

## **London Borough of Lambeth**

### **DRAFT**

## **Annual Good Governance Statement 2010/11**

### **1. Scope of responsibility**

- 1.1 Lambeth Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Lambeth Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Lambeth Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at Lambeth's Local Code of Corporate Governance. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4 (3) of the Accounts and Audit Regulations 2011 in relation to the publication of an annual governance statement.

### **2. The purpose of the governance framework**

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure but can help to achieve policies, aims and objectives and can therefore provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Lambeth Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to then manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Lambeth Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

### 3. The governance framework

3.1 This section describes the key elements of the systems and processes that comprise the authority's governance arrangements including arrangements for:

#### 3.2 Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users

3.2.1 The vision of Lambeth Council, as set out in the Corporate Plan, is to ensure that Lambeth becomes "a diverse, dynamic and enterprising borough at the heart of London". This is underpinned by three Council 'promises' that determine the way in which services will be delivered and the approach to the Council's residents. The Council's promises are to:

- Deliver quality and value for money
- Tackle inequality and social exclusion
- Listen to and engage with our customers.

3.2.2 The Council has identified six corporate priorities which set out the ways in which it will begin to deliver this vision. These are:

- A safer Lambeth with strong communities
- More opportunities for children and young people
- Better housing and flourishing local economies
- Respect for the environment
- Developing personalised care services
- Serving our customers well

3.2.3 In order to communicate the key elements of the Corporate Plan, a series of 'in-house' communication campaigns have been mounted, including a poster campaign in Council buildings. There is also a 'making a difference' section of the Council's intranet, which was developed to link to the Corporate Plan/priorities to action on the ground and demonstrate to staff how the Council is working to achieve results against our priorities. Externally, the Council published a double-page article in its residents' newspaper 'Lambeth Life', which illustrated the Council's performance achievements against each of the Corporate Plan objectives, and summarised the Council's budget for the same financial year (2009/10). In addition, the Council tax booklet, which was sent out to residents with billing for 2011/12, contained information about performance achievements from 2009/10 and 2010/11 to illustrate where public money was being spent, and the impact it has had.

#### 3.3 Reviewing the Council's vision and its implications for the Council's governance arrangements

3.3.1 The current corporate outcomes framework was initially agreed in March 2008 by Cabinet and underpinned the Council's 2008/11 Corporate Plan. Cabinet agreed that this framework would be refreshed annually as part of the service and financial planning process. The Corporate Plan was therefore reviewed by Cabinet and senior managers within the organisation throughout 2009/10. This led to the updated Corporate Plan (2010/13), which was approved by Cabinet in March 2010.

3.3.2 The refresh of the Corporate Plan was undertaken as part of the service and financial planning process for 2010/11 – 2012/13. Building on information emerging from Departments, officers undertook an analysis of the Corporate Plan, to ensure the organisations vision/priorities/outcomes continued to reflect the most important issues facing the borough. This review used information from:

- Discussions at special quarterly away days for Cabinet-SLB where they can work on reviewing our vision and direction as an organisation and discuss savings proposals
- Findings from key needs assessments undertaken
- Findings from community consultation activities e.g. resident survey
- Findings from analysis of the Council's performance
- Findings from a review of national policy.

3.3.3 Moving forward, in tandem with the development of the Council's budget for 2011/12 – 2013/14, the service and financial planning process will also develop a refreshed Corporate Plan 2011/14, refreshed Department Service Plans and refreshed Division Service Plans. The Corporate Plan 2011/14 will continue to set out the vision, priorities and outcomes (referred to as the corporate outcomes framework) for the Council. It is envisioned that the refreshed Corporate Plan (2011/14) will lead to a new corporate outcomes framework which takes account of the administration's political aspirations, the Co-operative Council agenda being taken forward, and the significant reductions in public sector spending.

3.3.4 Updated Service Plans will also be developed which will show how the Council will use its financial resources to deliver the necessary service improvements that enable its vision, priorities and outcomes to be met.

3.4 *Measuring the quality of services for users, for ensuring that they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources*

3.4.1 The vision of the Lambeth administration is 'delivering quality, tackling inequality' and includes the promise to deliver high quality services that focus on individuals' needs and represent value for money. Our Value for Money strategy sets out our approach to assessing, delivering and demonstrating optimum value to residents from our services. The strategy is supported by a suite of VfM tools which constitute the Value for Money toolkit.

3.4.2 The Council has continued to develop procurement and contract management techniques with a view to securing VfM and efficiency gains where appropriate. VfM is integral to procurement activity and the Council promotes the consideration of whole life costs and financial appraisal in decision making. Collaborative arrangements are progressed where appropriate to deliver increased benefit to both the Council and its partners.

3.4.3 We use benchmarking information to better understand our relative position against other authorities, and the key drivers which govern financial and non financial performance. Whereas benchmarking was encouraged across the organisation at a service level in previous years its use is now much more targeted. Benchmarking is central to the comparison of procurement tenders, determining project deliverables and extensively used when setting fees and charges.

3.5 *Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and other functions, with clear delegation arrangements and protocols for effective communication*

3.5.1 The Council's constitution describes the roles and responsibilities of the executive, non-executive, scrutiny and other functions. The Constitution is kept under regular review and during 2009/10 it was revised to reflect new statutory requirements and update to reflect current governance arrangements, such as Standing Orders. The main changes related to the expansion of the scrutiny function, and the requirement to adopt a new form of executive. Changes in 2010/11 related to the Council's petition scheme, in accordance with legislative requirements. All statutory obligations are formally established through the Scheme of Delegation, and outlined in structure charts. All organisational structure charts are available on the intranet. The Council's committee management system is the tool for accessing information electronically covering committees, members e-petitions etc. The system enabled us to achieve substantial savings on printing in 2010/11.

3.5.2 The Council adopted the "new style" Leader and Cabinet model on 21 October 2009, which came into effect on 10th May 2010. The two options available were a "new style" Leader and Cabinet Executive, or an elected Mayor and Cabinet Executive.

3.5.3 Cabinet and Strategic Leadership Board (SLB) provide strategic leadership in the overall co-ordination of Council policies, strategies and service delivery. This is supported by a scrutiny function focusing on all departments. The Youth Mayor is incorporated in the Council's constitution to make sure that the views of young people are also built into decision making.

3.5.4 There is one overarching Overview & Scrutiny Committee with five Scrutiny Sub-Committees each of which can establish ad-hoc commissions. They review or scrutinise decisions made and make reports and recommendations on matters which are the responsibility of the authority or which affect the local area. Through doing this they allow backbench councillors and residents of Lambeth to have a greater say in Council matters.

3.5.5 The Council also has committees which oversee its regulatory functions, that is, those concerning licensing and planning.

3.5.6 The Standards Committee reviews and oversees Councillor training and the Council's Whistle Blowing Policy. The Standards Committee is responsible for assessing and investigating complaints about members' conduct and submits an annual report to full Council on its work, including in relation to member conduct and complaints made against members.

3.6 *Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff*

3.6.1 The member and officer Codes of Conduct reinforce the Council's commitment to all related statutory and ethical duties and are publicly available to citizens and other stakeholders to ensure transparency. Ethical standards are embedded through training and induction for both members and officers and reviewed regularly.

- 3.6.2 Following the Council elections in May a Member induction was held with a full programme of activities. This included code of conduct and standards. Feedback has been positive.
- 3.6.3 The Council has adopted a Code of Conduct for members. This sets out the general principles that govern the conduct of members. Part 5 of the constitution outlines how councillors and officers of the Council must conduct themselves according to the statutory code of conduct, and other codes of conduct and protocols.
- 3.6.4 Members and officers remain bound by and sign up to their respective codes of conduct, as set out in the staff code of conduct and the code of conduct for members. The Standards Committee receive cyclical reports on complaints about member conduct, and whistle blowing allegations
- 3.6.5 The Standards Committee is chaired by an independent co-opted member and works to promote and maintain high ethical standards.
- 3.7 *Reviewing and updating standing orders, standing financial instruments, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks*
- 3.7.1 The Council has robust processes and procedures that ensure the principles of good governance are applied throughout the organisation. Decision-making processes are transparent and result in relevant and recorded actions; timely decisions are made to ensure priorities are met. Forthcoming key decisions are published in the Forward Plan (Cabinet and officer proposed decisions). Full public information on proposed officer decisions involving expenditure over £100k is published on a public database with five clear days notice, and also when the decision is taken. All members of the Council are automatically notified when these proposed decisions are logged. The officer delegation scheme ensures that routine decisions are made at the right level, with Cabinet focusing on policy development, strategic and cross-cutting issues.
- 3.7.2 A Scheme of Delegation that sets out the powers delegated to officers, the Financial Regulations and various Procedure Rules all form part of the Constitution. The Constitution is reviewed regularly by the Constitution Working Group (CWG) led by the Monitoring Officer and includes the Head of Democratic Services & Scrutiny, the Chief Whip and Cabinet Member for Finance and Resources. The constitution is available on the Internet. Any recommended amendments are explained in reports for approval by full Council, with prior discussion with the opposition parties. The Constitution is supported by operational procedures manuals containing information on financial and business procedures and processes to be followed in some areas of the Council. Proposals to strengthen the constitutional arrangements for asset management have been endorsed by the CWG and will be considered by Council in May. The proposals include the establishment of a Asset Management Cabinet Advisory Panel to consider capital expenditure and asset disposals, and reporting to Council on the capital investment programme in the July Finance Review and a new November Finance Review.
- 3.7.3 The council plans to upgrade to Release 12 of its Oracle E-business Suite Financials system in 2012. As part of this process the council is reviewing the relevant systems, procedures and controls during 2011.

- 3.7.4 Risk management is well-developed and is central to, and embedded in, the wider service delivery and decision-making processes. The Council's risk management policy statement highlights this intent to manage threats as well as opportunities. The Council's Risk Management Strategy is reviewed and updated annually and was last amended and approved in September 2010. The Corporate Risk Register, supported by the Strategic and Operational Risk Registers, is reviewed periodically and covers all departments, projects and partnerships. The Council recognises the importance of ensuring that risks are effectively managed across its partnerships and that resources and intelligence are shared to ensure risks are analysed and controlled as appropriate.
- 3.7.5 Contract Standing Orders are reviewed on a regular basis with changes being made in 2010/11 which enabled the use of e-tendering and a reduction in the procurement board structure from 5 to 3 Boards which comes into effect on 01/04/11.
- 3.8 *Ensuring that the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010)*
- 3.8.1 The Council operates a devolved financial management structure under the leadership of a Chief Financial Officer (CFO) who performs the Section 151 role. This will be reviewed in light of the restrictions regarding the overall availability of resources from 2011/12 onwards. The CFO role is vested in the Executive Director of Finance and Resources who is professionally qualified, reports directly to the Chief Executive and is a member of the leadership team, with a status that is equivalent to other members. The Council's existing arrangements ensure that it is committed to good practice in both governance and financial management and, ensures that its CFO is able to operate effectively. As a result, council staff have access to good quality financial advice.
- 3.8.2 Effective management of budget is achieved through:
- Divisional Management Teams, Departmental Leadership Teams and the Strategic Leadership Board monitoring and reviewing forecast expenditure each month.
  - The monthly circulation of the Finance Monitor to all members of Cabinet and formal reporting to Finance Scrutiny Sub-Committee.
- 3.8.3 The Council's ensures financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010) and the subsequent *Application Note for Delivering Good Governance in Local Government: a framework* (March 2010) by ensuring that there are adequate and robust physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes in order to:
- Establish a medium term business and financial plan and to set a lawful budget.
  - That accurate and timely in year monitoring is prepared and available for in year decision making to both budget holders and elected members, and
  - That annual accounts are produced on a timely basis in accordance with proper accounting practice.

3.9 Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities

3.9.1 The Corporate Committee performs the 'audit committee' role through its oversight and monitoring of Council corporate governance activities including internal audit, counter fraud, external audit, financial performance and reporting, and risk management. Its terms of reference, structure, composition and work programme have been developed with reference to the guidance issued by CIPFA in 2005, "Audit Committees: Practical Guidance for Local Authorities". In addition, the Council has a Finance Strategy Board which acts as a clearing house for audit findings. The Board comprises senior officers from across Council departments.

3.10 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

3.10.1 Ensuring compliance with established policies, procedures, laws and regulations involves a range of measures by the Council which include:

- Notification of changes in the law, regulations and practice to Departments;
- Awareness, understanding and training carried out by internal officers and external specialists;
- The drawing up and circulation of guidance and advice on key procedures, policies and practices;
- Formal legal and financial clearance of all decision-making reports;
- Proactive monitoring of compliance by relevant key officers including the Section 151 Officer (Executive Director of Finance & Resources) and the Monitoring Officer (Director of Governance and Democracy).

3.10.2 Compliance with the new or revised policies is monitored by the relevant key officers. Internal Audit reviews compliance and outstanding issues are reported to the Corporate Committee and the Finance Strategy Board.

3.10.3 Under Section 5 of the Local Government and Housing Act 1989 the Monitoring Officer is required to report to the Council where, in his/her opinion, a proposal, decision or omission by the Council, its Members or Officers is or is likely to be unlawful and also to report on any investigation by the Local Government Ombudsman. It has not been necessary for the Monitoring Officer to issue a formal report for the year 2009/10.

3.10.4 Under Section 114, Local Government Finance Act 1988, the Section 151 officer also has a legal responsibility to issue formal reports if he has particular concerns about the financial arrangements or situation of the Council. No such formal reports have been issued during the 2010/11 financial year.

3.10.5 Under the general duty set out in the Equality Act 2010 the Council must have due regard to the need to eliminate unlawful discrimination, harassment and victimisation; to advance equality of opportunity; and to foster good community relations. The Council developed and published its first Single Equality Scheme and Action Plan 2010-2013 during 2010. The scheme sets out what the Council plans to do during the three year period to meet the general duty and the commitment to tackle inequality and social exclusion.

### 3.11 Whistle-blowing and for receiving and investigating complaints from the public

- 3.11.1 The Council is committed to tackling fraud, abuse and other forms of malpractice and, therefore, it has whistle blowing procedures in place to enable employees to raise their concerns about such malpractice at an early stage and in the appropriate way. The Council re-launched its Whistle blowing Charter during 2009/10. Allegations are investigated independently by Internal Audit and reported regularly to the Standards and Corporate Committees. The Committees ensure that the corrective action taken is robust.
- 3.11.2 The Contract Regulations require officers preparing contracts to include references to the Council's Confidential Reporting Policy. Copies of the policy itself are available on the Council's web site and are provided to staff when they join the Council.
- 3.11.3 The Council has a clear three-stage complaints process for handling complaints. This is supported by the Corporate Complaints Policy, which was revised in 2010-11. The Policy sets out clear guidance on logging, handling and monitoring complaints at all stages of the complaints process and for external enquiries from the Local Government Ombudsman. The aim of the complaints process is to drive service improvement across the Council by highlighting good practice and identifying lessons learnt from complaints.

### 3.12 Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

- 3.12.1 The Council's elected members are well supported to develop their skills and deliver their role effectively. The member development programme was refreshed during 2009/10 in anticipation of the requirements of the incoming administration after the May 2010 elections. The programme is modelled on the IDeA Council Competency Framework covering: Local Leadership; Political Understanding; Partnership Working; Scrutiny and Challenge; Communication Skills; Regulation and Monitoring. A member handbook was also provided.
- 3.12.2 The Council is seeking to achieve the Member Development Charter in 2011/12 and has used the self assessment template, as promoted by London Councils and Local Government Improvement and Development (LGID previously IDeA) to develop its programme. Lambeth is also actively engaged with colleagues through the London Member Development Network, which the Head of Democratic Services and Scrutiny continues to chair.
- 3.12.3 Members of key committees, such as the scrutiny committee and its panels, have received specialised training in order to equip them to carry out their duties. Support and information is also provided to opposition parties when they seek to put forward alternative budgets.
- 3.12.4 In October 2010 RADA provided Chairing Skills in Local Government training and excellent feedback was received. This covered questioning techniques and incorporated role play.
- 3.12.5 In addition to the scrutiny induction session, ahead of the budget scrutiny meetings members requested that specific budget/finance scrutiny training be provided. This was commissioned from LG Futures and took place in the week that the budget

scrutiny papers were published. This enabled the actual papers to be referred to in the training. Feedback from the session recorded that the session met or exceeded all participants' expectations.

- 3.12.6 In February and March 2011 a series of three 'making the most of scrutiny' seminars, commissioned from the Institute of Local Government (University of Birmingham), took place. The seminars were titled as follows: Making the most of scrutiny; Undertaking an effective commission; and Questioning skills and the committee role. Feedback from these seminars was also excellent.
- 3.12.7 Members on the Corporate Committee have received briefings to enable them to provide effective challenge to those reporting to them on a range of areas, including, risk management, financial reporting, internal audit and counter fraud.
- 3.12.8 The Council has improved decision making by introducing quarterly away days between Senior Leadership Board (SLB) and Cabinet. These joint away days have helped to underpin the Council's strategic direction by examining the future direction of public services, key external challenges facing the local area and organisation and debates around how the Council can work in partnership to deliver local outcomes. Member and officer relations remain good across the organisation and across all political parties.
- 3.12.9 The development needs of all staff, including Executive Directors and Heads of Service are identified through the staff performance review process. Knowledge of financial management and the economic environment are actively promoted through a finance training curriculum and risk management champions. Councillors are offered the CIPFA Guide to Local Government Finance which is published on the Finance and Resources intranet and can access a programme of internal and external training and development opportunities including e-learning through Modern Councillor.
- 3.12.10 Appropriate induction training is provided. The purpose of induction is to ensure the effective integration of staff into the organisation for the benefit of both parties. There are four levels of mandatory induction training consisting of an HR induction and a Lambeth Council induction to express the vision and values, community strategy, corporate plan and the future directions of the Council. There are then departmental and workplace inductions which cover service strategies and priorities.
- 3.13 *Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation*
- 3.13.1 Robust internal and external communications are important to the Council. There is a communications strategy covering 2010-2014 which sets out how it will prioritise and manage projects that have cross-council significance. This is based on improved audience understanding and research.
- 3.13.2 The Council uses a number of channels to both consult and communicate with the community and other stakeholders. Consultation methods range from quantitative self-completion questionnaires and face-to-face interviews to focus groups depending on the target audience and the objectives of each consultation project. Regular communication channels include a quarterly local area newspaper which is delivered to all households and businesses, a proactive media relations programme

an A-Z of services delivered to every household, a monthly newsletter to stakeholders, the intranet, direct mail and advertising to support department awareness drives and other specific campaigns. The Council's website is continually expanding both in its content and its functionality. The use of electronic and digital communication channels are now being introduced by the Council, including the use of text messaging and social media.

- 3.13.3 The development of communications ability is reflected in the work on online print. This works with the photo library to provide a web based system for producing materials in a cost effective and on brand manner.
- 3.13.4 Responses to Freedom of Information requests are monitored by the Complaints and Information Board to ensure consistency and timely responses.
- 3.13.5 A stakeholder strategy has been established and it prioritises support for the Chief Executive and Leader but also examines how messages are coordinated for all our stakeholders using Strategic Leadership Board, Cabinet and the Mayor. A comprehensive consultation calendar ensures that residents and stakeholders contribute to the way Lambeth Council sets its budget and allocates resources. The annual budget consultation now engages with over 1,300 people whose views on strategic cost issues and spending proposals are heard.
- 3.14 *Incorporating good governance arrangements in respect of partnerships and other group as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Council's overall governance arrangements*
- 3.14.1 The Sustainable Community Strategy 2008-2020 sets out the vision for Lambeth that the Council shares with its borough partners. The Local Strategic Partnership (LSP) is responsible for achieving the vision and a number of groups and theme partnerships are in place to support strategy and delivery. Each of the groups and theme partnerships under the Local Strategic Partnership (LSP), Lambeth First, has an appropriate form of governance that is formally documented. The document sets out the legal status, accountabilities, decision making processes, and roles and responsibilities of the partnership. Terms of reference outline the purpose for the partnership and its decision making powers.
- 3.14.2 Lambeth First keeps its governance documents under annual review. A major refresh in 2009 led to the adoption of a new set of governance arrangements in November 2009. In response to national developments, governance arrangements were reviewed again in 2010, with a view to reducing the 'burden of governance'. A number of recommendations were made to streamline arrangements and add value to partnership working. Whilst the recommendations are yet to be formally adopted they provide a strong foundation for Lambeth First to update its governance arrangements.
- 3.14.3 The Council has prepared a Local Code of Practice of Corporate Governance which sets out how it aims to meet corporate governance requirements.

#### 4. Review of effectiveness

- 4.1 Lambeth Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 The process that has been applied by the Council included the convening of a cross-council forum known as the 'AGS/VfM Conclusion Working Group'. The combined Working Group provided reports to the Finance Strategy Board and Corporate Committee which set out the process and timetable for compiling the Annual Governance Statement and the Value for Money Conclusion. In addition, the group began the development of an Assurance Map for Lambeth which will cover the types of assurance which are obtained across the Council and the internal and external sources which provide that assurance.
- 4.2.1 As in previous years, the AGS/VfM Conclusion Working Group drew on the recommended good practice questions from a number of sources (CIPFA, Audit Commission, IPF, SOLACE, and PwC) aligned to the Council's Assurance Framework. The Local Code of Governance for Lambeth was updated, as appropriate, and a common process was used to capture the information required to inform the Chief Internal Auditor's Annual Report and AGS.
- 4.2.2 A 'Service Assurance' process, which was initiated in the later part of 2009/10 by Internal Audit, was used alongside a self-assessment completed by the responsible Executive Director using structured questionnaires, linked to the evidence, supported by review from internal audit and the oversight of the AGS/VfM Conclusion Working Group. The self assessments from the Service Assurance process were then used as the basis for the departmental self assessments. The compilation process and the draft AGS were supervised by the Finance Strategy Board and considered by Strategic Leadership Board, the Executive, Corporate (Audit) Committee, the Chief Financial Officer, and Internal Audit.
- 4.3 Maintaining and reviewing the effectiveness of the system of governance is achieved in the following ways:
- 4.3.1 *The assessment of the Council's arrangements for achieving Value for Money (previously the annual Use of Resources Assessment under the Audit Commission's Comprehensive Area Assessment).*
- 1) In May 2010, the coalition government announced the abolition of the Comprehensive Area Assessment, including Use of Resources. The Council is still required to demonstrate and evidence that it delivers VfM with arrangements assessed and tested through external audit. The resulting VfM conclusion will form part of the annual accounts audit opinion.
  - 2) Delivering value for money is a priority for the Council. Challenging the cost of services and associated service delivery has been central to the service and financial planning process and our response to funding reductions. The identification of 8 business levers has supported financial assessment alongside

the traditional benchmarking of performance. The 8 levers are: income through fees and charges, contracts, establishment, assets, debt, federated services, 3<sup>rd</sup> sector opportunities and keeping council tax low.

- 3) The Audit Commission have published specific criteria to be used to assess whether we have robust systems and processes in place to effectively manage financial risks and opportunities, and to secure a stable financial position that enables us to deliver local priorities. There is also significant emphasis on our ability to prioritise resources effectively.
- 4) A brief narrative, supported by key evidence documents, has been produced setting out how our current arrangements meet published criteria. Evidence incorporates analysis through tools such as the VfM profile tool and the local government financial analysis tool. The VfM conclusion is based on two criteria:
  - We have proper arrangements in place for securing financial resilience
  - We have proper arrangements for challenging how we secure, economy, efficiency and productivity (prioritising resources within tighter budgets)
- 5) The Council is engaging with colleagues in other London boroughs and the Local Government Group to develop sector-led review and assessment processes which will allow authorities to continue to compare their effectiveness against their peers while increasing local accountability and control.

#### 4.3.2 The governance structures and processes

- 1) The Council regularly reviews and matches its governance structures and processes to council-wide priorities, to ensure the principles of good governance are applied throughout the Council. The changes agreed in 2009 to the Governance Arrangements within the Council have been implemented. The Constitution was revised during the year to reflect new statutory requirements and existing governance arrangements were updated, such as Standing Orders. The main changes related to the petitions scheme with some changes to the scrutiny function, and the requirement to adopt a new form of executive.
- 2) The Council's constitution sets out the responsibilities of both Members and Senior Officers. In particular the Council has identified the six statutory posts as follows:
  - Head of Paid Service - Chief Executive
  - Chief Financial (Section 151) Officer – Executive Director of Finance & Resources
  - Monitoring Officer – Director of Governance and Democracy
  - Director of Children's Services – Executive Director, Children and Young Peoples Service
  - Director of Adult Social Services – Executive Director, Adults' and Community Services
  - Statutory Scrutiny Officer - Scrutiny Manager.
- 3) The Council's constitution remains robust and compliant, and plans are in place to ensure this remains the case. There are regular Constitutional Working Group (CWG) meetings throughout the year which are chaired by the Director of Governance and Democracy. These meetings ensure that the constitution is regularly reviewed with the Chief Whip, other councillors and officers from within

Governance and Democracy so that the Council can have confidence that the Constitution remains robust, up to date, and is compliant with all relevant statutory instruments. The CWG has endorsed the establishment of an Asset Management Cabinet Advisory Panel to counsel Cabinet with regard to capital expenditure, asset disposals and asset management policy. The Local Code of Practice of Corporate Governance has also been reviewed and updated as part of the preparation of the Annual Governance Statement for 2010/11. Papers for all Council and Committee meetings are in the public domain and are freely available on the Council's web site. Furthermore, a public database of all proposed officer decisions involving expenditure over £100k is maintained (proposed decisions are published with five clear days notice, and also when the decision is taken). All members of the Council are automatically notified when these proposed decisions are logged.

- 4) The scrutiny function is operating well. The Overview and Scrutiny Committee and its five sub-committees met six times, there were no call-ins or Councillor Calls for Action (CCfA) received. Four ad-hoc commissions reported to Cabinet during the year and six were established. The 'parent' committees maintained oversight of the implementation of previous commissions' recommendations throughout the year. The Environment and Community Safety Scrutiny Sub-Committee was the Council's designated crime and disorder committee (Police and Justice Act 2006) and held its designated crime and disorder meeting in January 2011. The Health and Adult Services Scrutiny Sub-Committee discharged health scrutiny functions. The 2009/10 Scrutiny Annual Report was considered by Council in July 2010.
- 5) There is one overarching Overview & Scrutiny Committee with five Scrutiny Sub-Committees each of which can establish ad-hoc commissions. They review or scrutinise decisions made and make reports and recommendations on matters which are the responsibility of the authority or which affect the local area. Through doing this they allow backbench councillors and residents of Lambeth to have a greater say in Council matters.
- 6) A series of 'making the most of scrutiny' training seminars were held along with specific budget scrutiny training (details above). Feedback from attendees (public and 'witnesses') at scrutiny meetings was collated during the year for the first time and an annual members' satisfaction survey will be distributed following the end of the 2010/11 year.
- 7) An annual report of the Corporate Committee is produced and circulated to all members who will have the opportunity to raise questions at full Council. The effectiveness of the Corporate Committee, in performing its Audit Committee role, forms part of the overall assessment of the effectiveness of Internal Audit, discussed below. Corporate Committee have provided challenge in some areas such as audits with limited/no assurance by asking the relevant directors to come to the meeting to discuss their corrective actions. The Corporate Committee's Terms of Reference also include oversight of the risk management arrangements at the Council.
- 8) Performance is reported regularly and clearly to Members and Senior Management, as follows:
  - Performance digest presented to Departmental Leadership Teams on a monthly or quarterly basis

- Our key corporate performance indicators are presented to Strategic Leadership Board and Cabinet on quarterly basis
  - Service performance information is reported to Scrutiny committees on a regular basis and corporate performance is reported as requested
- 9) Procurement Boards are in place to review procurement activity at each of the four gateways (business case, procurement strategy, award and contract performance review) set out in the Procurement Strategy. The Procurement Boards provide peer group assessment and challenge for contracts over £25,000. The Strategic Procurement Board, which is chaired by the Monitoring Officer, reviews all gateway reports for procurement in excess of £500,000.
  - 10) The remit of Legal and Democratic Services was expanded during the year to cover governance with the transfer of the risk management function. It is planned that the new Governance and Democracy division will assume the lead role for all matters relating to governance.

#### 4.3.3 Regular reviews of ethical standards policies and procedures

- 1) Members and officers remain bound by and sign up to their respective codes of conduct, as set out in the staff code of conduct and the model code of conduct for members. They also abide by external professional codes of conduct, where appropriate. During the year, we have strengthened and clarified governance arrangements in the areas of conflicts of interests; member consultation; consultation with community groups; scrutiny; community safety; and responsible procurement. Skilled, proficient elected members lead the design, development and delivery of services and engender public confidence. The standards committee receive cyclical reports on complaints about member conduct, and whistleblowing allegations.
- 2) The Council has continued to offer ethics training to members and to maintain registers of gifts and hospitality, which are regularly reviewed by the Council's monitoring officer and the chief internal auditor. Take up of ethics training has been good. Follow up one to one training has been provided for members who were unable to attend.
- 3) Internal Audit run whole day workshops each year on countering fraud, which cover ethical behaviour through the use of case studies. Staff have fed back that the case studies are useful in providing a better understanding of the issues.
- 4) The Council's monitoring officer keeps members and officers informed of developments in ethical matters and relevant information. The minutes and agendas of the Standards Committee show how ethical standards are considered. The Standards Committee reviews and oversees councillor training and the Council's Whistle Blowing Policy and is also responsible for the local assessment and determination of complaints about Member conduct. The Standards Committee submits an annual report to full Council on member conduct and complaints made against members.
- 5) The Council has clear policies for the receipt of gifts and hospitality which are communicated to members and staff and are well understood. The standards are kept on the intranet along with instructions on how to record, register and

monitor gifts and hospitality received. Executive Directors conduct quarterly checks on registers and liaise with Divisional Directors on any issues arising. Internal Audit reviews the maintenance of the registers annually.

- 6) Web based fraud awareness training has been made available to all staff via the intranet.

#### 4.3.4 Review and update of the corporate strategic risk register to reflect the changing nature of the strategic risks faced by the Council.

- 1) The Council's risk management is fully integrated into service areas and major projects. The Council uses a proven risk management system to record risks on a central register. The Council manages and monitors both risks that are threats and opportunities. Internal Audit review the quality of operational risk registers as part of their annual work plan and management can use the information to update the risk profile for their areas of responsibility.
- 2) The risk management policy and the risk management strategy are reviewed and refreshed annually. Both items are approved by the Strategic Leadership Board and Corporate Committee and are made available to the public through publication on the Council's website.
- 3) The risk management strategy has been updated to reflect the ongoing improvements in risk management process, and the level of risk maturity within the organisation, highlighting our processes and governance arrangements and providing greater transparency to residents.
- 4) The Risk Management Policy Statement is a statement of intent which is signed by the Chief Executive and the Leader of the Council and sets out the Council's firm commitment to risk management. This document provides reassurance to residents that the Council effectively manages risks and has an appetite to take risks in pursuit of community priorities.
- 5) Regular reporting on the Council's risk management arrangements and the corporate risk register are considered by the Risk Champions Group, the Strategic Leadership Board and Corporate Committee.
- 6) Following a report on managing risks in light of the Comprehensive Spending Review in January 2011, Corporate Committee have requested additional challenge sessions to consider reports from each department on their risk management arrangements.
- 7) Training sessions have been provided prior to each meeting of the Corporate Committee during 2010/11 to enable members to provide effective challenge in respect of risk management, counter fraud, internal audit and financial reporting arrangements. One to one training sessions are also being provided for members of the Committee on the Council's Risk Register system.

#### 4.3.5 The annual review of the effectiveness of the system of Internal Audit.

- 1) The Internal Audit service operates under regulation 6 of the Accounts and Audit Regulations 2003 (amended 2006) and in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. The Council's Financial

Regulations and Internal Audit Charter grant Internal Audit an unrestricted right of access to all Council records and property. They also confirm the organisational independence which allows Internal Audit to form an objective opinion on the adequacy and effectiveness of the whole system of internal control.

- 2) The Chief Internal Auditor reports to the Executive Director (Finance & Resources) and also reports directly to the Chief Executive on a regular basis, and other Executive Directors and Members of the Council, if required.
- 3) The plan of work undertaken by Internal Audit is prepared with regard to the risks faced by the Council and following discussions with Executive Directors and Heads of Service. It is presented to and approved by the Corporate Committee. The scope of work included in the annual audit plan extends beyond financial governance to include corporate governance, risk management, probity, value for money, effectiveness and compliance with laws and standards.
- 4) The outcome of all Audit reviews is reported to the responsible Executive Director and Head of Service as well as to the Executive Director of Finance & Resources (Section 151 officer). A summary of the report is also presented to the Corporate Committee.
- 5) Where recommendations for the improvement of controls or systems are made at the end of an Audit review, these are agreed with the responsible managers together with details of the required action and an expected date for implementation. Agreed actions are included on the Audit Tracker system which is used to monitor implementation. An automated Audit Tracker (JCAD Audit) was introduced in August 2010 which enables all recommendation and report owners to review and update recommendations on a real time basis. The system provides regular prompts to recommendation and report owners when reviews are due to be completed. A number of standard reports are available to departments to monitor progress being made in the implementation of recommendations and to enable regular reporting to Departmental Leadership Teams on performance in this area.
- 6) Reports from the system are provided to the Finance Strategy Board on a monthly basis which include:
  - Progress on very high and high priority recommendations, including those which are overdue
  - Highlighting recommendations which are due for implementation within the next three months
  - Detailed schedules are provided to Divisional Directors of Resources to enable specific items to be progressed.

The reports provided to the Finance Strategy Board are also included in the monthly Finance Monitor and are periodically provided to the Strategic Leadership Boards and Corporate Committee for consideration.

- 7) A programme of implementation reviews are undertaken by the Internal Audit function to establish that appropriate evidence is in place to demonstrate that actions certified by management have been put in place.

- 8) Where action to address issues is not undertaken within the predetermined timescales the Corporate Committee can and has required the responsible manager to attend a formal meeting and be personally accountable.
- 9) External Audit has continued to rely on the work of Internal Audit where appropriate.
- 10) An effectiveness review has been carried out internally as part of the process for compiling the Annual Governance Assessment and used a self assessment checklist, which concluded, as in the previous year, that “the system of internal audit is effective, with only minor areas for development in order to ensure full compliance with the CIPFA Code of Practice for Internal Audit in the United Kingdom 2006”.

4.3.6 *The annual opinion of the Head of Internal Audit on the adequacy of internal control arrangements based on the outcomes of individual audit reviews.*

- 1) Based on the work undertaken by the Internal Audit and Anti-fraud functions and reported upon during year, the opinion of the Chief Internal Auditor is that, in general, the systems of Internal Control continue to be adequate for preventing significant risks of a strategic and operational nature materialising. As in 2009/10 areas of good practice were noted throughout the Council, including an improvement in management and compliance oversight, a positive response to the funding cuts and in the control environment of some of its key financial systems, for example, Treasury Management, NNDR, Fixed Assets. We have identified this year significant weaknesses in the financial management and governance arrangements at a number of Tenant Management Organisations (TMOs), which has led to reviews at remaining TMOs being undertaken as a matter of urgency.
- 2) The assurance levels assigned to the systems reviewed showed that the level of negative audit assurance at 29 per cent, which is consistent with 2009/10. Of the 71 per cent achieving positive assurance, 21 per cent achieved ‘full assurance’ (well controlled). The latter is still too low a percentage for a Council that is working towards excellence.
- 3) Generally the Council’s risk registers can be relied on to determine internal audit planning and help scope the micro-level audits. However, audit risks identified during our audits should be appropriately managed by Heads of Service. As with 2009/10, the reviews undertaken have confirmed this in the vast majority of cases.
- 4) The comprehensive and integrated counter fraud strategy being applied continues to deliver work streams with a proactive focus on reducing losses and combating fraud. Reactive investigations continue to achieve successful outcomes with £8.6m in savings and recovered assets together with 105 successful prosecutions, 10 dismissals and 2 resignations, compared to £8.4m and 161 prosecutions in 2009/10.
- 5) A review of fraud risk management arrangements was undertaken during the year which considered the current anti-fraud arrangements to identify potential gaps, the current process for identifying fraud risks by the Council and made

recommendations to enhance the current anti-fraud arrangements. Whilst no significant gaps in the current arrangements were identified, a number of recommendations have been made which officers will progress to further enhance the Council's anti-fraud arrangements and the identification and management of fraud risks.

- 6) Internal Audit worked with the Council's risk register software supplier to develop an automated recommendation tracker which was implemented in August 2010. The system enables managers to update and review recommendations in real time. Regular reporting to senior management and members, particularly around very high and high priority recommendations and the focus on those which are overdue, has helped to drive performance improvements. The system has also been extended to track actions required by the Corporate Committee.
- 7) A series of four workshops were set up in February 2010 to introduce the concept of controls optimisation to a selection of council officers and to encourage them to consider how the principles of controls optimisation could be used to help improve the control environment of the systems, processes and activities that they are responsible for. The principles covered in the workshops have been used in several areas, including the review of controls around starters and leavers processes which have resulted in improvements to the processes and controls in place in this area with further work due to be concluded in 2011/12.
- 8) A contract management/supplier records review was undertaken during the year, utilising contract specialists from KPMG. The review comprised a scoping exercise to select contracts which would be suitable for a detailed supplier audit and considered; the nature of the supplier spend; the strength of the relationship with the supplier; past issues and concerns; and the inclusion in the contract of an audit clause allowing access to a supplier's records. Four potential contracts were identified for a more detailed review and there is ongoing dialogue with officers in the relevant departments to scope the reviews.
- 9) As part of the 2010/11 Internal Audit plan a programme of Continuous auditing and monitoring has been implemented across 7 key financial systems to provide regular and timely assurance over the financial systems and inform our opinion of the adequacy and effectiveness of these systems at year end. The process provides ongoing testing of key controls to assess whether they are operating effectively and identifies transactions that appear to circumvent control parameters. A combination of manual testing and data mining tools has been used to extract system data, using predetermined parameters to check that controls are operating as designed. Reporting on the year to date has identified some exceptions which are being dealt with by management but not significant control design issues have been identified.

#### 4.3.7 Development of performance management

- 1) The Council's strategic approach to data quality is set out in the Performance and Quality Management Framework (PQMF). Data quality must comply with the laid down corporate data quality standards and a range of processes are in place to ensure this happens.

- 2) Performance reports highlight data quality issues and actions taken to address these. Monitoring of performance targets and indicators is carried out as part of the departmental performance management processes, that is, they are reviewed by Department Leadership Teams.
- 3) Local data quality audits are carried out twice a year on a sample of performance indicators based on a risk assessment and when the indicator was last audited. Recommendations from internal audits are included in data quality action log which becomes part of the internal audit tracker and is reviewed quarterly by Finance Strategy Board. For each national and corporately reported performance indicator, lead officers complete a system form and analytical review forms, both of which cover partnership accountabilities. System forms set out how data is collected, stored, reported and backed up. Analytical review forms are completed at the year end to confirm the final outturn, explain how it was calculated and analyse any significant variance against the previous year or target. The Council has effective data sharing arrangements with an overarching Information Sharing Protocol in place with its full range of partners, including the LSP, Lambeth First. Sharing data with partners, such as the Police, results in effective strategy formulation to deal with issues that are the centrepiece of the Sustainable Community Strategy (SCS), such as crime.

#### 4.3.8 Annual assurance statement (AAS) returns from Service Directors

- 1) The completed 2010/11 statements have indicated that there are no specific areas where controls are not adequate. However, departments have highlighted that the significant savings which are required as a result of reductions in central government funding could potentially have a significant impact on the effectiveness of control and governance frameworks going forward, including; the capacity to comply and report, restructuring leading to significant loss of knowledge and expertise and reductions in back office and management areas impacting on segregation of duties.
- 2) The self assessment certification from Executive Directors and Directors for the year ended 31 March 2011 stated that they are aware of their responsibilities and had complied with the Council's policies and procedures. The letter of representation process in no way absolved officers of their responsibility to continue addressing the issues noted.

#### 4.3.9 Consideration of complaints made under the formal complaints procedure

- 1) Following a review of the Complaints and Member's Enquiries processes, new procedure notes have been drafted with supporting guidance for officers and members. This will improve the way the Council deals with and uses these enquiries by providing a clear framework to those involved.
- 2) The Council continues to use complaints information as an effective tool to learn about the services it provides. For example, Parking Services have used analysis of the data to reduce the number of complaints about the service. In addition, Lambeth Living, the arms length management organisation responsible for managing the housing stock, has used complaints information to support their re-alignment process. This should lead to an improvement in complaint handling and a reduction in the volume of complaints overall.

- 3) The profile of complaints remains high across the Council with the Corporate Complaints Digest, a summary of complaints received by department, highlighting trends and lessons learnt, considered by the Strategic Leadership Board on a quarterly basis and by Corporate Committee every 6 months. This provides these bodies with the opportunity to comment on improvements in the process and any areas of concern.
- 4) Since 2006/07 the total number of complaints received by council departments has dropped, including a reduction in the number of enquiries from the Local Government Ombudsman. Whilst there has been an increase in complaints received by Lambeth Living, the arms length management organisation managing the Council's housing stock, officers from the Corporate Complaints team have worked with the Lambeth Living to improve their processes and response rates, with the aim of reducing the level and escalation of complaints.

#### 4.3.10 Value for Money (VfM)

- 1) The service and financial planning process is the primary vehicle for identifying and planning VfM. The cost of Lambeth's key services are benchmarked with those of our nearest neighbours. This information supports service design and the corporate challenge, through, for example, the budget challenge sessions held with senior officers and Members. In 2010/11, £8.2m in efficiency savings were forecast, contributing to a cumulative total of £31m over the NI 179 reporting period (2008/09 to 2010/11). However; the collection of NI 179 efficiency data was ceased in November 2010 due to the coalition government deciding not to pursue this area of data collection and analysis.
- 2) The Council has continued to make its operations more efficient through a combination of outsourcing; bringing services back in house where appropriate; better procurement; service modifications; business process re-engineering; and cooperative working. This flexibility in the approach to different methods of service delivery has provided real benefits to the Council in meeting both the central government efficiency agenda and Lambeth's own ambitions. Although the collection of NI 179 data will no longer continue, we will continue to demonstrate improvements in efficiency through our response to funding reductions and meeting the needs of our residents.
- 3) The Council is engaged in a number of complex projects with long term implications. Projects such as the replacement of the enterprise resource planning system, implementation of a scalable network solution, and review of office accommodation requirements have all involved a series of detailed options appraisals including whole life costing, the affordability of different options and the impact of capital investment on revenue funding.
- 4) The Council continues to manage its assets to secure value for money for its residents. Key examples are through:
  - Rationalisation through service asset planning: Service Asset Plans have been produced for each land holding department. These plans provide an overview of the current property portfolio (excluding the residential and Schools segment) and include: requirements for each service, identified gaps and required investment, new assets, maintenance of existing assets

and surplus assets for disposal. The combined asset requirements have been integrated into the service and financial planning process.

- Maintaining the Portfolio: The Council continues to ensure that the operational property portfolio is maintained to an appropriate standard by using condition surveys to develop and implement planned maintenance programmes.
- 5) The Council continues to adopt alternative and innovative approaches to delivering services. This can be demonstrated in the way we have procured collaboratively with a number of other Local Authorities and partners to ensure value for money whilst maintaining a level of service which meets local needs. For instance, we have established a four borough framework which provides support services for vulnerable members of the community and taken a leading role in establishing an insurance mutual, both of which will deliver cost savings whilst meeting user needs.

#### 4.3.11 Savings requirements for 2011/12

- 1) As part of the 2011/12 Service and Financial Planning Process undertaken during 2010/11 savings of £37m were identified for the General Fund and approved by full Council on 23/02/11. This is an unprecedented requirement and inevitably presents risks in terms of failure to deliver the quantum of savings or to provide the affected services with reduced resources. It is recognised that the delivery of savings could potentially have a significant impact on the effectiveness of control and governance frameworks, including:
- the capacity to comply and report
  - restructuring leading to significant loss of knowledge and expertise
  - reductions in back office and management areas impacting on segregation of duties
- 2) Finance & Scrutiny Sub-Committee requested a tracker be developed which would provide information on the achievability of savings and any unforeseen detrimental effect on service delivery. This is being incorporated in the 2011/12 Finance Monitor. Regular reporting will be provided to Cabinet, Strategic Leadership Board, Finance Strategy Board and departmental leadership teams to ensure that the required savings are being delivered.
- 3) The Internal Audit Plan for 2011/12 will include work to provide assurance that savings are being delivered and that the impact on services is being managed and monitored.
- 4) Each department has been requested by the Corporate Committee to report on their risk management arrangements, including managing risks relating to savings, to challenge sessions to be held by the Committee in 2011/12.

#### 4.3.12 Emergency planning

- 1) The Council has developed resilience strategies to ensure that it can continue to deliver its critical business when faced with incidents that cause major disruption such as loss of staff resources through extreme weather incident or pandemic flu, loss of premises or loss of services.

- 2) Business Continuity is effectively managed through a range of tried and tested arrangements for disaster recovery. We have identified our critical services so they can be prioritised and those that are most essential reinstated first. The recovery of corporate ICT functions is vital to ensure that critical services receive the necessary system support through any period of major emergency. There are planned options for service delivery available, these included home working provision starting with key staff, reallocation of office space and shared service protocol to ensure that services to vulnerable residents continue to be delivered when staffing is reduced. Awareness of our business continuity arrangements are widely promoted to staff through a range of initiatives. Bi-monthly meetings are held with department lead officers where information is shared and progress monitored on ongoing projects around both internal and external issues. Business continuity is also included in the agenda of quarterly Directorate Leadership Team meetings where the opportunity is also taken to exercise their contingency plans and recovery arrangements.
- 3) As part of our procurement process our key suppliers are screened and then monitored to ensure that they have effective business continuity arrangements in place.
- 4) A review of our Business Continuity arrangements was undertaken in 2009/10 with a number of recommendations for service improvement suggested. These have been taken on board and appropriate action taken. The Council's business continuity and disaster recovery arrangements continue to be monitored and developed as the Council goes through a period of change to ensure that we remain resilient.
- 5) Our resilience is managed in accordance with the requirements of the Civil Contingencies Act 2004 and also to the measures laid down in British Standard 25999 on Business Continuity.

#### 4.3.13 Data security controls

- 1) Lambeth Council has continued to strengthen arrangements on data security in the last year and has introduced a number of measures and initiatives to achieve this. It has built upon the Government Connect accreditation achieved in 2009/2010, and successfully gained a further annual accreditation in 2010/2011, validating that the Council's arrangements for managing and sharing data are as robust as possible. As part of achieving this standard all council employees and members with access to the Council's network undertake mandatory e-learning training. Completion of this training is monitored and network access is withdrawn where training is not completed. To further support increased security the various policy documents pertaining to ICT use within the Council have been rationalised into two primary documents:
  - Using Systems and Data Policy – for all staff; and
  - Protecting Systems and Data - for ICT staff.

These continue to be supported by a series of “golden rule” guides, and a planned communications programme including quarterly intranet articles. Failure to comply with these policies is taken seriously and can result in disciplinary action. All portable devices managed by the Council are encrypted, and

measures are in place to facilitate the monitoring of data downloads to portable devices.

- 2) The Information Governance Working Group (IGWG) provides valuable support to the Council's Senior Information Risk Owner (SIRO); the Executive Director of Finance and Resources. The IGWG has an annual rolling work programme managed by the Information Governance Manager.
- 3) The Internal Audit function manages a programme of audits with results reported to Departmental Leadership Teams (DLTs) and SLB with corrective action plans agreed with management for their implementation. Additionally this function commissions an annual IT Health Check – this separation of duties between ICT and IA ensures that audit and health check activity provides the Council with real and valuable feedback and assurance that appropriate arrangements are in place and operating effectively.

#### 4.3.14 Procurement

- 1) The Contract Management Toolkit was published during the year. The toolkit is based on the use of the "9 Levers" of strategic category management and enables contracts to be managed effectively to achieve KPIs and value for money. The toolkit also provides advice and guidance for contract managers to reduce the costs of contracted services by working smarter with our suppliers in order to take out costs that will benefit both the Council and the supplier.
- 2) Regular reports on procurement activity are considered by the Corporate Committee.
- 3) A LEAN review of the procurement process commenced in February 2011 to review procedures and processes to ensure they are fit for purpose for the new financial environment.

#### 4.3.15 Outcomes of external reviews

- 1) A number of external reviews have taken place during the year including reviews of performance management arrangements in CYPS, grant management and the Council's management of commercial properties. The outcomes of all inspections and audits, including the Annual Audit and Inspection Letter, are used to plan and improve Council services.
- 2) The Audit Commission, in its role as the Council's appointed auditor in the relevant period, issued a public interest report (PIR) in September 2010 for the Council which deals with significant weaknesses in the financial management and monitoring of Clapham Park Project grants (2006-2008). The Council considered the issues and recommendations raised in the report, agreed the detailed actions needed in response and would monitor their implementation.

## 5. Significant governance and control issues

- 5.1 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.
- 5.2 The 2009/10 evaluation of assurances identified two key issues in respect of governance and control and the 2009/10 AGS set out the actions to be taken in respect of those key issues. The table below contains the issues, actions identified and progress made on those actions during 2010/11:

Significant governance and control issues	Action(s) to be taken	Timeframe	Progress made in 2010/11
<p><u>Key Financial Systems</u></p> <p>The Council's objective to achieve High or Moderate Assurance opinions for all of the key financial systems has not yet been met. There have been positive movements made in some systems, including pensions, parking income and accounts payable, however, there were 3 systems with low assurance levels – leaseholders, housing rents and reconciliations</p> <p>Overall assurance levels have been stable since 2008/09 with 71% achieving positive assurance and only 21% of systems achieving a high assurance level (well controlled). Reconciliations and Housing Rents received a 'limited assurance' level. In addition, some prior year recommendations had not been implemented in full. The audit provides assurance to the external auditor that key financial controls in the fundamental systems are operating satisfactorily and support a robust internal control environment</p>	<p>Management have agreed, with Internal Audit assistance, to work with the officers responsible for each system to understand the problems that they face in improving the control environment in these areas. This will then enable action plans to be developed to work towards addressing any control weaknesses to enable a higher level of assurance to be achieved in future audits.</p> <p>The Chair of the Finance Strategy Board who is also the Section 151 Officer has issued an instruction that these systems be monitored closely and reported up regularly. Improvement is regularly assessed via the continuous auditing and monitoring programme.</p>	<p>Executive Director of Finance &amp; Resources</p> <p>November 2009</p> <p>March 2011</p>	<p>Internal Audit have reviewed the key financial systems during 2010/11 and have provided overall positive assurance levels for all but one of the key financial systems, Housing Rents. However, it is recognised that significant work has been done to put in place additional access controls and robust reconciliations are in place to ensure that the correct values are reflected in Oracle.</p> <p>Management have certified that all actions in respect of very high and high priority recommendations made as a result of the KFS audits undertaken in 2009/10 have been completed.</p> <p>In addition, Internal Audit introduced a programme of Continuous Auditing and Monitoring which gives management assurance on a quarterly basis on the effectiveness of key controls in place on 7 systems.</p>
<p><u>Asset Management</u></p> <p>The audit review of Asset Management received a 'No Assurance' due to insufficient records and quality checking processes in place to demonstrate that the Council is compliant with health and safety legislation.</p>	<p>An action plan was agreed with management and its implementation will be monitored via the implementation tracker.</p>	<p>March 2011</p>	<p>A follow-up review by PwC as part of the assurance process resulting from the issues raised by the external auditor as part of the 2009/10 final accounts has identified that the recommendations in the 2009/10 Annual Audit letter were being addressed. The review noted that the completion of service asset management</p>

Significant governance and control issues	Action(s) to be taken	Timeframe	Progress made in 2010/11
			plans has been superseded by events, and that the 2010-11 Service and Financial Planning process has incorporated a more wide ranging review of asset categories rather than a refresh of service asset management plans. The review also noted that further work is ongoing to improve Asset Management at the Council, including the established of a senior level Strategic Asset Management Group.

5.3 The 2010/11 evaluation of the assurances surrounding the governance framework has disclosed the following significant issues which the Council will address:

Significant governance and control issues	Action(s) to be taken	Ownership/ Timeframe
<p><u>Debt Management:</u></p> <p>The level of consolidated debt relating to income collection stood at £86.1m as at the January 2011 Finance Monitor, with 56% (£47.8m) being debt which had been outstanding for over a year.</p> <p>Work undertaken by Internal Audit through a number of planned reviews has identified issues with regard to debt management, including instances where prompt action has not been taken to recover monies owed to the Council. This included Leaseholder debts where it was found that action was not being taken to attempt to collect debt which was approaching the six year limit (statute barred).</p> <p>Having previously given high assurance for the past two years, Internal Audit also found that there had been delays in recovery action taken in relation to Council Tax arrears. Similar issues were identified in respect of Former Tenant Arrears for housing rents.</p>	<p>A series of actions have been agreed with council officers and Lambeth Living as a result of recommendations made by Internal Audit. Progress against these will be monitored on the Audit Tracker.</p> <p>Progress on actions agreed with Lambeth Living will be monitored and reviewed as part of the ongoing clienting activity undertaken by HRE.</p> <p>In September 2010, Finance Strategy Board approved the Corporate Income and Debt Strategy. <a href="#">The strategy was approved by the Council's Cabinet on 11 April 2011.</a> The aim of the strategy is to enhance the Council's performance in income collection and debt management. The effectiveness of the strategy will be monitored regularly by FSB and annually by SLB.</p> <p>Progress on debt recovery will continue to be monitored via the Finance Monitor which is considered by on a regular basis by Finance Strategy Board (FSB) and Strategic Leadership Board (SLB).</p> <p>The issue regarding non-recovery of FTA and Leaseholder debts will be covered by the new debt strategy and the work done by the HRA team on rent accounts to re-classify former tenants arrears where the tenant is continuing a new tenancy within Lambeth.</p> <p>The process for returned bailiff notices and recovery suppression accounts have been fully reviewed by the client team and Capita to ensure that all accounts pass through the recovery process without any undue delays.</p>	<p>RBCS &amp; HRE <i>Ongoing</i></p> <p>HRE <i>Ongoing</i></p> <p>FSB/SLB <i>Ongoing</i></p> <p>FSB/SLB <i>Ongoing</i></p> <p>HRE <i>Ongoing</i></p> <p>RBCS <i>Ongoing</i></p>

Significant governance and control issues	Action(s) to be taken	Ownership/ Timeframe
<p><u>Clienting/monitoring of third party organisations in Housing, Regeneration and Environment:</u></p> <p>Health check audits have shown significant control weaknesses at the majority of Tenant Management Organisations (TMOs), with no improvement being made from the previous round of audit reviews. As a result, clienting of the TMOs by the ALMOs and <a href="#">Housing, Regeneration and Environment</a> remains an audit focus.</p> <p>A special investigation into the use of council assets leased to a charitable company identified a number of significant issues, including the body not meeting the requirements of its incorporation status on an ongoing basis, around £100k being potentially due to the Council (in rent, building insurance premiums and business rates) and the need for action to strengthen the oversight and clienting role in <a href="#">Housing, Regeneration and Environment</a> in dealing with third sector organisations.</p> <p>The Audit Commission's Public Interest report issued in September 2010 also identified significant weaknesses in the financial management and monitoring of Clapham Park Project grants (2006-2008).</p>	<p>The Chief Executive has requested Internal Audit to undertake a review of clienting and monitoring as a result of the issues identified during reviews and investigations during 2010/11.</p> <p>The Chief Executive has requested an Executive Director to review the Council's strategic approach to clienting and to propose a "best fit" clienting model for the Council.</p> <p>Actions agreed with council officers and Lambeth Living/United Residents Housing as a result of recommendations made by Internal Audit will be monitored on the Audit Tracker. Regular reporting on progress will be made to FSB, SLB and Corporate Committee.</p> <p>Progress on actions agreed with Lambeth Living and United Residents Housing will be monitored and reviewed as part of the ongoing clienting activity undertaken by HRE.</p>	<p>Internal Audit Q1 2011/12</p> <p>ED HRE</p> <p>FSB/SLB <i>Ongoing</i></p> <p><i>HRE Ongoing</i></p>

5.4 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed .....  
Chief Executive

Signed .....  
Leader of the Council