations have been completed, they are reported to the AGS committee. Any significant issues will be subject to an internal audit and the findings reported to the AGS committee. Where appropriate the council will publicise anti-fraud prosecutions.</p>

<b>Related parties</b>	Please list your related parties, highlighting any changes from the prior period	<p>Please refer to the related parties disclosure in the audited statement of accounts for 2018-19. An update is being incorporated into the 2019-20 pre-audit statement of accounts which was published for audit on 31 May 2020, earlier than the revised statutory deadline. This update will set out the position for related parties at year-end for external audit to compare with the previous year. Related party transactions are reviewed as part of the statement of accounts external audit and no previous matters of concern have been raised. If required, the financial statements would include necessary disclosures. Should this give rise to concerns the fraud and bribery response plan would be invoked.</p>
	Please provide a summary of the nature of the relationships between the entity and these related parties	Refer to response provided above.
	Has the entity entered into any transactions with these related parties during the 2019/20 period, if so, what was the type and purpose of the transaction(s)?	Refer to response provided above.

<b>Going Concern</b>	Is the going concern basis of accounting a fundamental principle in the preparation of your financial statements?	<p>Yes – the council is required to set a balanced general fund and housing revenue account budget and to approve a treasury management strategy each year. The council has a large capital programme spanning several years. Revenue and capital monitoring reports are taken to cabinet and regular reports on treasury management are also taken to cabinet and council assembly. Overview and scrutiny committee is able to call in decisions of cabinet and the AGS committee considers treasury management during the year.</p>
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	<p>Has a preliminary assessment of the entity's ability to continue as a going concern been performed?</p>	<p>Yes – management continually assess the reporting entity's ability to continue as a going concern, and particularly so currently in light of the ongoing COVID-19 (coronavirus) pandemic in the UK and world-wide. A cabinet report dated 5 May 2020 from the leader of the council /chief executive addresses the council's detailed response to COVID-19 for Southwark.</p> <p>Those in charge of governance of the council, including the strategic director of finance and governance (section 151 officer) similar to the response provided in 2018-19, do not believe that there is doubt over the council's ability to continue to exist as a going concern.</p> <p>The council in common with most local authorities is facing a number of demand led spending pressures together with significant uncertainty around Local Government financing post-2021 In closing the 2019-20 accounts, reserves, balances and provisions were reviewed and strengthened to reflect and mitigate known commitments and strategic financial risks, including COVID 19 related subjects.</p> <p>The pension fund underwent a comprehensive investment strategy review, in conjunction with external investment advisors, which has not led to any concerns as to the viability of the current investment strategy.</p>
	<p>Have you identified events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern? If so, what are you plans to address them?</p>	<p>No, management have identified that there is no significant doubt that the entity has ability to continue as a going concern, provided any common funding shortfalls/pressures are alleviated by central government particularly in relation to the COVID-19 pandemic.</p>
	<p>What is your basis for the intended use of the going concern assumption?</p> <p>Do events or conditions exist that,</p>	<p>As noted above, the council is required to set a balanced revenue and capital budget and this will have taken into account relevant going concern financial assumptions and financial performance compared with the plan is reported to cabinet during the year.</p> <p>As explained above, those in charge of governance for the council do not doubt the ability of the organisation to continue as a going concern, despite the significant financial implications arising from supporting the</p>

	individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern?	Southwark community on COVID-19 matters which is being closely monitored and reported on. The approach on treasury management strategy has been reviewed in light of COVID-19.
	If applicable, please document your basis for concluding that the going concern basis of accounting is not a fundamental principle in the preparation of the financial statements	Not applicable.

<b>Litigation &amp; claims</b>	Are you aware of possible litigation and/ or claims, which may give rise to a risk of material misstatement?	The council is involved in a number of legal cases, both as a defendant to actions brought against the council and as a claimant when proceedings are issued to protect the council's legal interest or to recover money owing to the council. We would describe these activities as routine legal work, which in our opinion do not expose the council to any significant legal or material financial risk.
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<b>Accounting estimates</b>	How do you identify transactions, events, and conditions that may give rise to the need for accounting estimates to be recognised or disclosed in your financial statements?	Earlier statutory closing of accounts has given rise to the need to identify such transactions, events and conditions that may give rise to the need for accounting estimates to be reported in the financial statements. However, where at all possible, actual expenditure and income is reported on an accruals basis. Estimated accruals must be evidenced and supported and agreed via the departmental finance managers across the council.
	Are there any changes in circumstances that may give rise to new, or the need to revise existing, accounting estimates?	The statement of accounts contains estimated figures that are based on assumptions by the council about the future or that are otherwise uncertain. The council relies on the advice of experts, such as professionally qualified property valuers and the pension actuary. The outbreak of the COVID-19 pandemic has impacted global financial markets and at the valuation date, less weight can be attached to previous market evidence to inform opinions of value, for example investment assets. Property, plant and equipment values, including pension fund property and infrastructure values, are reported on the basis of material valuation uncertainty. Consequently less certainty and a higher degree of caution should be attributed to the valuation.

<b>Laws and regulations</b>	Are you aware of any non-compliance with any laws and regulations?	The council's governance framework, including the constitution, member and employee codes of conduct and scheme of management, aims to minimise the risk of non-compliance with any laws and regulations. The programme of internal and external audit reviews identifies control weaknesses and action plans are agreed to deal with issues raised. Advice on laws and regulations is provided by the Law and Democracy division, with specialist external legal advice sought as required.
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