

London Borough of Merton Standards and General Purposes Committee

Annual Report: 2023/24

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**Report issued to:
Standards and General Purposes Committee – 18
July 2024**

Contents

	Page
1. Introduction from the Chair	3
2. Merton's Standards and General Committee – Frequently asked Questions	4 - 6
3. Overall conclusion on the work of the Committee	7 - 12
<u>Appendices</u>	
A Audit Committee Activity	13– 16
B Provisional Work Plan: Standards and General Purposes Committee 2024/25	17 - 18

Introduction

I hope that this Annual Report helps to demonstrate to the residents of the Borough and the Council's other stakeholders the vital role that is carried out by the Standards and General Purposes Committee and the contribution that it makes to the Council's overall governance. As with other Council Committees, all scheduled meetings are open to members of the public and I would encourage residents to get involved and see the Committee in action.

I am pleased to note that the Committee has continued to make progress in discharging its responsibility to provide independent assurance on the Council's control environment and governance framework. As outlined in the body of this report, the Committee has been actively engaged with our Internal and External Audit functions and the planning and outcomes of their work. In addition, the Committee has continued to take a keen interest in governance developments such as the Council's participation in the South-West London Fraud Partnership.

During 2023/24 the Committee also oversaw the steps being taken to reduce the level of reliance by the Council on agency and temporary workers, and to achieve better value for money from expenditure in that area.

Finally, I would like to express my gratitude to those officers who have, over the past year, attended the meetings to present and discuss reports and supported the Chair.

**Standards and General Purposes
Committee Chair**

Merton's Standards and General Purposes Committee: Frequently Asked Questions

What does a Standards and General Purposes Committee do?

The Standards and General Purposes Committee is a Committee of the Council constituted under Sections 101 and 102 of the Local Government Act 1972. The Committee is a key component of the Council's Corporate Governance.

The Council's Standards function is also undertaken by this Committee.

Why do we need it?

The Standards and General Purposes Committee has a vital role to play in ensuring that residents of the Borough are getting good quality services and value for money.

- It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- It provides independent assurance to the Members of Council on the adequacy of the risk management framework and the internal control environment.
- It provides an independent review of the Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.
- It oversees internal audit and external audit, helping to ensure

efficient and effective assurance arrangements are in place.

When did the Committee meet in 2023/24?

There were five scheduled meetings on: 27 April, 19 July, 21 September, 9 November and 5 March. The meetings started at 7.15pm (except the 21 September meeting which started at 8.15pm) and lasted approximately 2 hours.

The agenda items discussed are shown in Appendix A and the recording of the meetings, supporting papers and reports are publicly available on the Council's website, www.merton.gov.uk.

In 2023/24 the Committee membership consisted of twelve Councillors in proportion to the Council's political composition, and two ex-officio members who sat on the Committee by virtue of their position as Independent Persons under the Standards Regime set out in the Localism Act 2011. In 2024/25 the committee will seek to appoint an independent member to cover the Audit items on the agenda.

What was its main workload in 2023/24?

A work plan was agreed at the start of the municipal year. 2023/24 was a busy year for the Committee and it achieved oversight of a broad range of areas, including the following:

- Member complaints
- Updates to the Constitution
- The work of the External Auditor

- Internal Audit reports and activities
- The Council's Statement of Accounts
- The Council's use of its RIPA 2000 investigatory powers
- Risk Management.

The Committee's particular successes included:

- Maintaining a comprehensive overview of internal control and governance
- Encouraging the Council to focus on achieving better value for money in its use of agency workers.
- Keeping an overview of the Council's anti-fraud arrangements.

More details of the Committee's activity during 2023/24 are shown in Appendix A. The planned agendas were supplemented by reports where the Committee requested additional information or assurances from management.

What is the role of the Internal Audit function?

The South West London Audit Partnership (SWLAP) carries out Internal Audit reviews throughout the year on the effectiveness of the Council's governance and internal control arrangements, including risk management. The Head of Internal Audit reports internal audit activity regularly to the Committee and provides an Annual Report on the effectiveness of internal control. The investigation of fraud is carried out by the South West London Fraud Partnership (SWLFP), and they

provide periodic updates to the Committee.

Who is the Council's External Auditor?

The External Auditor is Ernst & Young LLP. A representative attended three of the five Committee meetings in 2023/24 and reported progress on the annual cycle of external audit work, including planned activities and the fees for their work.

Does the Standards and General Purposes Committee meet best practice standards?

The functions of the Standards and General Purposes Committee were aligned to those recommended by the Chartered Institute for Public Finance and Accountancy (CIPFA) in its 2022 publication "Audit Committees – Practical Guidance for Local Authorities".

A review of the Committees' terms of reference against CIPFA's recommendations was undertaken in March 2023, resulting in a number of additions that were recommended to Full Council and subsequently approved in September 2023. The constitution has been updated with these changes.

Was the Standards and General Purposes Committee well attended?

The Committee was well attended throughout the year by its members, and it was well supported by Council officers and others invited. Almost all attendance was in person, rather

than virtual.

Training for members

A Member Development programme was agreed by Standards and General Purposes Committee, for all councillors in March 2022.

Induction training was provided to all Councillors in May 2022, following the elections.

Cyber security Cyber Ninjas training is undertaken on an annual basis.

Standards and General Purposes

A 'knowledge and skills assessment' was carried out in March 2023.

Overall, the results indicated a good level of general knowledge about audit and control issues among the 7 members of the Committee who responded, and good levels of experience in most areas.

Risk Management training. This was provided to Standards and General Purposes Committee prior to the committee meeting in September 2023.

The Local Government Association commissions and funds meetings for the **London Authority Audit Committee Chairs Forum**. Training was offered to the Chair and Deputy Chair in March 2024 on 'Chairing and Influencing Skills for the Audit Committee' and on 'External Audit matters'. Slides from these presentations were provided to all London Chairs and Deputy Chairs.

Meetings scheduled for 2024/25

Details of the meetings planned to take place during 2024/25 are shown in Appendix D with the Committee's provisional work plan.

Overall conclusion on the work of the Committee.

The Standards and General Purposes Committee's terms of reference require it to publish this Annual Report on the work of the Committee, including a conclusion on the compliance with the [CIPFA Position Statement](#).

The CIPFA Position statement sets out the purpose, model, core functions and membership of the Audit Committee as set out in the table below.

Some comments are provided, principally on an exception's basis, in order to support the conclusion on compliance.

CIPFA's position statement says: [Abridged]	Comments by exception
Purpose of the audit committee	
<p>Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk, and control arrangements.</p> <p>The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.</p> <p>The full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council.</p> <p>The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.</p>	<p>The requirements in relation to the 'Purpose of the audit committee' were met.</p>
Independent and effective	
<p>The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.</p> <p>The committee should:</p> <ul style="list-style-type: none"> • be directly accountable to the authority's governing body • be independent of both the executive and the scrutiny functions 	<p>The requirements for the committee's 'Independence and effectiveness' were met.</p> <p>The requirements to include an co-opt independent member to the committee were not met.</p>

CIPFA's position statement says: [Abridged]	Comments by exception
<ul style="list-style-type: none"> • have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups • have rights to request reports and seek assurances from relevant officers • be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided. <p>Audit committees should include co-opted independent members in accordance with the appropriate legislation.</p> <p>Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.</p>	
<p>Core functions</p>	
<p>The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.</p> <p>The specific responsibilities include:</p>	
<p>Maintenance of governance, risk, and control arrangements</p> <ul style="list-style-type: none"> • Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance. • Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the [Council] and its collaborative arrangements. • Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics, and managing the authority's exposure to the risks of fraud and corruption. 	<p>The requirements for the 'Maintenance of governance, risk and control arrangements were met.</p>

CIPFA's position statement says: [Abridged]	Comments by exception
<p>Financial and governance reporting</p> <ul style="list-style-type: none"> • Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives. • Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them. 	<p>The requirements for 'Financial and governance reporting' were met.</p> <p>The requirement to review the statutory accounts could not be met as the external audit of the Council's draft statement of accounts for the year ended 31 March 2022 had not been completed by the external auditors, Ernst & Young LLP.</p>
<p>Establishing appropriate and effective arrangements for audit and assurance</p> <ul style="list-style-type: none"> • Consider the arrangements in place to secure adequate assurance across the [Council's] full range of operations and collaborations with other entities. • In relation to the authority's internal audit functions: <ul style="list-style-type: none"> - oversee its independence, objectivity, performance, and conformance to professional standards - support effective arrangements for internal audit - promote the effective use of internal audit within the assurance framework. • Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit. • Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality. • Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review, and accountability. 	<p>The requirements for 'Establishing appropriate and effective arrangements for audit and assurance' were met, noting that only a proportionate amount of the Council's arrangements can be considered by the committee in a single year.</p> <p>The committee had been unable to consider the opinion of the external auditor, as the 2022/23 accounts had not been audited and the Value for money report was outstanding at the time of this report.</p>

CIPFA's position statement says: [Abridged]	Comments by exception
<p>Audit committee membership</p> <p>To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre.</p> <p>When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills, and experience.</p> <p>Characteristics of audit committee membership:</p> <ul style="list-style-type: none"> • A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable. • A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives. • A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are: <ul style="list-style-type: none"> - promoting apolitical open discussion - managing meetings to cover all business and encouraging a candid approach from all participants - maintaining the focus of the committee on matters of greatest priority. • Willingness to operate in an apolitical manner. • Unbiased attitudes – treating auditors, the executive and management fairly. • The ability to challenge the executive and senior managers when required. • Knowledge, expertise and interest in the work of the committee. <p>While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.</p> <p>The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.</p>	<p>The requirements for 'Audit committee membership' were met, subject, as above, to the outstanding actions to co-opt independent members to the committee.</p>
<p>Engagement and outputs</p> <p>The audit committee should be established and supported to enable it to address the full range of</p>	<p>The requirements for the 'Engagement and outputs' were met, subject to the requirement to publish this Annual Report.</p>

CIPFA's position statement says: [Abridged]	Comments by exception
<p>responsibilities within its terms of reference and to generate planned outputs.</p> <p>To discharge its responsibilities effectively, the committee should:</p> <ul style="list-style-type: none"> • meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public. • be able to meet privately and separately with the external auditor and with the Head of Internal Audit. • include, as regular attendees, the chief finance officer(s), the Chief Executive, the Head of Internal Audit and the appointed external auditor; other attendees may include the Monitoring Officer. These officers should also be able to access the committee members, or the chair, as required. • have the right to call on any other officers or agencies of the authority as required. • support transparency, reporting regularly on its work to those charged with governance. • report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public. 	<p>It is noted that the council does not require the Chief Executive to attend the committee on a regular basis. The Executive Director of Finance and Digital undertakes this task on their behalf. The Chief Executive would attend if required.</p>
<p>Impact</p> <p>As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.</p> <p>The committee should evaluate its impact and identify areas for improvement.</p>	<p>The requirements in this area were met, subject to carrying forward to 2024/25 a suggested action to consider ways in which the Committee might evaluate the impact of its work, in addition to doing so through this Annual Report.</p>

Overall Conclusion.

The overall conclusion of this draft Annual Report is that the audit work of the Committee does comply with the CIPFA position statement, subject to:

- a) The outstanding work to complete the appointment of an 'independent member' to the Committee.

- b) An action to carry forward to 2024/25, to consider ways in which the Committee might evaluate the impact of its work, in addition to doing so through this Annual Report.

Appendix A

The Standards and General Purposes Committee's 'Audit Committee Activity': 2023-24

Meeting: 27 April 2023

External Audit 2021-22 Final Audit Results Report for Council and Pension Fund. An annual report bringing together all the external auditor's work over the year.

External Audit Plans for Council and Pension Fund Accounts. An overview of external audit plans and the fee for the 2022/23 audit before detailed planning work commenced.

Internal Audit Plan. The Head of Internal Audit's risk-based audit plan 2023/24, designed to implement the audit strategy.

Whistleblowing Policy and Anti-Money Laundering Policy Review. An update on a review of the Whistleblowing arrangements and to minimise the Council's risk of exposure to Money Laundering.

Fraud Update Report. A report from SWLFP to provide the Committee with assurance over the arrangements for providing protection against fraud and corruption.

Process Review - Nominating Honorary Aldermen. A report for a discussion about the procedure for awarding Honorary Alderman/woman status to retiring Councillors.

Freedom of the Borough. To establish a member working group to consider any nominations for awarding Freeperson of the Borough Status.

Remuneration of Councillors. The Independent Remuneration Panel's report to help in deciding whether to recommend any changes to the current members' allowances scheme.

Amendments to the Constitution. To consider changes to the Constitution to and update sections with current working practice.

Member Complaints. An update on complaints received about Councillors since September 2022.

Work Programme. Forward work plan

Meeting: 19 July 2023

Annual Governance Statement. An overview of the Council's governance arrangements and assurance regarding their adequacy and effectiveness.

Internal Audit Annual Report. Head of Internal Audit's opinion on the Council's internal control environment and the Annual Review of Effectiveness of Internal Audit.

Standards and General Purposes Annual Report. A report to demonstrate the work undertaken by the Standards and General Purposes Committee over the previous 12 months in promoting good governance and fulfilling its terms of reference.

Recommendations from the SGP Working Group on Remunerations. The recommendations of the working group to inform recommendations to Full Council about member allowances.

Recommendations from the SGP Working Group on Freedom of the Borough. The recommendations of the working group to consider nominations for the award of Freedom of the Borough.

Recommendations from the SGP Working Group on Awards. The recommendations of the working group to consider the process for nominating and awarding Honorary Alderperson and Freedom of the Borough status.

Annual Complaints Report 2021/22. Reports on complaints made to the Council through its general complaint's procedure, as well as complaints about adult social services and children's social care.

Local Government Act 1972, Section 85 (1): Approval of Absence. A request for approval for absence by reason of ill-health.

Work Programme. Forward work plan.

Meeting: 21 September 2023

Training session prior to meeting: Risk Management

HR Update - Temporary and Contract Staff and Demographics. An update on the level of reliance on agency and temporary staff, including the management tiers most affected, and the steps being taken to address this.

Work Programme. Forward work plan.

Meeting: 9 November 2023

Annual Gifts and Hospitality Report (Members). The yearly update on the registration by Councillors of gifts and hospitality, and the reasons for their acceptance.

Annual Gifts and Hospitality Report (Officers). The yearly update on the registration by officers of gifts and hospitality, and the reasons for their acceptance.

Review of Polling Districts and Polling Places. Proposals about existing polling stations and polling stations likely to be used within Merton.

Annual Complaints Report. The Corporate Complaints report for 2022/23 along with the reports relating to Adult Social Care and Children's Social Care covering the same time period.

External Audit of London Borough of Merton 2022/23. A verbal update from the External Auditor, highlighting the wait for DLUHC (Department for Levelling Up, Housing and Communities) to give guidance on the audit market and what's happening for 2022/23. Also how to restore a regular timeframe in 2023/24.

Merton Pension Fund External Audit Plan 2022/23. A report to provide the Committee with a basis to review the proposed External Audit approach and scope for the 2022/23.

Internal Audit Progress Report. The Head of Internal Audit's report summarising progress in delivering the Annual Audit Plan agreed by the Committee, up to October 2023.

Fraud Update Report. A report to provide the Committee with assurance about the arrangements for protecting the Council and residents against fraud and corruption.

Progress Report on Risk Management. A report on progress with risk management, including details of the Key Strategic Risks faced by the Council.

Work Programme. Forward work plan.

Meeting: 5 March 2024

Review of RIPA Policy. A report to update Members about authorisations since March 2022 and seeking approval for the revised RIPA Policy.

Polling Places. A request for approval for two polling places to replace other polling places.

External Audit - Value for Money Report. Note: no report on the system and no minutes.

Internal Audit Progress Report. The Head of Internal Audit's report summarising progress in delivering the Annual Audit Plan agreed by the Committee, up to February 2024.

Internal Audit Plan 2024-25. The Head of Internal Audit's risk-based audit plan 2023/24, designed to implement the audit strategy.

Fraud Update. An update on the anti-fraud activity carried out during 2023/24 up to 31 January 2024, and the indicative Fraud Plan for 2024/25.

Report on the use of temporary workers and consultants – A report about progress in reducing the use of agency workers; the initiatives for promoting apprenticeships; the use of the apprenticeship levy; and actions being taken to promote Merton Council as an employer of choice.

Work Programme. Forward work plan.

Appendix B

Planned Meeting Dates & Provisional Work Plan: 2024/25

Meeting: 18 July 2024
Annual Governance Statement
Internal Audit Annual Report
Fraud Update Report
Annual Report of Standards and General Purposes Committee
Complaints Report, including complaints against Members
Work Programme

Meeting: 19 September 2024
HR Update- Temporary and Contract Staff and Demographics update
Revisions to Contract Standing Orders
Corporate Complaints report
Complaints against Members annual update
Recruitment of Independent Member
Annual Gifts and Hospitality report (Members, including independent and co-opted members)
Annual Gifts and Hospitality report (Officers)
Annual review of Risk management Strategy and Strategic Risk Register
Work programme

Meeting: November 2024
External Audit progress reports
Internal Audit progress report on annual audit plan
Final Accounts
Fraud Update Report
Appointment of Independent Member

Annual Gifts and Hospitality report (officers)
Annual review of Risk management Strategy and Strategic Risk Register
Annual Complaints Report
Work programme

Meeting: March 2025
Update on RIPA authorisations
External Audit progress report
External Audit Plans for Council and Pension Fund accounts
Internal Audit Plan
Internal Audit progress report
Fraud Update Report
HR update report -Temporary and Contract Staff update
Work programme

Areas on the Work Programme that were to be added as required:

- Polling Places (last done February 2024)
- Constitutional amendments
- Review of members' interests
- Member Development Update
- Independent / co-opted members
- Reports on dispensations issued by Monitoring Officer
- Report on payment exceeding £1,000 as a result of maladministration as directed by the LGO.
- Revisions to Contract Standing Orders (last done July 2023)
- Freedom of the Borough (recommendations from working group).

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