

## **Appendix 1**

### **London Borough of Lambeth**

#### **Corporate Committee Annual Report 2015/16**

##### **Chair's introduction**

I am very pleased to present this Corporate Committee Annual Report for 2015/16 to both the 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 Committee, in its Audit Committee role, against published best practice along with that of the Council's Internal Audit and Counter Fraud functions.

The 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. We have considered and agreed the internal audit and counter fraud policies, strategies and work plans and received regular reports from the Head of Internal Audit and Counter Fraud 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 (Deloitte) on the annual accounts for the Council and Pension Fund and their plans for the audit of the accounts for 2015/16.

I would like to thank all the members who served on the Committee during 2015/16. My thanks also go to the Council officers who have reported to and supported the work of the Committee over the past 12 months and our external auditors who have supported the work of the 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 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 Committee's terms of reference was last reviewed and updated as part of the annual review of the Council's Constitution 2015-16 which was approved by Council on 15 April 2015. The main change related to the transfer of responsibilities in respect of the Pension Fund (with the exception of approving the Pension Fund annual accounts) which transferred to the Pensions Board and Pensions Committee which were established from 1 April 2015.

We met formally five times during 2015/16. The Committee also met informally on 14 April 2016 to consider its work programme for 2016/17.

During 2015/16 our Committee's membership was as follows:

- Councillor Adrian Garden (Chair)
- Councillor Neil Sabharwal (Vice Chair)
- Councillors Mary Atkins, Iain Simpson and Tim Briggs.

Councillors Bernard Gentry, Jack Holborn, Claire Holland, Louise Nathanson and Andrew Wilson were designated as the Committee's substitute members during 2015/16.

## **2. The 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 Committee feels it appropriate. Having received reports the Committee also asks officers to provide further reports on action taken to implement improvements recommended by the Committee.

The work undertaken by the Committee during 2015/16 fell into the following key areas:

- Receiving regular updates on completed audits and investigations and the Annual Assurance report which summarised the adequacy of the Council's control environment for 2014/15;
- Reviewing the 2014/15 Annual Accounts for the Council and Pension Fund along with the Annual Governance Statement which assessed the Council's overall governance arrangements;
- Receiving further reports on the progress of the audit of the 2014/15 Annual Accounts;
- Receiving the work plan and reports of the Council's external auditors;
- Reviewing and approving the Internal Audit and Counter Fraud Strategy, Charter and Work Plans for 2016/17 and a joint protocol to tackle fraud and corruption with Lambeth Clinical Commissioning Group (CCG);
- Reviewing the Corporate Risk Registers and the Risk Management Strategy and Policy;
- Reviewing and approving the Council's policies for counter fraud, bribery, whistle blowing, money laundering and covert surveillance;
- Receiving reports on performance in respect of complaints, Members Enquiries and information requests (under the Freedom of Information Act and Data Protection Act), along with a report received from the Local Government Ombudsman;
- Reviewing treasury management performance reports;
- Receiving reports on procurement arrangements and the Procurement Annual Report; and,
- Receiving and considering a report on the establishment of Housing Management and the reintegration of the Council's former Arms' Length Management Organisation, Lambeth Living.

Appendix 2 sets out all of the reports which the Committee received and considered during 2015/16.

### **3. Actions requested**

The 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. Matters raised included:

a) Requesting further reports in respect of:

- Progress being made regarding audit of the 2014/15 annual accounts;
- Risk management reports on Children's and Adult social care;
- Further information and an update report on progress of the reintegration of Lambeth Living into the Council;
- Procurement reporting to include working with our contractors to ensure that the London Living Wage and the Living Wage were being paid to their staff.
- Corporate Complaints reports to include information on trends (Complaints, Member Enquiries, Information Requests) over the last 5 years and comparisons/benchmarking with other local authorities where this is available;
- A report on the outcome of the detailed analysis of Street Care enquiries/complaints identified when the Corporate Complaints Digest was presented;
- Future Children's Complaints reports to include BME information, more trend analysis/benchmarking/comparison with other local authorities (statistic neighbours) on performance and more focus on lessons learnt from complaints and service improvements made as a result of such learning;
- A report on progress in reducing dependency on agency workers following presentation of the Pay Policy report.
- A report on the digitisation of paper files in Children's Social Care and on progress in implementing the IT systems upgrade as requested when discussing risk management arrangements in this area.
- An update on the complaint resulting in the Local Government Ombudsman report presented to the committee in December 2015; and,
- Information from the Department for Work and Pensions to be requested on their work in tackling benefit fraud to provide the Committee with a complete picture of efforts to tackle fraud against the Council.

b) The Committee requested that, following consideration of reports, a number of actions be taken including:

- Further information on agency workers (including numbers, trends) would be collated and shared with Committee Members, who asked that information on the highest paid agency/consultants be circulated to them.
- The Director of Corporate Affairs would meet with the Chair and the Chair of Overview and Scrutiny Committee to establish the role of the two committees in ongoing monitoring of Housing Management.
- Directors to consider the lack of change in risk levels quarter by quarter which could be seen as an inability of officers to address risks.
- Refer to the Overview and Scrutiny Committee a report on how managers act on high-rated risks once until new policies had had time to be implemented.

### **4. The Chief Internal Auditor's Annual Report for 2014/15**

In July 2015 we considered the Head of Internal Audit's Annual Report for 2014/15 which was prepared and presented by the Head of Internal Audit and Counter Fraud. This summarised the performance and effectiveness of the Internal Audit and Counter Fraud teams and the outcomes of the work which they had completed during 2014/15.

The Head of Internal Audit reported that internal audit work undertaken during 2014/15 had identified that there were some major weaknesses in the framework of governance, risk management and control and non-compliance with controls which put the achievement of organisational objectives at

risk. This was based on a number of reviews undertaken in specific areas through the year, although it was also noted that other reviews undertaken had identified good controls and governance arrangements in place. The weaknesses identified meant that there were key areas of focus for management to address during 2015/16 where low levels of assurance have been obtained previously.

The Head of Internal Audit recognised that a key focus for the incoming Chief Executive who joined the Council in March 2015 was to improve the organisation's effectiveness through changes in structure, officer and member governance, management oversight and performance management arrangements. A number of measures had already been put in place or were due to be implemented shortly which would strengthen governance, accountability and management oversight across the Council to drive through the required improvements.

We agreed with the Head of Internal Audit's opinion for 2014/15 that major improvements were required to improve the adequacy and effectiveness of governance, risk management and control.

In considering the Head of Internal Audit's annual report the Committee received representations from the Deputy Leader, Finance and Investment, the Chief Executive and Strategic Director Enabling regarding the overall opinion. They set out and reiterated the actions already taken and those planned to improve the Council's governance and performance management arrangements.

## **5. The Internal Audit and Counter Fraud Strategy, Charter and Work Plans 2016/17**

We considered the Internal Audit and Counter Fraud Strategy and Charter for 2016/17 at our meeting on 28 January 2016 and the Internal Audit and Counter Fraud Work Plans for 2016/17 on 14 April 2016. The Plan represents a key area of interest for the Committee and covered the activities around controls, assurance and governance arrangements within the Council. The strategy and plans showed how the resources of the Internal Audit service, comprising an in house team and our external provider (PwC) were to be applied to cover the key controls of the Council and address the risks that the Council faced.

Regular reports throughout the year monitored the outcome of planned and reactive audit work undertaken on specific aspects of activity around the Council's control environment. Where Internal Audit identified systems, services or areas as being Critical or High Risk, we 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.

We formally reviewed the 2015/16 plan at the mid-year stage to assess progress made against the agreed plan and to consider amendments to the plan which were required as a result of changing requirements and emerging risks.

## **6. Counter fraud strategic approach**

We approved the strategic approach to counter fraud and Counter Fraud Work Plan for 2016/17 on 28 January 2016. The strategic approach sets out how the Council will:

- Promote a counter-fraud culture and engaging employees, members and contractors in combating fraud and error
- Investigate and report on identified fraud, error and debt, seeking appropriate sanctions and redress where fraud is proven
- Assess fraud risk, identifying the areas most vulnerable to fraud and assisting management to develop effective counter fraud controls
- Share good practice and develop effective internal and external relationships to combat fraud

During the year we have reviewed and approved a number of the Council's counter fraud policies and procedures, including those covering fraud, bribery, money laundering, whistle blowing and the use of covert surveillance (RIPA). We also received the annual report on the use of covert surveillance powers, noting that no requests to carry out surveillance had been made in the previous financial year

with investigation teams using a range of other, less intrusive, investigative techniques to achieve successful outcomes.

The Committee received regular reports on the outcome of completed fraud investigations being undertaken by the Council's counter fraud teams.

The Committee considered the Council's arrangements for meeting the Data Transparency Code 2015 which requires local authorities to publish a wide range of data including that relating to counter fraud costs and activity and how favourably this compared with the value of fraud identified, prosecuted and recovered by the Council's investigation functions.

## **7. Counter fraud activity**

The Committee recognised the good work being done in respect of tenancy investigations, identifying Council housing properties and those managed locally by housing associations for recovery which had been subject to unlawful subletting. The Committee also welcomed the successful bids for funding from DCLG which enabled the team to work with a number of housing associations with significant numbers of properties within the borough, helping them to recover properties which were being sublet and to develop their own capacity for tackling tenancy fraud in the future.

We recognised that the Counter Fraud Team progressed all remaining benefit fraud cases to a successful conclusion, beyond the point at which the function transferred to the Department for Work and Pensions Single Fraud Investigation Service on 2 February 2015. Their successes included further custodial sentences for convicted benefit fraudsters and ongoing recovery of fraudulent overpayments from those who had committed fraud against the Council.

The Committee continued to support commitment to conducting recovery action through the Proceeds of Crime Act and civil recovery routes, to seek prosecutions and Unlawful Profit Orders under the Prevention of Social Housing Fraud Act 2013, and in the joint working being carried out with Community Safety, the Police and other agencies in tackling gang crime within the borough.

## **8. Relationship with the external auditors**

Representatives of our external auditor (Deloitte) have been regular attendees at our meetings during 2015/16, presenting their plans for the audit of the Council and Pension Fund accounts for 2014/15 (their last year as our external auditor) and to report on the outcome of their work. The external auditor had given a qualified opinion on the value for money statement and had yet to sign off the Council's accounts, with the main issue outstanding relating to the valuation of school assets. Our new external auditor (KPMG), present their audit plan for the audit of the 2015/16 accounts at our meeting in April 2016.

## **9. The Statement of Accounts and Annual Governance Statement**

We considered the draft Statement of Accounts for the Council and Pension Fund and the Council's Annual Governance Statement for 2014/15 at our meeting in July 2015. We were unable to receive and approve the final version of the Accounts at subsequent meetings but ensured that we gave proper consideration to the issues raised by the external auditor and robustly challenging officers about the action they were taking to bring closure to the accounts process. We continue to press officers to bring the matter to a conclusion and ensure that planning for the coming year's accounts preparation and external audit was progressing to enable earlier sign off of the 2015/16 accounts. We agreed revisions to the Annual Governance Statement arising from the external auditor's review.

## **10. Risk management**

In September 2015 and April 2016 we considered the Council's Corporate Risk Register to establish whether the Council's identification and management of its key risks was suitably robust. We also considered and approved the Council's Risk Management Strategy, Policy and Risk Appetite Statement in September 2015.

We sought assurances that proper risk management arrangements and procedures were in place in adults and children's social care, in particular the way in risks were being managed in Children's Services following the adverse Ofsted inspection. In addition, we received the statutory annual reports on complaints from these areas.

## **11. Treasury management activity**

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.

We received two reports on Treasury Management performance in September 2015 and January 2016 which confirmed that the Council's level of gross debt stood at £412.7 million at the end of September 2015, unchanged from the end of the previous financial year. The investment balance as at the end of September 2015 stood at £239.5 million. The full year budgeted interest receivable for was on course to be met.

## **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 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.

We received and considered the outcome of the review of effectiveness carried out on the Internal Audit Service through an external peer review. We were pleased to note that the Internal Audit Service was found to be fully conforming or generally conforming in all areas and that only minor improvements to arrangements were recommended as a result of the review which have been dealt with appropriately.

We approved changes in the Internal Audit and Counter Fraud Charter in January 2016 to ensure that it continues to fully comply with the Public Sector Internal Audit Standards requirements.

In April 2016, we received a report on CIPFA's new Code of Corporate Governance which came into effect in April 2016 and which would impact on the Annual Governance Statement for 2016/17 as well as requiring changes to the Local Code of Corporate Governance from 2016/17.

## **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.

In September 2015 we received an annual report on the use of these powers which identified that the Council undertook no surveillance activity involving the use of Directed Surveillance or Covert Human Intelligence Sources during the previous financial year. For the same period, no requests were made to use RIPA powers relating to the Acquisition/Disclosure of Communications Data.

## **14. Public Engagement**

We have 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, reports on complaints and general housing issues.

### **15. Complaints, Member Enquiries and information governance**

At our meetings in July 2015 and April 2016 we received the Corporate Complaints Digest which focussed on the arrangements for, and performance of, handling of complaints, information requests and members' enquiries. We also considered reports on the handling of statutory complaints in Children's and Adult Social Care (September 2015 and January 2016 respectively).

In December 2015, we received and considered a report published by the Local Government Ombudsman in respect of a complaint against the Council regarding the sale of a former short life property. We sought assurances from officers that lessons had been learnt as a result of the findings made and action was being taken to address the issues which led to the complaints.

### **16. Conclusion**

Overall we believe that we have successfully fulfilled our role and responsibilities, as set out in the Committee's terms of reference, during 2015/16. Members demonstrated real commitment, engagement and robust challenge in the issues before them. We would like to express our appreciation to the Council staff, external stakeholders and our external auditors who have contributed to our work and supported us throughout the year.