REPORT TO:	DATE	CLASSIFICATION	REPORT NO.	AGENDA NO.
Audit Committee	**29 June 2009**			

REPORT OF:	
Corporate Director, Resources	Annual Governance Statement 2008/09
ORIGINATING OFFICER(S):	
Service Head Risk Management	**Ward(s) Affected: N/A**

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 2003. 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 – 7.4; and

2.2   Agree the Annual Governance Statement for the financial year 2008/09 at Appendix 3.
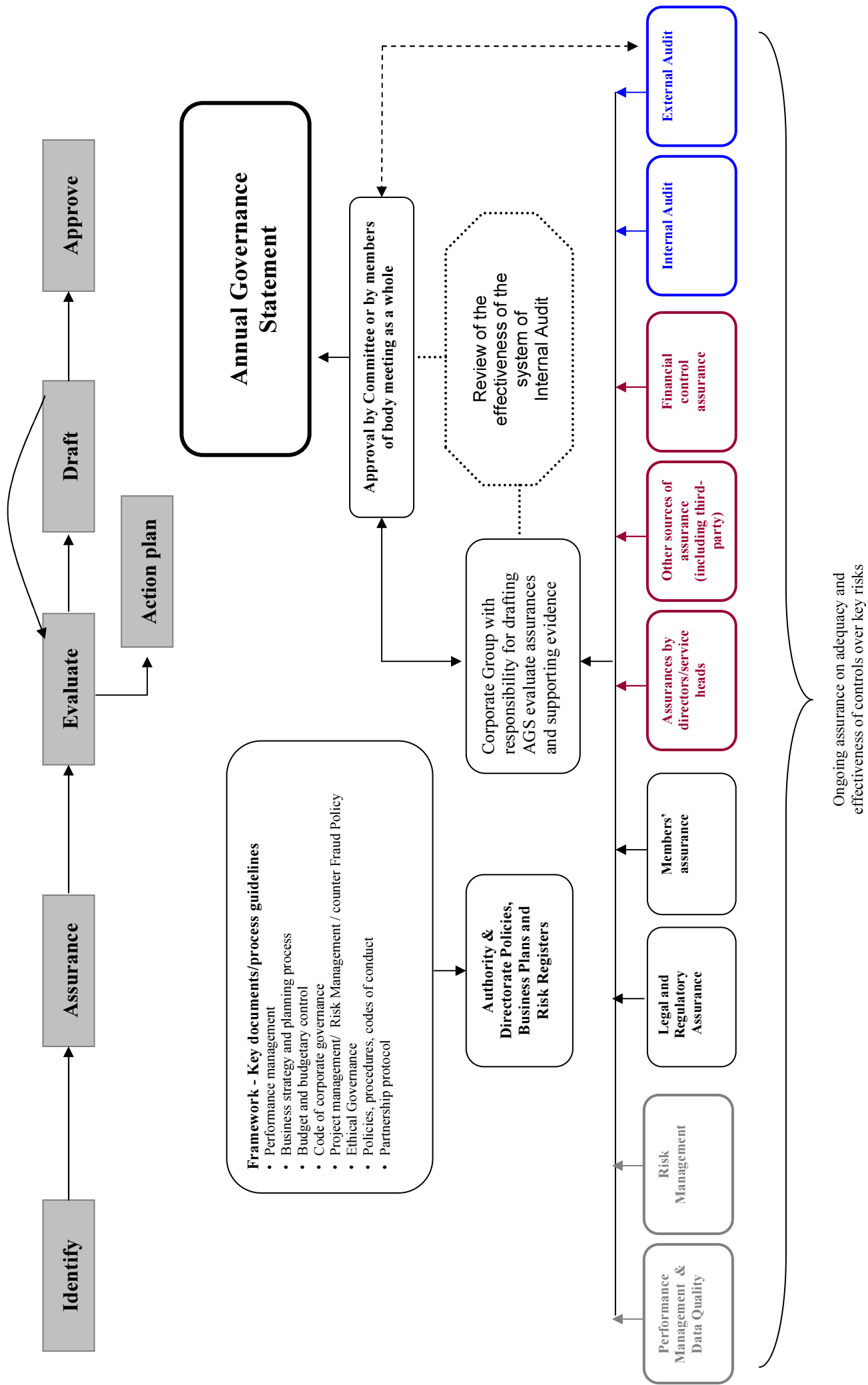
3.   Background

3.1   The Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendments) (England) Regulations 2006 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 2009 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 Leader. 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 Leader.

3.3 The statement needs to be finalised and signed to meet the deadline for the publication of the accounts (30th June 2009).

4. Reviewing the Internal Control Environment

4.1 CIPFA guidance sets out a process for gathering assurance on the system of internal control. This Assurance Framework is shown diagrammatically below. 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 2007/08 statement.

Assurance Framework and the production of the Annual Governance Framework

Identify → **Assurance** → **Evaluate** → **Draft** → **Approve**

Action plan

Annual Governance Statement

Framework - Key documents/process guidelines
- Performance management
- Business strategy and planning process
- Budget and budgetary control
- Code of corporate governance
- Project management/ Risk Management / counter Fraud Policy
- Ethical Governance
- Policies, procedures, codes of conduct
- Partnership protocol

Authority & Directorate Policies, Business Plans and Risk Registers

Corporate Group with responsibility for drafting AGS evaluate assurances and supporting evidence

Approval by Committee or by members of body meeting as a whole

Review of the effectiveness of the system of Internal Audit

External Audit

Internal Audit

Financial control assurance

Other sources of assurance (including third-party)

Assurances by directors/service heads

Members' assurance

Legal and Regulatory Assurance

Risk Management

Performance Management & Data Quality

Ongoing assurance on adequacy and effectiveness of controls over key risks

5.   Internal Control Environment

5.1   An internal control checklist was developed based on CIPFA guidance. This set out three key layers in the internal control environment:

   ♦   The processes for establishing statutory obligations and organisational objectives;

   ♦   The processes for identifying the risks to the achievement of those objectives; and

   ♦   The key controls to manage those risks.

5.2   A list of key policies and processes were identified for each area based on the guidance. These are set out in appendix 1 below. Evidence has been gathered to demonstrate that these exist and findings arising from these are considered in compiling the Annual Governance Statement for 2008/09.

5.3   No gaps were identified in the arrangements for **establishing principal statutory obligations & organisational objectives**. The Council has a defined Constitution, which was approved in March. The Constitution has been subject to a review in 2008/09 and officers assessed the Council's arrangements following publication of the CIPFA/SOLACE Code on Corporate Governance in June 2007.

5.4   The Council has a Strategic Plan that reflects the priorities of the Community Plan. The Council has an effective performance management framework, including regular reports to the Corporate Management Team and lead members.

5.5   No gaps were identified in the arrangements for identifying the **principal risks to achieving objectives**. The Council has embedded a risk management strategy.

5.6   No gaps were found in the arrangements for **identifying key controls to manage principal risks.** The Council has a robust system of internal control. Business Continuity arrangements have been revised and tested in July and February 2009. The Corporate Procurement Strategy was approved by Cabinet in November 2006.

5.7   Overall, the review found that the Council has all of the principal elements of an internal control framework.

6.   Sources of Assurance

6.1   Having identified that the internal control framework contains the principal elements and that these can be evidenced, the principal sources of assurance were identified and evaluated. Matters arising from the review

have been included within the AGS where appropriate and a summary of key sources of assurance are attached at Appendix 2.

7.   Annual Governance Statement

7.1   The draft Annual Governance Statement is attached at Appendix 3.

7.2   The issues raised in 2007/08 are set out in the table below with an update showing the current status.

Issues in 2007/08 statement	Status
Embed the operations of the property services management unit	Substantially complete. With the appointment of the Service Head, Asset Strategy, Capital Strategy (Property Services) and the review of structure and job description, the key issues are being dealt with.
Further develop arrangements to optimise asset management across public services	On-going, to be completed in 2008/09. The Asset Management Board has met with key public sector organisations (police, fire, PCT) and RSLs and quarterly reviews have been set up for overarching reviews of use of public assets. Joint use of buildings is already happening whilst the review is taking place with links with the Head of Property Services.
Enhance arrangements for maintaining records of Council assets	Substantially complete. The CAPS project has improved the quality of the Council's record of assets. Further checks will be undertaken to enhance the accuracy of records.
Improve the Council's recycling arrangements	Completed. The recycling target was met for 2008/09 and although the target for next year is challenging, current performance suggests the target should be met.
Ensure processes for managing sickness are effective	Systems and controls have been developed by Human Resources to monitor and control sickness across the authority. Although this has improved the means of performance management of sickness, the level of sickness is still above the Council's challenging target. Over 2008/09, further control measures are planned to improve on current levels.
Refresh the Council's procurement function to secure additional capacity	Completed. The most recent external audit report recognised that there are a number of challenges facing procurement, but the authority is well placed to meet them.
Enhance the benefits derived from the implementation of the SX3 system	On-going. The issues identified following transfer of the Housing ICT function into corporate ICT are being dealt with as discussions continue with Northgate and key officers within THH to maximise the benefits of the SX3 software.
To further enhance the authority's Business Continuity Plans	On-going. Good progress has been made over the last year in establishing a sound framework, but further work is required to ensure the BCP responds to disasters and catastrophes such as pandemic flu.
Maintain the ongoing drive to deliver decent homes standard by identifying and securing funding	On-going. The authority is actively seeking to confirm the funding envelop and managing its agent, THH to ensure it achieves two stars.

7.3   The penultimate section of the 2008/09 statement sets out the key governance and control issues that have been identified by the process set out above. These are as follows.

7.4   The Audit Committee is invited to consider whether these represent the most significant issues affecting the Council.

- Optimise asset management across public services to enable Council assets to be utilised in the most effective way;

- To further enhance the authority's Business Continuity Plans, particularly in relation to disaster recovery;

- Maintain an ongoing drive to deliver decent homes standard by ensuring the Council's ALMO achieves two stars;

- Ensure processes for managing sickness are effective;

- Enhance the benefits derived from implementation of SX3 and improve management of Major Works for Leaseholders;

- Arrangements for Safeguarding Children / Child Protection;

- Improve information governance across the authority;

- To model an efficiency programme to take account of the likely reduction in future funding across public sector; and

- Enhance the benefits derived from effective contract management of key contracts with the private sector.

8.   **Comments of the Chief Financial Officer**

8.1   These are contained within the body of this report.

9.   **Concurrent Report of the Assistant Chief Executive (Legal Services)**

9.1   The statutory requirements are referred to in the body of this report and there are no other immediate legal implications arising.

10.   **One Tower Hamlets**

10.1   There are no specific one Tower Hamlets considerations.

10.2   There are no specific Anti-Poverty issues arising from this report.

11.   **Risk Management Implications**

11.1   The revised control environment should pick up the areas identified as of concern and reduce the residual risk.

12. Sustainable Action for a Greener Environment (SAGE)

12.1 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** :

Minesh Jani, 0738

Internal 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
Step 4: Performance management arrangements	Performance Mgmt framework	Yes
	Performance Mgmt monitoring reports	Yes
	BVRs and benchmarking	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

Summary of reports received in or pertaining to 2008/09

Reports	Reporting period	Report date
Annual Audit and Inspection plan	2008/09 accounts	June 2009
Opinion on Financial Statements	2008/09	September 2008
Approach to Value for Money	2008/09	November 2008
Use of Resources	2008/09	January 2009
Value for Money Conclusion	2008/09	September 2008
Data Quality	2008/09	Feb 2008
Final Accounts Memorandum	2008/09	Jan 2009
Review of Procurement	2008/09	Feb 2009
Grant Claim Report	2008/09	Feb 2009
Annual Governance Report	2008/09	September 2008
Other		
CSCI Annual Performance Assessment of Social Care Service for Adult Services	2008/09	October 2008
Annual Performance assessment of services for Children and Young people	2008/09	November 2008

Annual Governance Statement

Tower Hamlets LBC (Tower Hamlets) is 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 should enable stakeholders to have an 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 2003 as amended.

Scope of Responsibility

Tower Hamlets is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, Tower Hamlets is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk. Risk management is a principal element of corporate governance, to this end a risk management strategy was adopted in March 2002 and is regularly reviewed and endorsed by the Leader of the Council and the Chief Executive.

Tower Hamlets' has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. A copy of the code is on our website at **www.towerhamlets.gov.uk** or can be obtained from the Council's monitoring officer. This statement explains how Tower Hamlets currently complies with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of the Annual Governance Statement. The Council's Standards Committee members received a report in October 2007 assessing the current local governance arrangements and recommended areas of improvement as part of the continuous improvement processes of the Council's governance arrangements.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority directs and controls its activities and through which, it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its 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 ongoing 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 mange them efficiently, effectively and economically.

Tower Hamlets' governance framework is established through its systems, processes, cultures and values. These are regularly reviewed. The governance framework has been place at Tower Hamlets for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

Independent Members of the Standards Committee review the Council's performance in adhering to the core principles of good governance, which form Tower Hamlets Code of Corporate Governance.

The Governance Framework

Vision and Priorities

The Council's 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.

The Council (and Tower Hamlets Partnership) has refreshed the borough's Community Plan through to 2020. This has four new Community Plan themes to make Tower Hamlets:

- A great place to live;
- A prosperous community;
- A safe and supportive community; and
- A healthy community.

Running through this is the core theme of "One Tower Hamlets" with a focus and drive around reducing inequality, strengthening community cohesion and working in partnership. The Council's strategic plan flows from the Community Plan themes and for 2008/09, 15 priorities were identified around all five Community Plan themes.

Underpinning the Community Plan Themes and corporate priorities are the core values, which all officers are expected to adhere to, to build a more effective organisation. The Council's values are:

- Achieving results
- Engaging with others
- Valuing diversity
- Learning effectively

Over the last year, there has been significant consultation with local people through Local Area Partnership (LAP) events, as well as targeted consultation including with young people, older people, faith groups and disabled people. An analysis of key messages form consultation across the Partnership in the last four years was also undertaken. The Vision, themes and priorities of the Community Plan were discussed through the Tower Hamlets Partnership structures which comprises the Partnership Board and Executive, the Community Plan Delivery Groups (CPDGs) and the Local Area Steering Groups. The Council's Corporate Management Team (CMT) and the Cabinet and other members have also had contributed to the Vision and Priorities for the new Community Plan.

As the diagram below shows, the Council aligns its Strategic Framework with the Community Plan. The Council's Strategic Plan for 2008/09 is organised around the themes, priorities and objectives of the Community Plan and shows how the Council both lead and contribute to the delivery of the Community Plan.

The Tower Hamlets Partnership Community Plan and the Council's Strategic Plan fall within the Council's Budget and Policy Framework. This requires that Overview and Scrutiny Committee are given 10 working days to comment on the draft plans, that Cabinet takes account of Overview and Scrutiny Committee comments in their consideration of the draft plans before recommending them to Full Council. Both plans are subject to approval by Full Council.
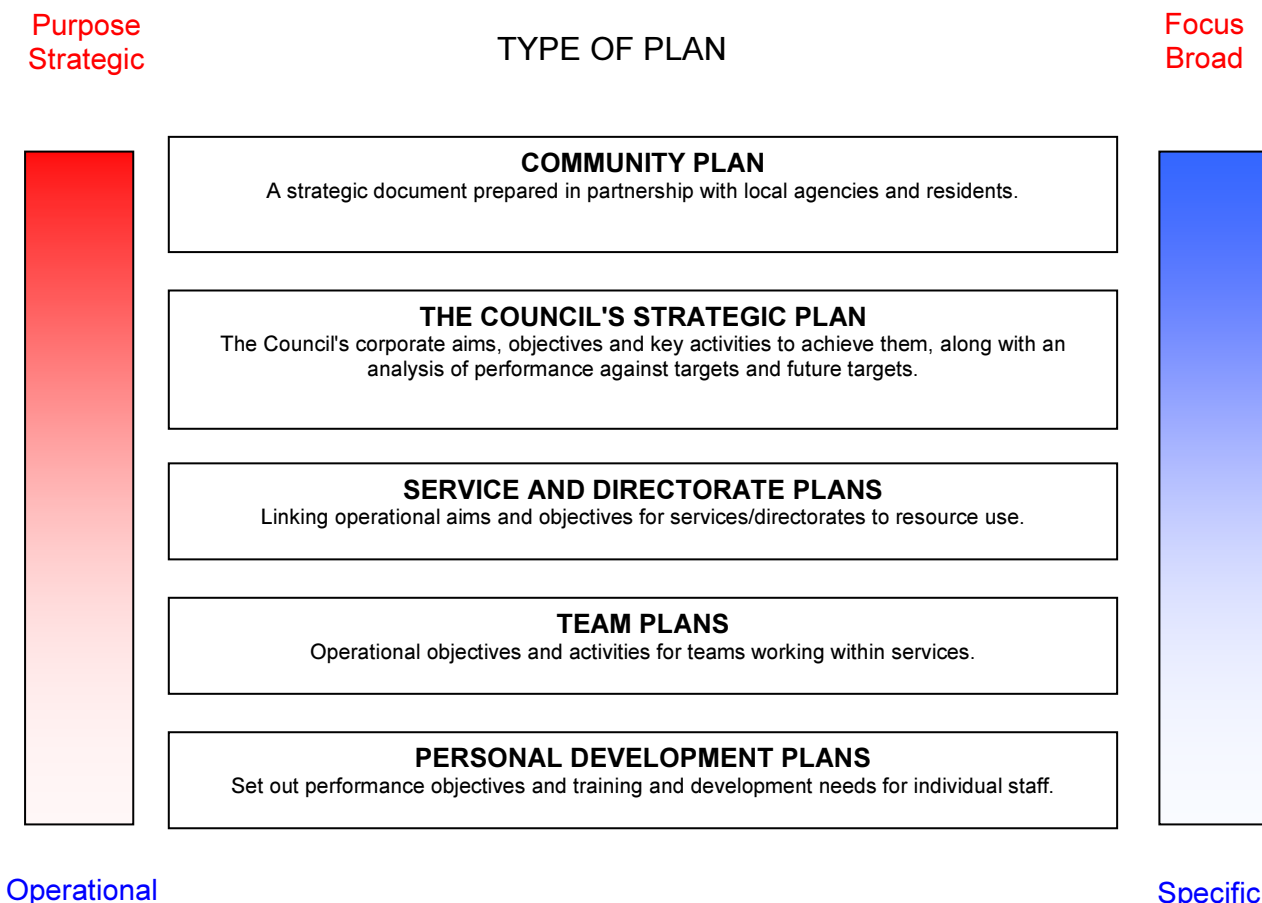
The Council's vision, priorities and objectives are used to structure all directorate, service plans and Personal Development Plans (PDRs). This ensures that there is a "golden thread" that runs from each individual's work through to the Community Plan. This makes sure that the vision, priorities and objectives are communicated at all levels of the organisation. Further communication takes place through the Council's staff newsletter "Pulling Together".

The Strategic Plan is refreshed each year through Overview and Scrutiny, Cabinet and Full Council. The Community Plan will be refreshed every three years.

Quality of Service

The Council operates 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 objectives; and that progress against plans and targets is monitored & evaluated at all levels.

The overall planning framework is illustrated in the following diagram.

Purpose
Strategic

TYPE OF PLAN

Focus
Broad

COMMUNITY PLAN
A strategic document prepared in partnership with local agencies and residents.

THE COUNCIL'S STRATEGIC PLAN
The Council's corporate aims, objectives and key activities to achieve them, along with an analysis of performance against targets and future targets.

SERVICE AND DIRECTORATE PLANS
Linking operational aims and objectives for services/directorates to resource use.

TEAM PLANS
Operational objectives and activities for teams working within services.

PERSONAL DEVELOPMENT PLANS
Set out performance objectives and training and development needs for individual staff.

Operational

Specific

Constitutional Matters

The Council has an agreed Constitution that details how the Council operates, how decisions are made and the procedures that are to be followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is reviewed annually.

The constitution also includes sections on standing orders, financial regulations and conduct of meetings.

During the year the Constitution was reviewed to ensure that it kept abreast of changes within the Council. The Council approves and keeps under regular review all of the strategic policies which it reserves for its own consideration, including:

- the constitution;
- the corporate performance plan;
- the corporate strategy;
- the capital programme and revenue budget;
- the housing strategy; and
- the local development framework.

The Executive is responsible for key decisions and comprises a Leader and a Cabinet, who are all appointed by the Council. All key decisions required are published in advance in the Executive's Forward Plan, and will generally be discussed in a meeting open to the public. All decisions must be in line with the Council's overall policy and budget framework and any decisions the Executive wishes to take outside of that framework must be referred to the Council as a whole to decide. The Council operates a system of delegated authority whereby the Executive delegates certain decisions to the Chief Executive and Senior Officers. This is set out in the scheme of delegation.

During 2008/09 the work of the Executive was scrutinised by an Overview and Scrutiny Committee and a number of Scrutiny Panels. A "call-in" procedure allows Scrutiny to review Executive decisions before they are implemented, and to recommend alternative courses of action.

Codes of Conduct

The Council has 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 above a certain grade and those in certain decision making and procurement positions. Officers are required to generally decline gifts and hospitality to ensure that officers are not inappropriately influenced. These codes and processes are made available to staff at their induction, they are on the intranet and training is available to ensure every staff member understands their responsibilities.

Members are required to make declarations of interest when elected and to consider their interests and make appropriate declarations at each meeting they attend. Members must also declare any gifts and hospitality. Members' declarations and gifts and hospitality records are made public through the Council's website. As part of the adoption of the new members code a number of protocols were reviewed including the one concerning member and officer relationships. The Standards Committee was advised of the change and the revisions that were made to the code.

Compliance with Policies, Procedures, Laws and Regulations

The Council has a duty to ensure that it acts in accordance with the law and relevant regulations in the performance of its functions. It has developed policies and procedures to ensure that, as far as is 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 Instructions, 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.

Effective Audit Committee

Internal Audit provides assurance and advice on internal control to the Corporate Management Team and Members. Internal Audit reviews and evaluates the adequacy, reliability and effectiveness of internal control within systems and recommends improvements. It also supports the management of the Council in developing systems, providing advice on matters pertaining to risk and control.

Internal Audit is overseen by an Audit Committee comprising seven members; four from the majority group and one each from the three largest minority group in proportion of their representation on the Council. The Audit Committee's remit is around the Council's systems of internal control, risk management and governance, as outlines in the CIPFA Code of Practice for Audit Committees. 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 statement of accounts and to consider reports from the Audit Commission. The Audit Committee met four times during the financial year 2008/09.

Whistle Blow and the Complaints Procedure

The Council has a recognised complaints process. This comprises a number of stages to enable the public to escalate their complaints if they are unsatisfied with the answer they receive. Details of complaints are monitored by the Monitoring Officer and Members.

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.

Within the Council the whistle blowing policy is actively promoted and annually, there are a number of whistle blowing events reported. The effectiveness of the policy and the type of issues raised are reviewed and monitored by the Council's Audit Committee on an annual basis.

Tower Hamlets also participates in the National Fraud Initiative (NFI) a computerised data matching exercise, lead by the Audit Commission, designed to detect fraud perpetrated on public bodies. The Corporate Anti Fraud team has actively engaged with the Audit Commission to test and improve the output from the NFI exercise.

Risk Management

The Authority has embedded a Risk Management Strategy to identify and manage the principal risks to achieving its objectives. The Strategy recognises that the Council may not always adopt the least risky option, where the potential benefits to the community warrant the acceptance of a higher level of risk. All reports seeking decisions or approval to a proposed course of action contain an assessment of the risk involved.

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.

Financial Management

Statutory responsibility for ensuring that there is an effective system of internal financial control rests with the Corporate Director of Resources. 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 would be detected.

Internal financial control is based on a well established framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability. Ongoing development and maintenance of the various processes is the responsibility of managers within the Council. The control arrangements in 2008/09 included:

- comprehensive corporate and directorate budgeting systems;
- an annual budget approved by the Council that reflects strategic priorities;
- a risk financing strategy;
- medium-term financial plans and projections;
- regular reporting of actual expenditure and income against budgets and spending forecasts;
- targets to measure financial and other performance;
- clearly defined prudential borrowing framework and indicators; and
- standing meetings of finance managers from across the Council.

The Efficient and Effective Use of Resources

Value for money and continuous improvement are secured through a range of processes, including the application of best value principles and the carrying out of best value reviews. During 2008/09, the Council continued work on its efficiency programme. As part of its service and financial planning process, the Council set a stretch efficiency target and brought performance and perception data into the

consideration of resource allocation. The Audit Commission's most recent Use of Resources assessment reported an improvement in the way the Council seeks to delivery value for money.

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.

Learning and Organisational Development

The Council has 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 can deliver excellent public service. These include a Leadership programme, specific training relating Recruitment and Selection, Risk Management, and computer based training.

Members have a 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. The Audit Committee and Standards Committee have training as part of their agendas and it is intended that in future they will agree specific training plans for themselves annually. 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.

Communication and Engagement

The Council publishes numerous documents on its website as well as providing a weekly newspaper, the award winning East End life to keep members of the public up to date with what is going on.

The Council also engages with citizens through surveys such as the annual resident's survey and a tenants' survey. These help to inform the Council of the population's opinion on the services provided, their experience of services and to influence the Council's priorities for the future. This year the Council has also carried out extensive work to refresh its Community Strategy. To ensure all residents had an opportunity to input into the strategy, the Council identified the hard to reach elements of the community and made arrangements to facilitate participation of these groups.

On a more local basis the Council has a number of community forums which are used to engage with the community. Tower Hamlets has a greater proportion, compared to the rest of London, of young population and has thus engaged with the young people of Tower Hamlets by enabling them to vote for a young Leader of the Council. A number of local residents put themselves forward and a vote was held to elect a Leader to represent the young people of Tower Hamlets. The young Leader has a clear manifesto and is working to make a difference to young people's lives within the borough.

The Council's website is continually being developed to provide more information, enable more services to take place electronically and to receive comments from all stakeholders.

Partnerships

The most significant partnership for the Council is the Tower Hamlets Partnership. The partnership has three stands; the eight local area partnerships which allows residents to influence their locality; the Community Plan Delivery Groups for each of five key themes in the community plan and the Partnership Executive and Board, which has responsibility for developing the overall strategy and for ensuring plans are delivered. The Partnership has its own constitution and its Members are also subject to a code of conduct and make declaration of interest at meetings. The Tower Hamlets Partnership is responsible for delivering the vision and aspirations for the Community in the medium and long term, and the Local Area Agreement (LAA) agreed this year for the period 2008 - 2011 include key targets and indicators following negotiation between the Tower Hamlets and Central Government.

The Council also has important partnership arrangements with the local primary care trusts and has uniquely, appointed a Joint Director of Human Resources to work across both sets of organisations. It is intended that with this appointments and increasingly joined up working, the range of services offered by authority and the primary care trust are delivered seamlessly to the public.

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.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review was conducted in accordance with the assurance framework and therefore focussed on the risks to the fulfilment of the Council's principal objectives, as set out in the Strategic Plan, and the controls in place to manage those risks. The review of the effectiveness of the internal control framework 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 and effective.

- 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 a range of external audit and inspection 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 internal control. The Council is rated as 'four star' and improving well in its Comprehensive Performance Assessment, including a score of three out of four for its use of resources. The results of inspections of individual services have shown significant improvement whilst both Children's and Adults Social Care Services have been awarded 3 stars (out of 3) with excellent prospects for improvement. Children's Services received a score of 4/4 in its Annual Performance Assessment.

- monitoring of performance shows improvement in performance against external measures, the Council's own targets and in comparison to other authorities.

- the provisional outturn on the 2008/09 budget shows that the financial management systems and processes of the Council succeeded in keeping expenditure within planned limits.

Overview and Scrutiny

The Overview and Scrutiny function reviews decisions made by the cabinet and raises proposals for the 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 consider performance information. They also have a key role in reviewing and challenging the Cabinet's budget framework prior to consideration at full Council.

Internal Audit

Internal audit is an independent appraisal function that acts as a control that measures, evaluates and reports upon the effectiveness of the controls in place to manage risks. In carrying out this function Internal Audit contributes to the discharge of the Executive Director of Resources' S151 responsibilities.

The work of the Internal Audit Section is monitored and reviewed by the Audit Committee. Annually the Service Head, Risk Management and Audit 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. For 2008/09, the overall the control environment is adjudged to be satisfactory.

External Audit

The Council's external auditors, the Audit Commission, review its arrangements for:

- preparing accounts in compliance with statutory and other relevant requirements;

- ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice; and

- managing performance to secure economy, efficiency and effectiveness in the use of resources.

The auditors have in their 2007/08 Annual Audit and Inspection Letter and their assessment commented upon the Council's accounts, corporate governance and performance management arrangements. With regards the overall Use of Resources, the Council attained a score of 3. The score of 3 means the authority is performing well and consistently above the minimum requirement.

Significant Governance Issues

The review of the effectiveness of the governance arrangements in 2008/09 has identified some areas where action is appropriate to enhance the control environment and ensure continuous improvement. The areas are set out below. In all cases work is already underway to address the action points as shown by the reference to the strategic or directorate plan of the Council.

Governance Issue	Action taken and next steps	CMT Lead
Optimise asset management across public services to enable Council assets to be utilised in the most effective way.	In February 2009 Cabinet approved an approach to the development of a cross-public sector asset strategy and phase 1 will commence on Summer 2009. This will involve a gap analysis of all public sector property requirements and the generation of options to address these requirements. This work will be undertaken in parallel with the development of the Infrastructure Delivery Plan for the Core Strategy and it is expected the Asset Strategy will be a significant part of the Delivery Plan. The Council has broadened membership of its Capital and Asset Management Board to include the Metropolitan Police and NHS Trusts and representatives attend meetings quarterly to focus on long term asset strategy and other issues of mutual interest {Priority 1.2 (6) – Strategic Plan}.	Corporate Directors, Resources and Development and Renewal
To further enhance the authority's Business Continuity Plans, particularly in	The authority has a framework for business continuity planning and management. However, further	Corporate Director, Communities

Governance Issue	Action taken and next steps	CMT Lead
relation to disaster recovery.	enhancements will be made to ensure the authority can respond to any disaster around testing resilience at directorate level and scenario testing in case of a pandemic {Priority 1.2 - Communities Localities and Culture's Directorate Plan}.	Localities and Culture
Maintain an ongoing drive to deliver decent homes standard by ensuring the Council's ALMO achieves two stars.	A mock inspection of the Council's Arms Length Management Organisation (Tower Hamlets Homes) is planned for mid June 2009. This will allow the ALMO to focus key areas. From discussions that have taken place with the Homes and Community Agency and the Department of Communities and Local Government, funding for this scheme is programmed within their financial projections although the funding is not fully committed at this stage. The authority is also progressing other opportunities around regeneration {Priority 2.1 (15) – Strategic Plan}.	Corporate Director, Development and Renewal
Ensure processes for managing sickness are effective.	Compliance to ensure that managers are taking responsibility for managing sickness cases, reducing absence and effective reporting and monitoring is in place at corporate, directorate and service levels to reduce sickness absence (both long-term and short-term) is taking place. Over 2008/09, further arrangements are planned to reduce sickness by ensuring compliance. The authority also plans to adopt a health and wellbeing strategy, in partnership with NHS Tower Hamlets to promote positive health and self-awareness of individual levels of health and risks attributed to the workplace, home and lifestyle {Priority 1.2 (3) – Strategic Plan}.	Corporate Management Team
Enhance the benefits derived from implementation of SX3 and improve management of Major Works for Leaseholders.	A number of systems related issues arising from the implementation of SX3 to account for leaseholder charges have been identified. A project team created to deal with the issue has	Corporate Director, Development and Renewal

Governance Issue	Action taken and next steps	CMT Lead
	developed an action plan and is working to cleanse data, provide user training, and improve systems and control around the software {Priority 2.1.4.1 – Development and Renewal's Directorate Plan}.	
Arrangements for Safeguarding Children / Child Protection.	Following national scrutiny of safeguarding issues, and the publication of Laming report, the Council is reviewing referral and safeguarding arrangements with social care and where necessary strengthening current arrangements and adopt the DCFS / Laming recommendations. Some key recommendations have already been implemented, for example the appointment of an independent chair for the Safeguarding Board, carrying out audit and assurance on cases within Children's Services and enhancing the use of Framework I, the Council's case management system {Priority 1, Stay Safe, CYPP}.	Corporate Director, Children Services
Improve information governance across the authority.	Following loss of personal data by an employee, a number of steps are being taken to militate against future losses and to protect the information held by the Council. Some of the initiates already taken include the use of BIOS passwords and the development of projects that look to encrypt data and information {Priority 1.7, point 7 – Chief Executive's Directorate Plan}.	Assistant Chief Executive (Legal)
To model an efficiency programme to take account of the likely reduction in revenue funding across the public sector.	The authority's medium term financial strategy has been refreshed and sets out the funding needs to deliver the Council's priorities for three years from 2009/10 to 2011/12. The strategy recognises the need to make efficiency savings in coming years and sets out the level of savings for each of the three years. The authority is taking active steps to continue to provide its services with reduced funding {Priority 1.2 (5) Strategic Plan and priority 8 –	Corporate Management Team

Governance Issue	Action taken and next steps	CMT Lead
	Resource's Directorate Plan}.	
Enhance the benefits derived from effective contract management of key contracts with the private sector.	The council delivers a number of its services in partnership with the private sector. The authority has recognised the scope to enhance current arrangements to improve the value it attains from its legal agreements and as such, is developing a contract management toolkit to achieve enhanced outcomes {Priority 9 – Resource's Directorate Plan}.	Corporate Management Team.

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

………………………………….………

Chief Executive

Date:

………………………………….………

Leader

Date: