

Committee: General Purposes Committee

Date: 27 June 2013

Agenda item: 8

Wards: All

Subject: Annual Governance Statement 2012/13, Annual Internal Audit Report

Lead officer: Caroline Holland – Director of Corporate Services

Lead members: Chair of General Purposes Committee

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Recommendations:

- A. That the General Purposes Committee agrees the Annual Governance Statement.
 - B. That the General Purposes Committee review and comment on the Internal Audit Annual Report 2012/13
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 Merton Council is required to prepare an Annual Governance Statement (AGS) for the year 2012/13. This statement is required in order to comply with Regulation 4(3) of the Accounts and Audit Regulations 2011.

2. DETAILS

- 2.1 The purpose of the AGS is to report on the robustness of the Council's governance arrangements. Corporate governance is defined, for the purposes of this report, as:

“ The framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, and lead and control their functions, to achieve objectives. The quality of corporate governance arrangements is a key determinant of the quality of services provided by organisations.”

- 2.2 The AGS is effectively a commentary on how well Merton Council manages itself. In recognition of this, a Corporate Governance Steering Group was established in 2007/08, the first year when the AGS came in to force, in order to oversee and advice on the preparation of the AGS. The current membership of this group is:

Caroline Holland	Director of Corporate Services
Paul Dale	Interim Assistant Director - Resources
Paul Evans	Assistant Director Corporate Governance
Margaret Culleton	Head of Audit
John Dimmer	Interim Head of Policy, Strategy and Partnerships
Zoe Church	Head of Business Planning
Fiona Thomsen	Head of Legal Services
Julie Regan	Head of Democratic Services

2.3 The Framework consists of six core principles:

Principle 1

Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Principle 2

Members and officers working together to achieve a common purpose with clearly defined functions and roles

Principle 3

Promoting values for the authority and demonstrating the values of good

Principle 4

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Principle 5

Developing the capacity and capability of members and officers to be effective

Principle 6

Engaging with local people and other stakeholders to ensure robust public accountability

2.4 During 2012, a CIPFA/SOLACE Joint Working Group reviewed the *Delivering Good Governance in Local Government: Framework*, first issued in 2007, to ensure it remains fit for purpose. In December 2012, the Joint Working Group issued an addendum to the framework and a revised guidance note.

2.5 The guidance note highlights a number of developments since the launch of the framework

Transparency

2.6 The government is committed to increasing transparency across Whitehall and local authorities in order to make data more readily accessible to the citizen and to hold service providers to account. The Department for Communities and Local Government published *The Code of Recommended Practice for Local Authorities on Data Transparency* in September 2011, which is concerned with enshrining

the principles of transparency. A report was issued to Overview and Scrutiny commission in April 13. The council has met most of the requirements of the code and plans to meet the remaining requirements by the summer 2013.

Localism Act 2011

- 2.7 The Localism Act includes a number of provisions intended to give local government new freedoms and flexibility, including:
- the 'general power of competence' which gives local authorities the legal capacity to do anything an individual can that is not specifically prohibited, and
 - a new duty to promote and maintain high standards of conduct, following the abolition of the standards board regime. Local authorities are required to draw up their own codes of conduct.

A new code is now in place and declaration of interests updated.

Health and Social Care Act 2012

- 2.8 This Act restructures public health services nationally and locally. At a local level, local authorities will have responsibilities for public health and are required to appoint a director of public health and create a health and wellbeing board. While objectives will be set nationally for improving population health, local authorities will have the freedom to determine the means by which they are achieved. The council has now appointed a director of public health and set up a health and wellbeing board.

The Role of the Chief Financial Officer

- 2.9 In 2010, CIPFA issued the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government*. It sets out five principles that define the core activities and behaviours that belong to the role of the chief financial officer and the governance requirements needed to support them. All these principles have been met.

The Role of the Head of Internal Audit

- 2.10 In 2010, CIPFA also issued the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations*. Its purpose is to clarify the role of the head of internal audit in public services and to raise its profile. CIPFA's statement sets out five principles that define the core activities and behaviours that belong to the role of the head of internal audit and the organisational requirements needed to support them. All these principles have been met.

Changes to Local Authority governance structures

- 2.11 Commissioning and Partnerships with other local authorities and sectors are being used more to deliver public services in local authorities. Each partner organisation may have its own governance and accountability structure, its own code of conduct and risk management arrangements. It is important that clear lines of accountability for stakeholders and customers are demonstrated.

Internal Audit Annual Report

- 2.12 The council has a responsibility for conducting, at least annually, an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. The review of effectiveness of the system of internal control is informed by the work of the internal auditors. Effectiveness of the system is also conveyed by Directors, Assistant Directors and Heads of Service within the authority that has responsibility for the development and maintenance of the internal control environment.
- 2.13 The Annual Report summarises the work of Internal Audit in 2012/13 and provides the Head of Audit opinion on the adequacy and effectiveness of the internal control environment.
- 2.14 The overall opinion is that the internal control environment is satisfactory. *64% of Internal Audit reviews provided satisfactory or above levels of assurance. This is the slightly lower than last year (68%).*
- 2.15 Some concerns still remain in procurement/contracts issues, with a number of issues being raised by Internal Audit.. and Business Continuity also need updating.

3. ALTERNATIVE OPTIONS

- 3.1 There are no alternative options as the AGS is a statutory requirement, as stated at paragraph 1.1 above.

4. CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1 No external consultation has taken place or is planned for this document.
- 4.2 The Standards Committee considered this report on 18 June 2013 after the despatch of this agenda. Any comments of the Standards Committee will be reported to this meeting.

4. TIMETABLE

- 5.1 This report has been prepared to meet the timetable for the approval of the Statement of Accounts.

5. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1 There are no specific financial, resource or property implications apart

from the need to implement the AGS Improvement Plan, which will be completed within existing resources

6. LEGAL AND STATUTORY IMPLICATIONS

- 6.1 The AGS is a statutory requirement, as stated at paragraph 1.1 above.

7. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1 There are no specific human rights, equalities or community cohesion implications, except in so far as this report is wholly concerned with good governance

8. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 9.1 There are no specific risk management or health and safety implications other than the assessment of the Council's risk management arrangements in the AGS

9. APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- 10.1 Appendix 1: Annual Governance Statement 2012/13
10.2 Appendix 2: Internal Audit Annual Report

10. BACKGROUND PAPERS – THE FOLLOWING DOCUMENTS HAVE BEEN RELIED ON IN DRAWING UP THIS REPORT BUT DO NOT FORM PART OF THE REPORT

- 11.1 CIPFA / SOLACE Delivering Good Governance in Local Government – Framework
11.2 CIPFA / SOLACE Delivering Good Governance in Local Government – Guidance Note for Local Authorities 2012
11.3 CIPFA Rough Guide to Annual Governance Statement

ANNUAL GOVERNANCE STATEMENT 12/13

This statement from the Leader and the Chief Executive, provides assurance to all stakeholders that within the London Borough of Merton processes and systems have been established, which ensure that decisions are properly made and scrutinised, and that public money is being spent economically and effectively to ensure maximum benefit to all citizens of the borough.

1. Scope of responsibility

- 1.1 Merton Council 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 for, and used economically, efficiently and effectively. Merton 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.
- 1.2 In discharging this overall responsibility, Merton Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 Merton Council 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*.
- 1.4 This statement explains how Merton Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 which requires all relevant bodies to prepare an annual governance statement

2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. 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 services and value for money.
- 2.2 The system of internal control is a significant part of that 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 the achievement of London Borough of Merton policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

- 2.3 The governance framework has been in place at the London Borough of Merton for the year ended 31 March 2013 and up to the date of approval of the annual report and statement of accounts.

3. The governance framework

- 3.1 The framework describes the key elements of the systems and processes that comprise the authority's governance arrangements including arrangements for:

Principle 1 Focusing on the purpose of the authority and creating and implementing a vision

- 3.2 The Merton Community Plan has been developed by the Merton Partnership and sets the overall direction and vision for the borough until 2019. This is supported by the Council's Business Plan and Departmental Service Plans. These are reviewed and updated annually.

- 3.3 The Council's Business Plan 2012-16 sets out the following vision:

'By 2015 Merton Council will be smaller, reducing in size by up to a third. Our top priority will continue to be to provide safe services of the best possible quality. Providing value for money services to our residents is at the heart of our business and we must be able to demonstrate that all of our services represent best value for money. We will do this by finding innovative solutions to maximise future efficiency.

We will deliver services that customers want and need and, where possible, involve our customers in service specification and design.

Delivering quality and value services in an era of significantly reduced resources will require strong and determined leadership. A single business view is essential to ensure a 'One Council' approach is followed in everything we do. Leaders at all levels will be visible and lead by example.

Change of this magnitude will only be achieved through a unified effort.

- **Get Involved!** – identify and implement improvements.
- **One team** – Directors, managers and staff have an equal part to play.
- **Learn** – from each other, our mistakes and from what our customers say.
- **Determination** – to try out new ideas'

Performance management

- 3.4 The council has robust performance management arrangements in place and as part of the service planning process, performance indicators are challenged by the Business Planning team, Departmental Management Teams (DMT), Corporate Management Team, reviewed by members and Overview and Scrutiny.

- 3.5 Performance data on the service plan indicators are published on both the intranet and internet on a monthly basis. Progress on performance is regularly reviewed by DMT's and members.
- 3.6 Performance reports on partnership working are produced for the Merton Partnership Executive Board on a bi monthly basis.

Financial strategy and financial management

- 3.7 The council has approved a four year Medium Term Financial Strategy (MTFS) for the years 2012/13 to 2015/16, which is aligned and integrated with its business plan priorities, and incorporates the revenue and capital expenditure implications of budget proposals. The MTFS is reviewed, and rolled forward; annually in order to ensure that the council's scarce resources are focused on achieving the council's vision, strategic objectives, and statutory functions as set out in the Business Plan.
- 3.8 Merton's financial performance is reported on a monthly basis to the Corporate Management Team, and action plans are prepared if any likely major variations are identified. Regular reports are made to the overview and scrutiny commission and panels, and to the council's cabinet. These are used to inform the MTFS process. Ongoing implications of current year spending pressures are incorporated into the MTFS and future years' budgets as appropriate. For 2012/13 the overview and scrutiny commission has established a sub group that will review the financial position in more detail on a quarterly basis.
- 3.9 Following on from the work undertaken as part of the support services restructure, the 2012/13 budget process incorporated service reviews for all service departments activities. As a result budget managers have identified a multi year savings programme which has made a significant contribution to balancing the budget.

Partnerships

- 3.10 The Merton Partnership – the local strategic partnership (LSP) – is the overarching strategic partnership and is responsible for the delivery of the Sustainable Community Strategy (the Merton Community Plan). The Partnership Governance Handbook and the Performance Management Framework set out the respective governance and performance management arrangements for the Merton Partnership (including the thematic partnerships sitting under the Partnership and Executive Board, namely the Shadow Health and Wellbeing Board, the Children's Trust, the Sustainable Communities and Transport Board, and the Safer and Stronger Strategy Group (which also serves as the Crime & Disorder Reduction Partnership)). The Merton Partnership website is <http://www.mertonpartnership.org/>.
- 3.11 The relationship and conduct between the Council and voluntary sector is set out in the Merton Compact 2011. The Compact is monitored by the Compact Board comprising representatives from Merton Council (political and officer), representatives from the voluntary and community sector and representatives from other public sector bodies as well as the local Chamber of Commerce. Funding Officers Guidance sets out the Council's approach to funding voluntary sector organisations and is available on the Council's website.

- 3.12 In 2013 a refresh of the Community Plan was undertaken. This involved consulting over 1000 residents and a wide range of representatives from the voluntary and community sector. The Community Plan sets out the achievements of the Partnership over the past couple of years and priorities for the next five years.
- 3.13 The Council maintains a register of partnership bodies that are outside the standing bodies of the Council but that inform policy development or implementation.

4. Principle 2 Members and Officers working together to achieve a common purpose with clearly defined function and roles

- 4.1 Elected Members are responsible for the governance of the council. The council's governance arrangements are enshrined in the constitution. Within this framework, the council is able to provide clear leadership to the community; take decisions efficiently and effectively; improve service delivery; and hold decision makers to account.
- 4.2 The constitution is updated regularly. Amendments are recommended to Council by the General Purposes Committee, following reference by the Chief Executive as the statutory Head of Paid Service, the Assistant Director Corporate Governance, and the Standards Committee.

Delegations

- 4.3 The Council's constitution sets out the roles and responsibilities of the executive, non-executive, scrutiny and officer functions.
- 4.4 The functions of Council are set out in Article 4 of the constitution. These include responsibility for adopting and changing the constitution, policy framework, budget and housing land transfer.
- 4.5 Cabinet (Article 7) has responsibility for carrying out all of the Council's functions which are not the responsibility of any other part of the local authority.
- 4.6 Part 3B of the constitution sets out responsibility for non-executive council functions, including those carried out by Standards Committee, Appointments Committee, Planning Applications Committee, Licensing committee, Appeals Committee, General Purposes Committee and the Borough Plan Advisory Committee.
- 4.7 Overview and scrutiny (Article 6 and Part 3B) discharges the functions conferred by the Local Government Act 2000, Local Government Act 2003, Health and Social Care Act 2001, Police and Justice Act 2006 and the Local Government and Public Involvement in Health Act 2007. Its operation is set out in more in section 6 of the report.
- 4.8 Except for matters reserved to members or other decision makers, all other matters relating to the Council's executive and non-executive functions are delegated to the Chief Executive.
- 4.9 The constitution includes a scheme of delegation that sets out the powers

delegated to officers, and provides for Financial Regulations, Contract Standing Orders and a range of operational and departmental procedures which govern the council's discharge of its functions.

Chief Financial Officer

- 4.10 The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 4.11 The Director of Corporate Services is the council's chief financial officer, :
- i) Is a key member of the CMT helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest
 - ii) is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy
 - iii) leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficient and effectively
- 4.12 To deliver these responsibilities the Director:
- iv) leads and directs a finance function that is resourced to be fit for purpose
 - v) is professionally qualified and suitably experienced

Internal audit

- 4.13 Internal Audit is an assurance function that provided an independent and objective opinion on the control environment. It operates to defined standards as set out in the Chartered Institute of Public Finance (CIPFA) Code of Practice for Internal Audit in Local Government in the UK 2006.
- 4.14 An annual report is produced by the Head of Internal Audit which provides an opinion on the adequacy and effectiveness of the internal control environment.
- 4.15 A review has been undertaken on the 5 elements of the CIPFA statement on the role of the Head of Internal Audit in public section organisations. These elements are all met.
- i) Champions best practice in governance, objectively assessing the adequacy of governance and management of existing risks, comments on responses to emerging risks and proposed developments
 - ii) Gives an objective and evidence based opinion on all aspects of governance, risk management and internal control
 - iii) is a senior manager with regular and open engagement across the organisation, particularly with senior officers and the General Purposes Committee
 - iii) leads and directs an internal audit service that is resourced to be fit for purpose

- iv) professionally qualified and suitably experienced.

5 Principle 3 – Values of Good Governance and standards of behaviour

Codes of conduct

- 5.1 The Council has an Employee Code of Conduct that applies to all Council employees without exception, as well as to non-employees who are engaged (e.g. agency workers) or contracted by the Council. The summary code of conduct is available on the intranet, is given to all new members of staff and discussed as part of the induction process.
- 5.2 The Members' Code of Conduct is included in the Council's Constitution and includes the principles of public life and information on declaring and registering interests. Each year (after Annual Council) Members are asked to declare their interests and mechanisms are in place to update these regularly when there are changes.
- 5.3 The Standards Committee receives regular reports on gifts and hospitality declared by staff and Members.

Standards Committee

- 5.4 The Standards Committee has overall responsibility for corporate governance. The committee is also concerned with the promotion and maintenance of high standards of conduct within the council; the enforcement of the Member Code of Conduct; and advising the council on ethical governance matters. The committee monitors the registers maintained in relation to gifts and hospitality received by councillors and offered to and accepted by staff. The committee comprises eleven members, three of whom are non-voting co-opted members.

General Purposes Committee

- 5.5 This Committee is responsible for a range of non executive functions, including electoral matters and personnel issues. It also has responsibility for considering and making recommendations to Full Council on any changes to the Council's Constitution. Their functions include - ensuring compliance with relevant laws and regulations, internal policies and procedures, and overseeing council accounts and audit activity.

6. Principle 4 Making transparent decisions which are subject to scrutiny and risk management

- 6.1 London Borough of Merton 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 senior managers 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
- 6.2 The council has an anti fraud and corruption strategy, which was updated and approved by General Purposes committee in 2011/12. Integral to these arrangements is the Whistleblowing policy which is communicated to staff via

the intranet, TV screen in the Civic Centre foyer, leaflets and posters to outbuildings. All Whistleblowing cases and action are reported annually to the General Purposes committee.

- 6.3 The council also participates in the National Fraud Initiative (NFI) a computerised data matching exercise, led by the Audit Commission, designed to detect fraud perpetrated on public bodies. The investigation team also carry out Housing Benefit Matching to Department for Works and Pensions records.

Complaints

- 6.4 The Complaints policy is reviewed regularly to ensure on-going continuous improvement in how we deal with complaints. The annual complaints report is now published on the council's website. Complaints handling is included in departmental induction and specific training on how to respond positively to complaints has been provided to teams who have high volumes of complaints. Work is on-going with service departments in identifying Policy complaints so that they can be dealt with appropriately. Performance is steadily improving with less complaints escalating to Stage 2 and the council's performance in responding to complaints is published on the council's website via the performance monitoring dashboard.

Transparency agenda

- 6.5 The council publishes most of the information specified by the government's Open Data requirements on the council's Open Data webpage. Work is in progress to publish the outstanding data of the council's organisation chart and a list of property assets. The current data published on the council's website includes:
- Spending over £500
 - Senior employees salaries
 - Job descriptions of senior staff
 - Pay multiple
 - Pay policy statement
 - Payments to councillors – allowances and expenses
 - Democratic data including the Constitution, minutes, decisions and election results
 - The Business Plan, policies, performance, audit and inspections
 - Finance data
 - Link to Merton's contract register
 - Payments to Voluntary Organisations
- 6.6 The Protection of Freedoms Act 2012 places a number of duties on public authorities with the aim to simplify the complex procedures around the release of Government-held datasets so they can be requested and used by the public and published on a regular basis. To accompany the new dataset provisions the Information Commissioner's Office will issue guidance on datasets and new fees regulations for the re-use of data sets to force. The guidance has not yet been published. The guidance will also include information we are expected to routinely publish under the new model Publication Scheme, including a new eighth class of information for datasets. However compliance

with this requirement is dependent on the outstanding guidance from the Information Commissioners Office.

- 6.7 Officers responding to Freedom of Information requests will be required to publish any dataset, in a re-usable format, on the council's website, that they disclose in a Freedom of Information request. The DCLG Code of Recommended Practice for Local Authorities on Data Transparency recommends that publication should be in open and machine-readable formats and lists a 5 step journey to achieve this. Merton Council has reached step 2 of the journey and step 3 should be reached by the summer. Benchmarking indicates that our progress is in line with other councils. The new legislation suggests three licence options for charging for re-use, but strongly favours the open data licence, which enables free re-use.
- 6.8 With effect from April 2013, Merton Council now publishes an Information requests disclosure log. The disclosure log gives brief details of the requests received that week under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.
- 6.9 Performance has improved significantly in responding to FOI requests. This is published on the council's website via the performance monitoring dashboard.
- 6.10 An update on the council's progress with the Open data and Transparency agenda was reported to Overview and Scrutiny Commission in April 2013.

Risk management

- 6.11 Risk management is a central part of the organisation's system of internal control. The focus of the risk management strategy is to ensure the identification and treatment of risk as part of everyday management.
- 6.12 As part of the transformation process, the responsibility for risk management has been moved to the corporate Business Planning, to ensure risk management is embedded in all financial and service planning. The Corporate Risk Management Group (CRMG) has been re-established and meets quarterly to review and challenge the risk registers and share best practice.
- 6.13 The corporate risk strategy was reviewed as part of the annual refresh of the Business Plan 2012 – 16. The risk management strategy has been revised and streamlined. Changes include the wording of the risk scoring methodology, which now allows managers to make a more realistic assessment of their risks. The strategy also now makes reference to the authorities risk tolerance levels, to recognise that some risks can be tolerated and others must be mitigated against.
- 6.14 To further embed risk management in everyday business planning and service delivery, the service plan template was revised to include the delivery and reputational risk of work planned for the forthcoming year. Risks that are rated as either Medium or High have been reviewed by the departmental risk champions and, where appropriate, included in the departmental risk registers
- 6.15 Risk analysis is also included in the service review process, where managers are required to risk rate their proposed budget savings for the coming years

Policy and decision making

- 6.16 Policy and decision making is conducted within a leader and cabinet structure. The cabinet leads on the preparation of the council's policies and budget, and makes recommendations to the full council on the major policy plans and the budget and council tax. Where there is a relevant policy, the cabinet takes decisions within the adopted framework of plans and the procedural rules to implement them.
- 6.17 The constitution provides that the responsibility for the adoption and alteration of policy documents within the council's strategy framework lies with the full council. New policies and proposed changes are considered in the first instance by the General Purposes Committee, and are also subject to scrutiny.
- 6.18 A forward plan of proposed key decisions is published and updated each time a new key decision is added to the list. This sets out details and the proposed timing of key decisions (as defined by law and Article 13 of the constitution) to be made by the council. The Council has introduced new processes in relation to reports containing exempt information in order to comply with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 which came into force on 10 September 2012.

Overview and Scrutiny Commission and Panels

- 6.19 The Overview and Scrutiny Commission and Panels are responsible for holding the executive to account, influencing the decision making process, and shaping the development of new policy. Scrutiny oversees the development of the council's business plan and budget and takes an active role on financial and performance monitoring of council services. Three scrutiny panels cover all portfolios, and all areas of council activity. The Commission comprises fourteen members, four of whom are co-optees. The chair of the commission is the leader of the Merton Park Ward Independent Resident Group.
- 6.20 The External Scrutiny Protocol sets out scrutiny powers, duties and responsibilities of the council and its partners. The protocol seeks to ensure all partners, statutory and non statutory, adhere to the same principles for effective scrutiny, provide information, consider recommendations and respond to the relevant overview and scrutiny panel within an agreed time frame. The protocol forms part of the council's constitution.
- 6.21 The key principles of scrutiny in Merton, set out in the scrutiny handbook, are that it should be member-led, consensual, evidence based and relatively informal. The handbook also contains advice for councillors and officers on their respective roles, guidance and practical steps on how to achieve successful scrutiny. It is based on experience of scrutiny in Merton, best practice research and examples from other local authorities.
- 6.22 Under the Council's constitution an annual report is presented to Council, outlining the work of the overview and scrutiny function over the course of the municipal year. This is used as an opportunity not only to showcase the work

carried out but also to demonstrate some of the outcomes achieved and the ways in which local residents have been involved in scrutiny.

Health and safety

- 6.23 The council's safety management system ensures compliance of employers under the Health and Safety At Work Etc Act 1974, The Management of Health and Safety At Work Regulations 1999 and all sister regulations.
- 6.24 Primary functions are to promote good health and safety practice across the council, develop and implement corporate policies and guidance to safeguard the health, safety and welfare of the Council's employees, clients, and members of the public and other persons. Assist departmental management teams identify and develop suitable systems and procedures in compliance with their duties under the legislation.

Contingencies, business continuity and emergency planning

- 6.25 The past year has seen a significant change in civil contingencies and emergency management. During 2011/2012 The London resilience structure underwent several changes, with resilience moving under the remit of London's mayor and City Hall. Changes to the London arrangements saw the deletion of the 6 regional local resilience forums as statutory bodies and the implementation of Borough Resilience Forums as statutory bodies delivering resilience at the local level. This change came into effect on 01.04.2012.
- 6.26 All areas of the council have revised their business impact assessments and Business Continuity Plans which will feed into the new disaster recovery and strategic business continuity arrangements.

7 Principle 5 Developing the capacity of members and officers to be effective

- 7.1 Members – A member's development plan is in place. Induction training is provided for all new and existing members. Training in 12/13 covered:
Public health, safeguarding, overview and scrutiny, community engagement and risk management.
Personal Development Plans will be put in place for all members in the next few years. Training will be provided on information security.
- 7.2 Officers – Training needs are identified through staff appraisals and training can now be booked on the council's iTrent System. Induction training is also available for all staff. A learning and development review during 12/13 has resulted in a list of expected Management behaviours; this will be included in the 14/15 appraisal process officer levels 1 to 3.
Succession planning will be picked up in the workforce development strategy, which is currently being reviewed.
Training programmes will also be developed in 13/14 for all staff to cover the roll out of Microsoft 2010.

8. Principle 6 Engaging with local people and stakeholders

- 8.1 The council uses a wide range of communications channels targeting different audiences. Our magazine, My Merton, is delivered to every household in the borough four times a year. We also make use of online and social media channels to target different audiences. Some services have developed bespoke communication channels to reach particular target audiences.
- 8.2 There are a wide range of engagement forums, some led by the council, others by the community, to communicate the council's vision and to consult local people, for example the Interfaith Forum, LGBT Forum, BME Forum, Involve, Community Forums, Youth Parliament, and Young Advisors
- 8.3 The council follows the principles for engagement agreed by Merton Partnership in 2010 as part of the Get Involved - Community Engagement Strategy. These principles let residents know what they can expect from council consultations and they are invited to report and occasions when consultations fall short of these expectations.
- 8.4 The recent refresh of our Community Plan showed how our existing strong mechanisms could be used to engage a wide range of residents and stakeholders without the use of additional resources.

9. Other areas of corporate governance and assurances

- 9.1 A Corporate Governance steering group has been established and a terms of reference agreed: A monthly meeting has been held and an evidence pack compiled . The overall governance arrangements have been reviewed
- 9.2 Evidence has been gathered to cover the following areas of Corporate Governance:
- Performance management
 - Internal Audit
 - External Audit
 - Risk management
 - Other Inspection Reports
- 9.3 This evidence has been considered by the Steering Group as the review of effectiveness of the Corporate Governance Framework and Internal Control. The external audit review and Internal Audit Annual Report (see Appendix A).
- 9.4 External Audit Value for money review – Good Governance framework for local governance include the following supporting principle ‘ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money’.
- 9.5 Audit commission value for money findings for 11/12 – ‘Merton Council continues to have proper arrangements in place to secure financial resilience. It has a robust medium term financial plan, a good track record in achieving financial targets, and leadership from Members and Officers in driving change. Over the last twelve months, officers and Members have worked hard to secure the Council’s financial position. Members have taken difficult spending decisions and exercised restraint in terms of spending priorities. As a result of

this, the Council has been able to update its medium term financial plan, reducing its four year cumulative budget gap from £30 million to £17 million. Whilst this represents a good achievement, officers and members recognise that delivering additional savings required over the next four years will be challenging.

10 Follow up of 2011/12 Internal Control issues

Proposal for improvement	Action taken
<p>Risk Management - Embedding risk</p> <p>completed</p>	<p>A programme of risk management awareness and training will be developed.</p> <p>Action Taken Risk management training was provided to the Corporate Risk Management Group including Risk Champions on 14 November 2012 and 5 December 2012, these sessions covered:</p> <ul style="list-style-type: none"> • Introducing the concept of risk management • Key drivers of risk management • Applying risk management principles to ensure your objectives are met • The risk management cycle/Risk practices in Merton • The role of risk champions in Merton/Current risk topics. <p><u>The two sessions of members training was provided in March 2013.</u> Defining Risk Management. An Overview of the Risk Management Process and Why it is Important Strategic Risks Facing Local Authorities/The Role of Members in Risk Management</p>
<p>Procurement</p> <p>completed</p>	<p>To review the contracts register to enhance the current position in order to improve on the access and reporting functionality of the existing in-house Contract Register</p>
<p>Business Continuity Plans and Business Impact Assessments</p> <p>c/f 12/13</p>	<p>To update all Business Continuity Plans and to ensure that Business Impact assessments have been completed</p> <p>Action taken Business impact assessments have been completed for all departments and challenged by Departmental Management Teams. Business Continuity plans are currently being updated to reflect the outcomes from the Business Impact Assessments and Disaster Recovery plan. Progress is being regularly reported through CS DMT and is expected to go to CMT for sign off end of June.</p>
<p>Financial regulations and procedures</p> <p>c/f 12/13</p>	<p>To review and update the councils financial regulations and procedures</p> <p>Action taken A review undertaken has identified that the current regulations and procedures are in accordance with the Chartered Institute of Public Finance and Accountancy's best practice and remain fit for purpose. Whilst some minor changes are required (e.g. removal of reference to the Audit Committee) they will be incorporated into a</p>

	future review
Scheme of Delegations c/f 12/13	<p>Review and update schemes of delegation to ensure consistency</p> <p><u>Action taken</u> A report was submitted to the Corporate Management Team's meeting on 19 June 2012 to remind Directors of their responsibilities on relation to the schemes. Schemes have subsequently been updated.</p> <p>Work is currently in progress to design a new template to provide standard approach to common elements of the schemes (finance, HR, contracts, communication) as well as sections that are unique to the department.</p>
Declaration of interests for officers completed	<p>All staff involved in contracts to complete a declaration of interest</p> <p><u>Action taken</u> All declaration of interest forms completed for officers in July 2012</p>
Establish a Partnership Register for the Council c/f – 12/13	<p>Build on the partnership review that was last carried out in 2009, to compile a partnership register for the council that encompasses the key strategic partnership arrangements the council engages in.</p> <p><u>Action taken</u> A draft Partnership Register has been compiled and consultation on this closes at the end of May. The Partnership Register will be published by March 2014.</p>
Complete implementation of the council's policy register c/f 12/13	<p>The Policy Register has been updated and is on the intranet at: http://intranet/corporate_strategies_review_2013_-_intranet_v1.pdf</p> <p>A proposal for how to implement the new metacompliance software was agreed by the Corporate Management Team in March 2013. Testing is currently in progress to ensure that it works on the thin client terminals.</p>
Review the Merton Partnership Governance Handbook completed	<p>Review and update the Merton Partnership Governance Handbook in light of changes that affect the governance of the partnership and its thematic partnerships, ensuring that handbook supports the principles in the code of corporate governance.</p>
Develop guidance for funding officers	Develop a policy document setting out guidance for officers managing grant funding streams and/ or voluntary sector grant commissioning, to address the issues raised

<p>completed</p>	<p>in the Internal Audit of Grants to VCS Orgs and the Voluntary Sector Strategy. Action taken Completed. Revised guidance is available on the Council's website. http://www.merton.gov.uk/community-living/vcs-support/vs-funding-opportunities.htm</p>
<p>Review new standards arrangements</p> <p>completed</p>	<p>To ensure that the new arrangements are effective Action taken The new arrangements for dealing with allegations that members have breached their code of conduct were adopted by Council on 11 July 2012. There have been three complaints made since this time. The procedure has proved effective and fit for purpose, but it will be kept under review by the Standards Committee.</p>

11. Assurances by Directors and Heads of Services

- 11.1 All heads of services have completed self-assessment questionnaires on corporate governance and internal control. These are reviewed and signed of by the appropriate director.
- 11.2 No major weaknesses in Corporate Governance and Internal Control were identified from the self-assessments however the following key areas of development/improvement were identified:

Children, School and Families

- Delivery of transformation (Merton 2015) and continuous improvement plans.
- Divisional service plans
- Plans in response to inspections, audits and peer reviews.

Environmental and Regeneration

- Performance board will take on the monitoring of capital expenditure on a project by project basis
- shared regulatory services with Richmond/ Croydon
- Review contracts register and existing contracts to achieve VFM
- Updating scheme of delegation to give L3/L4 managers wider signatory responsibility
- To complete highway asset plan
- Improve cross section working to reduce commercial waste debt

Community and Housing

- Completion of procurement plan
- Review of customer engagement in adult social care
- Monitoring impact of welfare reform
- Library Service Standards revised in 2012. Customer Charter to be revised this year.
- Currently reviewing Libraries Performance report and adding in new measures
- Review of PI's for all divisions

- Improve MAE's ability to produce integrated performance reporting

Corporate Services

- Corporate reconciliation and income collection will be more closely monitored and reconciled on a monthly basis
- HR policies will be reviewed on a more regular basis and ability to integrate systems will be expanded to assist with data analysis and responding to queries.

12. Significant governance issues (Improvement Programme 2013/14)

Business Continuity Plans and Business Impact Assessments To update all Business Continuity Plans and to ensure that Business Impact assessments have been completed	Head of Safety
Financial regulations and procedures To review and update	Head of Business Planning
Scheme of Delegations To develop and implement a new template and guidance to simplify, streamline and ensure consistency	Head of Democracy Services
Declaration of Interests On-Line form New on-line form for staff to complete their annual returns. This will include declaration of staff relationships	Head of HR
Establish a Partnership Register for the Council Build on the partnership review that was last carried out in 2009, to compile a partnership register for the council that encompasses the key strategic partnership arrangements the council engages in.	Head of Policy, Strategy & Partnerships
Update Policy Register Guide the way the new policy management software (metacompliance) will be structured to provide a policy register for the council and populate with the dataset of policies that has been established through the policy review.	Head of Policy, Strategy & Partnerships
Performance and Risk Management System To implement a new performance management system to improve the monitoring of targets	Head of Business Planning
Management behaviours To roll out the management behaviour system for all managers to ensure a consistent and suitable level of competency	Head of HR
Transparency Agenda To publish the remaining requirements of the DCLG Code of Recommended Practice for Local Authorities on Data Transparency	Head of Information Governance
Workforce Development Strategy To complete the strategy in relation to succession planning	Head of HR

- 12.1 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: Leading Member

Signed:..... Chief Executive

LONDON BOROUGH OF MERTON

INTERNAL AUDIT ANNUAL REPORT YEAR ENDING 31ST MARCH 2013

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1. Head of Audit Assurance Opinion

- 1.1 Internal Audit has reviewed the effectiveness of the Council's systems of internal control for 2012/13 and has taken into account appropriate assurances obtained from other relevant internal and external sources. The opinion, based on this work, is that the Council's systems of internal control are generally sound and effective although the expected high standards of control have not been achieved in a limited number of council activities (detailed below). There is therefore a requirement to improve in these areas.
- 1.2 Appropriate action plans are in place in response to internal audit actions where necessary. It is important that departments ensure that audit actions are implemented in a timely manner to ensure effective controls are in place.

2 The Internal Audit Assurance Framework

- 2.1. A key responsibility of Internal Audit is to give the organisation assurances about the levels of internal control being exercised in the areas of risk and in particular where there are transactions that are considered "material" to the Council.
- 2.2. Internal Audit seeks to ensure that Merton's systems adhere to recognised standards and that public accountability can be demonstrated and is transparent.
- 2.3 Overall, whilst issues have been identified and resolved, the systems of control within the Council are such that reliance can be placed upon them.
- 2.4. In order to give such an assurance, a balanced programme of Internal Audit reviews is constructed each year. This Annual Internal Audit Plan contains elements of all the Council's activities selected using a "Risk Based" approach. There are many tools used to achieve a balanced plan including undertaking systems reviews, regularity audits (e.g. schools), contract and computer audit, fraud and misappropriation reviews and an annual review of major financial systems such as Council Tax, cash and bank and Housing Benefits.
- 2.5. In order to contribute to the Annual Governance Statement, all Internal Audit reports give an audit assurance as follows:
 - a) Substantial Assurance
 - b) Satisfactory Assurance
 - c) Limited Assurance
 - d) No Assurance
- 2.6. In addition each recommendation emanating from the audit review is given a high, medium or low risk priority for implementation. All recommendations are followed up by Internal Audit to ensure that they have been implemented.
- 2.7. The audit plan for 12/13 covered those area of high fraud risk, as identified through the councils own assessments and through information from CIPFA, the Audit Commission and other sources, where fraud risks are highlighted. Examples of these are Council Tax Discounts, in particular Single Person Discounts, procurement fraud, schools and personal

budgets. These audits reviewed the controls in place, although no fraud was identified in any of these reviews, a number of recommendations were made to improve the controls.

2.8 In addition to the agreed audit plan, additional audits and reviews at the request of Management have been completed. These have ranged from full audits to focused audit investigations. Examples of these additional pieces of work included:

- Disabled Facilities grant procurement
- Bailiff procurement arrangements
- Youth Service Inventory equipment
- Passenger Transport procurement

2.9 These referrals to Internal Audit help to demonstrate the continued good engagement from departments and their awareness of the role of Internal Audit and the work that they can undertake to support their service. The Council's risk profile is constantly changing. Therefore, Internal Audit and the internal audit plan needs to be flexible to be able to respond to these changing and emerging risks.

2.10 The Internal Audit function is conscious of the significant pressure on resources that the Council is facing and has continued to identify where we can support management through looking to identify potential efficiencies and making recommendations for possibly fewer but better controls wherever possible.

3. 2012/13 Internal Audit Assurances

3.1. During 2012/13 there were 63 internal audit reviews completed and given a level of assurance.

3.2 A full list of the assurances can be found in Appendix a. Action Plans for improvements are in place for all audits. Discussions are being held with Departments and action plans are still to be finalised in some instances.

3.3 The following tables summarise the results by audit type:

Table 1 Internal Audit Assurances by Audit Type 2012/13

Assurance	Substantial	assurance	Limited	None	Totals
Procurement	0	5	7	1	13
Establishments	4	6	1	0	11
Financial Systems	0	11	3	0	14
IT	0	8	3	0	11
Service Specific	0	9	4	0	13
Corp governance	0	1	0	0	1
Totals	4	40	18	1	63
	6.4 %	63.4 %	28.6 %	1.6%	

3.4 Table 2 summarises results for the last two financial years in the form of number of reviews and % for full/satisfactory and limited to no assurance.

Table 2
Internal Audit Assurances 2011/12- 2012/13

	Satisfactory		Limited	
	2011/12	2012/13	2011/12	2012/13
Community and Housing	7 (64%)	4 (57%)	4 (36%)	3 (43%)
Corporate Services	14 (67%)	18 (69%)	7 (33%)	8 (31%)
E&R	3 (50%)	4 (44%)	3 (50%)	5 (56%)
CSF	12 (71%)	18 (86%)	5 (29%)	3 (14%)
Total	36 (64%)	44 (70%)	20 (36%)	19 (30%)

- 3.5. Overall the number of audit assurances achieving a satisfactory or above rating has increased. In all cases action plans are in place for agreed areas of improvement. Management summaries for each limited report were regularly submitted to the General Purposes Committee.
- 3.6. When analysing these statistics between years the following factors need to be taken into account:
- a) The same areas are not audited every year hence a like for like comparison cannot be made. Individual audits differ considerably in terms of scope and objectives.
 - b) The numbers of audits carried out in the year (small numbers in an area can give misleading results in % terms.)
 - c) There have been changes in the departmental responsibilities over the five-year period.

Procurement

- 3.7 There were 13 audit reviews in 2012/13 that included a major element of contract control and of these 8 was assessed as being less than satisfactory.
- 3.8 An overall review on Corporate Procurement, received a limited assurance as at the time of the review the contract register was not in place, the spend analysis was at an early stage. All recommendations are in the process of being implemented and a follow-up review is planned in 13/14.
- 3.9 Other contract audits raised concerns where contracts were not being tendered or retendered in line with Contract Standing Orders, or inadequate monitoring of contracts. On audit received no assurance as CSO was not followed and the current system they used was vulnerable to fraud.

IT systems

- 3.10 There were 6 IT audits on the audit plan this year that were outsourced to RSM Tenon. One of these received a limited assurance, two were follow-up audits from 2011/12, where there had previously been a limited assurance.
- Follow up IT reviews were carried out on IT Backup and Disaster Recovery and Network Security and Infrastructure as these reviews were both limited assurance in 2011/12. This identified that some progress had been made on both of these areas although there are still some actions to implement.
 - IT security in schools audits were carried out at six schools in the authority, with some recommendations for corporate policies on data handling. These reviews all obtained a satisfactory assurance.
 - A joint IT audit review of I-Trent was undertaken with Sutton and Kingston. This review received a limited assurance due to a number of key control risks.
 - The other two IT audits related to Civica Icon e-payments and wireless networking, which both received a satisfactory assurance.
- 3.11 The review of IT security in schools has helped to raise awareness of the need to ensure that data is kept secure. A corporate framework agreement has been put in place to provide encrypted memory sticks to schools, On-line back-up arrangements are encouraged as well as the use of secure e-mail addresses, and the need to dispose of IT equipment securely.
- 3.12 A further audit is planned in 13/14 to review the IT security arrangements in a further six schools and to ensure that all schools are informed of the outcome.
- 3.13 In 13/14 further IT application audits have been added to the audit plan. These audits will also cover the council's main financial systems.

Main financial systems

- 3.14 There were 9 financial system audit reviews carried out this year. Additional external audit testing was included in our work, at the request of the external auditors Ernst and Young.
- 3.15 The following key financial systems have been audited:-

Financial System	Assurance 2012/13	Previous assurance
Cash and bank	Limited	Limited
Payroll	Limited	Satisfactory
Carefirst	Limited	Satisfactory
Accounts Payable	Satisfactory	Limited
Debtors	Satisfactory	Satisfactory
Treasury management	Satisfactory	Satisfactory
Housing benefits	Satisfactory	Satisfactory

Council Tax	Satisfactory	Satisfactory
National Non-Domestic Rates (NNDR)	Satisfactory	Satisfactory
General Ledger	Not audited	

3.16 Audit raised concerns relating to the reconciliations between the main general ledger accounts and the other council systems. At the time of audit there were delays in these reconciliations. Other concerns related to lack of unreconciled bank income, lack of supporting documentation on payroll and issues relating to evidence of authorisation. Further financial audit reviews will be completed in 13/14 including a review of the General Ledger and will seek assurance on some of these issues.

Schools

3.17 Internal Audit has found a significant overall improvement in the level of financial assurance in schools since 2011/12. There are currently only two schools with a limited assurance rating.

3.18 In 2012/13 fourteen schools were audited two (14%) of these schools had a limited assurance.

3.19 Of the schools that were limited in 2011/12, four were audited again in 2012/13 and all had implemented the audit recommendations which resulted in either satisfactory or substantial assurance.

3.20 The history shows that overall 96% (90% in 2012/13) of schools have a satisfactory assurance and above and 4% of schools are below the required standard.

3.21 The introduction of the financial management standard in schools and the replacement called school financial value standard have been a significant contributing factor in improving financial standards in schools. Internal Audit has provided training and support to schools on these standards.

3.22 The Schools Financial Value Standard (SFVS), started from September 2011. This new standard places the emphasis on schools to complete an annual self-assessment, which is signed by governors and sent to the local authority. These self-assessments are intended to direct the Internal Audit Plan in the subsequent year.

4. Follow up's

4.1 During 2012/13 Internal Audit made a total of 557 recommended actions, at the time of this report 361 actions were fully implemented. 196 actions have yet to be implemented.

Actions	High	Medium	low	Total
Implemented	50	241	70	361
Outstanding	21	129	46	196
Total	71	370	116	557

- 4.2 For those outstanding actions, an expected implementation date is provided by the manager. Monthly reports are sent out to all managers for actions due, where these are over two months overdue, the Head of Service also receives a copy. If an action is more than 3 months overdue, then the appropriate Director is informed. Any overdue outstanding audit actions are then reported to General Purposes committee.
- 4.3 Where reports are given a limited assurance and therefore have a number of recommendations a full follow up audit is usually carried out in the subsequent year to gain assurance that these recommendations have been actioned.

5. KPI'S

- 5.1 Key performance indicators for internal audit for 2012/13 were all met or exceeded.

Internal Audit Performance Indicators 2012/13	target	result
% of audits completed against plan	90%	98%
% of agreed actions	90%	94%
% of actions implemented by agreed date	90%	98%
% of internal audit chargeable time	70%	76%

6. Review of the Effectiveness of the System of Internal Audit

- 6.1 The Annual Audit Plan for 2012/13 was agreed by General Purposes Committee Members at the start of the year.
- 6.2 The Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (the code of practice) states, “the purpose, authority and responsibility of internal audit must be formally defined by the organisation in terms of reference consistent with this code”.
- 6.3 The council’s external auditors, Ernst and Young, have also placed reliance on Internal Audit’s work in achieving their views of the council’s financial activities.
- 6.4 Internal audit has contributed to the overall corporate governance of the council’s activities by:
 - Completion of the audit plan
 - Member of the corporate risk strategy group.
 - Chair of AGS working group
 - Providing advice/training on corporate policies and procedures

Internal Audit’s Compliance with the Code of Practice

- 6.5 The Code of Practice for Internal Audit in Local Government 2006 includes a checklist of compliance. This was reviewed during the year.

- 6.6. It is considered that Merton's Internal Audit Section complies with the Code of Practice. Compliance with the Code of Practice is also reviewed by the External Auditors.
- 6.7 The code has been replaced by a new standard from April 2013, called 'Public Sector Internal Audit Standards'. Compliance with this new code will be reviewed during 2013/14.

7. Anti Fraud

- 7.1. There were 17 new cases of alleged staff fraud or irregularities in 2012/13.
- 7.2. One case resulted in two employees resigning prior to a disciplinary hearing, five cases were unfounded, five cases resulted in recommendations for improved controls and six cases are on-going.
- 7.3. As a consequence of these investigations where weaknesses in internal controls have been identified audit advice and recommendations have been provided for improvement in controls.
- 7.4 A fraud risk assessment has been carried out to ensure that those areas of high risk are included in the internal audit plan. These areas include procurement, employee fraud, and personal budgets. Others areas of high risk to fraud are Housing Benefit and Council Tax Single Persons Discounts, both are subject to annual audit reviews as well as work undertaken by the Council Tax and Investigation Section.
- 7.5. The Investigation Section co-ordinate the National Fraud Initiative which is a bi-annual exercise of data matching run by the Audit Commission that matches electronic data within and between public and private sector bodies to prevent and detect fraud.
- 7.6 Data for the 2012/13 exercise was submitted in October 2012 and reports of matches released at the end of January 2013. The Investigation section is currently reviewing these matches.

SPD

- 7.7 The Council Tax Section carried out a review of all single adult occupiers receiving Council Tax Discount through Datatank in 2012/2013. The full list of SPD claims (around 22,844) were sent to Datatank, of which approximately 6,023 were identified as potentially incorrect or invalid for follow up action. This exercise was successfully completed and was effective in identifying 1,085 claims where entitlement to Single Persons Discount was no longer applicable. As a result of the review, approximately £371,538 worth of savings was achieved (calculation based on a 12 month period going forward).

Housing Benefit

- 7.8. The Investigation Section receive referrals of Housing and Council Tax Benefit fraud from a variety of sources, including the National Fraud Initiative (NFI), the Housing Benefit Matching Service (HBMS), the fraud hotline and referrals from Housing Benefits and other departments..

- 7.9. Joint working with DWP (the Department for Work and Pensions) and other Local Authorities is routinely undertaken when appropriate. Examples of this are claimants who commit fraud in more than one borough or claimants who commit fraud against Merton Council and the DWP.
- 7.10. In 2012/13 there were 76 claimants sanctioned. 16 of these resulted in a prosecution. The council also secured a proceeds of crime, resulting in an order of £80,000.

Blue Badge

- 7.11 A joint initiative was undertaken between the police, the parking section and investigation section on checking entitlement to blue badges. This resulted in the removal of eight blue badges. Further checks are planned by the parking section in 13/14.

Strategic Fraud

- 7.12 The National Fraud Authority has published The Local Government Fraud Strategy, fighting fraud locally in April 2012. This documentation outlines the strategic approach for local government to tackle fraud; setting out the fraud risks facing local authority and outlines the need to enhance internal controls, which are the first line of defence against fraud. This strategy and other guidance will be used to review the councils anti fraud arrangements during 13/14.
- 7.13 During 2012/13 a fraud risk register helped to direct the internal audit plan to areas of high fraud risk. It is vital to have in place arrangements to deter and prevent fraud; part of this is also having an effective anti fraud culture along as well as having arrangements for Whistleblowing and data tools to identify fraud.
- 7.14 The Fighting fraud locally checklist and action taken by the council against the checklist is attached.

Fighting Fraud Locally - Checklist

	Requirements	✓ or ×	comments
1	The council has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior board and its members.	✓	Included as part of the annual audit plan. Progress reported to GP committee
2	The council has undertaken an assessment against the risks in Protecting the Public Purse (2011) and has also undertaken horizon scanning of future potential fraud risks.	✓	Yes, Fraud risk register held by Head of Internal Audit
3	There is an annual report to the audit committee, or equivalent detailed assessment, to compare against the local government strategy <i>Fighting Fraud Locally</i> (2011) and this checklist.	✓	Yes, Head of Internal Audit annual report to GP committee.
4	There is a counter fraud and corruption strategy applying to all aspects of the council's business which has been communicated throughout the council and acknowledged by those charged with governance.	✓	Anti fraud and Corruption strategy. On the intranet.
5	The council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	✓	Internal Audit reviews, presentations on Internal Control
6	The risk of fraud and corruption is specifically considered in the council's overall risk management process.	✓	Yes and fraud risk registers
7	Counter fraud staff are consulted to fraud proof new policies, strategies and initiatives across departments and this is reported upon to committee.	✓	Internal Audit reviews all fraud policies.
8	The council has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring this is effective and is reported to committee.	✓	The Council's policies and reporting arrangements are available on the Council's website, staff intranet TV screen in the foyer, Whistleblowing hotline, e-mail addresses provided to the public, staff, agency workers and contractors to report fraud and whistle blowing allegations. A report is presented to GP committee on an annual basis.

9	The council has put in place arrangements for monitoring compliance with standards of conduct across the council covering: codes of conduct including behaviour for counter fraud, anti- bribery and corruption, register of interests, register of gifts and hospitality	✓	Internal Audit reviews the Whistleblowing arrangements, Directors review register of interests, member's interests are publicised. Head of Legal reports gifts and hospitality to Standards Committee
10	The council undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking checks to prevent potentially dishonest employees from being appointed.	✓	Yes, vetting in place
11	Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.	✓	Yes
12	There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.	✓	Fraud testing included in all internal audit work
13	Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	✓	Yes
14	There is an independent whistleblowing policy which is monitored for take up and can show that suspicions have been acted upon without internal pressure.	✓	Yes reported to GP committee
15	Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against those who whistleblow.	✓	Included in contract documentation
16	Fraud resources are assessed proportionate to the risk the council faces and are adequately resourced.	✓	
17	There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the council's business and includes activities undertaken by contractors and third parties or voluntary sector activities.	✓	Included in the internal audit plan
18	Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.	✓	The investigation team keep statistics on Housing Benefit Investigations. Internal Audit keeps statistics on Whistleblowing and fraud for reporting to GP committee.
19	Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	✓	Internal Audit has access to all premises and documents. The Investigation team are able to access records when conducting their investigations.
20	There is a programme to publicise fraud cases internally and externally which is positive and endorsed by the council's communication team.		

21	All allegations of fraud and corruption are risk assessed.	In part	This is currently carried out on Housing Benefit Investigations, but not on other fraud and corruption
22	The fraud response plan covers all areas of counter fraud work: Prevention, detection, investigation, sanctions, redress.	✓	The fraud response plan needs to be refreshed on the benefit investigation side, to include DWP requirements
23	The fraud response plan is linked to the audit plan and is communicated to senior management and members.	✓	on the intranet
24	Asset recovery and civil recovery is considered in all cases.	✓	Yes, this is done where appropriate, through Croydon Council.
25	There is a zero tolerance approach to fraud and corruption which is reported to committee.	✓	GP committee
26	There is a programme of proactive counter fraud work which covers risks identified in assessment.		Proactive fraud work is covered in internal audit testing, The fraud risk register directs the audit plan
27	The fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.	✓	joint working on Housing Benefit fraud and blue badge fraud
28	The council shares data across its own departments and between other enforcement agencies.	✓	NFI data
29	Prevention measures and projects are undertaken using data analytics where possible.	✓	Internal Audit use IDEA, to analysis data
30	The council actively takes part in the National Fraud Initiative (NFI) and promptly takes action.	✓	The Council participates fully in the NFI, the investigation teams sift the results obtained from the data matches and investigate appropriate cases
31	There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.	✓	Investigation staff are PINS trained and some Internal Audit staff have the investigation in practice certificate
32	The counter fraud team has adequate knowledge in all areas of the council or is trained in these areas.	✓	Investigation team has some knowledge and is obtaining training on blue badge, personal budgets. Internal Audit has knowledge of all areas.
33	The counter fraud team has access (via partnership/other local authorities/or funds to buy in) to specialist staff for:		
	Surveillance,	✓	investigation team/DWP
	computer forensics	✓	buy in as required
	asset recovery	✓	Arrangement with LB Croydon
	financial investigations	✓	Officer in trading standards
34	Weaknesses revealed by instances of proven fraud and corruption are looked at and fed back to departments to fraud proof systems.	✓	Internal Audit reports issued on control weaknesses

Internal Audit Assurance Statement Summary 2012/13

Year	Department	Audit Title	Type	Assurance
2011/12	ER	Acquisition and sale of land	service specific	assurance
2011/12	CS	Housing Benefit overpayments	Fin system	assurance
2011/12	CS	Agency contract	contract	assurance
2011/12	CS	Budget monitoring	Fin system	assurance
2011/12	ER	Street Lighting	contract	assurance
2011/12	CS	Capital accounting	Fin system	assurance
2011/12	CS	Treasury management	Fin system	assurance
2011/12	ER	Safer merton	contract	limited
2011/12	CH	Adult social care	contract	assurance
2012/13	CSF	William morris primary school	establishment	substantial
2012/13	CSF	St Marks primary school	establishment	substantial
2012/13	CS	Wireless networking	IT	assurance
2012/13	CS	Debtors	Fin system	assurance
2012/13	CSF	Garden primary school	establishment	substantial
2012/13	CSF	Malmesbury primary school	establishment	assurance
2012/13	CSF	Red Hut (childcare services)	establishment	assurance
2012/13	CSF	Bishopsford Arts College	establishment	assurance
2012/13	ER	Disabled Facilities Grants procurement	contract	No assurance
2012/13	CS	CHAPS/BACS	Fin system	assurance
2012/13	CS	Contract Compliance	contract	limited
2012/13	CS	Bailiff Procurement	contract	limited
2012/13	ER	Fuel	service specific	limited
2012/13	CS	Bailiffs- In house	service specific	assurance
2012/13	CS	Risk Management	Governance	assurance
2012/13	CS	Effectiveness of procurement	contract	limited
2012/13	CS	Civica Icon e-payments	IT	assurance
2012/13	CH	Review of day centre provision	service specific	limited
2012/13	CSF	Hatfeild Primary school	establishment	limited
2012/13	ER	Passenger transport	contract	limited
2012/13	CS	iTrent	IT	limited
2012/13	CSF	IT Security in schools-Merton Park	IT	assurance
2012/13	CSF	IT Security in schools-The Priory	IT	assurance
2012/13	ER	On and off street parking	service specific	assurance
2012/13	CS	Network and Infrastructure f/u	IT	limited
2012/13	CSF	Cricket Green school	establishment	assurance
2012/13	CSF	Youth Service	service specific	limited
2012/13	CSF	Raynes Park High School	establishment	substantial
2012/13	CSF	Ricards Lodge High School	establishment	assurance
2012/13	CSF	School Extension Project	contract	limited
2012/13	CSF	Merton Abbey primary school	establishment	assurance
2012/13	CS	Creditors	Fin system	assurance
2012/13	CSF	IT Security in schools-Morden	IT	assurance
2012/13	CSF	Youth Service inventory	service specific	n/a
2012/13	CSF	PFI contract	contract	assurance
2012/13	CH	Personalisation/self directed	service specific	limited
2012/13	CS	Cash and Bank	Fin system	limited
2012/13	CSF	IT Security in schools-Haslemere	IT	assurance

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2012/13	CSF	IT Security in schools-SS Peter & Paul	IT	assurance
2012/13	CS	Shared Legal Services	service specific	assurance
2012/13	CS	Passenger transport-mgt report	contract	limited
2012/13	CS	IT Disaster Planning and Recovery-F/U audit	IT	limited
2012/13	ER	Strategic Asset Management	service specific	assurance
2012/13	CH	Residential care contracts	contract	assurance
2012/13	CSF	IT Security in schools-pelham	IT	assurance
2012/13	CS	Payroll/HR	Fin system	limited
2012/13	CH	Court of protection/Appointeeship	service specific	assurance
2012/13	CS	Council Tax collection	Fin system	assurance
2012/13	CS	Debtors	Fin system	assurance
2012/13	CH	Financial assessments	service specific	Assurance
2012/13	CS	Recruitment/retention	service specific	assurance
2012/13	CH/CSF	Carefirst	Fin system	limited
2012/13	CS	NNDR	Fin system	assurance
2012/13	CS	Housing Benefit	Fin system	Assurance

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