

# **Merton Council**

## **Standards and General Purposes Committee**

**30 July 2018**

### **Supplementary Agenda 1**

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|   | This report presents the audited Statement of Accounts for the year ended 31st March 2018 for adoption by Standards and General Purposes Committee in accordance with the statutory requirements contained in the Accounts and Audit Regulations 2015 and the ISA 260. |         |
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## **Committee: Standards and General Purposes**

**Date:** 30 July 2018

Agenda item:

Wards: All

Subject: Audited Final Accounts 2017/18

Lead officer: Caroline Holland, Director of Corporate Services

Lead Member: Cllr Mark Allison – Cabinet Member for Finance

Contact officer: Roger Kershaw: AD of Resources 0208-545-3458

**Key decision reference number:** This report is written and any decisions taken are within the Budget and Policy Framework Procedure Rules as laid out in Part 4-C of the Constitution.

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### **Recommendations:**

1. That Committee approve the audited Statement of Accounts, including the Group Accounts and the Pension Fund Accounts (Appendix 2), subject to any further comments from the External Auditor.
  2. That Committee note any comments made by the Pensions Fund Advisory Panel regarding the Pension Fund Accounts.
  3. To note EY's Audit Results Report (Appendix 4) for the Pension Fund accounts under the International Standard on Auditing (ISA) 260.
  4. To note EY's Audit Results Report (Appendix 3) for the Statement of Accounts under the ISA 260. (To follow)
  5. That the Chair signs the Statement of Responsibilities for the Statement of Accounts (Appendix 2, page 154).
  6. That the Chair signs Letters of Representation (Appendices 3 and 4) for the Statement of Accounts and Pension Fund Accounts.
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### **1. Purpose of report and executive summary**

- 1.1 This report presents the audited Statement of Accounts for the year ended 31<sup>st</sup> March 2018 for adoption by Standards and General Purposes Committee in accordance with the statutory requirements contained in the Accounts and Audit Regulations 2015 and the ISA 260.
- 1.2 The draft accounts are attached as Appendix 2 to this report. (*To follow*). A summary of the draft Statement of Accounts is attached as Appendix 1. Appendices 3 and 4 contain Ernst & Young's Audit Results Reports on the main accounts and Pension Fund respectively, including two Letters of Representation, one for the main accounts and one for the Pension Fund. (*To follow for the main accounts*) Appendix 5 contains the Council's revenue account, extracted from its Whole of Government Accounts (WGA) submission.

## 2. Details

- 2.1 **Accounting Code of Practice:** Section 21(2) of the Local Government Act 2003 requires local authorities in the United Kingdom to keep their accounts in accordance with “proper practices”. This is defined, for the purposes of local government legislation, as meaning compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom, prepared by the CIPFA/LASAAC Joint Committee. The Code specifies the principles and practices of accounting required to give a “true and fair” view of the financial position and transactions of a local authority. In particular, it prescribes the accounting treatment and disclosures for all normal transactions of a local authority.
- 2.2 The Code involves adaptations of International Financial Reporting Standards and other pronouncements by the International Accounting Standards Board (IASB) subject to such adaptations as are necessary for the local government.
- 2.3 **Accounts and Audit Regulations:** These specify the timetable for producing the Council’s accounts which have been brought forward for reporting the 2017/18 accounts and which are as follows:
- a) That the Council's statement of accounts must be ready for audit by no later than 31st May 2018 and in particular that the responsible financial officer must sign and date the accounts and certify that it presents a true and fair view of the financial position of the body at the year end and of that body’s income and expenditure for that year. There is no requirement for approval by committee at that stage.
  - b) That the committee of members must approve the Statement of Accounts by the 31st July 2018. The accounts must be signed and dated by the chairman of that committee and then published on the Council’s website.
- 2.4 In addition, if there are any amendments to the accounts, the Chief Financial Officer must re-certify the presentation of the Statement of Accounts by signing and dating the balance sheet signed on the 31<sup>st</sup> May 2018.
- 2.5 **Audit of the Council’s accounts:** Ernst & Young are still carrying out their planned audit on the Council’s accounts and expect to complete their work by the date of the committee. Until the audit work is complete, it is possible that amendments may arise. If they do, they will be reported to this committee. Subject to satisfactory completion of the remaining audit work, the results of the audit are that the accounts are unqualified, that is, the financial statements give a true and fair view in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.
- 2.6 The audit work is continuing at a pace and the tighter timeframe in which to close our accounts is creating a number of significant challenges, both for the auditors and the Finance team. As such, the draft accounts and the main Audit Results Reports will follow this report. Officers will update the Committee members on progress at the meeting.

- 2.7 Members being satisfied with the audited accounts, Members are requested to recommend that the Council approve the audited accounts.
- 2.8 Audit Results Reports: Ernst & Young will issue its Audit Results Reports (ARRs), under ISA 260. The auditors are required to comply with the Auditing Standards contained under ISA 260, which covers 'Communications of Audit Matters with those charged with governance'. The auditor is required to report relevant matters relating to the audit to those charged with governance. There is one ARR for the Statement of Accounts and a separate ARR for the Pension Fund accounts.
- 2.9 Letters of Representation: ISA 580, covering Management Representation, requires that the auditor be provided with written representation from management with appropriate responsibilities and knowledge of the financial statements. This applies to the main accounts and the Pension Fund Accounts.
- 2.10 ISA 260 requires that those charged with governance should sign agreement to the Letter of Representation. After the Committee has discussed and agreed the Letter of Representation, it has to be signed by the Chief Financial Officer. The Chair of the Committee is then required to sign agreement to the Letter of Representation. Copies of the letters to be signed for the main accounts and the Pension Fund accounts are included in Appendices 3 & 4.
- 2.11 **Financial Summary**: The audit work to date has also not resulted in any changes to level of reserves.
- 2.12 Fund Balances and Reserves: Table 1 contains a breakdown of revenue balances and reserves, which when the Collection Fund balance is included, stand at £62.892m.

**Table 1: Reserves**

<b>Reserves</b>	<b>2016/17 Audited Accounts £000</b>	<b>2017/18 Draft Accounts £000</b>
<b>1. Usable reserves</b>		
General fund balance	12,778	12,778
General fund-schools	8,246	7,820
Earmarked reserves (excluding schools)	32,508	33,575
Earmarked reserves- schools	8,597	6,548
<b>Revenue reserves and balances</b>	<b>62,129</b>	<b>60,721</b>
Unapplied capital receipts	22,986	15,512
Unapplied capital grants	7,251	10,479
<b>Other usable reserves</b>	<b>30,237</b>	<b>25,991</b>
<b>Total usable reserves</b>	<b>92,366</b>	<b>86,712</b>
<b>2. Unusable reserves</b>		
Collection fund	1,395	1,171
Other unusable reserves	(35,479)	27,343
<b>Total unusable reserves</b>	<b>(34,084)</b>	<b>28,514</b>
<b>Total reserves</b>	<b>58,282</b>	<b>115,226</b>

- 2.13 The £63m increase in unusable reserves is due to increases in the capital adjustment account (£20m) and revaluation reserve (£32m) and pensions' reserve (£11m). The increase in the capital adjustment account is because financing entries exceeded capital adjustments, the increase in the revaluation reserve is due to upward revaluations of land and buildings and the increase in the pensions' reserve was due to changes in actuarial assumptions.

- 2.14 Outturn Table 2 shows the final outturn for the year. The departmental figures are those reported to the Cabinet. The underspend of £0.266m is part of the £33.575m earmarked reserves in Table 1.

**Table 2: 2017/18 Outturn and Budget Variances (subject to completion of audit)**

<b>Cabinet Outturn Report</b>	<b>2017/18 Current Budget £000</b>	<b>2017/18 Outturn £000</b>	<b>2017/18 Variance £000</b>
<b>Department</b>			
Corporate Services	9,932	8,963	(969)
Children, Schools & Families	54,691	57,122	2,431
Community & Housing	64,480	65,654	1,174
Environment & Regeneration	18,271	16,810	(1,461)
<b>Net Service Expenditure</b>	<b>147,374</b>	<b>148,549</b>	<b>1,175</b>
Corporate Provisions	1,437	484	(953)
<b>Total General Fund</b>	<b>148,811</b>	<b>149,033</b>	<b>222</b>
Grants	(28,999)	(29,668)	(669)
Business Rates	(35,483)	(35,302)	181
Council Tax and Collection Fund	(84,329)	(84,329)	0
<b>Funding</b>	<b>(148,811)</b>	<b>(149,299)</b>	<b>(488)</b>
<b>Net overspend (funded from earmarked reserves)</b>	<b>0</b>	<b>(266)</b>	<b>(266)</b>

**3. Alternative options**

None for the purposes of this report.

**4. Consultation undertaken or proposed**

- 4.1 Under the Accounts and Audit Regulations 2015, the Council is required to make available, for a 30 working day period, copies of the Statement of Accounts and related information for inspection by any interested person. During this period, interested persons also have the right to question the auditor, by prior appointment, about the accounts. The inspection period ran from 1st June to 12th July 2018 and was advertised on the Council's website at [www.merton.gov.uk/finance](http://www.merton.gov.uk/finance).
- 4.2 There were no queries raised on the accounts during this time.

**5. Whole of Government Accounts (WGA)**

- 5.1 The Whole of Government Accounts (WGA) process consolidates the audited accounts of around 4,000 organisations across the public sector in order to produce a comprehensive picture of the financial position of the UK public sector. WGA is based on International Financial Reporting Standards (IFRS) and is independently audited.
- 5.2 As an organisation within the WGA boundary, the Council is required each year to complete a WGA return in order that HM Treasury can produce the consolidated WGA accounts.
- 5.3 As part of Ernst and Young's audit work on the Council's accounts, an assurance statement, in respect of the WGA return, is provided to the National Audit Office. EY expect to provide the assurance statement in October.
- 5.4 The Council's revenue account, extracted from the unaudited WGA return, is attached as Appendix 5.

**6. CHAS 2013 Ltd Audit**

- 6.1 The Council's wholly-owned subsidiary, CHAS2013 Ltd, will be audited by Ernst & Young, commencing September. The audit of CHAS2013 Ltd's accounts is not expected to have any material impact on the Council's accounts.

**7. Timetable**

- 7.1 The date for the final audit of the accounts has been brought forward from the 30<sup>th</sup> September to the 31<sup>st</sup> July. Officers have worked closely with the external auditors to achieve this deadline, but there are some areas outstanding. There will be an update at the meeting.

**8. Finance, resource and property implications**

- 8.1 These are contained in the body of the report.



**9. Legal and statutory implications**

- 9.1 These are contained within the report, Members are referred to the Council's Constitution, and in particular the Financial Regulations, which are set out in Part 4f.

**10. Human rights, equalities and community cohesion implications**

- 10.1 None for the purposes of this report.

**11. Crime and disorder implications**

- 11.1 None for the purposes of this report.

**12. Risk management and health and safety implications**

- 12.1 None for the purposes of this report.

**13. Appendices**

- 13.1 The following documents are to be published with this report and form part of the report

- Appendix 1: Summary Accounts for the year ended 31<sup>st</sup> March 2018
- Appendix 2: Statement of Accounts for the year ended 31<sup>st</sup> March 2018 (*To follow*)
- Appendix 3: Ernst & Young Audit Results Report and Letter of Representation – Statement of Accounts (*To follow*)
- Appendix 4: Ernst & Young Draft Audit Results Report and Letter of Representation - Pension Fund Accounts
- Appendix 5: Draft Whole of Government Accounts Revenue Account 2017/18

**14. Background Papers**

- 14.1 The papers used to compile this report are held within the Corporate Services Department. Specifically, they include:-
- Statement of Accounts 2017/18
  - Working papers for the accounting entries
  - Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
  - CIPFA- technical bulletins

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# Summary Statement of Accounts

## 31<sup>st</sup> March 2018

### INTRODUCTION

The purpose of this explanatory paper is to provide Council stakeholders with a guide to the full Statement of Accounts and to give clear answers to the following key questions:

- What did our services cost in the year?
- Where did the money come from?
- What are our assets and liabilities?

It is both a summary and an interpretation of the accounts, highlighting the key issues that have arisen during the financial year. The full set of accounts and this summary are available on the Council's website at: <https://www2.merton.gov.uk/council/finance.htm>.

### THE STATEMENT OF ACCOUNTS

The Statement of Accounts, which has been prepared in accordance with the Local Authority Code of Accounting Practice, is the source of information for this paper, which focuses on the following key areas:

**Comprehensive Income and Expenditure Statement** - Shows the net cost of Council services and the income received from fees and charges and specific grants from Central Government.

**Balance Sheet** - Shows the Council's assets and how they have been financed.

**Pension Fund** - Shows member contributions to the fund and the benefits paid from it, together with details of investment activity during the year. It excludes Pension Fund liabilities.

### FINANCIAL HIGHLIGHTS 2017/18

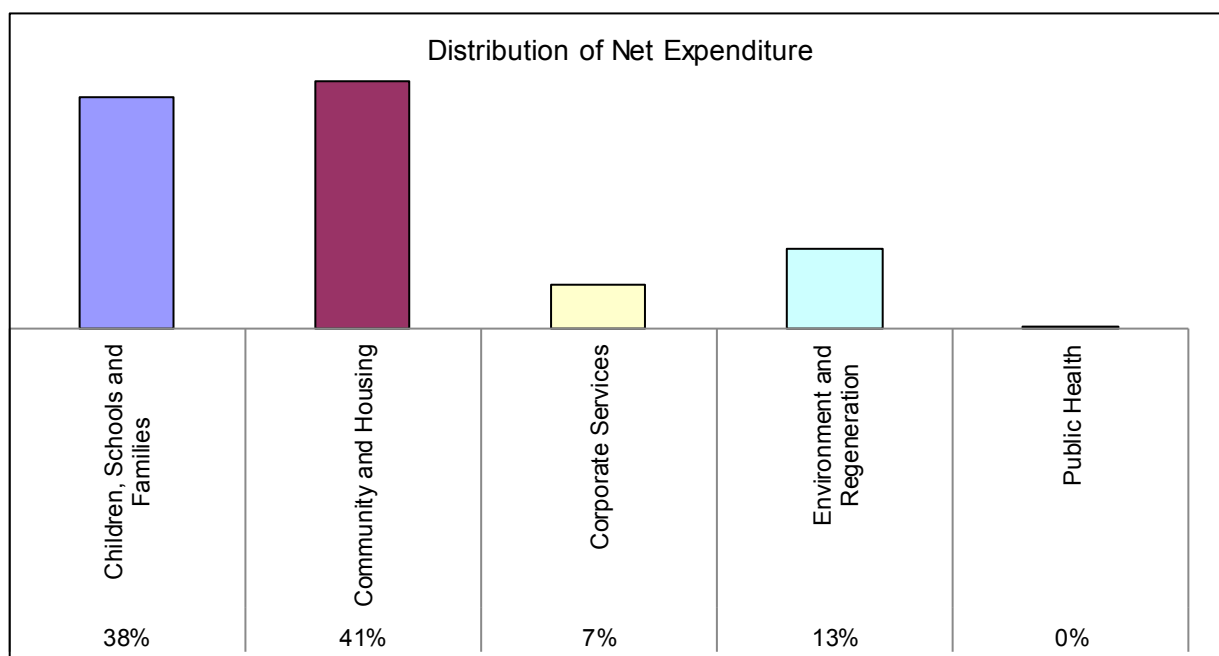
- The Council spent £33m (£31m in 2016/17) on capital schemes including a lease on the new Colliers Wood library valued at £0.5m.
- Total net assets increased £57m, comprising a £63m increase in unusable reserves and a £6m reduction in usable reserves. The £63m increase in unusable reserves was due to a £52m increase in capital reserves and an £11m increase in the pensions reserve.
- Borrowing decreased from £128m at 31/03/16 to £114m at 31/03/18.
- The Council has a net underspend against £0.3m against its budget in 2017/18, which has been added to earmarked revenue reserves.

## REVENUE SPENDING

Merton's net cost of services was £166.9m, attributable to services as shown below:

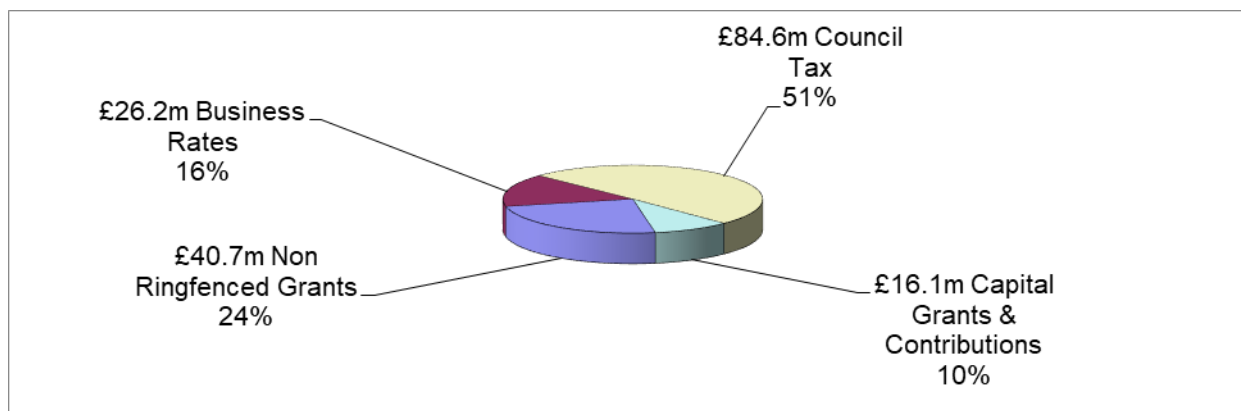
Service Areas	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
Children, Schools and Families	228.20	(164.40)	63.8
Community and Housing	92.20	(24.0)	68.2
Corporate Services*	138.60	(126.2)	12.4
Environment and Regeneration	62.20	(40.20)	22.0
Public Health	11.50	(11.0)	0.5
<b>Net Cost of Services</b>	<b>532.70</b>	<b>(365.80)</b>	<b>166.9</b>

\* Includes Housing Benefits



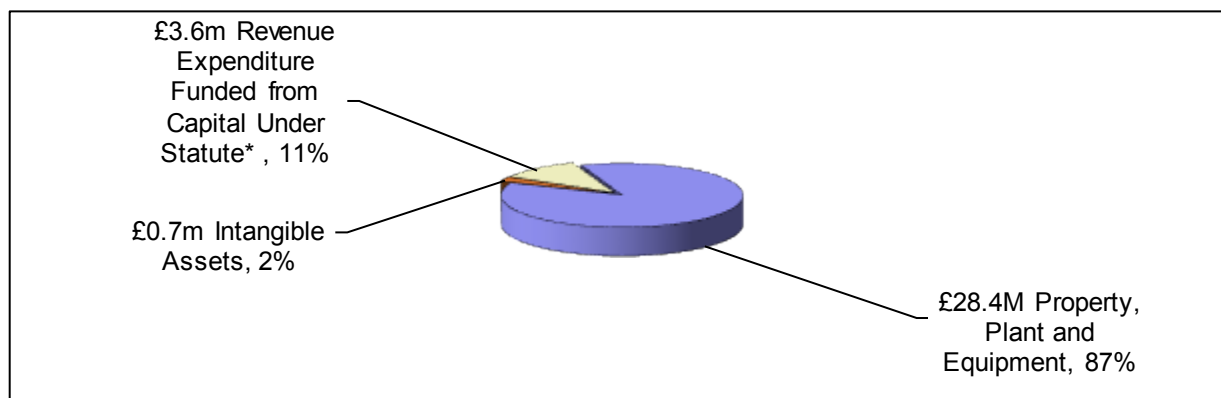
### How was expenditure funded?

Other than income collected by departments from fees, charges and specific government grants, services are paid for from revenue support grant, which is money from Central Government, contributions from the business rates pool, council tax and special grants for specific purposes. The following chart shows the actual funding of the net cost of services from local taxation and non-specific grant income:



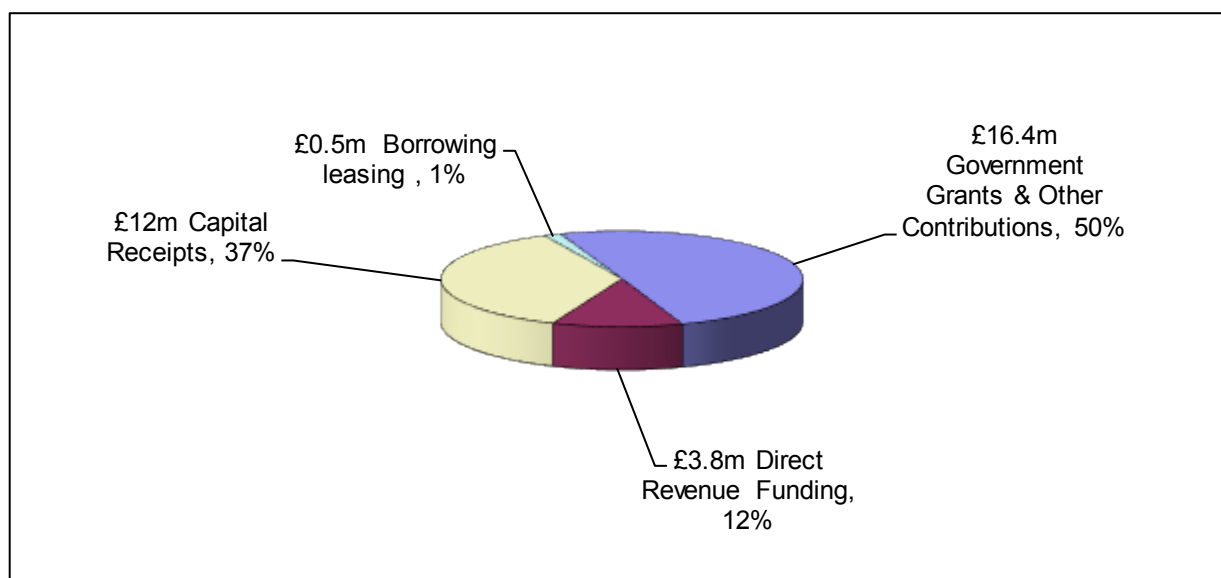
## CAPITAL SPENDING

Capital expenditure relates to spending on fixed assets such as buildings and equipment where the benefits to the authority last for more than one year. The Council spent £32.7m in 2017/18 as shown below.



\*This is revenue expenditure, which can be funded from capital resources under statutory requirements.

Capital spending was financed from a variety of resources as shown below.



Capital expenditure and the budget for the next four years, is shown by department in the following table. The budget is based upon the budget approved in February 2018 plus slippage.:

Department	Outturn 2017/18* £000s	Capital Budget			
		2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
Children, Schools & Families	6,036	16,082	8,107	3,202	650
Community and Housing	1,111	937	480	630	280
Corporate Services	8,244	28,533	15,818	3,945	3,862
Environment & Regeneration	16,840	22,772	9,060	5,017	4,052
<b>Total</b>	<b>32,231</b>	<b>68,324</b>	<b>33,465</b>	<b>12,794</b>	<b>8,844</b>

- Excludes the value of a new lease for the Colliers Wood library valued at £0.5m.

## FINANCIAL HEALTH

The Balance Sheet gives a snapshot of the Council's financial position at the year-end (i.e. 31<sup>st</sup> March 2018). It shows what the Council owns (its assets) and what it owes (its liabilities) and the funds which support them.

### Summary Balance Sheet

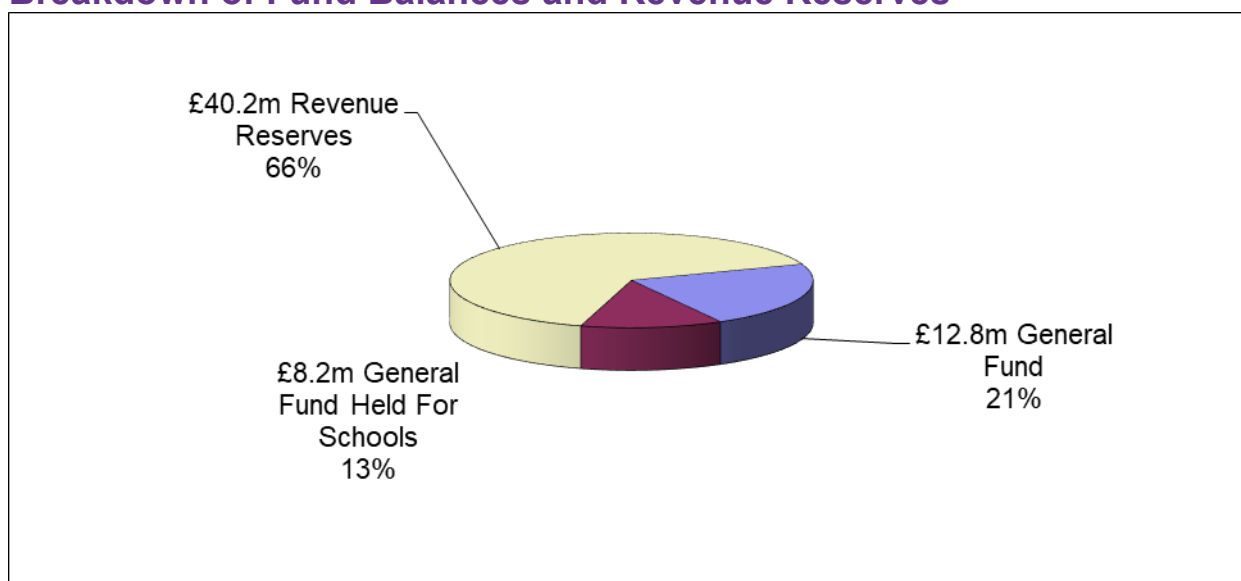
Assets	As at 31 <sup>st</sup> March 2017 £m	As at 31 <sup>st</sup> March 2018 £m
Fixed and Other Long Term Assets	529	579
Current Assets including investments, cash and debtors	134	118
Current Liabilities including creditors and short term borrowing	(78)	(65)
<b>Total Assets Less Current Liabilities</b>	<b>585</b>	<b>632</b>
Long term borrowings	(113)	(113)
Other liabilities and provisions	(46)	(46)
Pension Fund Liability	(368)	(357)
<b>Total Long Term Liabilities</b>	<b>(527)</b>	<b>(516)</b>
<b>Total Net Assets</b>	<b>58</b>	<b>116</b>
<b>Represented by:</b>		
Reserves and balances which can be spent	(92)	(87)
Reserves and balances which cannot be spent	34	(29)
<b>Total Net Worth</b>	<b>(58)</b>	<b>(115)</b>



## **RESERVES AND FUND BALANCES**

In total, the Council now has usable reserves and fund balances amounting to £87m, £26 capital receipts and grants, and £61m fund balances and revenue reserves which are broken down below.

### **Breakdown of Fund Balances and Revenue Reserves**



## **PENSION FUND**

The pension scheme is financed by contributions from employees and the employer, together with income and proceeds from investments administered by the Council. The Council is required to report the assets and liabilities stand on an IAS19 commitment basis. On this basis, the assets in the scheme increased by £5m during the year to £604m and the estimated pension liability fell by £6m to £961m, leading to a £11m reduction in the pension deficit, which stands at a notional £357m. Although this is a significant notional liability, the basis on which the pension deficit is valued for funding purposes is determined by a separate triennial actuarial valuation. Under the latest actuarial valuation, the Council has a 12-year plan to eliminate the deficit.

### **CABINET REPORTING**

The revenue outturn in the Statement of Accounts has been prepared in accordance with the CIPFA Code of Practice, which is based on IFRS accounting. A reconciliation of the Cabinet reporting, which is used for management purposes, to the CIPFA Code of Practice reporting is provided within the 2017/18 Statement of Accounts as disclosure note 1.

**Disclaimer:** - All of the figures in this summary have been compiled having due regard to proper accounting practice. In order to provide simplified and meaningful summary information, some figures have been combined.

# Merton Pension Fund Audit results report

Year ended 31 March 2018

12 July 2017

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12 July 2018

Dear Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Standards and General Purposes Committee.

We have substantially completed our audit of Merton Pension Fund for the year ended 31 March 2018. Subject to receiving the final documents listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July 2018.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report, or any other issues arising from our work with you, at the Standards and General Purposes Committee meeting on 30 July 2018.

Yours faithfully



Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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01 Executive Summary	02 Areas of Audit Focus	03 Audit Report	04 Audit Differences
05 Other reporting issues	06 Assessment of Control Environment	07 Independence	08 Appendices

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Standards and General Purposes Committee and management of Merton Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Standards and General Purposes Committee, and management of Merton Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Standards and General Purposes Committee and management of Merton Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary





# Executive Summary

## Scope update

In our audit planning report presented at the 15th March 2018 Standards and General Purposes Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exception:

- Changes in materiality: We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of 2% net assets, we have updated our overall materiality assessment to £13.3 million (Audit Planning Report – £13.0 million). This results in updated performance materiality, at 75% of overall materiality, of £9.9 million, and an updated threshold for reporting misstatements of £0.7 million.

## Status of the audit

We have substantially completed our audit of the Pension Fund's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following items we expect to issue an unqualified opinion on the Merton Pension Fund's financial statements in the form which appears at Section 3.

- Completion of subsequent events review
- Receipt of the signed management representation letter
- Receipt of the final version of the financial statements and annual report

## Audit differences

There are no unadjusted or adjusted audit differences arising from our audit that we wish to bring to your attention.

## Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of the Pension Fund's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Standards and General Purposes Committee.

## Executive Summary

### Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which are unknown to you.

### Other reporting issues

As part of our work we noted that the Pension Board did not meet at all in the year of account and through 2018/19 up to the date of audit. The role of the Board is important and should assist with scrutiny and compliance. The need for the administering authority for the Fund, Merton Council, to have a Board is also a requirement of the Public Service Pensions Act 2013. It is important that this is addressed. Officers are aware of this and plan to re-investigate meetings of the Board in 2018/19.

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### Independence

Please refer to Section 7 for our update on Independence. There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.





## 02 Areas of Audit Focus



## Areas of Audit Focus

### Significant risk

Misstatements due to fraud and error - Management Override

#### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every engagement.

Significant Risk

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#### What did we do?

- ▶ Tested journals at year-end to ensure there are no unexpected or unusual postings;
- ▶ Tested the existence and valuation of investments provided in fund manager reports and independent bid prices; and
- ▶ Tested the occurrence and measurement of investment income notified in fund manager reports to confirmations from custodians.

We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias. Our journals testing also specifically considered the risk of inappropriate or incomplete journaling of investment income and changes in market value of investments at year-end. We also consider whether there are any significant or unusual transactions outside of the Pension Fund's usual course of business.

#### What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Pension Fund's normal course of business.





# Audit Report

## Draft audit report

Our opinion on the financial statements

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERTON PENSION FUND

#### Opinion

We have audited the pension fund financial statements for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and the amount and disposition of the fund's assets and liabilities as at 31 March 2018; and
- have been properly prepared in accordance with the CIPFA/LASAAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Corporate Service's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Corporate Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



# Audit Report

## Draft audit report

Our opinion on the financial statements

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Director of Corporate Services is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

27 We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.





# Audit Report

## Draft audit report

### Our opinion on the financial statements

#### Responsibility of the Director of Corporate Services

As explained more fully in the Statements of Responsibilities set out on page 165, the Director of Corporate Services is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Corporate Services is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the members of Merton Pension Fund, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.



## 04 Audit Differences

## Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

### Summary of adjusted differences

We highlight any misstatements greater than £9.9 million which have been corrected by management during the course of our audit. There are no corrected misstatements to bring to your attention.

We report to you any uncorrected misstatements greater than our nominal value of £0.7 million. There are no uncorrected misstatements to bring to your attention.





## 05 Other reporting issues

# Other reporting issues

## Other reporting issues

### Consistency of other information published with the financial statements.

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2017/18 with the audited financial statements.

Financial information in the Statement of Accounts 2017/18 and published with the financial statements was consistent with the audited financial statements.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of Merton Pension Fund's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit; Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested; Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process; Related parties;
- External confirmations; Going concern; and Consideration of laws and regulations.

As part of our work we noted that the Pension Board did not meet at all in the year of account and through 2018/19 up to the date of audit. It is important that this is addressed. The role of the Board is important and should assist with scrutiny and compliance, The need for the administering authority for the Fund, Merton Council, to have a Board is also a requirement of the Public Service Pensions Act 2013.

Officers are aware of this and plan to re-institute meetings of the Board in 2018/19.



# 06 Assessment of Control Environment

# Assessment of Control Environment

## Financial controls

It is the responsibility of the Pension Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Pension Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.





# Independence

07

## Independence

### Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning report dated March 2018. We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this. We confirm we have undertaken no non-audit work outside the PSAA Code requirements.

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The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Pension Fund, and its directors and senior management and its affiliates, including all services provided by us and our network to your Pension Fund, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## Fees

As part of our reporting on our independence, we confirm that our fees of £21,000 for the year ended 31 March 2018 are in line with the scale fee set by PSAA and have remained consistent to the prior year.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements



## 07 Appendices



## Appendix A

### Audit approach update

We are required to communicate whether there have been any changes to the audit of the net assets statement from the prior year audit. In 2017/18 we have again taken a fully substantive approach to the audit and there have been no significant changes to our approach.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items



Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded

Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework



## Appendix B

### Summary of communications

Date	 Nature	 Summary
Throughout the year	Meetings, calls and e-mails	The Senior Manager has been in regular contact with the Pension Manager, Assistant Director of Resources and finance team in respect of the Fund's risks, accounts closedown and the audit approach.
8/3/2018	Meeting	The Associate Partner presented the Audit Plan to the Pensions Advisory Panel.
Standards and General Purposes Committee dates: <ul style="list-style-type: none"><li>• 9/5/2017</li><li>• 29/6/2017</li><li>• 7/9/2017</li><li>• 09/11/2017</li><li>• 31/1/2018</li><li>• 15/3/2018</li></ul>	Meetings and reports	The current Associate Partner and/or Senior Manager have attended all meetings of the Standards and General Purposes Committee held during the year and through to the date of issue of this report.
		Specific reports issued and communications with the Standards and General Purposes Committee are detailed in Appendix C.
Throughout the year	Meetings	The Senior Manager and/or Associate Partner have met regularly with the Director of Corporate Services and/or the Chief Executive on a regular throughout the year to discuss audit and Fund matters up to the date of issue of this report.



## Appendix C

# Required communications with the Standards and General Purposes Committee

There are certain communications that we must provide to the audit committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

Required communications		What is reported?	Our Reporting to you
			When and where
Terms of engagement		Confirmation by the Regulation, Audit and Accounts Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities		Reminder of our responsibilities as set out in the engagement letter.	15 March 2018 Standard and General Purposes Committee – Audit Plan
Planning and audit approach		Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	15 March 2018 Regulation, Audit and Accounts Committee – Audit Plan
Significant findings from the audit		<ul style="list-style-type: none"><li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li><li>• Significant difficulties, if any, encountered during the audit</li><li>• Significant matters, if any, arising from the audit that were discussed with management</li><li>• Written representations that we are seeking</li><li>• Expected modifications to the audit report</li><li>• Other matters if any, significant to the oversight of the financial reporting process</li></ul>	30 July 2018 Standards and General Purposes Committee – Audit Results Report



## Appendix C

Required communications		What is reported?	Our Reporting to you
Going concern		<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	<p>30 July 2018 Regulation, Standards and General Purposes Committee – Audit Results Report</p>
Misstatements		<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Material misstatements corrected by management</li> </ul>	<p>30 July 2018 Standards and General Purposes Committee – Audit Results Report</p>
Subsequent events		<ul style="list-style-type: none"> <li>• Enquiry of the Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	<p>30 July 2018 Standards and General Purposes Committee – Audit Results Report</p>
Fraud		<ul style="list-style-type: none"> <li>• Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Pension Fund</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• Unless all of those charged with governance are involved in managing the Pension Fund, any identified or suspected fraud involving: <ul style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>• Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	<p>30 July 2018 Standards and General Purposes Committee – Audit Results Report</p>



## Appendix C

Required communications		Our Reporting to you
	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Pension Fund's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the Pension Fund</li> </ul>	30 July 2018 Standards and General Purposes Committee - Audit Results Report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>15 March 2018 Standards and General Purposes Committee - Audit Plan and</p> <p>30 July 2018 Standards and General Purposes Committee - Audit Results Report</p>
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations

# Appendix C

Required communications		What is reported?	Our Reporting to you
			When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	30 July 2018 Standards and General Purposes Committee – Audit Results Report	
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit.</li> </ul>	30 July 2018 Standards and General Purposes Committee – Audit Results Report	
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	30 July 2018 Standards and General Purposes Committee – Audit Results Report	
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	30 July 2018 Standards and General Purposes Committee – Audit Results Report	
Auditors report	<ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	30 July 2018 Standards and General Purposes Committee – Audit Results Report	
Fee Reporting	<ul style="list-style-type: none"> <li>Breakdown of fee information when the audit planning report is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	15 March 2018 Standards and General Purposes Committee – Audit Plan and 30 July 2018 Standards and General Purposes Committee – Audit Results Report	



## Appendix D

# Management representation letter

Merton Pension Fund

Management Rep Letter

30 July 2018

Suresh Patel  
Associate Partner  
1 More London Riverside  
London  
SE1 2AF

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This letter of representations is provided in connection with your audit of the financial statements of Merton Pension Fund ("the Fund") for the year ended 31 March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2017 to 31 March 2018 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2018, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We understand that the purpose of your audit of the Fund's financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist. Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and are free of material misstatements, including omissions. We have approved the financial statements.





## Appendix D

# Management representation letter

Merton Pension Fund

Management Rep Letter

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018 that are free from material misstatement, whether due to fraud or error.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

### B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible to determine that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.
5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of non-compliance with any legal duty.
6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - Involving financial improprieties
  - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
  - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
  - Involving management, or employees who have significant roles in internal control, or others
  - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
  - Additional information that you have requested from us for the purpose of the audit.
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. You have been informed of all changes to the Fund rules.
  - All material transactions have been recorded in the accounting records and are **reflected** in the financial statements.
- 3.



## Appendix D

# Management representation letter

Merton Pension Fund

### Management Rep Letter

4. We have made available to you all minutes of the meetings of the Fund and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through 2017/18 to the most recent meeting of the Pensions Fund Advisory Committee on 18 July 2018, and Standards and General Purposes Committee on 30 July 2018.
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at 31 March 2018. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.
7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
9. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

#### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 24 to the financial statements all guarantees that we have given to third parties.

#### E. Subsequent Events

1. Other than described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the London Borough of Merton Pension Fund Annual Report 2017/18.
2. We confirm that the content contained within the other information is consistent with the financial statements.





## Appendix D

# Management representation letter

Merton Pension Fund

Management Rep Letter

### G. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

### H. Derivative Financial Instruments

1. We confirm that the Fund has made no direct investment in derivative financial instruments.

### I. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

### J. Actuarial valuation

1. The latest report of the actuary, Alison Hamilton from Barnett Waddingham as at 31 March 2016, has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

### L. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Yours faithfully,

Caroline Holland

Director of Corporate Services

Councillor Peter McCabe

Chair, Standards and General Purposes Committee

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ED None

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## Comprehensive Income and Expenditure Accounts: Net Cost of Services

ER's NIC %	10
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Employees		£'000	£'000
Direct employee expenses:			
	Salaries & wages	138,848	
	Employers NICs	13,373	
	IAS19 Defined Benefit Pension Costs		
	Employers pension current service costs	30,499	
	Employers pension past service costs	682	
	Recognition of gain/loss on settlement of pension liability	-331	
	Pension contributions defined contribution plans and other external schemes (includes Teachers Pension Scheme)	8,734	
	Agency staff	11,722	
	Employee expenses	0	
	Apprenticeship Levy (should be approx 0.5% of staff costs)	579	
Indirect employee expenses:			
	Other employee expenses	2,847	
	Employee-related provisions expense	0	
	Debits resulting from soft loans to staff	0	
	<b>Total Employee Costs</b>		<b>206,953</b>
Premises			
	Business Rates	1,428	
	Premises related provisions expense	0	
	Other premises related expenditure	8,666	
	<b>Total Premises Costs</b>		<b>10,094</b>
Transport			
	Transport related provisions expense	0	
	Other transport related expenditure	4,064	
	<b>Total Transport</b>		<b>4,064</b>
Supplies & Services			
	Audit costs	199	
	PFI service charge	2,653	
	Provisions expense	916	
	Other purchases of supplies & services	77,188	
	<b>Total Supplies &amp; Services</b>		<b>80,956</b>
Third-Party Payments			
	Independent units within the council	0	
	Joint authorities	535	
	Other local authorities	3,706	
	Health Authorities (incl. NHS Trusts, Primary Care Trusts etc)	0	
	Government departments	0	
	Levies (included within service lines)	0	
	All other bodies	90,166	
	<b>Total Third-Party Payments</b>		<b>94,407</b>
Transfer Payments			
	[ELG, WL.G, SLG ONLY] Housing benefit (payments to taxpayers)	81,829	
	Other transfer payments	9,049	
	[WL.G ONLY] Repayment of Grants to WAG	0	
	Payment to Welsh Government to buy out HRA subsidy (Settlement payment)	0	
	<b>Total Transfer Payments</b>		<b>90,878</b>
Support Services			
	Total recharged cost from support functions	29,561	<b>29,561</b>
Depreciation & Impairment Losses			
	Depreciation	18,474	
	Amortisation of intangible assets	492	
	Revaluations	-282	
	Impairment	0	
	Movement in fair value of investment property	0	
	<b>Total Depreciation and Impairment Losses</b>		<b>18,684</b>
Other Expenditure			
	Miscellaneous expenditure - please analyse in table below	0	
	<b>Total other expenditure</b>		<b>0</b>
Income			
	[ELG, WL.G, SLG ONLY] Dwelling rents (gross) within the Housing Revenue Account (HRA)	0	
	[ELG, WL.G ONLY] Cost of NNDR Collection Allowance (treated as income)	-264	
	Miscellaneous income	0	
	<b>Government Grants and Contributions (received from bodies within WGA boundary)</b>		
	[ELG, WL.G ONLY] New Homes Bonus / [WL.G] Income from other local authority CLG	-4,148	
	[WL.G ONLY] Welsh Government Revenue Grant	0	
	[ELG, WL.G ONLY] PFI Special Grant (component recognised in NCS)	0	
	[ELG, WL.G ONLY] Public Health Grant	-10,727	
	[ELG, WL.G, SLG ONLY] Rent Allowance: subsidy	-82,137	
	[ELG, WL.G, SLG ONLY] HRA Rent Rebates: subsidy	0	
	[ELG, WL.G, SLG ONLY] Non-HRA Rent Rebates: subsidy	0	
	[ELG, WL.G, SLG ONLY] Housing Benefit Subsidy Admin Grant	-909	
	[ELG ONLY] Pupil Premium	-5,921	
	[ELG ONLY] Dedicated Schools Grant	-142,860	
	[ELG ONLY] Education Services Grant	-3,497	
	[ELG ONLY] GLA Transport Grant	0	
	EU current grants	0	
	Other revenue grants & contributions (from Government and other WGA bodies)	-28,886	
	Other <b>Non-Govt</b> revenue grants & contributions	-4,797	
	<b>Capital Grants and Contributions</b>		
	Capital grant income (from Govt bodies)	-3,593	
	Capital grant income (EU grants)	0	
	Capital grants & contribution income (from non-Govt)	0	
	Amounts released from receipts in advance (deferred income)	-367	
	<b>Customer &amp; client receipts</b>		
	recharge receipts	-29,945	
	external receipts (fees & charges for services)	-50,602	
	Other Operating Income - please analyse in table below	0	
	Apprenticeship Levy - Notional Income	-5	
	Apprenticeship Levy - Notional Expense	5	
	<b>Total Income</b>		<b>-368,653</b>
Other items (Group Accounts Only)			
	Associates and joint ventures		
	[SCOTLAND ONLY] Police, Fire, SESTRAN & Strathclyde Partnership for Transport	0	
	Share of Surplus/Deficit of Assocs & JVs (Recognised within NCS, net of tax)	0	
	<b>Total Other items (Group Accounts Only)</b>		<b>0</b>
NET COST OF SERVICES			<b>166,944</b>

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## CI&E Account: Net Operating Expenditure and Surplus/Deficit for the year

£'000

### NET COST OF SERVICES

166,944

### Corporate Income and Expenditure:

Provisions expense (any amount not in NCS)	0
Trading operation results - Income	-5,016
Trading operation results - Expense	5,194
Other corporate income	0
Other corporate expense	0

### (Following Group Accounts Only)

[SLG ONLY] Police, Fire, SESTRAN & Strathclyde P'ship for Transport	0
Share of Surplus/Deficit of assoc & JVs (not recognised within NCS, net of tax):	0
Taxation payable of subsidiaries	0
Minority interest share of profits or losses of subsidiaries	0
<b>Corporate Income and Expenditure:</b>	<b>178</b>

### Other Operating Expenditure

Levies (not included in service lines)	933
Net gains/losses on disposal of PPE	-4,001
Net gains/losses on disposal of intangibles	0
Net gains/losses on disposal of assets held for sale	0
[ELG, WLG ONLY] Local (Parish Council) Precepts	0
[ELG, WLG ONLY] Amounts payable to Housing Capital Receipts Pool	0
<b>Other Operating Expenditure</b>	<b>-3,068</b>

### Financing and Investment Income and Expenditure

Interest Payable and similar charges	
Interest element of on-balance sheet PFI contract	3,441
Finance charges for finance leases (non-PFI)	32
Impairment losses - debtors	0
Impairment losses on other financial instruments in the loan & receivables (less debtor impmt shown separately above) & available-for-sale assets categories	0
Losses arising on the derecognition of financial instruments	0
Interest paid - within govt	6,592
Interest paid - bank loans & overdrafts (Non-Govt)	0
Interest paid - other borrowings (Non-Govt)	0
Net interest on the net defined benefit liability (asset)	9,718
Premeasurements of the net defined benefit liability (asset) recognised in the pensions reserve	0
Interest and investment income	-1,630
Income & exp in relation to investment properties and changes in their fair value	
Rental Income from investment properties	0
Direct operating expenses arising from investment properties	0
Net Gains/Losses on disposal of investment properties	0
Movement in fair value of investment property	0
Dividends receivable - associates, joint ventures & subsidiaries	-1,340
Dividends receivable - other (within Government)	0
Dividends receivable - other (non-Government)	0
Net gains/losses on financial instruments carried at fair value through profit or loss	0
Financial instruments fee income/expense (from sheet Fin Inst (15))	18
<b>Financing and Investment Income and Expenditure</b>	<b>16,831</b>

### Taxation and Non Specific Grant Incomes

[ELG, WLG, SLG ONLY] Income from Council Tax	-84,579
[ELG, WLG, SLG ONLY] Revenue Support Grant	-15,519
[WLG ONLY] Income from police precepts (recognised in PCC accounts as income from council tax)	0
[ELG, WLG ONLY] Non domestic rates retained income (Local Share)	-26,174
[ELG, SLG, NILG ONLY] NDR Top up payments from central government / [SLG] NDR (Distributed NDR Pool) / [NILG] District Rate	-8,901
[ELG ONLY] NDR Tariff payments to central government	0
[ELG ONLY] NDR Safety net payments from central government	0
[ELG ONLY] NDR Levy payments to central government	0
[ELG, WLG, SLG ONLY] Police Grant	0
[ELG ONLY] Greater London Authority General Grant	0
[ELG, WLG ONLY] PFI Special Grant (not in NCS)	-4,797
Other government grants (non-capital)	-11,434
Other Grant Income & contributions (from non-Govt bodies)	0
[ELG, WLG, SLG ONLY] LA levy income	0
[ELG, WLG, SLG ONLY] Business Rates Supplement Income	0
Amounts released from receipts in advance (deferred income)	-4,892
[WLG ONLY] EU Grants	0
<b>Capital Grants and Contributions</b>	
Capital grant income (from Govt or other WGA bodies)	-8,230
Capital grant & contribution income (from non-Govt bodies)	-2,955
<b>Taxation and Non Specific Grant Incomes</b>	<b>-167,481</b>

### SURPLUS(-)/DEFICIT ON THE PROVISION OF SERVICES

13,404

Other comprehensive income and expenditure (as per row 16 to 23 of LP-Reserves worksheet)	-70,349
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### TOTAL COMPREHENSIVE INCOME AND EXPENDITURE

-56,945

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# **LONDON BOROUGH OF MERTON**

## **WHISTLEBLOWING POLICY**



**July 2018**

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# London Borough of Merton

## Whistleblowing Policy

### 1 Policy Statement

- 1.1 The London Borough of Merton is committed to achieving the highest possible standards of service, including honesty, openness and accountability, and recognises that employees have an important role to play in achieving this goal.
- 1.2 All of us at one time or another has concerns about what is happening at work. Usually these concerns are easily resolved. However, when you are troubled about something that involves a danger to the public or colleagues, misconduct or malpractice or wrongdoing with affects others, it can be difficult to know what to do.
- 1.3 You may be worried about raising such an issue, perhaps feeling it's none of your business or that it's only a suspicion. You may feel that raising the matter would be disloyal to colleagues, to managers or to the Council. You may have said something but found that you have spoken to the wrong person or raised the issue in the wrong way and are not sure what, if anything, to do next.
- 1.4 The London Borough of Merton has introduced this policy to enable everyone to blow the whistle safely so that such issues are raised at an early stage and in the right way. We know from experience that to be successful we must all try to deal with issues on their merits. The Council welcomes your genuine concerns and is committed to dealing responsibly, openly and professionally with them. Without your help, we cannot deliver a safe service and protect the interests of the public, staff and the Council. If you are worried, we would rather you raised it when it is just a concern than to wait for proof.
- 1.5 If something is troubling you, which you think we should know about, or look into, please use this procedure. If, however, you are aggrieved about your personal position, please use the Grievance Procedure. This Whistleblowing procedure is primarily for concerns where the interests of others or of the Council are at risk.
- 1.6 The Council has an Anti-Fraud and Corruption Strategy and an Anti-Money Laundering Policy. These are available on the Council's website. Where a concern relates to an employee or Member of the Council failing to comply with the Anti-Money Laundering Policy this concern can be raised in accordance with this Whistleblowing Policy. The Anti-Fraud and Corruption Strategy sets out the ways in which the Council prevents, detects and investigates fraud and corruption. A concern about fraud and corruption can also be raised through in accordance with this Whistleblowing Policy.

## **2 Introduction**

- 2.1 The London Borough of Merton seeks to ensure that all of its activities are conducted to a high standard and with integrity. In the event that employees or members of the public become aware of activities that give cause for concern, the following Whistleblowing policy, or code of practice, will be followed. This policy acts as a framework to allow concerns to be raised confidentially and provides for a thorough and appropriate investigation of the matter to bring it to a satisfactory conclusion.
- 2.2 The London Borough of Merton is committed to tackling fraud and other forms of malpractice and treats these issues seriously.
- 2.3 The London Borough of Merton recognises that some concerns may be extremely sensitive. It has therefore, developed a system that allows for the confidential raising of concerns within the Council environment but also has recourse to an external party outside the management structure of the Council.
- 2.4 The London Borough of Merton is committed to creating a climate of trust and openness. A person who has a genuine concern or suspicion can raise the matter with full confidence that it will be appropriately considered.

## **3 Purpose of the policy**

- 3.1 The purpose is as follows:
- To encourage you to feel confident in raising concerns.
  - To provide the you with a confidential method of raising concerns.
  - To enable you to confidentially raise concerns within the Council environment.
  - To ensure you receive a response to your concerns and if not satisfied you are aware of how to pursue them.
  - To reassure you that you will be protected from reprisals or victimisation where you reasonably believe the disclosure to be made in the public interest.

## **4 Scope**

- 4.1 Council employees including schools, agency staff, trainees, apprentices, volunteers, consultants and interim managers, or any self employed staff employed on council business.
- 4.2 The policy applies to contractors working for the Council and partner agencies. It also covers any suppliers and those providing services under a contract or in partnership with the Council in their own premises.
- 4.3 This policy is in addition to the Council's Complaints, Grievance, and other statutory reporting procedures that may apply to some sections.

- 4.4 This policy is not part of the disciplinary procedures, although disciplinary action may result from the use of this policy.
- 4.5 This policy is not designed to be used for allegations that fall within the scope of other procedures (for example child or vulnerable adult protection) which will normally be referred for consideration under those procedures, unless there is good reason to believe that the procedure is not being followed or will not be followed effectively.

**This Whistleblowing procedure is primarily for concerns where the interests of others or of the Council are at risk.**

## **5 What types of activity would Whistleblowing apply to?**

- 5.1 The type of activity or behaviour that the Council considers should be dealt with under this policy includes:
- Action which is contrary to the code of conduct for employees or members.
  - The inappropriate use of the Council's standing orders and financial procedures.
  - Corruption, bribery or blackmail
  - Dangerous procedures risking Health and Safety, including risk to the public as well as other employees.
  - Services that fall below approved standards or practice.
  - Sexual or physical abuse of clients, or
  - Other unethical conduct, including deliberate concealment of information relating to the above.
  - Damage to the environment.
  - The unauthorised use of public funds.
  - Conduct which is a criminal offence or a breach of law.
  - Disclosures related to miscarriages of justice.
  - Involves possible fraud or financial irregularity
  - Failure to comply with legal or regularity duty or obligation..

## **6 Raising unfounded malicious concerns**

- 6.1 You are encouraged to come forward in good faith with genuine concerns with the knowledge they will be taken seriously. If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. However, when it appears that there are clear grounds for suggesting that you may have acted frivolously, maliciously or vexatiously, this will be taken seriously and may constitute a disciplinary offence.

## **7 Harassment or Victimisation**

- 7.1 The Council is committed to good practice and high standards and wants to be supportive of employees.

- 7.2 The Council recognises that the decision to report a concern can be a difficult one to make. If what you are saying is true, you should have nothing to fear because you will be doing your duty to your employer and those for whom you provide a service.
- 7.3 The Council will not tolerate any harassment or victimisation (including informal pressure) and will take appropriate action to protect you when you raise a concern.

## **8 Main Principles**

- 8.1 The following important principles are contained within this policy:
- a) The policy is complementary to the Council's Code of Conduct for employees, Code of Conduct for members and Procedures relating to Member complaints;
  - b) The Chief Executive has overall responsibility for the maintenance and operation of this policy;
  - c) It contains the provisions that are required from the Public Interest Disclosure Act 1998, and requirements under the common law "duty of care", e.g., to:
    - Draw attention to any matter considered damaging to the interest of service users, carers or colleagues,
    - Put forward suggestions which may improve quality of service,
    - Correct any statutory omission,
    - Prevent malpractice;
  - d) That the Council is committed to tackling malpractice and that employees know that any matter regarding malpractice and other illegal acts will be dealt with seriously;
  - e) If a matter raised results in any disciplinary action, the Council's disciplinary procedure will apply.

## **9 What protection have you got?**

- 9.1 The Public Interest Disclosure Act 1998 offers protection to workers from any detriment from their employer that arises from the worker making the disclosure (whistleblowing).. This Act has both the support of employers' organisations and Trade Unions.
- 9.2 The Council will not tolerate any harassment or victimisation (including informal pressures).
- 9.3 Under the Act, you will be required to resolve your concerns directly with the Council to a prescribed person (listed below) and will be protected from victimisation if in the last resort you have to take your concerns to an outside body.
- 9.4 Protection is provided to an employee where disclosure has been made with an honest and reasonable belief that the malpractice has occurred, is

occurring or is likely to occur. You will also be protected if you make your disclosures to an external body as long as they honestly and reasonably believe that the allegations are substantially true.

- 9.5 If appropriate, for members of staff, the Council's Dignity at Work procedure will apply to those who carry out unacceptable behaviour. Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary, grievance, capability or redundancy procedures.
- 9.6 The council cannot give legal advice to workers about disclosing information to us and whether whistleblowers will receive the legal protections offered by PIDA. Individuals will need to seek their own legal advice in relation to how the protection afforded by PIDA affects them.

## **10 Support for Employees**

- 10.1 It is recognised that raising concerns can be difficult and stressful. Advice and Support is available via an employee's line manager, Departmental Human Resources or Trade Union representative. It must be recognised that employees who are subject to investigation following concerns being raised will also be entitled to support from the same sources, although not from the same individuals. The Council provides Employee Assistance Programme (EAP) for members of staff which can provide support including regarding employment issues, consumer rights. This service is free to employees and is available 24 hours a day, 7 days a week, 365 days a year. Contact details are available on the intranet at: <http://intranet/staffcounsellingservice>.
- 10.2 Employees can also discuss their concerns with Public Concern at Work. <http://www.pcaw.org.uk/> or telephone 020 7404 6609.
- 10.3 The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings the Council will arrange for you to receive advice about the procedure.
- 10.4 Help will be provided to you in order to minimise any difficulties which you may experience. This may include advice on giving evidence if needed. Meetings may, if necessary be arranged off-site with you and with you being represented, if you so wish.
- 10.5 If you believe that you have suffered a detriment for having raised a concern, you should report this.
- 10.6 If you are not satisfied with the action taken by the Council and feel it's right to question the matter further may consider the following possible contact points:
- External Auditor
  - the employee's Trade Union
  - the Citizens Advice Bureau and / or law centre / firm
  - relevant professional bodies or regulatory organisations
  - the Local Government Ombudsman
  - the Information Commissioner

- a relevant voluntary organisation
- the Police and/ or Health and Safety Executive

## **11 Confidentiality**

- 11.1 Wherever possible the London Borough of Merton seeks to respect the confidentiality and anonymity of the Whistleblower and will as far as possible protect you from reprisals. The Council will do its best to protect your identity when you raise a concern and do not want your name disclosed. However, it must be appreciated that the investigation process may reveal the source of the information and a statement by you may be required as part of the evidence in criminal proceedings or Employment Tribunals.
- 11.2 The Council will endeavour to ensure your identity will not be disclosed to third parties without a court order.
- 11.3 The Council will not tolerate any attempt to victimise you or attempts to prevent concerns being raised and will consider any necessary disciplinary or corrective action appropriate to the circumstances.
- 11.4 The confidentiality of service users will not be compromised as employees have a duty in law and within their professional codes of conduct to maintain this.
- 11.5 Where the procedure allows a matter to be taken outside the Council, you should not disclose confidential information unless the information relates to the matter under investigation and until the internal procedures have been exhausted. No confidential information shall be disclosed externally in a frivolous or vexatious manner.

## **12 Anonymous allegations**

- 12.1 This policy encourages you to give your name when making an allegation. Concerns expressed anonymously are usually much less powerful, but they will be considered at the discretion of the investigating officers.
- 12.2 In exercising the discretion, the factors to be taken into account would include:
- the seriousness of the issues raised
  - the credibility of the concern and
  - the likelihood of confirming the allegation from attributable sources
  - the evidence base

## **13 What action should *you* take?**

- 13.1 The London Borough of Merton encourages you to raise the matter internally in the first instance. This allows staff and those in positions of responsibility and authority the opportunity to right the wrong and give an explanation for the behaviour or activity.
- 13.2 As a first step you should normally raise concerns with your line manager or the line manager's manager.

- 13.3 If the circumstances make contacting a line manager not appropriate then you can use the Whistleblowing Hotline 020 8871 8383.
- 13.4 The following officers can be contacted: -
- **Chief Executive** 020 8545 3332
  - **Leader of the Council** 020 8545 3424
  - **Head of Internal Audit** 020 8545 3149
  - **South West London Fraud Partnership hotline** 020 8871 8383
  - **Assistant Director Corporate Governance (Monitoring Officer)** 020 8545 3338
  - **Head of Head of Organisational Development & HR Strategy** 020 8545 3152
  - **Chair of the Standards and General Purposes Committee** (contact democratic services on 020 8545 3864)
- 13.5 You may prefer to raise the matter in person, by telephone or in written form marked private and confidential and addressed to one of the above named individuals. All matters will be treated in strict confidence and anonymity will be respected wherever possible.
- 13.6 Concerns made in writing should set out the background and history of the concern, giving names, dates and places where possible and the reason why there are particular concerns about the situation. The earlier the concern is expressed, the easier it is for someone to take action.
- 13.7 If you need advice and guidance on how matters of concern may be pursued, this can be obtained from Departmental HR Managers, or the Internal Audit service.
- 13.8 Because of the difficulty of raising a concern, a trade union or work colleague may raise the matter on behalf of you, or accompany you when making the allegation.
- 13.9 If you are not in a formal line management relationship because of your employment relationship, e.g., agency staff or contractors, you should first discuss your concerns with a relevant colleague or manager within the service.

## **14 How will the Council respond?**

- 14.1 The individual who receives the information or allegation will assemble the information made available to them. The details of the allegation are then immediately passed on to Internal Audit in order that it can be included on the central Whistleblowing register.
- 14.2 An appropriate investigating officer is then appointed by the relevant service, dependent on the nature of the allegation. The investigating officer(s) will carry out a preliminary investigation. This will seek to establish the facts of the matter and assess whether the concern has foundation and can be resolved internally. The initial assessment may identify the need to involve third parties



to provide further information, advice or assistance. This could involve for example members of staff, the Audit service, external audit, legal or HR advisors, or the police. Concerns or allegations, which fall within the scope of specific procedures (e.g., child protection, Health and Safety or discrimination issues), will normally be referred for consideration under those procedures. It may be decided to employ an outside firm to undertake the investigation or it may be passed to external audit to investigate, depending on the nature of the allegation.

- 14.3 Fraud allegations will be passed to the South West London Fraud Partnership to carry out the investigation.
- 14.4 Records will be kept of work undertaken and actions taken throughout the investigation. The investigating officer(s), will consider how best to report the findings and what corrective action needs to be taken. This may include some form of disciplinary action or third party referral such as the police.
- 14.5 The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, further information will be sought from you as part of the investigation process. If you are a Council employee, and the investigating officer has invited you to attend a meeting, you will have the right to be accompanied. This should be a representative of a recognised trade union, or a work colleague who is not involved in the area of work to which the concern relates.
- 14.6 The Council will take steps to minimise any difficulties that you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, the Council will advise on the procedure.
- 14.7 You will be informed within 4 weeks of receipt of the Whistleblowing, how and by whom the concerns will be handled and an estimate of how long the investigation will take and where no further action is proposed, reasons for this decision.
- 14.8 Subject to legal constraints, you will be informed of the overall conclusion of the investigation however you will not be provided with specific details of any proposed disciplinary action, as these will remain confidential to the individual(s) concerned.
- 14.9 If you are dissatisfied with the conduct of the investigation or outcome of the matter or have genuine concerns that the matter has not been handled appropriately, or feel you have suffered a detriment for raising the concern, you should report this to the Chief Executive or appropriate nominated officer. You are entitled to independent advice on this.

## **15 How the matter can be taken further**

- 15.1 This policy is intended to provide you with a way in which concerns can be raised and resolved within the Council.

- 15.2 In exceptional circumstances you may consider the matter too serious or sensitive to raise within the internal environment of the Council. In this instance depending on the nature of the concern, the matter could be directed to the police or local MP (contact through directory enquiries or local telephone directory).
- 15.3 The Comptroller and Auditor General is a prescribed person, to whom external persons can make disclosures relating to “the proper conduct of public business, value for money, fraud and corruption in relation to the provision of public services”. Their Whistleblowing hotline **020 7798 7999**
- 15.4 The Act does not require the C&AG to investigate every disclosure s/he receives; their decision whether or not to investigate is based upon various criteria designed to ensure the most effective use of the resources at their disposal in safeguarding the public interest.

The Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
London SW1W 9SP

- 15.5 The councils external auditor is Ernst & Young:- <http://ey.com>  
Ernst & Young  
1 More London Place  
London SE1 2AF  
Tel: 020 7951 2000
- 15.6 The Local Government Ombudsman can also be contacted, they will not however, take any action until the allegation has been dealt with internally first. They can be contacted at: - <http://www.lgo.org.uk/>  
Telephone the LGO Advice Team on 0300 061 0614 or Text ‘call back’ to 0762 481 1595.
- 15.7 In addition, information and advice can be obtained from the charity Public Concern at Work. This charity provides free advice for employees who wish to express concerns about fraud or other serious malpractice. They can be contacted at:-

Public Concern at Work <http://www.pcaw.org.uk/>  
Whistleblowing Advice Line: 020 7404 6609 e mail: [whistle@pcaw.co.uk](mailto:whistle@pcaw.co.uk)  
General enquiries: 020 3117 2520

Public Concern at Work  
CAN Mezzanine  
7-14 Great Dover Street London SE1 4YR

- 15.8 Further information may be obtained from the following:

Citizens Advice Bureau <https://www.citizensadvice.org.uk/about-us/contact-us/>

The Information Commissioner <http://www.ico.gov.uk/>

Health and Safety Executive <http://www.hse.gov.uk/>  
Care Quality Commission <http://www.cqc.org.uk/contact-us/report-concern/report-concern-if-you-are-member-public>  
Ofsted (Whistleblowing hotline) 0300 123 3155  
[whistleblowing@ofsted.gov.uk](mailto:whistleblowing@ofsted.gov.uk)

## **16 Relationship with other employee procedures**

- 16.1 The Whistleblowing Policy is not designed to replace the Grievance or Dignity at Work Procedures because it exists for clearly defined reasons.
- 16.2 An issue considered under the Whistleblowing Policy may lead to action under the Council's Disciplinary Procedure and/or action by the Council's Audit service, SWLFP or the police.
- 16.3 The Council's Code of Conduct outlines the approach employees must take regarding contact with the media. It is particularly important that disclosures are not made directly to the media but are initially directed through the Whistleblowing Policy if appropriate. Failure to do this may expose vulnerable clients to public view and may expose the employee to disciplinary action.

## **17 Mediation and dispute resolution**

- 17.1 If we believe that the issues relate more to conflicts or trust between managers and employees or other staff members, we will give consideration at the earliest opportunity, to the use of mediators or officers from another service in an attempt to resolve these conflicts, rebuild trust or support staff who have raised concerns.

## **18 Accountability**

- 18.1 Everyone should expect to be held accountable for adopting fair, honest and open behaviours and practices when raising, receiving and handling concerns.
- 18.2 Individuals and service areas will be accountable for:
  - poor practice in relation to encouraging the raising of concerns and responding to them
  - the victimisation of staff for making public interest disclosures
  - raising false concerns in bad faith or for personal benefit
  - acting with disrespect or other unreasonable behaviour when raising or responding to concerns

## **19 Communication, Recording, Monitoring and Review of Whistleblowing**

- 19.1 This policy will be communicated as appropriate and will be subject to regular monitoring and review.
- 19.2 The Head of Internal Audit will maintain a Corporate Register containing all concerns that are brought to her attention. This register will include details of who raised the concern/s (if available), the department the concerns relate to,

a brief summary of the concern/s, conclusion of the investigation, any action taken and any other relevant information. The Head of Internal Audit will report the number of whistleblowing cases received and a summary of the outcome to Standards and General Purposes Committee on an annual basis.

## **20 Conclusion**

- 20.1 Existing good practice within the Council in terms of its systems of internal control both financial and non-financial and the external regulatory environment in which the Council operates ensures that cases of suspected fraud or impropriety rarely occur. This Whistleblowing policy is provided as a reference document to establish a framework within which issues can be raised confidentially internally and if necessary outside the management structure of the Council. This document is a public commitment that concerns are taken seriously and will be actioned.

## **21 In Summary DO**

- Make an immediate note of your concerns
  - a) Note all relevant details, such as what was said in telephone or other conversations, the date, time and the names of parties involved.
  - b) Note any documentary evidence that may exist to support your claim but do not interfere with this evidence.
- Report your concerns
  - a) to your line manager or
  - b) to those listed above in 13.4
- Deal with the matter quickly. Any delay could allow the problem to continue and escalate and evidence to disappear
- Think about risks and outcomes before you act
- Follow the guidance provided and contact the appropriate officer

### **DON'T**

- Do nothing and let it go unreported
- Be afraid of raising concerns
- Approach and accuse individuals directly
- Try and investigate the matter yourself
- Convey your suspicions to anyone except those of the proper authority as set out in our policy.
- Use the whistleblowing procedure to pursue a personal grievance

**IF IN DOUBT – RAISE IT!**

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