

Appendix 1

London Borough of Lambeth Corporate Committee Annual Report 2020/21

Chair's introduction

I am very pleased to present this Corporate Committee Annual Report for 2020/21 to both the Corporate Committee and to Full Council.

The report shows that the Corporate Committee has undertaken its role effectively; covering a wide range of topics and ensuring that appropriate governance and control arrangements are in place to protect the interests of the Council and the community generally. We also considered reviews which assessed the effectiveness of the Corporate Committee, in its audit committee role, against published best practice along with that of the Council's Internal Audit functions.

The Corporate Committee, in its role as the Council's Audit Committee, has received regular reports from officers on a wide range of governance, risk and control matters and has provided effective challenge where improvements in those arrangements have been required, for instance, the Chair requested that owners of management actions provide detailed explanations of delay and attend the next Committee meeting to explain the lack of progress. The draft Internal Audit Annual Report has shown an improvement in implementation rates. We have considered and agreed the internal audit and counter fraud policies, strategies and work plans and received regular reports from the Chief Audit Executive on completed audits, advisory reviews and investigations which have enabled us to challenge officers where improvements are required.

We have also received and considered reports from the Council's external auditor (Mazars) on the 2019/20 financial statements for the Council and Pension Fund.

I would like to thank all the Members who served on the Corporate Committee during 2020/21. My thanks also go to the Council's officers, who have reported to and supported the work of the Corporate Committee over the past 12 months, and our external auditors who have supported the work of the Corporate Committee over the past year.

Councillor Adrian Garden
Chair of the Corporate Committee

1. Terms of Reference and membership

The Terms of Reference of the Corporate (Audit) Committee are set out in the Council's Constitution (see Part 2, section 1C).

The main purpose of the Corporate Committee is to provide effective oversight for the Council's governance, risk and control arrangements, including adherence to the requirements of the updated Accounts and Audit Regulations 2015, to ensure that effective arrangements are in place to prevent, detect and take action on fraud and corruption and the proper stewardship of public funds.

The Corporate Committee met five times during 2020/21 on:

- 22nd July 2020
- 17th September 2020
- 25th November 2020
- 21st January 2021
- 25th March 2021

An additional extraordinary meeting was held on 30th September 2020 to for the Rush Common Consent installation of permanent bollards along the perimeter of Windrush Square.

During 2020/21 our Committee's membership was as follows:

- Councillor Adrian Garden (Chair)
- Councillors Peter Ely, Scott Ainslie, Maria Kay and Iain Simpson.

Councillors Mary Atkins, Nanda Manley-Browne, Martin Tiedemann and Linda Bray were designated as the Committee's substitute members during 2020/21.

2. The Corporate Committee's work programme

We agree a comprehensive work programme each year covering all aspects of our Terms of Reference and review this at each meeting. Items can be added if the Corporate Committee feels it appropriate. Having received reports, the Corporate Committee also asks officers to provide further reports on action taken to implement improvements recommended by the Corporate Committee.

The work undertaken by the Corporate Committee during 2020/21 fell into the following key areas:

- Receiving regular updates on completed audits and investigations;
- Receiving the Annual Internal Audit and Counter Fraud Report which summarised the adequacy of the Council's control environment for 2019/20;
- Reviewing the 2019/20 Statement of Accounts for the Council and Pension Fund along with the Annual Governance Statement which assessed the Council's overall governance arrangements;
- Receiving the work plan and reports of the Council's external auditors;
- Reviewing the Internal Audit and Counter Fraud Strategy, Charter and Work Plans for 2021/22;
- Reviewing the Corporate Risk Registers and the Risk Management Strategy and Policy;
- Receiving reports on the management of risks in Adults and Children's Services;
- Reviewing the Council's policies for counter fraud, bribery, whistle blowing and money laundering (these were presented to the Corporate Committee on 25th March 2021);
- Receiving reports on performance in respect of complaints, Members enquiries and information requests (under the Freedom of Information Act and Data Protection Act);
- Reviewing Treasury Management performance reports; and
- Reviewing and approving Rush Common consent applications.

Annex A sets out all of the reports which the Corporate Committee received and considered during 2020/21.

Annex B sets out in alphabetical order the activities the outgoing Chair of the Committee would like noted from the 2020-21 Corporate Committee work plan.

3. Actions requested

The Corporate Committee made a number of special interventions when considering the agenda items and maintained an Action Log which was reviewed at each meeting to ensure that matters raised were addressed. Please refer to Agenda item 3, Appendix B 'Work Programme Action monitoring log' for the current action log.

4. The Annual Internal Audit and Counter Fraud Report for 2019/20

On 22nd July 2020, the Corporate Committee considered the Head of Internal Audit's Annual Internal Audit and Counter Fraud Report for 2019/20. This was prepared and presented by the Chief Audit Executive.

The Annual Internal Audit and Counter Fraud Report summarised the work that the Internal Audit and Counter Fraud service had undertaken during the year and the key themes that they identified across the Council. The Report contained an overall assessment of the Council's control environment in the form of the Annual Opinion. The opinion was:

Generally satisfactory with some improvements required

Governance, risk management and control in relation to business-critical areas is generally satisfactory. However, there are some areas of weakness and noncompliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk. Improvements are required in those areas to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

The Chief Audit Executive stated that this conclusion was reached because:

- *Medium risk rated weaknesses identified in individual assignments that are not significant in aggregate to the system of internal control;*
- *High risk rated weaknesses identified in individual assignments that are isolated to specific systems or processes;*
- *Two assignments have an overall classification of no assurance (Children's: Direct Payments and Cottington Close Tenant Management Organisation). The Direct Payments audit was a known area of concern and selected to help the Council prioritise next steps and determine their response; Cottington Close was selected as part of our rolling Tenant Management Organisation programme;*
- *Our follow up work found that officers had already implemented the majority of recommendations raised before the end of 19/20.*

The Corporate Committee agreed with the Chief Audit Executive's opinion for 2019/20.

5. Internal Audit and Counter Fraud Strategic Approach and Charter - 2021/22

Internal Audit

The Corporate Committee considered the Internal Audit Strategy and Charter for 2020/21 on the 21st January 2021. The Internal Audit Strategy sets out how the service is delivered and developed, how its resources for the services, comprising an in-house team and an external provider (PricewaterhouseCoopers), are applied to deliver the Work Plans and address the risks that the Council faces. It is underpinned by the Internal Audit and Counter Fraud Charter which describes the purpose, authority, responsibility and position of the service.

Counter Fraud

The Council's strategic approach to countering fraud has four key attributes:

- **promoting a counter-fraud fraud culture** and engaging employees, members and contractors in combating fraud and error;
- **investigating and reporting** on identified fraud, error and debt, seeking appropriate sanctions and redress where fraud is proven;
- **assessing fraud risk**, identifying the areas most vulnerable to fraud and assisting management to develop effective counter fraud controls; and,
- **sharing good practice** and developing effective internal and external relationships to combat fraud.

This is set out in the Counter Fraud Policy which was presented at Corporate Committee on the 21st January 2021. This is also underpinned by the Internal Audit and Counter Fraud Charter that was due for consideration on the same date.

6. Internal Audit and Counter Fraud Work Plans

The Chief Audit Executive provided progress reports to every Corporate Committee on progress against the Internal Audit and Counter Fraud Work Plans for 2020/21. The Corporate Committee assessed progress and considered amendments made to the Work Plans that were required due to emerging risks and changing requirements.

The progress reports also included the outcome of planned and reactive audit work undertaken on specific aspects of activity around the Council's governance, risk management and control environment and the outcome of completed fraud investigations. Where Internal Audit identified systems, services or areas as demonstrating 'No' or 'Limited' assurance, the Corporate Committee challenged the reasons for this and sought assurances that appropriate actions were being put in place to manage these risks and that management could verify the actions taken with appropriate evidence.

The Corporate Committee considered the Proposed Internal Audit and Counter Fraud Work Plans for 2021/22 on 25th March 2021. The Internal Audit and Counter Fraud Plan is risk-based and as such, changes throughout the year to ensure it meets the areas of highest risk. Progress of the plan is reported to each Committee, allowing oversight and input into its development from the Corporate Committee. The Internal Audit and Counter Fraud Work Plans represent key areas of interest for the Corporate Committee and cover activities around governance, risk management, internal controls and assurance arrangements across the Council.

7. Counter Fraud activity

The Corporate Committee recognised the challenges faced by Counter Fraud given the pandemic restrictions over the past year, which led to the team being unable to progress many investigations due to the fact that visits, interviews and legal action was extremely limited throughout the year.

The Committee was pleased with progress in respect of tenancy investigations and the focus on areas of fraud, such as the investigation of fraudulent applications for succession and assignment, which could be carried out and completed within Covid-19 guidelines.

The Committee welcomed the work being done to investigate internal fraud and the ongoing work by Counter Fraud to validate the grants paid out to local businesses as part of the pandemic response, to ensure that suspected fraud is investigated, and robust action taken where this is identified.

The Committee was pleased with the efforts to raise awareness of the risk of fraud with the introduction of mandatory fraud awareness e-learning along with guidance provided to management on the risks of remote working. The Counter Fraud team membership of Cifas, the fraud prevention organisation, was seen as a positive move to provide further assurance in relation to fraud against the council, and to prevent those with a history of fraudulent conduct joining the council as employees or agency workers.

The Committee welcomed the changes to reporting with the introduction of graphs and tables, in place of commentary, to provide information on the outcomes and progress of the work carried out by Counter Fraud.

8. Relationship with the external auditors

Representatives from our external auditors (Mazars LLP) have been regular attendees at our meetings during 2020/21. This includes presenting their plans for the audit of the Council's Statement of Accounts and Pension Fund accounts for the Financial Year 2019/20 and reporting the outcome of their work for that year's accounts.

9. The Statement of Accounts and Annual Governance Statement

The Corporate Committee considered the Statement of Accounts for the Council and Pension Fund at its meeting on 25 November 2020 and the Council's Annual Governance Statement for 2019/20 at its meeting on 22 July 2020.

Mazars reported at the Corporate Committee on 25 November 2020 that the 2019/20 accounts had been signed off and published on the council's website. Mazars concluded that in its opinion, the financial statements gives a true and fair view of the financial position of London Borough of Lambeth and the Group as at 31st March 2020 and of the Council's and the Group's expenditure and income for the year then ended; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20

On Emphasis of Matter with regards to the impact of Covid-19 pandemic on the valuation of the Authority's and group's non-current assets as at 31 March 2020, they note that the outbreak of Covid-19 has had a significant impact on financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. A material valuation uncertainty was therefore disclosed in the Authority's property valuer's report. However, this did not modify their opinion in respect of this matter.

The Whole of Government Accounts (WGA) Return audit is yet to be completed for 19/20.

10. Risk Management

On 17th September 2020, the Corporate Committee reviewed and approved the Council's refreshed Risk Management Strategy and Policy 2020-23. The Corporate and Strategic Risk Q2 2020/21 report was also considered on 17th September 2020.

The Corporate Committee noted that core risk management remained the same and had not changed due to COVID-19 or Brexit, but six updates had been applied to the strategy

The Strategy is fully refreshed every three years, with the next scheduled for September 2023.

11. Treasury Management

Following the establishment of the Pension Board and Pension Committee on 1 April 2015 the Committee retained oversight for treasury management activity in respect of the Council's investments and borrowing. On 22 July 2020, the Corporate Committee received a report on Treasury Management performance which set out the annual treasury performance to 31 March 2020

12. Governance requirements

CIPFA published a statement on the Role of the Head of Internal Audit in Local Government in December 2010 which contained a set of governance requirements. They recommend that each authority should assess itself against standards to satisfy itself that it has effective governance arrangements in place. Authorities are encouraged to see the Statement as representing best practice and use it to assess their arrangements to drive up audit quality and governance arrangements.

The Corporate Committee was pleased to note that the Internal Audit Service continued to be conforming in all areas with the Public Sector Internal Audit Standards (PSIAS) having previously made

some minor improvements to arrangements which were recommended as a result of an external peer review undertaken in 2015.

The Annual Governance Statement for 2019/20 was audited by the external auditors and the Statement of Accounts (which includes the Annual Governance Statement) was approved on 22nd July 2020.

13. Regulation of Investigatory Powers Act 2000 (RIPA)

RIPA aims to ensure that public bodies respect the privacy of members of the public when carrying out their investigations and that there is an interference with privacy only where the law permits it and there is a clear public interest justification. The Council's use of its powers under RIPA and the Communications Order are subject to external scrutiny in the form of annual inspections by the Office of Surveillance Commissioner's Office (OSC) and the Interception of Communications Commissioner's Office (IOCCO) respectively. All applications for covert surveillance are subject to judicial approval, in a magistrate's court, to ensure the use of this technique is limited to only the most serious criminal investigations which would result in a custodial sentence of at least six months.

14. Public Engagement

The Corporate Committee has considered issues over the last year that have generated a lot of public interest. Members are always keen to hear views of the public and that has increased public participation at meetings. Members of the public have contributed to discussions around special audits and investigations, and the Council's transparency data.

15. Complaints, Members Enquiries and Information Governance

The Corporate Committee received reports on complaints, members' enquiries and Freedom of Information Request at the meetings on 22nd July 2020. These focussed on the arrangements for, and performance of, handling of complaints, information requests and Members' Enquiries. The Corporate Committee also considered reports on the handling of statutory complaints in Children's Services, Parking and Enforcement Services and Adult Social Care at various times in the year.

16. Lambeth's Workforce

An Annual Workforce Metrics and Annual Equalities 2019/20 was presented to Corporate Committee on 17th September 2020 which included annual human resource and organisational development metrics for the workforce.

A Lambeth Workforce Transformation Strategy Update was presented to the Corporate Committee on 17th September 2020 and 25th March 2021. Following a Management Board 'deep dive' review of the original workforce strategy in December 2019 the scope of the initiatives have been reframed and will evolve further as the Council incorporates key lessons from the post-Covid-19 New Beginnings programme, elements of which will now be addressed in the Workforce Transformation Strategy. Good overall progress has been made, as evidenced by the Council's January 2021 Investors in People (IIP) assessment and staff satisfaction survey which are independent, external, key indicators of the workforce impact. The Council has been conferred with a Silver-level IIP award; this being the first time the Council has achieved this level of accreditation and a range of the workforce transformation initiatives have supported this outcome.

17. Conclusion

The Corporate Committee believes that it has successfully fulfilled its role and responsibilities, as set out in the Corporate Committee's terms of reference, during 2020/21. Members demonstrated real commitment, engagement and robust challenge in the issues before them. The Corporate Committee would like to express its appreciation to the Council staff, external stakeholders and our external auditors who have contributed to our work and supported us throughout the year.

Annex B – Chairs comments for noting:

Administration of Funds held in Trust in connection with the Tower Hamlets Environmental Trust (Central Hill Estate)

Requested that no steps be taken by the Council until a) Consultation with stakeholders had been undertaken and b) findings from the consultation be shared with the Committee

Annual Governance Statement

Required reference to specific data to be included in future reports to allow easier identification of issues

Audit Committee effectiveness

Agreed that an independent generalist member should be recruited after Committee training was completed.

Children's Social Care

Requested that future reports should better detail the outcomes of lessons learned and what measures had worked

Expressed concern over the BAME community's lack of trust in the authority, but were pleased that measures to interact in different languages were being improved

Confirmed that actions promised in each upheld complaint would be traced to ensure they had been completed.

Required Assistant Directors to continue to be responsible for overseeing completion in their service.

Requested sight of improvement plans to met the high cost of placement and care packages, and improvements to the payments process

Expressed concern that staff were being lost to other boroughs

Required further improvement on the consistency of CSC delivery and social work

Complaints, Members Enquiries and FOI requests

Required future reports to include data from previous years and comparative analysis with peers, as well improving information on lessons learnt

Recommended that those with EAFI and without access to technology be added into future iterations of the report, and that the website be more accessible for such persons.

Data Protection Act 2018 update

Expressed concerns regarding the role of Councillors as data owners, as well as as ICT and Lambeth's Cyber security.

Homes for Lambeth Auditor Appointment

Expressed strong concerns and were reluctant about the appointment process and felt that it should have started much earlier to enable a full evaluation

Internal Audit and Counter Fraud

Expressed disappointment that some deadlines missed with inadequate reasons

Required Head of Service (ICT) to be invited to future meetings re IT performance Management and Disaster Recovery

Congratulated Fraud team on improvements to reports that allowed trends to be reviewed

Requested further information on lessons learned relation to fraud cases and counter fraud to appear in future reports

Requested a confidential meeting with Legal and Counter Fraud to discuss a sub juice matter Referred leaseholders' issues including estimate bills and other parts of the service to Overview and Scrutiny

Identified three areas of concern not included in the Annual Audit Plan:
protecting women and young people (will be considered under diversity and inclusion)
Low Traffic Neighbourhoods (LTNs) (will be incorporated into planning)
Leaseholders' issues (recently audited hence referred to Scrutiny)

Recommended that references to officers in all the Counter Fraud policy and procedure documents (there are six) be anonymised and listed in an appendix, reducing the need to republish the complete documents each year

Agreed a process to be able to study each document in detail over a year

Lambeth Workforce Strategy update

Congratulated HR on attaining IIP accreditation (one member suggested aiming for Platinum)

Requested more clarity on plans for the development of current staff, particularly junior and frontline staff

Mazars External Audit Update

Expressed concerns that Lambeth had Auditors who were unable to reach statutory deadlines

Regretted that Mazars had not identified in their report that although it was challenging, they would use best efforts to achieve deadlines.

Medium Term Financial Strategy (including Covid-19 financial impact)

Expressed concern with how the Council would deal with additional pressures amid a potentially inadequate Government response

Required better identification of risks arising from Covid-19 and how these could be mitigated
Queried borrowing large sums of money for the HfL programme

Pay policy statement

Requested additional statistics to make clear what proportion of staff were not on the lowest point of their parade, and further information on the process for setting salaries when not appointed to their lowest point

Procurement update

Welcomed all recent initiatives especially on how contract management was managed
Recognised that many of the issues the Committee had raised in the past were now being addressed.

Public inspection

Welcomed questions from the public and was encouraged that the answers indicated that the Council is performing well as there were no serious errors found.

Recognised the problem that the Council will continue to receive questions about HfL as the public does not appreciate the relationship between it and the Council.

Risk

Requested greater focus on Climate and HfL risks

Recognised that some larger risks are difficult to mitigate

Suggested that HfL strategic objectives should be related to ongoing housing crisis

Recognised that HfL strategic risks cover large monetary investment and reputational risks of non-delivery

Noted that local authorities are poor at delivering large IT projects and requested regular updates to monitor progress

Recognised need to continue to carefully monitor GDPR risks

Requested Cabinet member and Head of Service for Youth Violence to attend the next risk discussion

Queried (one member) whether the Committee had acted in compliance with its terms of reference

Safeguarding

Congratulated Independent Chair and Executive Director for safeguarding undertaken