

# Annual Governance Statement for the Year ended 31 March 2011

Each year the Council is required by law to produce a statement that details the framework for making decisions and controlling the resources of the Council. The statement includes the council's governance arrangements and highlights any significant issues requiring attention. The statement is designed to enable stakeholders to have assurance that there is an effective decision-making process and that public money is being properly managed on behalf of local residents. The statement complies with the Accounts and Audit Regulations 2003 as amended.

## **Scope of Responsibility**

Newham is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted. Newham 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, Newham is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions including arrangements for the management of risk.

Newham's local Code of Corporate Governance 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 as Appendix 3 to the council's Constitution, with the council's Financial Regulations set out in Part 6 of the Constitution. These documents can be obtained from the council's Monitoring Officer. This statement explains how Newham 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 a statement of internal control.

## **The Purpose of the Governance Framework**

The Governance Framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the Community. These are regularly reviewed. 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 achieving Newham's policies, aims and objectives; to evaluate the likelihood of those risks being realised; the impact were such risks to be realised; and to manage them efficiently, effectively and economically.

The systems, processes, cultures and values comprising Newham's Governance Framework are regularly reviewed.

The key elements of the systems and processes that comprise the Authority's governance arrangements are described in more detail below.

## **Vision and Purpose**

Newham is an ambitious borough and the council's vision is to make **Newham a major business location, a place where people choose to live, work and stay.**

The council cannot achieve this vision alone, and works closely with partner agencies and the community to make this happen. The council participates in and leads the Newham Partnership Board, which has developed the Sustainable Communities Strategy and tracks the activities of the council and its partners. Closer links have been established with the council's formal decision-making process and the partnership Board meets immediately before every other Cabinet meeting. Partnership arrangements, including the structures that support the Partnership Board, are being reviewed alongside a refresh of the Sustainable Community Strategy to ensure a clear and succinct vision for the long-term development of the borough that is targeted and measurable. The revised strategy will be used to underpin the development of our plans to tackle long term worklessness in the borough and to use the regeneration opportunities to benefit local residents and ensure that by 2030 Newham residents have the same quality of life and opportunities as residents in other parts of the capital. We call this ambition 'convergence' and together with the other five Olympic and Paralympics Host Boroughs we have made this our key aim for the legacy of the 2012 Games. All of our policies and activities therefore work towards tackling worklessness and improving opportunities for Newham's residents.

## **The Mayor's Contract**

The Mayor's Contract is produced as a direct result of regular meetings, surveys and other consultation with residents and determines the key priorities for the borough based on what people want to see or change. The Mayor and members are at the centre of our community engagement activity and their contact with residents is key to understanding local priorities. The Mayor's Contract sets out the promises to residents for how improvements will be delivered during the year ahead. Complementing the Mayor's Contract, the Corporate Plan outlines in more detail our plans for the next 12 months and beyond.

## **Corporate and Service Plans**

The council's Corporate Plan sets the strategic direction for the council each year, outlining its contribution to the Sustainable Community Strategy and currently the Local Area Agreement (LAA).

To support the Corporate Plan the council has a service-planning framework. This includes performance measures, risk assessment, equality data and use of resource information. Each service maps their contribution to the Corporate Plan via a Service Plan. Individual Service Plans detail the actions required to make the Corporate Plan happen. The Corporate Plan and Service Plan are monitored quarterly through the Chief Executive's Service Boards. Issues raised through those meetings are considered by the Resources Board to ensure that co-ordinated activity is happening and that the resources required have been appropriately allocated. There is also a range of performance indicators that assist in the monitoring of activity and these are also monitored at the quarterly Service Boards.

The actions required are translated into individual, team and section targets that are set through the council's appraisal process and are monitored through regular one-to-ones with staff.

## **Annual Reports**

The Mayor's Annual Report is published in February each year as part of the mayoral accountability framework, and provides information to residents on progress in implementing local priorities.

The council's Annual Report is published in July/August and includes key activities that were carried out during the previous year (ending 31 March) to achieve the vision. The Report includes performance measures that will measure the impact of the activity being carried out to achieve the themes in the Corporate Plan. These performance measures are those included in the LAA.

## **Performance Management**

In order to maintain a corporate focus on improving performance, the Chief Executive holds Service Boards. On a quarterly basis each Executive Director is held to account by the Chief Executive for the performance of their service. These service boards consider a range of performance information including: a set of key performance indicators and by exception a wider set of indicators; budget monitoring information both capital and revenue; delivery against actions within service plans and on key projects; key risks and an assessment of successes, weaknesses, opportunities and threats.

Following on from the Service Board meetings, the Mayor meets with each Executive Director, again on a quarterly basis, to discuss progress against key projects, indicators by exception to highlight good performance and indicators where improvement is needed and budget monitoring information.

To ensure a focus is maintained each month on performance and budget issues, monthly meetings within each Directorate consider the latest performance and budget information. In addition the Mayor meets with Executive Directors each month to discuss progress on priority issues.

Overview and Scrutiny Committee monitor the network of performance indicators identified above and receive quarterly performance and budget reports which summarise the information received by the Mayor and the Operational Executive. The Mayor and Chief Executive attend the Overview and Scrutiny Committee when these reports are presented.

To support these internal performance indicators, the council commissions and uses research to test the customer and stakeholder experience of services that the council provides. It uses this feedback to drive the services forward to deliver what the public want and to focus resources on the public's priority areas.

External benchmarking is also used extensively to compare the services delivered by the council with others both in the private and public sector. This is used as a tool to assess the cost effectiveness and value for money of services provided by the council.

### **Council Constitution**

This sets out the roles and responsibilities of officers and members. It provides details about how decisions are made and who can make them. It also contains the rules for managing our finances and resources effectively. Under the council's Constitution, the elected Mayor has substantial powers to implement the wishes of the Community and to improve the services provided. The Mayor takes decisions supported by the Cabinet, Executive Advisors and officers. The Mayoral Model provides clear accountability, effective leadership and decision-making. The Full Council retains some strategic decision-making powers such as the Budget Framework and setting of the Council Tax. Officers in each service have schemes of delegation to enable them to handle day-to-day matters. The Newham Executive Board drives forward the delivery of services.

Where a Key Decision is due to be made, the council publishes details in the Forward Plan prior to the decision-making meetings. These meetings are open to the public unless exclusion is necessary for reasons of confidentiality.

The Monitoring Officer ensures that the Constitution is reviewed at least annually. The constitution was most recently amended following the Council's annual meeting in May 2010. As part of the Constitution, the council has a set of protocols. These are reviewed by the Standards Committee on an ongoing basis. Full Council approves changes to the Constitution.

### **Codes of Conduct**

The council has a Code of Conduct for officers and has responded to the consultation on a new statutory Code for Officers. The council's current Code and protocols relating to officers are 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. Each quarter managers are provided with lists of officers from whom a declaration is required. 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 online training is available to ensure every staff member understands their responsibilities. All declarations can be made on-line and are automatically referred to the manager for approval under the on-line system.

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. Every six months a reminder is sent to members reminding them of the need to review their declarations. An item and advice is included with all council and Committee agenda, reminding members of the requirements of the Code.

The Standards Committee has revised its procedures and established Sub-Committees for the purposes of discharging its functions in relation to the local assessment of allegations of breach of the Members' Code of Conduct.

### **Rules and Regulations**

The council's rules and regulations form part of the Constitution. Integral to the constitution are the Mayor's and Officers' schemes of delegation. The schemes set out who is authorised to make decisions in particular areas. The Officers' schemes of delegation are currently being reviewed and revised following the extensive restructuring of a number of services across the council. This process will be completed by the end of December 2010 when placed before the Cabinet and Council for adoption after which the constitution will be published on the Council's website.

Alongside this, the council has financial regulations which provide details of officers' responsibilities for the council's control environment relating to income, expenditure, internal control, risk management and partnerships. To support officers when they are making purchases, the council has Contract Standing Orders which are contained in the constitution and has developed guidance, templates and model documents to assist with procurement activity. All procurement guidance was been reviewed and updated during 2009.

### **Compliance with Policies, Laws and Regulations**

The Constitution sets out the legal framework for making decisions and publishing them. There is a robust scrutiny system in place to ensure that the work of the council complies with all appropriate policies, laws and regulations. The Overview and Scrutiny Committee has the power to "Call-In" and challenge any Key Decisions.

They actively scrutinise the budget proposals made by the Mayor and they can refer any matters to the Full Council. Most of their work relates to reviewing and developing policies and services.

The council has the following statutory officers: Head of Paid Service (the Chief Executive), the Chief Finance Officer under s151 of the Local Government Act 1972 (the Executive Director of Resources) and the Monitoring Officer (Divisional Director of Legal, Human Resources and Democratic Services). Each has the power to refer matters to the Full Council if a breach of regulations is possible. These officers meet regularly to discuss issues arising. None of these officers have been required to use their powers during the year. The statutory officers provide professional advice on all key decision-making reports to ensure legal, financial, risk management, procedure and equality implications are addressed.

Under the provisions of the Children Act 2004, the Local Authority must appoint a statutory officer with responsibility for children. This role is carried out by the Executive Director for Children and Young People. The council is required to appoint a lead Member for Children Services and Councillor Rev. Quentin Peppiatt is on the council's Cabinet with this portfolio. The council has an Executive Director with responsibility for Adults under the provision of the Social Services Act 1970 (the Executive Director for Adults, Community and Leisure) and there is also an elected member with this portfolio, the Executive Member for Older People and Adults, Councillor Joy Laguda, who is a member of the Cabinet.

### **Whistle-blowing**

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 Board.

### **Complaints Process**

The council has a recognised complaints process. This takes the form of a three-stage process enabling the public to escalate their complaints if they are not satisfied with the answer they receive. Performance on responding to complaints is monitored by relevant senior management teams and reported to the Chief Executive's quarterly Service Board. Details of complaints are monitored by members.

The Mayor and members also receive enquiries and complaints via their surgeries, walkabouts and question-time activities. The council has a team of staff supporting members in addressing these queries to ensure that the public receive an appropriate answer.

### **Freedom of Information**

The council received 642 Freedom of Information Act requests during the first two quarters of 2010. If this trend continues over the next two quarters, then the total figure for FOI requests in 2010-11 will be significantly higher than that for 2009-10. The target for responding within 20 days for 2010/11 has been set at 90%. The council received a letter from the Information Commission at the end of August regarding concern about the timeliness of our response. Returns are being made to the Information Commissioner and management action is being taken to improve response time.

### **Corporate Health and Safety**

The council has a robust reporting procedure to the Health and Safety Executive (HSE) under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR). The reportable categories under RIDDOR are: deaths and major injuries; dangerous occurrences; and reportable diseases. The council does not report to the HSE where a contractor is responsible for the site in question on behalf of the council such as housing and leisure centres. Last year, the council reported two incidents as 'Dangerous Occurrences: escape of substances.' The council took appropriate action as a result of the reporting and there were no prosecutions by the HSE.

### **Learning and Organisational Development**

The council has now implemented a new appraisal scheme which ensures that every employee receives a quarterly appraisal to discuss performance, goals and any personal development needed to achieve them. The

council provides a range of training opportunities for managers and staff to ensure that they can deliver an excellent service. These include Managers' toolkit events, such as Recruitment and Selection, Conduct, Capability and Managing People through Change. The council is committed to inducting new employees effectively and provides Induction guidance, delivers the corporate 'Welcome Event' for all new employees. New Managers are also given Corporate Governance training. The council has agreed a framework for managing people which articulates the council's approach to leadership development, talent management and employee development, employee engagement, culture change and performance management.

Risk Management and computer training is also provided. The council is developing its e-learning delivery capacity and has developed on-line governance and financial training. NEB has agreed that a number of the Managers' Toolkit events are mandatory for employees in management positions and the council ensures it provides sufficient resources in these topics.

Members have a support officer and a development programme to keep them up to date with changes and to support training needs. Training is supplemented by information through briefings, conferences and ward bulletins. Web pages tailored for individual councillors are currently being developed which will give members access to local and borough-wide information and act as a portal to information which will assist councillors in performing their duties. The council also operates an Influential Councillor Scheme whereby members are consulted on policies and decisions that are likely to impact on their constituents. The Audit Board, Investment and Accounts and Standards Committee have training as part of their agendas and 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. This applies to Licensing and Employment appeals.

### **Communication and Engagement**

In Newham community engagement is led from the top. Newham's elected Mayor and Councillors have regular and widespread contact with residents and communities throughout the borough. They have a key role in listening to and talking with local people about their aspirations, as well as the day-to-day issues that affect their quality of life. The Mayor of Newham, for instance, personally undertakes an extensive schedule of listening opportunities through open question-times, borough events and residents' surgeries across the borough. From these many contacts, the Mayor and councillors are well informed to take decisions that aim to improve people's lives and futures.

Community engagement is a key strength for Newham. We attract over 100,000 people a year to our free community events, designed to get people from different backgrounds and areas together, get them active and provide information on how they can make the most of local services from the council and partners. We have the biggest community activities programme in the country, including sports and cultural activities and community events.

Newham is recognised as one of the leading local authorities in the area of community leadership and engagement. More residents say they feel able to influence decisions here than in any other local authority. Newham's approach to community leadership and engagement has been recognised by a number of regional and national bodies (for example by The Young Foundation and The Joseph Rowntree Foundation<sup>1</sup>, the Community Development Foundation<sup>2</sup> and London Councils<sup>3</sup>), and Newham established and facilitated the London Boroughs' Community Engagement Network.

A Community Lead Councillor is appointed by the Mayor to lead activity and engagement in each of the nine Community Forum Areas, working alongside ward councillors. This work includes engagement with all residents, schools, businesses and community groups and the representation of local concerns and priorities for improvement to the council via local service reviews. This has enabled involvement in determining where money is spent on local schemes such as highway improvements, parks and Controlled Parking Zones. There is full and thorough engagement locally through the local lead councillors and public meetings, which have helped to direct the priority areas for spend in each of the community areas. Community Lead Councillors work closely with Active Communities Team volunteers to instigate local projects and arrange neighbourhood events and activities.

Newham has a very young population and this year marks the fourth election of a Young Mayor of Newham. Any young person aged 11-18 who lives, studies or works in the borough – or is cared for by the borough – is eligible to stand for election and vote in the election. The Young Mayor has a clear manifesto and works to make a difference to young people's lives within the Borough. The Youth Council comprises the 14 runners-up in the Young Mayor's election, plus representatives from each of the 15 school councils.

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<sup>1</sup> Saffron James and Ed Cox (2007) *Ward Councillors and community leadership: a future perspective*

<sup>2</sup> Michael Pitchford, Tom Archer, Sally Ramsden, (2009) *The Duty to Involve: Making it Work*, Community Development Foundation

<sup>3</sup> London Councils, (2010) *Trust in Democracy*, London Councils

We support Newham's carers, for example participating in a Carers' Rights Day, and reach out to the older community and those with disabilities, with programmes including free swims for the over 60s and winter warm centres.

The council also understands residents' priorities and needs through surveys and ongoing consultation. These include the Liveability Survey, Newham Annual Residents' Survey and Newham Household Panel Survey which are used to provide a detailed understanding of our population, their priorities and the services the council needs to provide. The findings of such surveys directly inform corporate planning processes, service improvements and ongoing policy making. We use a range of tools to engage directly with service users, including user and partnership groups, consultations on specific issues and user surveys, such as the regular Tenants and Leaseholders Survey – again informing service improvements and policy issues.

The council has strong and proactive communication channels, including:

- the use of marketing projects to promote council services such as recycling;
- new media such as the website – recently refreshed to make it easier to navigate and do business with the council – which is due to be improved this year to make sure that residents can do more via the website, such as requesting services or paying more bills online;
- large events such as the Mayor's Town Show, Under the Stars – a series of free concerts – the Waterfront Festival and Fireworks Night;
- publications - a fortnightly Newham magazine and community forum newsletters to keep members of the public up to date with council and partners' services; and
- media relations.

The council engages with staff through the intranet, the monthly Insider magazine, bulletins to managers, weekly emails from the Chief Executive, regular briefings from senior managers and events for all staff hosted by senior managers. The council also engages with its staff through the annual Staff Satisfaction Survey, the results of which form the basis of an action plan to address key issues.

The council has an annual corporate planning process which involves reviewing and determining priorities for the forthcoming year, embedding them into our corporate and service plans, communicating the priorities to residents and reporting back to them through the council's Annual Report which was published in August 2009.

### **Partnerships**

The most significant partnership for the council is the Local Strategic Partnership, led by the Newham Partnership Board. The Partnership is governed by its own constitution. Members are also subject to a Code of Conduct and make declarations of interests at meetings. The Sustainable Community Strategy sets out the vision and aspirations for the community in the medium and long term, and the Local Area Agreement (LAA) agreed for the period 2008 – 2011 includes key targets and indicators. The LAA is no longer a statutory requirement but the Partnership will ensure that it continues to monitor relevant performance indicators which help the Council and its Partners to understand how we are improving services and opportunities for residents.

The council also has important partnership arrangements with the local Primary Care Trust (PCT) and will be working closely with the Health sector as proposals for new arrangements for health governance and delivery across the country are developed. Currently our joint work covers a range of services, joint commissioning and are aimed at delivering a seamless service to the public. The Chair of the Newham Primary Care Trust is an observer at Cabinet, and the Mayor's Adviser on Health is an associate member of the PCT Board. The Partnership also has a Health and Well Being Partnership Board which involves partners from the public, private and third sectors.

There are also partnership arrangements with the Police, Probation and youth justice services to help to meet the targets for reducing crime and making Newham a safer and stronger community through the Crime Reduction Partnership Board, chaired by the Chief Executive. The Council also has Partnership Boards for the Children and Young Peoples' Trust which has a key role in developing a joint strategic approach to the delivery of services and improving outcomes for Newham's young people.

### **Review of effectiveness**

Newham has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Executive Directors, Divisional Directors and Statutory Officers within the Authority (who have responsibility for the development and maintenance of the governance environment), the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Executive Directors and Divisional Directors have responsibility for the development and maintenance of the internal control environment. The review has been made more robust by obtaining annual reports from

Divisional Directors, Executive Directors and Statutory Officers commenting upon compliance with the council's control framework. These reports have also identified areas for improvement during 2010/11. The review identifies and evaluates key controls in place to manage the principal risks facing the services. The assurances received are evaluated by an officer group chaired by the Executive Director of Resources. This includes identifying weaknesses in either controls or assurances and developing an action plan to address any significant governance issues. The results of this review are reported to the Newham Executive Board and the Audit Board. The Audit Commission and the External Auditor produce an annual report to those charged with Governance. This sets out their opinions in relation to accounts, governance and performance.

### **Internal Audit**

Annually the Chief Internal Auditor is required to give an opinion on the internal control environment and the level of assurance that can be gained from the work carried out by the section. 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 Board.

The interim opinion given by the Chief Internal Auditor is that the control framework is currently adequate.

The Internal Audit section provides three services to the council; audit, compliance and counter fraud. Each area has a contribution to the Chief Internal Auditor's opinion by contributing to the council's control framework as shown below:

#### Audit

The audit section has a plan of work that is discussed with Audit Board and agreed by the Section 151 Officer. The plan is kept under review during the year and is adapted to take account of changes in circumstances within the authority and to assist in supporting services where weaknesses have been identified. It is anticipated that the section will deliver at least 90% of the audit plan this financial year. The plan is intended to provide assurance to managers that the controls put in place address the council's risks and are working effectively.

The section works in accordance with the CIPFA Code of Internal Audit Practice for Local Government in the United Kingdom (2006). A self assessment against the code was carried out and will be reported to members in February 2011. This year we have also looked at comparing ourselves with the Better Governance Forums Effective Internal Audit guide in order to consider if there are further improvements to be made. Once again Newham took part in a peer review in May. This year the assessment was carried out by Havering council. They followed up the previous review and determined that of the 3 recommendations previously made 2 were fully implemented and one partially. There are 107 standards within the CIPFA code, Internal Audit currently meet 105 (98%) completely; 1 is partially and 1 not compliant. The standard we do not comply with relates to an activity we do not carry out within Newham.

Summaries of Audit reports are provided to the Audit Board on a regular basis along with performance monitoring information. All the reports mentioned above assist Audit Board members in reviewing the effectiveness of the system of internal audit which is required to be carried out annually by them to comply with the Accounts and Audit regulations.

#### Compliance

The compliance team has a work programme designed to cover all the major areas for the whole council over a 5 year period. Their work is delivered annually through a range of projects aimed at maximising coverage across the council and providing coverage of against a number of rules and regulations. The work involves a greater degree of testing than takes place within audits. The result of their work feeds into the council's organisational health check indicators and is used as part of a challenge process to improve compliance with the council's control framework.

#### Counter Fraud

Audit Board receive plans, standards and performance data to enable them to monitor activity in this area. They also review the counter fraud policies to ensure that they are fit for purpose. These reviews form part of members' assessment of the system of Internal Audit as required by the Accounts and Audit Regulations.

The section has a role in preventing, detecting and deterring fraud. It uses a number of methods to achieve these objectives. The section runs training courses and workshops to raise awareness of the risk of fraud to assist with fraud prevention. It uses publicity to help deter and prevent fraud by letting people know that they will be caught and about the type of sanctions that they can expect. In terms of detection the section participates in data matching exercises with the Department for Work and Pensions but also through the National Fraud Initiative run by the Audit Commission.

The section works to the CIPFA Counter Fraud standards and regularly assesses compliance with these standards. The latest assessment is being reported to Audit Board in February. There are 55 standards and we currently comply with 49 standards (89%), 5 (9%) are partially met and 2 (2%) are not met because they are not applicable in a local authority.

Where fraud investigations take place they are usually the result of control weaknesses in the system. There is a system in place to report any weaknesses identified to managers for them to take corrective action and put in preventative controls to stop a recurrence.

### **Audit Board**

The council has an Audit Board comprising elected Members drawn from Cabinet, Executive Advisors, Overview and Scrutiny, the Back-Bench and three independent Board members who are co-opted. They meet up to eight times per year. Their role is to review the council's Internal Control Framework and to hold the Executive to account for any apparent failures. Board members receive regular training and briefings on matters relating to their terms of reference to keep them up to date. During the year the Audit Board has called officers to its meetings to explain how they are progressing with internal and external audit recommendations. The Board has received a range of reports from the internal and external auditors to assist them in considering the effectiveness of the council's Control Framework. The Board also receives regular reports on internal audit, risk management and counter fraud performance. These reports contribute to the Board's review of the effectiveness of the council's system of internal audit.

### **Overview and Scrutiny**

The Overview and Scrutiny function, reviews decisions made by the Mayor. The focus of their role is 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 Mayor's budget framework prior to consideration at Full Council.

### **External Audit**

The financial statements of the London Borough of Newham are audited externally in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing practices Board.

External auditors are appointed to the Council by the Audit Commission. The external auditors undertake a series of thorough and comprehensive audits that cover matters including financial reporting, financial stewardship and the Council's approach to its use of resources. They provide assurance concerning the accountability for public money and ensure sufficient evidence is available to give reasonable assurance that the financial statements and related notes are free from material misstatements, whether caused by fraud or other irregularity or error. The overall adequacy of the presentation of information in the financial statements and related notes is also evaluated.

Each year the Council receives a report from its external auditor on the quality of its financial and management administrative arrangements. The most recent audit letter, which was presented for Members' consideration before the Audit Board on the 21 July 2010, indicated that the Council's financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the code of practice on Local Authority Accounting in the United Kingdom 2009, of the financial position of the Authority as at 31 March 2010.

The external report to those charged with Governance (ISA2670), mentioned above, was presented to Audit Board significantly earlier than in previous years and the statutory deadline. Last year the same report was considered at Audit Board on 21st September. Suitable accounting policies applied consistently and reasonable and prudent estimates complying with the Code of Practice resulted in a greater deal of assurance from the external auditors that we had taken all reasonable steps for the prevention and detection of fraud and the achievement of value for money.

The External Auditor is no longer required to carry out work relating specifically to the Use of Resources judgement within the Comprehensive Area Assessment (CAA). All work in this area ceased at the end of May 2010. The Audit report does, however, give opinion on the results of audit work supporting value for money and must be satisfied that we have made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## Significant Governance Issues

### 2009/10 Significant Governance Issues

The review process to support the production of the Annual Governance Statement in 2009/10 identified just one Significant Governance issue as tabled below. The action has been updated in italic text to reflect the comments received from the Executive Director on progress made during 2010/11.

Control Area	Governance Issue	Action Taken	Responsible Officer
Regeneration	Weaknesses in the management processes for the control of Section 106 contributions.	<p>A cross-departmental review was undertaken led by finance. A report was taken to Cabinet in December detailing the creation of a Section 106 Task Force comprising Finance, Planning and Legal officers along with representatives from other relevant services. New procedures have been implemented and a follow on report was taken to Cabinet in January 2010.</p> <p>At the Audit Board 8 February the Chair requested that a report is brought to next available Audit Board.</p> <p><i>A new audit was undertaken and a draft management action plan is in the process of being prepared.</i></p>	Executive Director of Regeneration, Property and Planning

### 2010/11: Significant Governance issues

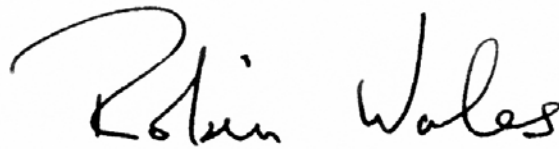
The review process to support the production of the Annual Governance Statement identified the following Significant Governance issues as shown in the table below.

Control Area	Governance Issue	Action Taken	Responsible Officer
Children and Young People's Services (CYPS)	Weaknesses in school procurement practices	A review and update of the specific guidance relevant to school procurement will be undertaken and issued to schools with further advice and support made available. This will specifically include: revision of the purchasing/procurement section in the Schools' Financial Manual; the relevant parts of Fair Funding; and terms of reference for Governing Bodies and committees.	Executive Director, CYPS
Children and Young People's Services	Data loss: Personal Information	Matter investigated internally and management action has been taken to improve the protection of confidential information.	Executive Director, CYPS
Environment	Data loss: names of local landlords and agents seeking to join the Council's bond scheme	Information Commissioner's Office notified about the breach. Investigations have been undertaken and are currently ongoing. Management actions identified include review of and improvements to security controls; raising staff awareness; recovering IDs when staff leave the employ of the Council.	Executive Director, Environment

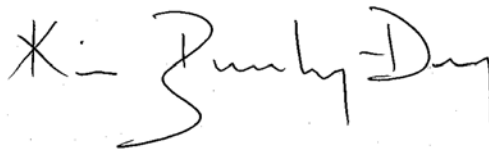
Resources	Data loss: staff names in response to an FOI query	Management action has been put in place to prevent repeat of error which led to release of sensitive personal details.	Executive Director, Resources
	Blank Short-form birth certificates missing from Registrars' office	Full investigation instigated and the General Register Office informed. Child Benefit offices also notified of loss of blank forms. Management action has been put in place.	Executive 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 improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed**



**Sir Robin Wales  
Mayor**



**Kim Bromley-Derry  
Chief Executive**