



Department for
Communities and
Local Government

Mr Stephen Halsey
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Sir Bob Kerslake
*Permanent Secretary, DCLG
and Head of the Civil Service*

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Dear Mr Halsey,

As you will see from the attached letter from Helen Edwards, Director General of Localism at the Department for Communities and Local Government, the Secretary of State has, in exercise of his powers under section 10 of the Local Government Act 1999, appointed PricewaterhouseCoopers LLP (PwC) as the person to carry out an inspection of the compliance of the authority known as the London Borough of Tower Hamlets with the requirements of Part 1 of the 1999 Act in relation to the authority's functions in respect of governance, in particular the authority's functions under section 151 of the Local Government Act 1972.

In making this appointment the Secretary of State has had regard to certain documents that the Department has received about governance in Tower Hamlets, and the review of these documents undertaken by PwC, which recommends that appropriate further investigations are carried out to establish whether allegations about poor governance and possible fraud have any foundation. I should advise you that certain material is also being passed to the police for their consideration. He has also had regard to the BBC Panorama programme broadcast on 31 March 2014, which made allegations about governance failures, poor financial management and possible fraud at Tower Hamlets, particularly in relation to grant payments.

The Secretary of State has given certain directions to PwC in relation to their undertaking the inspection. PwC are directed that the matters to be covered initially by the inspection should in particular relate to: the authority's payment of grants and connected decisions; the transfer of property by the authority to third parties; spending and decisions of the authority in relation to publicity, and the authority's processes and practices for entering into contracts. PwC are also directed that the inspection cover matters in relation to the period from the date at which the Mayoral form of governance was implemented in Tower Hamlets, on Monday 25 October 2010, to the present.

It is envisaged that PwC will report the findings of the inspection to the Secretary of State by 30 June 2014, although a later report date may be agreed between PwC and the Secretary of State.

Finally, section 11 of the Local Government Act 1999 provides that an inspector has a right of access at all reasonable times to any premises of the authority and to any document, including electronic documents, relating to the authority which appear to the inspector to be necessary for the purposes of inspection. Statute also provides that the authority shall provide the inspector with every facility and all information which the inspector may reasonably require for the purposes of inspection, and that the authority being inspected must pay the reasonable fees of the inspector. I am sure that you will ensure full co-operation with the inspection.

A handwritten signature in black ink, appearing to read 'Rb Kerslake', with a stylized, cursive script.

SIR BOB KERSLAKE