


Non-Executive Report of the: Audit Committee 22 March 2016	 TOWER HAMLETS
Report of: Zena Cooke - Corporate Director - Resources	Classification: <i>Unrestricted</i>
Annual Governance Statement 2014/15	

Originating Officer(s)	<i>Minesh Jani, Head of Audit and Risk Management</i>
Wards affected	<i>All wards</i>

1. Summary

- 1.1 This report updates the Audit Committee on the processes to review the governance arrangements of the Council since July 2015, as part of the process to produce the 2014/15 Annual Governance Statement (AGS).
- 1.2 Section 3 of this report provides a background and outline of the work undertaken to review and refresh the earlier governance statement and informs the Audit Committee why further work has been required before the statement can be formally signed off. Subsequently, sections 4 provides an overview of all significant issues raised since 2013/14, their current status and future planned actions.
- 1.3 The updated draft version of the 2014/15 AGS is attached as Appendix 1.

2. Recommendation

- 2.1 The Audit Committee is asked to: -
 - Note the actions taken since July 2015 and the reasons for further work on the statement; and
 - Agree the updated draft AGS for the financial year 2014/15 at Appendix 1.

3. Background

- 3.1 The Accounts and Audit Regulations 2011 require the Council to conduct an annual review of its governance arrangements and to publish an AGS with the published financial statements. The Statement of Recommended Practice 2011 requires that the AGS be approved by the committee approving the accounts, which is the Audit Committee.
- 3.2 The draft 2014/15 AGS was presented to the Audit Committee for approval in July 2015, to comply with the statutory deadlines regarding statement of accounts, the process could not however be formally concluded and be signed off by the then Head of Paid Service and the Mayor until the External Auditors had concluded their audit work on the 2014/15 accounts. The External Auditors are nearing concluding their audit for the financial year 2014/15. Ordinarily, the 2014/15 accounts and the accompanying AGS would be signed off by September 2015.
- 3.3 It should be noted completion of the 2013/14 accounts audit was also the reason that the 2013/14 AGS was not signed off until September 2015 and when signed off four significant issues were added that arose out of the External Auditors work these accounts. These issues at that point also became relevant to the 2014/15 AGS.
- 3.4 Since July 2015 further work to ensure all significant governance issues have been identified and reported and that the AGS is current at the time of sign off, has been undertaken. The Head of Internal Audit and Risk Management has considered the work completed prior to July to ensure no developments need to be reported and meetings have been held with directors to seek their input.
- 3.5 The table in section 4 of this report captures all significant governance issues raised in 2013/14 and 2014/15 and provides details of actions taken; the status of the governance issue and further actions planned, if any.

4. 2014/15 Annual Governance Statement (July 2015)

- 4.1 The 2014/15 AGS presented to CMT and Audit Committee in June and July 2015 respectively contained nine significant governance issues; these being:
- - Payments to third sector organisations outside of the main grant process;

- A comprehensive review of the management arrangements for the control and monitoring of grants;
- Strengthen controls over the disposal of assets;
- Publicity Expenditure Controls;
- Suitable appointments to the three statutory officer roles;
- Update the constitution to expand wording to clarify certain issues with the General Purposes Committee;
- Election and pre-election period;
- Enhance contract management and contract letting process; and
- Governance Arrangements in Schools.

4.2 Since July, a further four significant have been added as a result of the closure of the 2013/14 accounts audit. These are:

- Review, and where necessary, enhance arrangements around declarations of interests;
- Review Council's S106 arrangements;
- Strengthen Internal Controls for Mayoral Expenses; and
- Governance of the Council.

4.3 The draft 2014/15 AGS has been revised in light of these additional significant governance issues and the updated AGS is attached at Appendix 1 of this report. Appendix 2 sets out all governance issues raised since April 2013, and their current status and future planned actions.

5. Comments of the Chief Financial Officer

5.1 This report sets out the framework for reviewing and reporting on the Council's system on internal control and governance arrangements as required by regulation 4(2) of the Accounts and Audit Regulations 2011. The purpose of the review is to provide assurance that the accounts are underpinned by adequate governance arrangements.

5.2 The Chief Financial Officer comments are contained within the body of this report.

6. Legal Comments

- 6.1. The Council is required by regulation 4 of the Accounts and Audit Regulations 2011 to ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.
- 6.2. The Council is further required to conduct a review of the effectiveness of its system of internal control at least once a year. The review findings must be considered by the Council's Audit Committee and following the review the committee must approve an annual governance statement prepared in accordance with the proper practices in relation to internal control. The Audit Committee is designated as the appropriate body for this purpose by paragraph 3.3.11 of the Council's constitution. The subject report is intended to discharge the Council's obligations in this regard.
- 6.3. In relation to what constitutes "proper practices" it is appropriate for the Council to have regard to the relevant CIPFA code of practice.
- 6.4. In approving the annual governance statement, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't. The committee may take the view that a sound system of internal control will support delivery of the Council's various programmes and objectives that are targeted at these matters.

7. One Tower Hamlets

- 7.1 The maintenance of an effective system of internal control assists the Council to discharge its functions in accordance with its Community Plan objective including the cross-cutting theme of One Tower Hamlets.

8. Risk Management Implications

- 8.1 The review of the Council's governance arrangements has highlighted strategic risks that the authority is actively managing. The risk management framework is in place to ensure all strategic risks are reviewed and reported to the Corporate Management Team.

9. Sustainable Action for a Greener Environment (SAGE)

9.1 There are no specific SAGE implications.

10. Crime and Disorder Reduction Implications

10.1. By having sound systems of controls, the Council can safeguard against the risk of fraud and abuse of financial resources and assets.