

<i>Non-Executive Report of the:</i> Audit Committee 20th September 2016	 TOWER HAMLETS <i>Classification:</i> Unrestricted
Report of: Zena Cooke - Corporate Director - Resources	
Draft Annual Governance Statement 2015/16	

Originating Officer(s)	Minesh Jani and Bharat Mehta
Wards affected	All wards

REASON FOR URGENCY

The reason the report was unavailable for public inspection within the standard timescales set out in the Authority's constitution because the initial draft report needed to be updated to reflected management comments and audit findings following the preparation of the initial draft. It is important the audit committee has an up to date understanding of the internal controls environment and the planned management action to allow it to appraise the Council's control environment.

The Chair of the Committee is satisfied that the report cannot be deferred to the next meeting on the 8th November 2016 as this would mean that that Committee will not be able to approve the draft Annual Governance Statement to meet the statutory deadline of 30 September. The findings arising from the quarterly assurance report and the annual risk report are also considered alongside the Annual Governance Statement.

1. Summary

- 1.1 This report sets out the framework for reviewing and reporting on the Council's system on internal control and governance arrangements in line with regulation 4(2) of the Accounts and Audit Regulations 2015. The purpose of the review is to provide assurance that the accounts are underpinned by adequate governance arrangements.
- 1.2 The output from the review is the Annual Governance Statement which forms part of the annual accounts and identifies areas of good governance and gaps in management of risks and control which may prevent the Council from achieving its desired outcomes.

2. Recommendation

- 2.1 The Audit Committee is invited to consider the process and findings set out in paragraphs 4.1 – 6.2; and
- 2.2 Agree the Draft Annual Governance Statement for the financial year 2015/16 at Appendix 1.

3. Background

- 3.1 The Accounts and Audit Regulations 2015 require the Council to conduct an annual review of its governance arrangements and to publish an Annual Governance Statement (AGS) with the published financial statements. The Statement of Recommended Practice 2015 requires that the AGS be approved by the committee approving the accounts, which is the Audit Committee.
- 3.2 The statement will be signed by the Chief Executive and the Mayor. In order to sign the AGS they will need to be satisfied that the statement accurately reflects the governance arrangements and is supported by sufficient evidence. A review of the AGS by the Audit Committee and CMT is an integral part of providing sufficient assurance to the Chief Executive and the Mayor.
- 3.3 The statement needs to be signed by 30 September 2016, to meet the deadline for the publication of the accounts.

4. Reviewing the Internal Control Environment

- 4.1 CIPFA guidance sets out a process for gathering assurance on the system of internal control (Appendix 2). This Assurance Framework is shown diagrammatically at Appendix 3. The key stages are:
 - Identify & review the internal control environment;
 - Obtain assurances on the effectiveness of those controls;
 - Evaluate those assurances and identify gaps in controls;
 - Plan actions to rectify those gaps; and
 - Draft the Annual Governance Statement.
- 4.2 The principal risks, controls and sources of assurance have been identified and considered by senior officers, which included a review of the control environment and issues raised in the 2014/15 and 2015/16 statements, the former being presented to the Audit Committee in March 2016.

5. Update on the Draft 2014/15 Annual Governance Statement

- 5.1 The draft 2014/15 AGS was presented to the Audit Committee for approval initially in July 2015 and subsequently in March 2016. The updated 2014/15 AGS will be formally signed off by the Chief Executive and the Mayor once the external audit of the 2014/15 financial statements is completed. Ordinarily, the 2014/15 AGS would have been signed off by September 2015.
- 5.2 The 2014/15 AGS raised thirteen significant governance issues. The current status of these issues is shown in the table below.

Significant Governance Issues raised in 2014/15 statement (March 2016)	Current Status (July 2016)
Payments to third sector organisations outside of the main grant process.	On-going, included in the 2015/16 statement. Internal investigations have resulted in the introduction of new structures, systems and process. Further investigations are continuing.
A comprehensive review of the management arrangements for the control and monitoring of grants.	On-going, included in the 2015/16 statement. A corporate team has been created to ensure management and control over grant giving, monitoring and reporting across the Council. It is anticipated all actions on the Best Value Improvement Plan will be completed by October 2016.
Strengthen controls over the disposal of assets.	On-going, included in the 2015/16 statement. Arrangements for disposal of assets have been enhanced following Cabinet approval of the Council's Asset Management strategy in Dec 2015. Further actions to strengthen governance arrangements as set out in the Best Value Improvement Plan will be completed by October 2016.
Publicity Expenditure Controls.	On-going, included in the 2015/16 statement. Further actions to strengthen governance arrangements as set out in the Best Value Improvement Plan will be completed by Oct 2016.
Suitable appointments to the three statutory officer roles.	Completed.
Update the constitution to	On-going, included in the 2015/16 statement. The

Significant Governance Issues raised in 2014/15 statement (March 2016)	Current Status (July 2016)
expand wording to clarify certain issues with the General Purposes Committee.	General Purposes Committee comprising cross party members is carrying out a review to strengthen the Council's governance arrangements.
Election and pre-election period.	Completed. The Best Value Improvement Plan has been delivered.
Enhance contract management and contract letting process.	On-going, included in the 2015/16 statement. Procurement procedures have been updated and rolled out to enhance arrangements for letting and contract managing contracts.
Governance Arrangements in Schools.	Completed. The most recent internal audit annual report highlights a significant reduction in schools assigned "Limited" or "Nil" assurance. Over 75% of the schools audited were assigned "Substantial" assurance.
Review, and where necessary, enhance arrangements around declarations of interests.	On-going. The governance arrangements for completing declarations of interests have been enhanced whereby all council officers are required to complete a return, including nil returns. The majority of officers have completed their returns and for those that remain outstanding the Council's senior managers have been tasked with ensuring everyone in their service completes their return by the end of September 2016.
Review Council's S106 arrangements.	On-going, included in the 2015/16 statement. An external audit firm was appointed to carry out a review and its findings have been reported to the Audit Committee in June 2016.
Strengthen Internal Controls for Mayoral Expenses.	Completed.
Governance of the Council.	Completed. A full report was presented to a full Council meeting in January 2015 including recommendations raised by external audit. The recommendations were endorsed and an action plan is in place to complete the actions. The individual actions are being progressed and will be reported to the audit committee in due course.

6. Annual Governance Statement – 2015/16

- 6.1 The draft Annual Governance Statement is attached at Appendix 1.
- 6.2 The penultimate section of the 2015/16 statement sets out the key governance and control issues that have been identified by the process set out above. These are as follows: -
 - 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;
 - Update the constitution to expand wording to clarify certain issues with the General Purposes Committee;
 - Enhance contract management and contract letting process;
 - Review, and where necessary, enhance arrangements around declarations of interests; and
 - Review the Council's Section 106 arrangements.

7. Comments of the Chief Financial Officer

- 7.1 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 2015. The purpose of the review is to provide assurance that the accounts are underpinned by adequate governance arrangements.
- 7.2 The Chief Financial Officer comments are contained within the body of this report.

8. Legal Comments

- 8.1 In respect of the 2015/16 Annual Governance Statement, the Council is required by regulation 4 of the Accounts and Audit Regulations 2015 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.

- 8.2 The Accounts and Audit Regulations 2011 (as amended) will apply in respect of the 2014/15 Annual Governance Statement.
- 8.3 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.
- 8.4 In relation to what constitutes "proper practices" it is appropriate for the Council to have regard to the relevant CIPFA code of practice. For both the 2014/15 and 2015/16 Annual Governance Statements, the Delivering Good Governance in Local Government: Framework (Addendum) published in December 2012 will apply.
- 8.5 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.

9. One Tower Hamlets

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

10. Risk Management Implications

- 10.1 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.

11. Sustainable Action for a Greener Environment (SAGE)

11.1 There are no specific SAGE implications.

Local Government Act, 1972 SECTION 100D (AS AMENDED)
List of "Background Papers" used in the preparation of this report

Brief description of "background papers"

Contact :

None

N/a

Draft Annual Governance Statement 2015/16

We (the Council) are required by law to prepare a statement that details the Council's framework for making decisions and controlling its resources. The statement includes the Council's governance arrangements as well as control issues. This statement enables stakeholders to have assurance that decisions are properly made and public money is being properly spent on behalf of citizens. The statement below complies with the Accounts and Audit Regulations 2011.

This statement relates to the financial year 2015/16. The Annual Government Statement for 2014/15 was formally presented to the Audit Committee on 22nd March 2016. The governance issues raised in that statement have been reviewed as part of the review of effectiveness the Council's governance arrangements for 2015/16 and where relevant, captured in the 2015/16 statement.

Background

On the 4th April 2014 the Department of Communities and Local Government (DCLG) appointed PricewaterhouseCoopers LLP (PwC) to carry out an inspection of compliance by the London Borough of Tower Hamlets with the requirements of Part 1 of the Local Government Act 1999 '*in relation to the Authority's functions in respect of governance, particularly in respect of the authority's functions under Section 151 of the Local Government Act 1972*' and as they relate to the following:

- The authority's payment of grants and connected decisions;
- Transfer of property to third parties;
- Spending and decisions in relation to publicity; and
- Processes and practices relating to entering of contracts.

PwC's final report was published by the DCLG on 4th November 2014. In their report, PwC reported the Authority was not achieving Best Value in the following areas:

- The authority's payments of grants and connected decisions;
- The transfer of property to third parties; and
- Spending and the decisions of the authority in relation to publicity.

In respect of processes and practices relating to entering of contacts, PwC reported the Authority was complying with its Best Value duty but highlighted areas where the Authority could improve.

The Secretary of State for Communities and Local Government (CLG) considered the PwC report and representations from the Authority and issued Directions on 17 December 2014. Further directions were issued on 6 May 2015 in respect of the appointment of statutory officers. More information about the directions issued by the Secretary of State for CLG to the Authority and the actions to comply are included within this statement.

Full details of the directions can be found at <https://www.gov.uk/government/news/secretary-of-state-sends-in-commissioners-to-tower-hamlets>.

In response, we were required to produce in total, seven best value improvement plans, including actions arising from the electoral court judgement in respect of the Mayoral election in May 2014, as detailed below: -

- Procurement Action Plan
- Grants Action Plan
- Property and Disposal Action Plan
- Communications Action Plan
- Organisational Culture Action Plan
- Recruitment of statutory officers
- Elections

We are co-operating fully with the Commissioners to ensure we comply with the directions issued by the Secretary of State for CLG and the matters raised in the PwC report, and address the issues raised as soon as possible.

We have established a Best Value Programme Review Board to monitor the progress towards implementation of the actions contained within the various improvement plans. The first public meeting of the Board was on 15 July 2015 and was chaired by the then Head of Paid Service. Subsequent quarterly meetings have been chaired by the Mayor.

We were required to respond to the Secretary of State for CLG within three months, by developing action plans that had to be agreed with the Commissioners. Further, the directions require, we provide six monthly reports to the Secretary of State for CLG. The first such report was submitted on 17 September 2015, details of which can be found at

http://www.towerhamlets.gov.uk/News_events/News/september_2015/tower_hamlets_getting_back_on.aspx. Following its submission, the Secretary of State for CLG welcomed the progress we had made. Further, the Secretary of State for CLG allowed the directions raised on 6 May 2015 to lapse on 31 October 2015, in light of the progress the Authority had made and the assurances received from the Commissioners. The full response can be found at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/472377/151023_-_Response_from_the_SoS_to_the_Mayor_of_Tower_Hamlets.pdf. More recently at the Best Value Programme Review Board meeting on 19 April, the direction relating to elections was also allowed to lapse.

We submitted our second six monthly progress update to the Secretary of State on 17th March 2016, confirming that over 80 per cent of the actions set out in the agreed Best Value Plan have already been delivered. Key achievements include:

- the introduction of a procurement transformation programme to ensure we are at the forefront of procurement best practice; improvements have also been made to procurement processes with tightened controls and spend analysis to reduce costs;
- the introduction of a voluntary and community sector strategy supporting a move from grant funding to a more commissioned service approach; in addition, a cross party group will now consider grant proposals before they are determined;
- development of a new communications strategy with a plan to deliver our publicity function; and
- improvement to the culture of the organisation: Elected members have worked effectively across party lines to develop a transparency communion; the mayor has introduced regular assemblies for residents to raise issues in public; we are actively working jointly with other London boroughs.

The progress report and the Commissioners response to this can be found at:

http://www.towerhamlets.gov.uk/News_events/media_centre/Setting_the_record_straight/best_value_inspection_update.aspx

We continue to deliver on the agreed Best Value Action Plan and address the issues underlying the government's intervention. Performance will continue to be overseen by the Best Value Programme Board, which meets monthly. The progress made in recent months provides a firm foundation for further improvements to be evidenced and embedded prior to the Council's third update to the Secretary of State in September 2016.

1. Responsibility of the Council

We are responsible for ensuring our 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. We also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which our functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, we are responsible for putting in place proper arrangements for the governance of our affairs and facilitating the effective exercise of our functions.

We have 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 www.towerhamlets.gov.uk or can be obtained from the Council's monitoring officer. This statement explains how we comply with the code and also meet the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of the Annual Governance Statement.

2. What is Corporate Governance Framework?

The governance framework comprises the systems and processes, and culture and values, by which we direct and control our activities and through which, we account to, engage with and lead our community. The governance framework allows us to monitor the achievement of our strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to achievement of Tower Hamlets' policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage any such risks efficiently, effectively and economically.

Our governance framework exists through its systems, processes, culture and values. These are regularly reviewed. The governance framework has been in place throughout the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

3. The Council's Governance Framework

Our governance arrangements aim to ensure that we set out and meet our objectives and responsibilities in a lawful, timely, open, inclusive and honest manner and that our use of public money and resources is safeguarded, properly accounted for and used economically, efficiently and effectively. The key elements of the systems and processes that comprise the Authority's governance arrangements are described below.

3.1 Vision and Priorities

Our vision is to improve the quality of life for everyone living and working in Tower Hamlets. This involves helping to create a thriving, achieving community in which people feel at ease with one another, have good learning and employment opportunities, experience a higher standard of living and good health, and enjoy a safe and an attractive environment together with a wide range of cultural and leisure opportunities.

We are part of the Tower Hamlets Partnership with a vision to 2020 which set out in the borough's Sustainable Community Strategy, known as the Community Plan¹. The Community Plan has four main themes to make Tower Hamlets:

- **A Great Place to Live** - Tower Hamlets will be a place where people live in quality affordable housing, located in clean and safe neighbourhoods served by well connected and easy to access services and community facilities;
- **A Prosperous Community** - Tower Hamlets will be a place where everyone, regardless of their background and circumstances, has the aspiration and opportunity to achieve their full potential;
- **A Safe and Cohesive Community** - Tower Hamlets will be a safer place where people feel safe, get on better together and difference is not seen as a threat but a core strength of the borough; and

¹ http://www.towerhamlets.gov.uk/lgnl/community_and_living/community_plan/community_plan.aspx

- **A Healthy and Supportive Community** - Tower Hamlets will be a place where people are supported to live healthier, more independent lives and the risk of harm and neglect to vulnerable children and adults is reduced.

Running through this vision is the core theme of “**One Tower Hamlets**” with a focus and drive around reducing inequality, strengthening community cohesion and working in partnership. Our Strategic Plan flows from the Community Plan and contains more detailed priorities and objectives for the Authority to deliver against. More information about our performance against the Plan and achievements in 2015/16 is available on the website http://www.towerhamlets.gov.uk/lgnl/council_and_democracy/council_performance.aspx and the 2016/17 Strategic Plan is located at http://www.towerhamlets.gov.uk/lgnl/community_and_living/community_plan/strategic_plan.aspx

Over the past year we have also developed a new framework for the Strategic Plan which is centred on two priority outcomes which aim to;

Creating opportunity by supporting aspiration and tackling poverty through:

- a dynamic local economy, with high levels of growth benefiting us
- more residents in good-quality, well-paid jobs
- young people realising their potential
- more people living healthily and independently for longer
- reducing inequality and embracing diversity

Creating and maintaining a vibrant, successful place through:

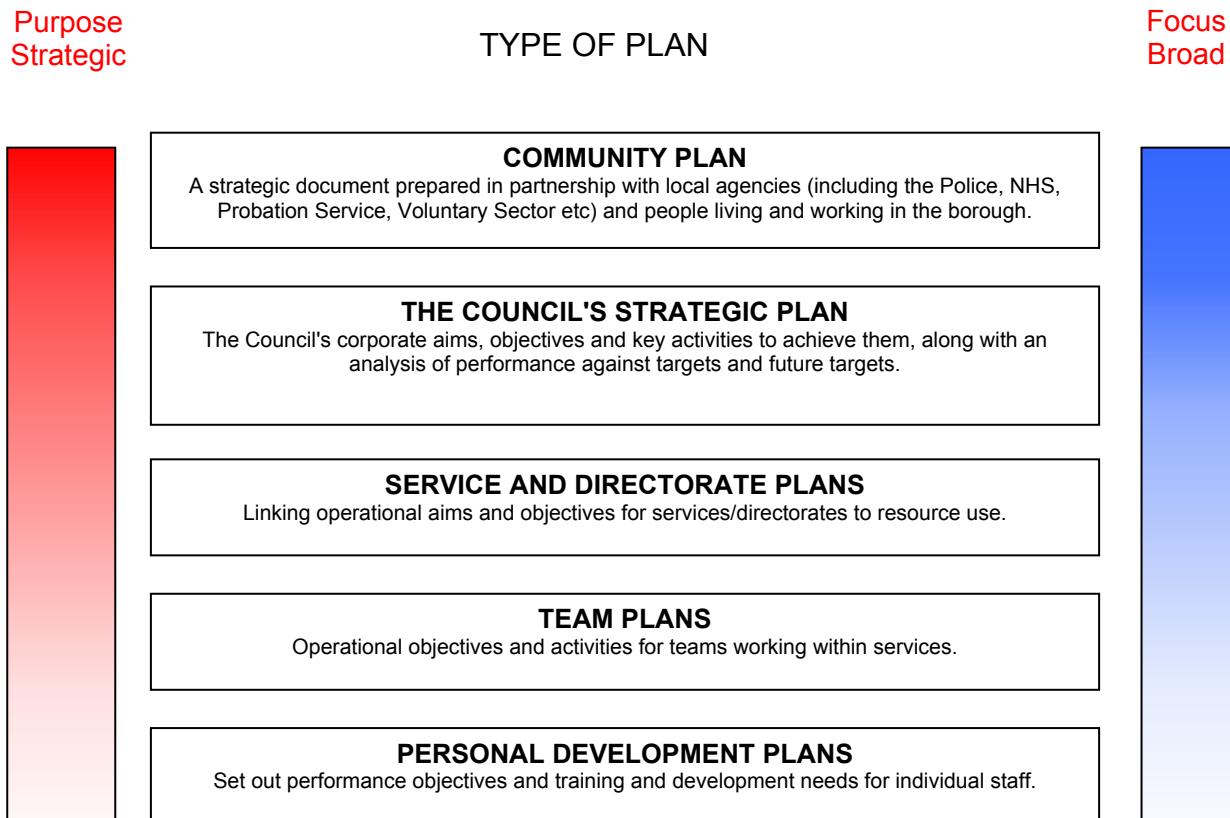
- an improved local environment
- better quality homes for all
- less crime and anti-social behaviour
- engaged, resilient and cohesive communities

These priorities are supported by an enabling objective which aims to deliver a transformed council, making best use of resources and with an outward looking culture.

3.2 Corporate and Service Plans

The overall planning framework is illustrated in the following diagram. As the diagram below shows, we align our Strategic Plan with the Community Plan structure around the themes, priorities and objectives of the Community Plan.

The Strategic Plan is refreshed each year through Cabinet, at which time it is also reviewed by the Overview and Scrutiny. The Community Plan is refreshed every three years.

**Operational****Specific**

Our vision, priorities and objectives are used to structure all directorate service plans and Personal Development Plans (PDPs). This ensures that there is a “golden thread” that runs from the Community Plan to each individual employee’s work. This helps ensure that the vision, priorities and objectives are communicated to and delivered at all levels of the organisation. Further communication of core values and key initiatives takes place through the Council’s staff newsletter “Tower Hamlets Now”.

3.3 Performance Management

We operate a comprehensive performance management framework to ensure that strategic priorities are embedded in service, team and individual performance development plans; that resources are linked to operational aims and plans; and that progress against plans and targets is monitored and evaluated at all levels.

There is a mechanism by which all Council strategic performance indicators are challenged, annually risk assessed and a sample selected for testing by the performance management team supported by internal audit.

The Council’s Corporate Management Team (CMT), comprising the Directors and Corporate Directors for each service (including the Council’s Section 151 officer and the Monitoring Officer), is responsible for the overall management of the Council. The CMT also has responsibility for reviewing and challenging the Council’s performance and delivery of the strategic plan. The Cabinet and the Overview and Scrutiny Committee receive regular reports highlighting Council performance.

3.4 Council Constitution

We have an agreed Constitution that details how the Council operates and sets out:

- the rules and procedures to be followed by the Council and committees when conducting their business;
- the decision making powers of the Executive and of Committees;
- the financial and contract regulations;
- the scheme of delegation to chief officers;
- the role of overview and scrutiny;
- the role and responsibilities of the Audit Committee;
- codes of conduct for councillors and employees;
- the whistleblowing arrangements; and
- members' interests and allowances.

Under the Council's constitution, the Executive is the elected Mayor, who makes decisions in respect of all executive matters which cover the operational delivery of Council services within the delegation set out under the executive powers of the constitution. In making his decisions the Mayor is supported by the Cabinet, Directors and Corporate Directors and other officers of the Council. The Full Council retains some strategic decision making responsibilities such as budget approval and the setting of Council Tax. A scheme of delegation is in place to enable officers to manage their services operationally.

All key decisions required are published in advance in the Executive's Forward Plan, and are discussed in a meeting open to the public.

Upon the last review of the constitution in 2013/14 it was conformed to statute and best practice and was fit for purpose. Since then, there have been structural and statutory changes and various new bodies and procedures to improve governance all of which require changes to the constitution. The amendments required to take account of structural and statutory changes can be undertaken by the Monitoring Office pursuant to article 15.01 (c) of the constitution, and these are currently in hand. More significant amendments which have been identified will be submitted to the General Purposes Committee and Council as appropriate and a revised version of the constitution will be published before the end of the 2016/17 financial year.

The Monitoring Officer is also undertaking a review of the Officer Scheme of Delegation and when completed this will be appended to the constitution and published in the same timeframe.

The Council considers and approves any changes proposed to the key strategic policies set out in article 4 of the constitution, including:

- the constitution;
- the corporate performance plan;
- the corporate strategy;
- the medium term financial plan including the capital programme and annual revenue budget;
- the licencing policy; and
- the local development framework.

3.5 Codes of Conduct

We have a code of conduct for officers supported by a requirement to make declarations of interest and to declare gifts and hospitality. Interests must be declared by officers at least annually. Officers are required to generally decline gifts and hospitality to ensure they are not inappropriately influenced. These codes and processes are made available to staff as part of their induction; they are also on the intranet and training is available to ensure every member of staff understands their responsibilities.

The responsibility to declare interests has also been extended to all tenderers and bidders as part of the procurement process. Periodically the audit plan contains reviews relating to compliance with the codes of conduct.

Councillors are required to make declarations of interest when elected and to consider their interests and make appropriate declarations at each meeting they attend. Councillors must also declare any gifts and hospitality with the records made public on the Council's website.

3.6 Rules, Regulations, Policies, and Procedures

Our rules and procedure is part four of the Council's Constitution. We have a duty to ensure that we act in accordance with the law and relevant regulations in the performance of its functions. We have developed policies and procedures to ensure that, as far as are reasonably possible, all Members and officers understand their responsibilities both to the Council and to the public. These include the Constitution, Standing Orders, Financial Regulations and Financial Procedures, Codes of Conduct and Protocols. Key documents are available to Members and staff through the Council's intranet and to a wider audience through publication on the Council's website. All policies are subject to periodic review to ensure that they remain relevant and reflect changes to legislation and other developments in the environment within which the Council operates.

3.7 Overview and Scrutiny

During 2015/16 the work of the Executive was scrutinised by an Overview and Scrutiny Committee and the Health Scrutiny Panel. A "call-in" procedure allows Scrutiny to review Executive decisions before they are implemented, and to recommend alternative courses of action.

The Overview and Scrutiny function reviews decisions made by the Mayor in Cabinet and raises proposals for the Mayor in Cabinet from its annual plan of work. The focus of their role is thus to provide a challenge and to support the development of policies. At their meetings they also consider performance monitoring information and have a key role in reviewing and challenging the Mayor in Cabinet's budget prior to consideration at Full Council.

In 2015/16 an executive decision was called in on the decision to abandon litigation against Rich Mix which was refereed back to the Mayor for consideration in Cabinet. As a result some changes were made to the original decision to include greater performance monitoring. The Committee held Scrutiny Spotlights with the Mayor and Cabinet Members focusing on a range of issues which allowed them to hold to account the Cabinet. The Committee's major piece of work this year focused on transparency within the organisation. The Committee's Transparency Commission final report set out the following key goals for the Council:

- Make the Council a beacon for openness, accountability and transparency by the end of 2017-18
- Enhance the role of Overview and Scrutiny to enable greater openness, accountability and transparency in 2016-17, and
- Publish all data by default wherever possible by the end of 2016-17

An Annual Scrutiny Report detailing the work of the Overview and Scrutiny Committee and the Health and Scrutiny Panel is approved and presented to Council annually. The 2015/16 report was included in the May 2016 agenda of the Committee. The work programme also involved a number of in-depth scrutiny reviews and challenge sessions focusing on Prevent, Homelessness, Maternity Services, Child, Adolescent Mental Health Services, Workforce to Reflect the Community, Recycling and Social and Emotional Mental Health.

3.8 Monitoring of the Best Value Performance Plan

As detailed earlier in this statement, the PwC inspection identified best value failings in relation to three out of the four areas reviewed and although there was compliance in the procurement, there were noted areas for improvement. As a result of this and the subsequent directives for each of the four areas the Council has produced a best value action plan, which includes a focus on broader areas, including

Organisational Culture. The Plan was submitted to the Secretary of State for CLG in March 2015. Officers responsible for these improvement areas have regular meetings with the Commissioners to review the progress against the action plan and a Best Value Programme Board, chaired by the Mayor, has been set up to monitor progress. As required by the directions this progress is then reported back to the Secretary of State for CLG every six months. The Council has submitted two progress reports so far September 2015 and March 2016 highlighting progress made against actions.

3.9 Audit Committee

For 2015/16, the Audit Committee comprised seven members; four from the majority group and one each from the three largest minority groups in proportion to their representation on the Council. The Audit Committee's remit is to review the Council's systems of internal control and its risk management and governance arrangements, as outlined in the Audit Committee: Guidance for Local Authority and Police. The Audit Committee also reviews audit findings and the effectiveness of the internal audit function. Specifically, the core functions of the Audit Committee are to consider the annual audit plan and the performance of internal audit; to be satisfied that the authority's annual governance statement properly reflects the risk environment; to demonstrate its fiduciary responsibilities in preventing and detecting fraud; to monitor the authority's risk management framework; to meet the accounts and audit regulations in respect of approving the authority's Annual Financial Report, including the annual statement of accounts, and to consider reports from the Council's external auditor, KPMG. The Audit Committee met four times during the financial year 2015/16 and plans to meet five times in 2016/17. The 2014/15 annual accounts have not been formally signed off.

3.10 Internal Audit

Internal audit is an independent appraisal function that measures, evaluates and reports upon the effectiveness of the controls in place to manage risks. Internal Audit provides assurance and advice on internal control to the Mayor, the Corporate Management Team and Members. Internal Audit reviews and evaluates the adequacy, reliability and effectiveness of internal control and where relevant, recommends improvements. It also supports the management of the Council in developing its systems and providing advice on matters pertaining to risk and control. In carrying out this function Internal Audit contributes to the discharge of the Corporate Director, Resources' Section 151 responsibilities.

The work of the Internal Audit Section is monitored and reviewed by the Audit Committee. Annually the Head of Audit and Risk Management is required to give an opinion on the Council's internal control framework based upon the work carried out during the year in the form of an annual report. This report is one of the sources of assurance used in the preparation of this statement. For 2015/16, the overall the control environment was adjudged by the Head of Internal Audit to be adequate.

Following the publication of the Public Sector Internal Audit Standards (PSIAS), the Council's internal audit arrangements have been updated and the Audit Charter endorsed by the Audit Committee most recently in June 2015.

The Head of Audit & Risk reports quarterly, on a formal basis, to the Corporate Management Team on findings of audit work and investigations. He also meets as required with CMT members individually as well as other officers with roles key to the Governance Framework to discuss governance related issues. The internal audit charter, setting out the purpose and authority and responsibility of internal audit was approved by CMT and the Audit Committee in June 2015.

To support the monitoring and assurances available with regards the completion of the Best Value Action Plans the 2015/16 Internal Audit Plan includes some focused work to assess whether the milestones detailed in the Best Value Improvement Plan have been implemented. The Internal audit report for the review of the Procurement Best Value Improvement plan was presented to the Best Value Programme Board on 26 January 2016 and the internal audit reports for Communications, Property and Grants was presented on 22 February 2016.

3.11 External Audit

The Council's external auditors, KPMG:

- Review the Council's accounts to ensure that they comply with statutory requirements and that proper practices have been observed in compiling them; and
- Conclude on the Council's arrangements in place for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

In 2013/14, KPMG issued an unqualified audit opinion on the Council's financial statements. In respect of whether the authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources, KPMG issued an adverse opinion and raised a S11 recommendation under the Audit Commission Act 1998. The recommendation was reported to the Audit Committee on 23 September 2015 in the external audit report "To Those Charged with Governance." The Authority considered the Section 11 recommendation at a meeting of the full Council on 20 January 2016 and at the General Purposes Committee on 8 February 2016.

At the Council and General Purposes Committee meetings it was agreed to accept the Section 11 recommendation and that the following courses of action would be undertaken:

- Continue with actions identified in the Best Value Action Plan in keeping with the agreed timescales.
- Set up a 'Governance Working Group' with formal Terms of Reference to thoroughly review the governance processes of the Authority.
- Construct a 'Governance Working Group Action Plan', with identifiable tasks, responsible officers and timeframes.
- Complete other items identified in the Final ISA260 Report 2013/14.
- Report progress to the General Purposes Committee and the Audit Committee on a regular basis.

Further information can be found at
<http://moderngov.towerhamlets.gov.uk/documents/s81734/2016%2001%2007%20PG%20Draft%20Council%20Report%20-%20S11%20V5%20-%20legal%20v2%20Final.pdf>.

3.12 Whistle Blowing Policy and the Complaints Procedure

We have a recognised complaints process which is administered by the Complaints and Information team. The complaints process comprises of three stages to enable the public to escalate their complaints if they are not satisfied with the answer they receive. Details of complaints are monitored by the Monitoring Officer and the Standards Advisory Committee.

The Mayor and elected Members also receive enquiries and complaints via their surgeries, walkabouts and question time activities. The Council has arrangements to support members in addressing these queries to ensure that the public receive an appropriate answer.

The Council also has a whistle blowing policy in addition to the Council's Anti Fraud and Corruption Strategy. The Anti-Fraud and Corruption Strategy is refreshed annually and reported to the Audit Committee at its March committee. The strategy was last refreshed in June 2016. We have enhanced current arrangements by promoting the Council's whistle blowing arrangements by raising awareness of the Council's whistle blowing arrangements and improving reporting. The new arrangements were rolled out in May 2016.

3.13 Risk Management

We have a Risk Management Strategy to identify and manage the principal risks to achieving its objectives. The principles of risk management are embedded in the Council's decision making processes. The Strategy recognises that when making decisions the Council may not always adopt the

least risky option, particularly where the potential benefits to the community warrant the acceptance of a higher level of risk. All committee reports seeking decisions or approval to a proposed course of action contain an assessment of the risk involved and both financial and legal comments.

Key risks are recorded in corporate and directorate risk registers, which are subject to periodic review and reporting to the Corporate Management Team. Directorate Risk Champions oversee the continued development of the Council's approach to risk management.

We have engaged Zurich Municipal Engineering to review of the Council's risk management arrangements and suggested enhancements to further embed risk management within the organisation and facilitating workshops with the Corporate Management Team and Directorate Management Teams. This work will look at our appetite to take risks in pursuit of our strategic objectives and assess whether organisationally we have the same understanding of our risk appetite.

3.14 Information Governance

We have established two groups to oversee Information Governance as a risk area and ensure robust governance arrangements are in place and adhered to across the organisation. An Information Governance Group meets six weekly to discuss issues arising and the Freedom of Information Board, which is co-ordinated by Legal Services, who have overall oversight. In 2014/15 we participated in a voluntary inspection by the Information Commissioners Office (ICO) to generate independent assurances with regards the arrangements in place. An action plan has been developed following this inspection and signed off by the Freedom of Information Board before being submitted to the ICO. The action plan was agreed with the ICO and monitored by the Information Governance Group.

3.15 Financial Management

Statutory responsibility for ensuring that there is an effective system of internal financial control rests with the Corporate Director, Resources (the Council's S151 officer). The system of internal financial control provides reasonable assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or will be detected.

Our medium term financial plan sets out the need to deliver financial savings to 2019/2020. Arrangements have been made to identify opportunities and for the delivery and reporting of savings to CMT and Cabinet.

Internal financial control is based on a well established framework of financial regulations and financial procedures which include the segregation of duties, management supervision and a system of delegation and accountability. On-going development and maintenance of the various processes is a management responsibility. The control arrangements in 2015/16 included:

- comprehensive corporate and directorate budgeting systems;
- an annual budget approved by the Council that reflects strategic priorities;
- a medium-term financial plan incorporating an analysis of the financial risks facing the Council over the next three years and an assessment of the adequacy of General Fund and HRA reserves;
- regular reporting of actual expenditure and income against budgets and spending forecasts and service performance against targets;
- an annual Treasury Management and Investment Strategy including a prudential borrowing framework and associated indicators; and
- standing meetings of finance managers from across the Council (Finance Strategy Group and the Financial Reporting Technical Excellence Group).

Since the publication of the CIPFA statement on the role of the Financial Officer in Local Government (2010), a self-assessment of the Council has shown the authority conforms to the good practice identified within the code.

3.16 The Efficient and Effective Use of Resources

As noted earlier in this statement, we have been subject to a Best Value inspection and the findings arising from the inspection are captured under review of effectiveness (Section 4). KPMG's assessment on the Council's arrangements in place for securing economy, efficiency and effectiveness in its use of resource in relation to 2013/14 resulted in the issue of an adverse opinion in respect of the authority's arrangements to secure value for money.

The authority has developed an action plan to improve value for money and seek continuous service improvement through a range of processes, including the application of best value principles and the carrying out of efficiency reviews as set out under the background section of this report.

During 2014/15 and 2015/16, the Council continued work on its efficiency programme and has made plans to manage with significantly reduced financial resource in the future. As part of its service and financial planning process, the Council set efficiency targets and brought performance data into the consideration of resource allocation.

The strategic planning process ensures that resources are focused on the priorities set out in the Strategic Plan. Processes for service and financial planning are aligned and the annual budget process evaluates new requirements for resources in terms of their contribution to the objectives of the Strategic Plan. Corporate guidance on team planning requires consideration of value for money issues in developing annual objectives. Reports concerned with proposed expenditure, reviewing or changing service delivery or the use of resources contain an efficiency statement setting out how the proposals will assist towards achieving greater efficiency together with associated Equality Impact Assessments.

We also participate in the National Fraud Initiative (NFI) a computerised data matching exercise, led by the Cabinet Office, designed to detect fraud perpetrated on public bodies. The Corporate Anti-Fraud team continues to actively engage with the Cabinet Office to test and improve the output from the NFI exercise. The findings were reported to CMT and the Audit Committee, the exercise is completed every two years.

We are deploying increasing innovative approaches to tackle risks to deliver value for money services. One example is to link debtors across a number of council activities to ensure the more efficient and effective use of Council resources in pursuit of the debts and to improve outcomes through a targeted approach.

3.17 Learning and Organisational Development

We have a commitment that every member of staff receives an annual appraisal to discuss performance, targets and personal development. The Council provides a range of training opportunities for managers and staff to ensure that they are best equipped to deliver excellent public service. These include a Leadership programme, specific training relating to Recruitment and Selection, Risk Management, and computer based training.

Councillors have a member support officer and a development program to keep them up to date with changes and to support training needs. Training is supplemented by information through briefings, conferences and weekly bulletins. For some aspects of Council work Members are required to undertake a period of study and pass a test to ensure they can demonstrate appropriate competence, for example the Licensing Committee.

3.18 Communication and Engagement

We publish numerous documents on our website as well as providing a weekly paper, East End Life to keep residents up-to-date, in an informal and accessible way, on the work of the Council. A review of the value for money and compliance of East End Life was requested as part of the Best Value Action Plan. Following the review, a decision was made for East End life to be published fortnightly from January 2016 and quarterly from May 2016 to bring the publication in line with the Recommended Code of Practice for Local Authority Publicity.

We also engage with citizens through surveys such as the annual resident's survey and a tenants' survey. These help to inform us of the perception of services we provide and the experience of services users. Further, we use a range of digital media to engage with a wide range of stakeholders. Our website is continually being developed to provide more information, enable more services to take place electronically and to receive comments from all stakeholders.

At a local level we have a number of community forums which are used to engage with the community. Young people make up a greater proportion of the Tower Hamlets population compared to the rest of London, and the Council has thus sought to engage with them by enabling them to vote for a young Mayor of the Council. The young Mayor has a clear manifesto and is working to make a difference to young people's lives within the borough.

The Mayor's surgeries with community groups, local businesses and others also provide direct communication and engagement with all stakeholders.

Elected Members of the council also hold regular surgeries for their wards.

3.19 Partnerships

Our most significant partnership is Tower Hamlets Partnership.

In February 2012, the partnership structure was refreshed. In the new structure, the Partnership Executive and Board has been rationalised but still with responsibility for developing the overall strategy and for ensuring plans are delivered. The Community Plan Delivery Groups have been updated but with continued focus on the five key themes in the community plan including the statutory boards. At a ward level Local Community Ward Forums enable local people to engage with the council and identify local priorities and projects for co-delivery.

Due to the Care Act and the drive towards more integrated services the Council we have been working in partnership with the Clinical Commissioning Groups, BARTs and East London Mental Health Trust. A formal partnership called the Tower Hamlets Integrated Provider Partnership has been created and we are committed to working to achieve shared outcomes with the members of the partnership. There are also partnership arrangements with the Police, Probation and Youth Justice services to help to meet the targets for reducing crime and making Tower Hamlets a safer and stronger community.

We have an established Arm's Length Management Organisation, Tower Hamlets Homes, a wholly owned subsidiary limited by guarantee to manage its housing stock. Tower Hamlets Homes has a formal governance structure and manages its internal affairs and delegated budgets through the Company's Board. Performance is monitored through a regular review process with senior council officers and elected Members. The company operates its own risk management strategy and is subject to internal and external inspections and audit in compliance with the Companies Acts.

4. Review of Effectiveness

We have responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of governance environment, the head of audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The review involved the evaluation of the key sources of assurance:

- The Council evaluated its corporate governance arrangements against good practice criteria set out in the CIPFA/SOLACE guidance. The arrangements were found to be sound albeit recommendations were made to enhance current arrangements.
- The annual Head of Audit Opinion expressed the opinion that overall the Council's system of internal control is adequate.

- The risk management framework, including the corporate and directorate risk registers, provides assurance that the key risks to strategic objectives are managed effectively and are monitored by senior officers and Members.
- The Council is subject to external audit activity both corporately and for individual services. The judgements of the external auditors contained in their annual audit letter and other reports provide assurance that the Council has a reasonable system of financial internal control.
- Performance monitoring shows improvement in performance against external measures, the Council's own targets and in comparison to other authorities.
- Monitoring of the 2014/15 Significant Governance Issues as well as the actions plans arising from the PwC review of best value.
- The outturn on the 2015/16 budget shows that the financial management systems and processes of the Council succeeded in keeping expenditure within planned limits.
- Quarterly monitoring of strategic risks of the Council by the Corporate Management Team.
- Meetings with Corporate Management Team Members who have reviewed their own directorate governance issues and actions with their Directorate Management Teams to seek input to the issues at a corporate level.

There has also been significant work to review and improve our governance arrangements and this work is considered in the process to produce this statement. An example of this is outlined below.

Our Overview and Scrutiny Committee established an Overview and Scrutiny Transparency Commission (OSTC). The Commission aimed to identify actions the council should take to improve transparency and find ways the council can be more transparent. The Commission considered how:

- residents be better informed about council activity, processes and decisions;
- elected members be supported to make more transparent decisions; and
- decision-makers be held to account transparently.

The Overview and Scrutiny Committee agreed its final report, at its meeting on 29 January 2016. The report contained 18 recommendations and has been presented to the Mayor for implementation.

We have been advised on the implications of the review of the effectiveness of the governance systems of the Council having regard to the sources of assurance set out in this statement, and we are satisfied that the system of control is effective. We propose over the coming year to take steps to further enhance our governance arrangements.

Significant Governance Issues

The PwC review and our own internal review of the effectiveness of the governance arrangements in place during 2015/16 has identified some areas where action is appropriate to enhance the Council's governance framework. The significant issues and the specific actions to address that have been taken and those planned for the future are set out below and in all cases, due to the on-going monitoring of the governance framework, work is already underway to address the action points.

Each significant governance issue has an identified CMT lead who takes responsibility for progress and implementation. The actions identified within this statement form part of the performance management framework for each director and will be incorporated into their directorate performance plans.

The overall process is overseen by the Audit Committee who approves the Annual Governance Statement prior to it being signed off by the Mayor and the Chief Executive.

Governance Issue and action noted	Update / further proposed action	CMT Lead and expected resolution date
<p>1) Payments to third sector organisations outside Mainstream Grants.</p> <p>Internal audit received an external referral and as a result of the subsequent review found that there were irregularities in payments made by the Council to an organisation. This matter has been reviewed to the police.</p> <p>Further investigation has resulted in more organisations being referred to the police.</p> <p>The systems and processes have been improved and increased compliance work has been completed and embedded into control environment.</p> <p>Finalisation of schedule of all grant regimes by July 2015 ensures no approved grant is paid.</p>	<p>The authority continues to assist the Police with its enquiries as they arise. No further actions.</p>	<p>Corporate Director, Communities Localities Culture</p> <p>April 2016</p>
<p>2) Management arrangements for the control and monitoring of grants.</p> <p>Following a comprehensive review of this service and its approach to audit a corporate grant function has been created to enhance consistency of approach to grant giving, monitoring and reporting across the Council. It is also anticipated that the function will ensure approved grant is only paid following proper due diligence of the organisations, and outcomes expected from the grant.</p> <p>There is a Best Value Performance Plan for Grants which contains a number of actions to strengthen governance arrangements.</p> <p>Deadlines and milestones occurred throughout the financial year with the final actions to be completed March 2016.</p>	<p>A corporate grants team has been created to ensure management and control over grant giving, monitoring and reporting across the Council. The team will ensure grants are only approved following proper due diligence of the organisations, and outcomes expected from the funding.</p> <p>There is a Best Value Improvement Plan for Grants which contains a number of actions to strengthen governance arrangements.</p> <p>Deadlines and milestones in the best value</p>	<p>Corporate Director - Resources</p> <p>March 2016</p>

Governance Issue and action noted	Update / further proposed action	CMT Lead and expected resolution date
	performance plan final actions to be completed March 2016.	
<p>3) Strengthen controls over disposal of assets that demonstrate best value is secured by the Council.</p> <p>Following the inspection disposal of assets is part of the Best Value Action Plan – Improvements to process have been made. Currently the Commissioners have the relevant Executive Powers. An assurance has been agreed by cabinet and embedded in financial regulations. A report has been provided to CMT.</p> <p>Internal Audit work in this area also generated actions which have been implemented.</p> <p>Arrangements are being made to improve the outcomes for the Council from its assets which require the asset management strategy to be reviewed and approved by Cabinet.</p> <p>Audit work will provide assurances with regards compliance.</p> <p>There is a Best Value Performance Plan for Property which contains a number of actions to strengthen governance arrangements.</p> <p>Deadlines and milestones occur throughout the financial year with the final actions to be completed March 2016.</p>	<p>The Council's Asset Management strategy was reviewed and approved by Cabinet in December 2015, including arrangements to demonstrate value for money in disposal of assets.</p> <p>There is a Best Value Performance Plan for Property which contains a number of actions to strengthen governance arrangements. Final actions to be completed March 2016.</p>	<p>Corporate Director - Development and Renewal</p> <p>March 2016</p>
<p>4) Publicity Expenditure Controls</p> <p>This issue was identified during the inspection and the Authority subsequently received directions relating to publicity expenditure.</p> <p>A new Strategy and Protocol documents has been produced and a fully costed communications plan is now in place.</p> <p>There is a Best Value Performance Plan for Communications which contains a number</p>	<p>There is a Best Value Performance Plan for Communications which contains a number of actions to strengthen governance arrangements.</p> <p>Future planned actions include a new system and implementation of a testing regime to ensure</p>	<p>Monitoring Officer – Law, Probity and Governance</p> <p>September 2016</p>

Governance Issue and action noted	Update / further proposed action	CMT Lead and expected resolution date
<p>of actions to strengthen governance arrangements.</p> <p>A new system and implementation of a testing regime to ensure compliance with relevant code and other requirements.</p> <p>Deadlines and milestones occurred throughout the financial year with the final actions were completed September 2016.</p>	<p>compliance with relevant code and other requirements.</p> <p>Deadlines and milestones occur throughout the financial year with the final actions to be completed September 2016.</p>	
<p>5) Update the constitution to expand wording to clarify certain issues with the General Purposes Committee and update the local code of corporate governance.</p> <p>The Local Government Association reviewed the Council's constitution and indicated that the constitution is fit for purpose and conforms to statute and best practice. Further, recognising that there may be areas where the authority may learn from other authorities with an Executive Mayor, an independent external review was also commissioned comparing the Council's constitution with those of similar local authorities. This review confirmed there were no fundamental weaknesses or gaps in the Council's constitution. There are opportunities to word elements more clearly or tighten up some areas of process to enable the Executive and non-Executive business to run more smoothly. In light of structural and statutory change, the Constitution is somewhat out of date.</p> <p>There were some minor issues around scheme of delegation raised through audit work in 2014/15 and the Corporate Director, Law Probity Governance has undertaken a review which will be published as an appendix to the revised constitution.</p> <p>External Review of Virements was completed in 2014.</p> <p>Review of the constitution.</p>	<p>Actions are included within the BVAP for organisation culture action plan. It is anticipated the majority of the work in this area will be completed by March 2016, although there will be on-going review and update of the constitution thereafter as part of the usual business of the Authority.</p>	<p>Monitoring Officer – Law Probity and Governance</p> <p>March 2017</p>

Governance Issue and action noted	Update / further proposed action	CMT Lead and expected resolution date
<p>Review of the Schemes of Delegation and implementation of an annual review process which will be confirmed as part of the annual governance processes embedded within the organisations governance framework.</p> <p>It is anticipated the work in this area will be completed by March 2016, although there will be on-going review and update of the constitution there after as part of the usual business of the Authority.</p>		
<p>6) Enhance contract management and contract letting process.</p> <p>The Procurement Strategy and procedures have been refreshed and adopted.</p> <p>To ensure compliance around procurement, the Competition Planning Forum and the Competition Board continue to monitor and recommend the best course of action for all significant purchases.</p> <p>The new procedures now provide greater visibility and input from the Corporate procurement team and over the next financial year, the team plan to seek better outcomes from the organisation's spend and enhance contract monitoring arrangements across the organisation.</p> <p>There is a Best Value Performance Plan for Procurement which contains a number of actions to strengthen governance arrangements.</p> <p>Future planned actions include an Annual Procurement Report, three year strategy and Supplier Ethical Code of Conduct.</p> <p>Deadlines and milestones occurred throughout the year with the final actions to be completed April 2016.</p>	<p>Monitoring of the Best Value Performance Plan for Procurement which contains a number of actions to strengthen governance arrangements final actions to be completed April 2016</p>	<p>Chair of Competition Board and Corporate Director, Resources April 2016</p>
<p>7) Review, and where necessary, enhance arrangements around declarations of</p>	<p>The council's policies,</p>	<p>Corporate Director -</p>

Governance Issue and action noted	Update / further proposed action	CMT Lead and expected resolution date
<p>interests.</p> <p>The Council has in place arrangements for declarations of interests. The existing arrangements will be reviewed to ensure staff and members are aware of their responsibility and Council procedures and processes strengthened to identify potential interests.</p> <p>Mandatory training will also be provided to ensure staff and members complete their declarations in a timely manner.</p>	<p>procedures and processes have been reviewed.</p> <p>Officers are required to complete declaration of Interest forms on a 6 monthly basis as part of the PDR process and the form is accessible via the self-service HR module.</p> <p>A list of organisations receiving financial assistance from the authority is being compiled to guide Members and Officers in making their declarations.</p> <p>Annual mandatory training is continuing to be provided for all members. The regular review of forms includes a reminder to ensure interest declarations are complete and up to date. In relation to officers, regular reminders continue to be issued to staff to update their online declaration forms.</p>	Resources October 2016
<p>8) Review the Council's Section 106 arrangements.</p> <p>The Council's external auditors highlighted a number of control issues in the administration of the Council's S106 arrangements.</p> <p>An independent review of the arrangements in relation to s106 receipts and payments will be undertaken to ensure effective and robust processes, controls, monitoring and reporting arrangements are in place, in accordance with agreements and aligned with the planning consents.</p>	Grant Thornton was appointed to carry out an independent review. Grant Thornton has completed its review and has issued a draft report for management comment before finalising the report in April 2016.	Corporate Director, Development and Renewal and Corporate Director, Resources

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 improvement that were identified in our review of effectiveness and will monitor progress periodically and confirm their implementation and operation as part of the process to produce the 2016/17 Annual Governance Statement.

.....
Chief Executive

Date:

.....
Mayor

Date:

Assurance Control Checklist (summary)

Step	Description	Assurance
Objective 1: Establishing principal statutory obligations and organisational objectives		
Step 1: Identification of principal statutory obligations	Constitution	Yes
	Committee terms of reference	Yes
	Scheme of delegation	Yes
	System to identify and disseminate changes in legislation	Yes
	Evidence of dissemination	Yes
Step 2: Establishment of corporate objectives	Community & strategic plans	Yes
	Consultation on plans	Yes
	Service planning framework	Yes
	communication strategy	Yes
Step 3: Corporate Governance arrangements	Local code of corporate governance	Yes
	Audit Commission Corporate Governance review	Yes
	CIPFA/Solace checklist action plan	Yes
	Committee charged with corporate governance	Yes
	Governance training for members	Yes
	Role of Chief Finance Officer	Yes
	Role of Head of Audit and Risk Management	Yes
Step 4: Performance management arrangements	Performance Mgmt framework	Yes
	Performance Mgmt monitoring reports	Yes
	Inspection reports	Yes
Step 1: Risk Management strategy	Risk Management strategy	Yes
	Evidence of dissemination & review	Yes
Step 2: Risk Management systems & structures	Member forum	Yes
	Senior Mgmt Team reporting	Yes
	Member and officer lead	Yes
	Defined process for reviewing and reporting risk	Yes
	Corporate and departmental risk registers	Yes

	Insurance and self-insurance review	Yes
	RM training	Yes
Step 3:		
Risk Management is embedded	Committee reports include risk management assessment	Yes
	Risk is considered in business planning process	Yes
	Corporate risk management board	Yes
	Risk owners identified in registers	Yes
	Evidence of review of risk registers	Yes
	Risks considered in partnership working	Yes
Objective 3 Identify key controls to manage principal risks		
Step 1:		
Robust system of internal control, which includes systems & procedures to mitigate principal risks	Financial Regulations, incl. compliance with CIPFA Treasury Management Code and Prudential Code	Yes
	Contract Standing Orders	Yes
	Whistleblowing policy	Yes
	Counter fraud & corruption policy	Yes
	Codes of conduct, eg Members, Member : Officer etc	Yes
	Register of interest	Yes
	Scheme of delegation approved	Yes
	Corporate procurement policy	Yes
	Corporate recruitment and disciplinary codes	Yes
	Business continuity plans	Yes
	Corporate / departmental risk registers	Yes
	Independent assessment, by Internal & External Audit	Yes
	Audit Commission reliance on Internal Audit work	Yes
	Corporate health & Safety Policy	Yes
	Corporate complaints procedures	Yes

