

Merton Council

General Purposes Committee

Membership

Councillors

Peter McCabe (Chair)

Janice Howard (Vice-Chair)

Laxmi Attawar

Adam Bush

Tobin Byers

Mary Curtin

Abigail Jones

Ian Munn BSc, MRTPI(Rtd)

David Williams

Stephen Crowe

Substitute Members:

Stan Anderson

Michael Bull

Daniel Holden

Imran Uddin

A meeting of the General Purposes Committee will be held on:

Date: 6 November 2014

Time: 7.15 pm

Venue: Committee rooms D & E - Merton Civic Centre, London Road, Morden SM4 5DX

This is a public meeting and attendance by the public is encouraged and welcomed. For more information about the agenda and the decision making process contact democratic.services@merton.gov.uk or telephone 020 8545 3616.

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General Purposes Committee

6 November 2014

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Note on declarations of interest

Members are advised to declare any Disclosable Pecuniary Interest in any matter to be considered at the meeting. If a pecuniary interest is declared they should withdraw from the meeting room during the whole of the consideration of that matter and must not participate in any vote on that matter. If members consider they should not participate because of a non-pecuniary interest which may give rise to a perception of bias, they should declare this, withdraw and not participate in consideration of the item. For further advice please speak with the Assistant Director of Corporate Governance.

All minutes are draft until agreed at the next meeting of the committee/panel. To find out the date of the next meeting please check the calendar of events at your local library or online at www.merton.gov.uk/committee.

GENERAL PURPOSES COMMITTEE

17 SEPTEMBER 2014

(7.15 pm to 9 pm)

PRESENT Councillors Councillor Peter McCabe (in the Chair),
Councillor Janice Howard, Councillor Laxmi Attawar,
Councillor Adam Bush, Councillor Mary Curtin,
Councillor Abigail Jones, Councillor Ian Munn,
Councillor David Williams, Councillor Stephen Crowe and
Councillor Pauline Cowper

1 DECLARATIONS OF INTEREST (Agenda Item 1)

No declarations were made.

2 APOLOGIES FOR ABSENCE (Agenda Item 2)

No apologies for absence were given.

3 MINUTES OF THE PREVIOUS MEETING (Agenda Item 3)

RESOLVED: That the minutes of the meeting are agreed as an accurate record.

4 AUDITED FINAL ACCOUNTS 2013/14 (Agenda Item 4)

In presenting the report, Paul King went through the summary of the Audit Results report contained within the papers and invited comment and questions.

Councillor David Williams queried the way in which the budget underspends are shown in the accounts. He advised that the levels of underspend were easier to find in reports for previous years and suggested that the difficulty in finding this information could lead to accusations of a lack of openness and transparency.

When asked to comment, Paul King explained that the role of auditor is to give an opinion on the financial statement, and they were satisfied that there were no inconsistencies. It was not the role of the auditor to give an opinion on whether or not LB Merton is attempting to conceal the level of reserves, but to conclude whether or not there is a true and fair view given in the accounts.

When asked by Councillor Peter McCabe, Caroline Holland advised that the reserves are reported on in the monthly financial monitoring reports to Cabinet, and to the quarterly Financial Monitoring Task Group. Furthermore the use of reserves is detailed in an appendix to the budget report to Council. She stated that transparency is being improved and there is no attempt to conceal the levels of reserves.

Paul Dale reiterated Caroline Holland's comments regarding the level of reporting on this issue in the Cabinet reports, and suggested that Councillor David Williams would find the information required in those reports. He noted that the auditors have suggested that reporting to Cabinet and General Purposes Committee should be better aligned and expressed willingness to improve the reporting. Caroline Holland also pointed the committee's attention to pages 11-12 of the agenda which contained a table showing the level of reserves.

When asked by Councillor Ian Munn, Paul King outlined the benefits and disbenefits of carrying out the revaluation of the council's assets.

Michael Yeats went through the Audit Results report for the Pension Fund. He confirmed that this had been presented to the Pension Fund Advisory Committee who were satisfied with the findings. There were no questions or comments raised by the committee.

RESOLVED:

1. That the General Purposes Committee approves the audited Statement of Accounts, including the Pension Fund Accounts.
 2. That the General Purposes Committee notes comments made by the Pension Fund Advisory Panel in relation to the Annual Pension Fund Accounts 2013/14.
 3. To note Ernst & Young's Audit Results Report for the Council's Pension Fund accounts under the International Standard on Auditing 260 (ISA 260).
 4. To note Ernst & Young's Audit Results Report for the Council's main accounts under the ISA 260.
 5. That the Chair signs the Statement of Responsibilities for the Council's main accounts.
 6. That the Chair signs the Letter of Representation for the Council's 2013/14 main accounts.
 7. That the Chair signs the Letter of Representation for the Council's 2013/14 Pension Fund accounts.
-
- 4a AUDITED FINAL ACCOUNTS 2013-14 - ADDENDUM AND APPENDICES (Agenda Item 4a)
 - 5 INTERNAL AUDIT PROGRESS REPORT (Agenda Item 5)

Margaret Culleton presented this report and invited comments and questions.

Councillor Stephen Crowe asked if the issue regarding the processing of expenses via iTrent had been assessed in terms of financial impact to the Council. Steve Bowsher was unable to give full details but gave the view that the financial impact would not be significant. Councillor Peter McCabe asked that such information be contained in future reports.

Councillor Ian Munn asked for more detail on the 12 on-going cases for 2013/14. Margaret Culleton advised that full details would normally be supplied in the annual report but undertook to provide regular updates.

Councillor Peter McCabe expressed concern about the third instance of limited assurance being given for Payroll. Caroline Holland reassured the committee that these issues are being taken seriously. Dean Shoesmith confirmed that work is underway to address the recommendations, but the process is made even more complex because the system is shared between four boroughs. He has assurances that the robust actions being carried out will satisfy Audit requirements. Caroline Holland undertook to feedback the committee's concern on this issue to the next Governing Board meeting in October.

Report received.

6 ANNUAL GOVERNANCE STATEMENT (Agenda Item 6)

Margaret Culleton introduced the report.

RESOLVED: That the General Purposes Committee agrees the final Annual Governance Statement.

7 WHISTLEBLOWING POLICY (Agenda Item 7)

Margaret Culleton introduced the report and invited questions and comments.

Councillor Abigail Jones asked how staff are made aware of the policy, and Margaret Culleton explained that details are available on the intranet, and leaflets and posters are distributed, both internally and to schools and voluntary organisations.

Councillor Peter McCabe asked if any monitoring was undertaken about any detriment suffered by a whistleblower. Dean Shoesmith was unable to recall any instances but advised that staff would be expected to pursue this through the grievance or dignity at work procedures. Caroline Holland added that many whistleblowing allegations are made anonymously so it would be difficult to track any subsequent issues. Dean Shoesmith confirmed that managers are made aware, via training that they must protect staff who have made a whistleblowing allegation, although he acknowledged that often the manager can be the subject of such an allegation, so the Director or another appropriate manager is kept informed. Dean Shoesmith undertook to carry out an audit of the last year of dignity at work,

disciplinary and grievance allegations, to check if they dovetail with any whistleblowing allegations.

RESOLVED: That the Committee approves the revised Whistleblowing Policy.

8 FOLLOW UP ACTIONS TO ERNST & YOUNG REPORT "REVIEW OF ANONYMOUS WHISTLEBLOWING STATEMENT" - REPORT TO FOLLOW (Agenda Item 8)

Dean Shoesmith introduced the report and went through each of the recommendations made by Ernst & Young in their report "review of anonymous whistleblowing statement".

Councillor Peter McCabe expressed his dissatisfaction with the formatting and late issue of the report and appendix, and stated that future reports brought to the committee must be on time and clearly legible. Dean Shoesmith apologised and undertook to present the information again in a clearer format.

Whilst acknowledging Dean Shoesmith's reassurance that HR have now established a database containing details of all interim staff, Councillor Peter McCabe asked if managers were aware they must approach HR prior to appointing a new interim staff member. Dean Shoesmith confirmed that this was the case.

In response to a question from Councillor David Williams, Dean Shoesmith undertook to ascertain and report back how many agency workers are currently employed at a rate lower than £30 per hour.

Dean Shoesmith outlined the areas, such as children's social work, where permanent recruitment is a challenge, particularly where local authorities are in competition with each other.

Dean Shoesmith undertook to bring the "managing relationships at work" policy to this committee following approval by CMT.

Report received.

8a FOLLOW UP ACTIONS TO ERNST & YOUNG REPORT - 'REVIEW OF ANONYMOUS WHISTLEBLOWING STATEMENT' (Agenda Item 8a)

9 WORK PROGRAMME (Agenda Item 9)

Caroline Holland advised that the report on Polling Places will come to the November meeting of the committee.

Paul King noted the audit results report should be removed from the November meeting, as it had been done at this meeting.

Received.

Committee: General Purposes Committee

Date: 6 November 2014

Wards: All

Subject: Recording of non key delegated executive decisions

Lead officer: Paul Evans, Assistant Director Corporate Governance

Lead member: Councillor Mark Allison, Deputy Leader and Cabinet Member for Finance

Contact officer: Julia Regan, Head of Democracy Services

Recommendations:

- A. To discuss and comment on the proposed new process for recording and publishing non-key delegated executive decisions in order to comply with the Openness of Local Government Bodies Regulations 2014;
- B. To recommend the consequent constitutional changes for approval by Council (see Appendix A).
- C. To recommend a minor constitutional change regarding filming of council meetings in order to comply with recent legislation (see Appendix B).

1 PURPOSE OF REPORT

- 1.1. The purpose of this report is to advise General Purposes Committee of new requirements under the Openness of Local Government Bodies Regulations 2014 and to seek comments on a proposed approach for recording and publishing non-key delegated executive decisions to comply with the statutory requirement for local authorities to do so.
- 1.2. The report also seeks agreement of the Committee to make a minor constitutional change to comply with recent legislation on filming of council meetings.
- 1.3. Standards Committee discussed the proposals at its meeting on 23 October and has made a recommendation for consideration by the General Purposes Committee that non key delegated executive decisions made by officers should be subject to call-in so that they are treated in the same way as non key delegated executive decisions taken by a cabinet member.
- 1.4. The Assistant Director of Corporate Governance advises that if Council wished to extend the range of officer decisions that could be called in, this could be achieved by either:
 - amending the definition of a key decision to a lower financial limit (such as £250,000); or
 - introducing a new category of publishable non key delegated executive decisions by officers, which was subject to call-in, and could not be implemented until the call-in period had expired.

2 EXECUTIVE SUMMARY

2.1. Introduction

2.2. General Purposes Committee is reminded of the current definitions and arrangements for dealing with key and non-key decisions:

2.3. Key decisions

2.4. The Local Government Act 2000 required councils to publish all key decisions. The definition of a key decision is made locally and set out in the council's constitution. In Merton this is:

- Key decision type a (Cabinet or Chief Officer) - incurring expenditure or making savings which are significant having regard to the budget for the service or function to which the decision relates
- Key decision type b (Cabinet or Chief Officer) - significant in terms of its effects on communities and groups of service users living or working in an area comprising one or more wards or electoral divisions in Merton Council
- Key decision type c (Cabinet or Chief Officer) - amending the agreed budget and policy framework
- Key decision type d (Cabinet or Chief Officer) - expenditure of £500,000 or more

2.5. The forward plan includes all Cabinet, Cabinet Member delegated decisions and Council decisions, whether key or non key, as well as chief officer key decisions.

2.6. All key decisions are subject to call-in unless they are exempted from it.

2.7. Non-key decisions

2.8. Non-key decisions are all other executive decisions made by members and officers. At present there is no comprehensive system to publish or to determine which non-key decision should be published.

2.9. New regulations, described below, require the council to record and publish non key delegated executive decisions. This report sets out proposals for complying with these regulations by defining those non key delegated executive decisions and setting out arrangements for recording and publishing those decisions.

2.10. Non key delegated executive decisions made by officers will not be subject to call-in.

3 DETAILS

3.1. Definition of a Non-Key Delegated Executive Decision

3.2. The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 required local authorities to record any executive decisions by an individual, including non-key decisions.

3.3. This requirement has recently been amended and clarified within the Openness of Local Government Bodies Regulations 2014, which came into force on 6 August 2014. The 2014 Regulations require the decision making officer to produce a written record of any decision that:

“would otherwise have been taken by the relevant local government body, or a committee, sub-committee of that body or a joint committee in which that body participates, but it has been delegated to an officer of that body either:

- a) *under a specific express authorisation; or*
- b) *under a general authorisation to officers to take such decisions and, the effect of the decision is to:*

i.grant a permission or licence;

ii.affect the rights of an individual; or

iii.award a contract or incur expenditure which, in either case, materially affects that relevant local government body’s financial position”

3.4. It is proposed that criteria that will be used in determining which officer decisions are defined as non-key delegated executive decisions are:

1. a financial test aligned with the financial delegation levels in the Scheme of Management :

- Key decision = £500,000 and above
- Non key delegated executive decision = between £250,000-£499,999 (aligns with Contract sign off levels)
- Administrative decision = less than £250,000.

2. a non-administrative decision that concerns a permission, licence or individual rights that, in the opinion of the Monitoring Officer, is required to be published further to the regulations.

3.5. The proposed consequent changes to the constitution are set out in Appendix A.

3.6. **Publication of non key delegated executive decisions**

3.7. The 2014 Regulations require the decision to be published so that a written record of the decision is made available to members of the public. The record must be retained for six years from the date that the decision was made.

3.8. It is proposed that the decision will be published on the council’s website and that it should include the same information that is required for a key decision:

- reasons for the decision;
- any other options considered and why those options were rejected;
- details of any conflict of interest declared by any executive member consulted in relation to the decision; and

- a note of dispensation granted in respect of any declared conflict of interest.
- 3.9. Confidentiality is not a reason for non-publication. The officer will still need to publish information to the effect that a decision has been taken but the confidential details will not be made public.
- 3.10. The consequent changes to the constitution are set out in Appendix A.
- 3.11. **Call in and non-key decisions**
- 3.12. It should be noted that, as with the current system, no officer non-key decisions are subject to call-in.
- 3.13. Only those non-key decisions taken by Cabinet Members are subject to call-in, namely the street management decisions taken by the Cabinet Member for Environmental Sustainability and Regeneration.
- 3.14. **Filming of council meetings**
- 3.15. The 2014 Regulations allow members of the public to film or otherwise record council meetings.
- 3.16. Previously this was only allowed at the discretion of the Chair. A minor change is therefore required to the constitution to remove that discretion. .
- 3.17. The proposed constitutional change is set out in Appendix B.

4 ALTERNATIVE OPTIONS

- 4.1. The Council is legally required to record non-key delegated executive decisions and publicise them on line. The definition is set out in the 2014 Regulations, as in paragraph 8.2 below.

5 CONSULTATION UNDERTAKEN OR PROPOSED

- 5.1. Initial proposals were discussed with the council's management team and with the Deputy Leader.
- 5.2. Standards Committee considered the proposals on 23 October 2014, General Purposes Committee on 6 November and Council will receive a report on 19 November.
- 5.3. It also proposed that departmental management teams will be briefed on the changes.

6 TIMETABLE

- 6.1. The Constitutional changes would need to be ratified by Council on 19 November. The aim is to roll out and work under the new process as soon as practically possible. The timetable will allow guidance to be prepared and staff training to be carried out.

7 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 7.1. Changes will be made within existing resources.

8 LEGAL AND STATUTORY IMPLICATIONS

- 8.1. The Council has a statutory duty to comply with legislation and not doing so may result in the validity of decisions being subject to legal challenge.

- 8.2. The 2014 Regulations require the decision making officer to produce a written record of any decision that:

“would otherwise have been taken by the relevant local government body, or a committee, sub-committee of that body or a joint committee in which that body participates, but it has been delegated to an officer of that body either:

- a) *under a specific express authorisation; or*
- b) *under a general authorisation to officers to take such decisions and, the effect of the decision is to:*
 - I. *grant a permission or licence;*
 - II. *affect the rights of an individual; or*
 - III. *award a contract or incur expenditure which, in either case, materially affects that relevant local government body’s financial position”*

- 8.3. The 2014 Regulations also require that, as soon as practicably possible after the record is made, to make it available for inspection by members of the public on the website and at council offices for a period of six years from the date of the decision. Any background papers must be retained and made available for inspection for a period of four years from the date of the decision. These requirements do not apply to confidential or exempt information.

- 8.4. It is an offence for an officer to intentionally obstruct or refuse to provide written records or background papers.

9 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1 The Council has a statutory duty to comply with legislation around openness and transparency that meets the values and needs of all its residents. Not doing so could leave the council open to legal challenge.

10 CRIME AND DISORDER IMPLICATIONS

- 10.1. N/A

11 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 11.1. N/a

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

12.1 Appendix A – proposed constitutional changes in relation to non-key delegated executive decisions

12.2 Appendix B – proposed constitutional changes in relation to filing of council meetings

13 BACKGROUND PAPERS

- Council's current Constitution
- The Local Authorities (Executive Arrangement) (Meetings and access to Information) (England) Regulations 2012
- Openness of Local Government Bodies Regulations 2014

APPENDIX A – Proposed constitutional changes in relation to non key delegated executive decisions

Part 2 – Article 13 – decision making

Insert new sub-paragraph 13.3 (c) as follows:

(c) Non Key Delegated Executive Decisions

(i) Definition. A non-key delegated executive decision is an executive decision that:

- Incurs expenditure of between £250,000-£499,999
- or
- Is a significant one-off decision that would be a variation from council policy in respect of:
 - i) the granting of a permission or licence; or
 - ii) affecting the rights of an individual

(ii) Procedure. A decision maker may only make a non key delegated executive decision in accordance with the requirements of the Access to Information Procedure rules set out in Part 4B of this Constitution.

(d) Administrative Decisions (Non-key)

(iii) Definition. A non-key administrative decision is an executive decision that:

- Incurs expenditure of less than £250,000
- has not been defined as a non-key delegated executive decision

Part 4B – access to information procedure rules

Insert new paragraph 20 after existing paragraph 19.3 as follows:

20 RECORDING AND PUBLISHING OF NON KEY DELEGATED EXECUTIVE DECISION

20.1 The council is required to record and publish all Non-Key Delegated Executive Decision (defined in Part2, Article 13, paragraph 13 of this constitution).

20.2 As soon as reasonably practicable after the non key delegated executive decision has been taken by an officer, he/she will prepare, or instruct the Proper Officer to prepare, a record of the decision, that states:

- reasons for the decision;
- any other options considered and why those options were rejected;
- details of any conflict of interest declared by any executive member consulted in relation to the decision; and

- a note of dispensation granted in respect of any declared conflict of interest.

20.3 Any background papers must be retained and made available for inspection for a period of four years from the date of the decision. These requirements do not apply to confidential or exempt information.

20.4 Confidentiality is not a reason for non-publication. The officer will still need to publish the information to the effect that a decision has been taken but the confidential details will not be made public.

20.5 Non key delegated executive officer decisions are not be subject to call-in

APPENDIX B – Proposed constitutional changes in relation filming council meetings

Part 4A

The deletion of paragraph 5.3 (d), the powers of the Chair include:

to authorise by prior agreement the electronic recording, photographing or filming of the proceedings by a member of the public, the media or by the council

Note – paragraph 5.3 c remains –

To order the removal of a member of the public who is disruptive or the clearing of public areas in the event of a general disturbance. Readmission shall be at the discretion of the Chair

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Merton Council

Annual Audit Letter

Year ending 31 March 2014

22 October 2014



Building a better
working world



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The Members

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22 October 2014

Dear Members,

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Merton Council (the Council) and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance of Merton Council in the following reports:

2013/14 Audit results report for Merton Council

Issued 8 September 2014

2013/14 Audit results report for the London Borough of Merton Pension Fund

Issued 10 September 2014

The matters reported here are the most significant for the Council.

I would like to take this opportunity to thank the officers of the Council for their assistance during the course of our work.

Yours faithfully

Paul King
Director
For and behalf of Ernst & Young LLP
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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Executive summary

Our 2013/14 audit work has been undertaken in accordance with the Audit Plan we issued on 3 March 2014 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on an annual basis on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ forming an opinion on the financial statements;
- ▶ reviewing the Annual Governance Statement;
- ▶ forming a conclusion on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of Merton Council and its Pension Fund for the financial year ended 31 March 2014 in accordance with International Standards on Auditing (UK & Ireland)	On 19 September 2014 we issued an unqualified audit opinion in respect of the Council. On 19 September 2014 we issued an unqualified audit opinion in respect of the Pension Fund.
Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources.	On 19 September 2014 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Council (the General Purposes Committee) communicating significant findings resulting from our audit.	On 8 September 2014 we issued our report in respect of the Council. On 10 September 2014 we issued our report in respect of the Pension Fund.
Report to the National Audit Office on the accuracy of the consolidation pack the Council is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 24 September 2014.

Executive summary

Consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	No issues to report.
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.	No issues to report.
Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.	On 24 September 2014 we issued our audit completion certificate.
Issue a report to those charged with governance of the Council summarising the certification (of grant claims and returns) work that we have undertaken.	<p>On 28 February 2014 we issued our annual certification report to those charged with governance with respect to the 2012/13 financial year.</p> <p>Our work on your 2013/14 housing subsidy and benefit claim is in progress. On completion of this work, we will issue our annual certification report to those charged with governance with respect to the 2013/14 financial year.</p>

Key findings

Key findings

Financial statement audit

We audited the Council's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 19 September 2014.

We issued a 'short-form' report which reflected that there were few issues to report for the Council. We identified a larger number of amendments and additional disclosures for the Pension Fund.

In our view, the quality of the process for producing the accounts, including the supporting working papers, was good.

The main issues identified as part of our audit were:

Significant risk 1: Property, plant and equipment (Council only)

Risk

The Council has made material changes to the valuation, classification and completeness of disclosures of its property, plant and equipment in recent years. We also identified material errors and omissions in last year's audit.

The Council included further changes in 2013/14 through a reclassification of its investment properties. This led to a material change to the financial statements.

These indicated wider risks around the completeness of property, plant and equipment disclosed in the financial statements and the accurate classification of these assets.

Results

Assurance gained over the valuation, classification and completeness of disclosures of your property, plant and equipment;

We reviewed the Council's re-classification of its investment properties and we had no issues to report.

Significant risk 2: Risk of management override (Council and Pension Fund)

Risk

As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records 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 audit engagement.

We also considered the findings from our work responding to allegations made about the Council's appointment and use of consultants.

Results

We presented the findings from our review of whistleblowing allegations to the 12 March 2014 General Purposes Committee meeting. The Committee has subsequently received update reports from the Council on progress made in implementing our recommendations.

We had no other matters to bring to your attention from our testing for both the Council and Pension Fund.

Other key findings:

We encountered delays in receipt of information from your general ledger to support our work on completeness and review of journals. We will work with your Finance team to integrate this work earlier into the overall closedown process in future.

We recommended improvements last year in the linkage between internal reporting and the financial statements. Some improvements have been made this year, but further improvements can be achieved by using the management outturn report as the basis for segmental reporting in Note 2 to the Council's financial statements. This would ensure full compliance with the Code of Accounting Practice.

This was the first year councils were required to include a provision for appeals against business rateable values. We reviewed the adequacy of the provision and concluded that we had sufficient assurance. However, a more structured approach is needed to the work carried out by the Council, the assumptions made and the supporting documentation.

For the Pension Fund, we identified the need for inclusion of additional disclosures. These amendments were to more closely align the Fund's financial statements with the Chartered Institute of Public Finance and Accountancy (CIPFA) example as best practice and to be internally consistent

Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2013/14 our conclusion was based on two criteria:

- ▶ The organisation has proper arrangements in place for securing financial resilience; and
- ▶ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We reviewed the Council's systems and processes relevant to both criteria and we had no issues to report.

We issued an unqualified value for money conclusion on 19 September 2014. Our audit did not identify any significant matters.

Objections received

We received no objections to the 2013/14 accounts from members of the public.

Whole of government accounts

We reported to the National Audit Office on 24 September 2014 the results of our work performed in relation the accuracy of the consolidation pack the Council is required to prepare for the whole of government accounts. We did not identify any areas of concern.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance.

Key findings

We completed this work and did not identify any areas of concern.

Certification of grants claims and returns

We presented our Annual Certification Report for 2012/13 to those charged with governance at the General Purposes Committee meeting on 12 March 2014. We certified three claims and returns worth £195.155 million. We issued qualification letters in relation to two claims/returns highlighting a number of areas where the Council had not fully complied with the relevant grant conditions.

We will issue the Annual Certification Report for 2013/14 on completion of work on your 2013/14 housing subsidy and benefit claim.

Control themes and observations

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. Although our audit was not designed to express an opinion on the effectiveness of internal control, we would communicate to those charged with governance at the Council, as required, significant deficiencies in internal control.

We did not identify 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 were not aware.

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Merton Council

Audit Progress Report to General Purposes Committee

October 2014

Ernst & Young LLP





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General Purposes Committee
Merton Council
Merton Council
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London Road
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SM4 5DX

October 2014

Dear Committee members

Audit Progress Report

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the General Purposes Committee with an overview of the stage reached in your 2013-14 and 2014-15 audits for the Council and the Pension Fund and ensure our audit is aligned with the Committee's service expectations.

Our audit will be undertaken in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, auditing standards and other professional requirements.

This report updates the Committee on our work at the Council. Our work on your 2013-14 audits is complete and we will start our planning on your 2014-15 audits shortly.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Paul King
Director
For and behalf of Ernst & Young LLP
Enc

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' ('Statement of responsibilities'). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Work programme

1.1 2013-14 audit

We presented the audit results reports for the Council audit and the Pension Fund audit to the 17 September 2014 Committee meeting, and subsequently issued both audit reports on 19 September 2014. Our 2013-14 annual audit letter is attached as a separate agenda item for this Committee.

1.2 Audit process review and further improvements for 2014-15

We have met with your Finance team to identify those areas that worked well for the 2013-14 Council and Pension Fund audits and where further improvements can be made for 2014-15.

The overall assessment is that this year's process was 'a lot better' than that for the 2012-13 audit. Many processes are now embedded and support effective working and delivery. We issued the audit opinions a week earlier than in 2012-13 and there is broad agreement to continue with this timetable and aim to issue the opinion and conclusion of the audit in mid-September 2015.

We identified in our audit results reports delays in receipt of information from your general ledger to support our work on completeness and review of journals. We require clear 'mapping' of the accounts structure from your financial systems for us to carry out this work and, where this does not occur, we have to restructure our audit work. This led to additional work and we are in discussion with the Council and Audit Commission about the additional fee required for this work for both the Council and Pension Fund audits. We are also aware that there were delays in receipt of information from your payroll provider.

We will work with the Finance team to carry out early work on ensuring we have the necessary 'mapping' to support our work. This will also support providing the added value from analysis of your financial data that we are able to provide to other councils. The Finance team will also collect payroll information quarterly to prevent delays at the year end.

We have also discussed the proposed treatment in the Council's 2014-15 financial statements for CHAS 2013 Ltd. The current proposal is to apply the same approach as in 2013-14 with the Council presenting single entity accounts (on the grounds CHAS that, from a financial perspective, CHAS is not material to the Council) rather than full group accounts. We will consider the timing of the CHAS 2013 Ltd audit for 2014-15 once we have completed this year's audit.

We would also like to thank the Finance team for their support, assistance and constructive approach during this year's audit.

1.2.1 Key points for the Committee

We ask the Committee to consider the timetable of meetings for an early- to mid-September meeting of both the General Purposes Committee – and Pension Fund Advisory Committee – to enable a mid-September completion of the Council and Pension Fund audits.

1.3 Claims and certification work for 2013-14

We are required to issue a report on our work on certification of claims and returns. This report comes to the March Committee following the year under review. This year there are a number of changes which affect the fee, scope and timing of our work:

- ▶ The largest claim in terms of work and value is the housing benefit and subsidy claim which has a deadline of 28 November. The scope of the work and associated audit fee has reduced as council tax subsidy no longer applies for 2013-14. Our work is currently in progress;

Work programme

- ▶ The certification of the teachers' superannuation return no longer forms part of the work we are required to carry out as part of the arrangements with the Audit Commission. The nature of the work required is currently under discussion with the Teachers' Pension Agency and we will liaise with the Council on work requirements to any deadline (currently 28 November) once these are confirmed; and
- ▶ We are no longer required to carry out work on certification of the non-domestic rates return.

On completion of our work, we will present the report to the next Committee meeting.

1.4 CHAS 2013 Ltd 2013-14 audit

The Council has established a wholly-owned company to carry out health and safety pre-qualification assessments for contractors in the construction industry. We are currently carrying out the audit and intend to present our results to the company's Board Meeting at the end of November.

On completion of the audit we will discuss with your Finance team the most effective timing of the audit in future years, whether in tandem with that of the Council and Pension Fund or after these as the audit has a later submission deadline.

1.5 2014-15 audit

We presented the fee letters for our 2014-15 audits of the Council and the Pension Fund to the 25 June 2014 Committee meeting.

We are due to start the planning stages of our 2014-15 audit shortly and will bring our audit planning reports for the Council and Pension Fund audits to the next Committee meeting.

2. Timetable

General Purposes Committee timeline

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts, and the deliverables we have agreed to provide to you through the 2013-14 General Purposes Committee cycle.

Audit phase	Timetable	General Purposes Committee timetable	Deliverables
High level planning:	December 2013 / January 2014		Audit Fee letter (presented to 27 June 2013 General Purposes Committee)
Risk assessment and setting of scopes	December/ January	12 March 2014 Committee	Audit Plan (presented to 12 March 2014 General Purposes Committee) Audit Progress Report
Testing of routine processes and controls	January/ February 2014	26 June 2014 Committee	Audit Progress Report
Year-end audit	July – September	17 September 2014 Committee	Report to those charged with governance (presented to 17 September 2014 General Purposes Committee)
			Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources).
			Audit completion certificate
	November	5 November 2014 Committee	Annual Audit Letter

We will provide formal reports to the General Purposes Committee throughout our audit process as outlined below. Where required, we will issue an Interim Report, summarising the findings from our audit at that stage. From time to time matters may arise that require immediate communication with the General Purposes Committee and we will discuss them with the General Purposes Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters through our Sector Briefings.

Appendix 1: Audit Progress

Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
Fee Letter	by June 2013	Completed	Presented to 27 June 2013 General Purposes Committee
Audit Plan	March 2014	Completed	Presented to 12 March 2014 General Purposes Committee
Report to Those Charged with Governance	by 30 September 2014 - submission deadline	Completed	Presented to 17 September 2014 General Purposes Committee
Audit Report (including opinion and vfm conclusion)	by 30 September 2014 - submission deadline	Completed	Issued 19 September 2014
WGA Submission to NAO	before early October 2014 - submission deadline	Completed	Submitted 24 September 2014
Audit Certificate	by 30 September 2014	Completed	Issued 24 September 2014
Annual Audit Letter (covering the Council and Pension Fund audits)	October 2014	Completed	Agenda item to 5 November 2014 General Purposes Committee

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Committee: General Purposes Committee

Date: 6 November 2014

Wards: All

Subject: Follow up actions to Ernst and Young report - "Review of anonymous whistleblowing statement" –

Lead officer: Dean Shoesmith, Joint Head of Human Resources

Lead member: Cllr Mark Allison

Contact officer: –Dean Shoesmith Ext 3370

Recommendations:

1. To note further progress made in response to the recommendations 1-7 set out in the Ernst and Young report "Review of anonymous whistleblowing statement" considered at the 12th March 2014 meeting of General Purposes Committee.
 2. Attached as appendix 1 to the report is the current position regarding interim appointments in the Council for Members to note.
-

1. Purpose of report and executive summary

- 1.1. At its meeting on the 12th March 2014 the Committee received a report from the Council's external auditors Ernst and Young "Review of anonymous whistleblowing statement".
- 1.2. Further reports were considered at the June and 17 September 2014 meetings. This latest report provides Members with an update of key actions taken by officers and the monitoring data of all current interim appointments (attached as Appendix 1)

2. Details

- 2.1 The Committee considered Ernst and Young's report on their investigation into whistleblowing allegations on the 12th March 2014. The recommendations and subsequent further actions are set below
- 2.2 **Recommendation - that officers should report all prospective interim and consultancy positions to HR and that HR should be responsible for maintaining a central database of all prospective and live roles filled by**

interim and consultancy appointments; and that a mechanism is built in to allow monitoring of this register at Member level;

- 2.3 Appendix 1 attached to this report sets out the latest data for all types of interim placement across the Council, shown by department. The appendix has been reformatted from the last report to the Committee and includes details of plans for permanent recruitment.
- 2.4 On-going systems development work to capture the data in the C-Net system is being undertaken to achieve a single database for the purpose of monitoring interim appointments and also to have one, unified, authorisation process embedded within the system – whether for new appointments, or for the six-month extension review (as previously approved by Members). At present the trajectory is for this system development to go live in December 2014 to be reported when ready as part of the quarterly Financial Performance reports to Cabinet and the Financial Monitoring Task Group.
- 2.5 **Recommendation - HR should challenge departments on their use of long term interim appointments, the rates which are being paid and ensure that external recruitment is considered.**
- 2.6 The new business case review and approval process was agreed at the 26th June meeting of the Committee and the Comensura system is being developed to embed such approvals as standard procedure. Estimated go live timeframe for making the changes within the C-Net (Comensura) system is by the end of December 2014, if not sooner.
- 2.7 **Recommendation 4 - HR should be involved in any recruitment process, including the recruitment of interim managers.**
- 2.8 Arrangements are in place for HR to be involved in all interim appointments and the single database provides a means of HR taking an overview of such appointments, together with the means to ensure compliance
- 2.9 The trend continues with by far the largest group of interim workers being “on contract” agency and interim staff appointed through the Council’s corporate contracts for the supply of agency staff. These are all engaged with the involvement and oversight of the HR function with a data base that supplies monthly reports to Council managers.
- 2.10 As at 29th September 2014, the Council employed 143 interim workers at £30 per hour (or more) compared to 177 reported at the last meeting of the Committee. This is a reduction of 34 since the last report to Committee (19% reduction). Appendix 1 refers to the detail and composition of the temporary/interim workforce. Of these 143 interim workers, 121 (85%) are engaged through the corporate contracts, compared with 75% reported to Committee in September. Any new ‘off contract’ worker will have had the appropriate exemption form completed and authorised by the relevant Director.

- 2.11 Running concurrently with the work to monitor and control interim placements is a Council-wide establishment exercise to be completed within iTrent to provide a comprehensive view of the workforce and is scheduled for December 2014 completion. Merton 2015 Board recently agreed further additional resource to support the completion of this exercise.
- 2.13 **Recommendation 5 - The Council should review its interview process and its policy on the number of interviewers required, including in relation to the appointment of interim managers.**
- 2.14 Following Members' approval at the 26th June 2014 meeting of the Committee the necessary procedural changes have been made and publicised.
- 2.15 **Recommendation 6 - The Council should review its policy on declarations of interest to include personal friendships.**
- 2.16 Members approved changes to the Council's "Managing relationships at work" policy to ensure that an emphasis was placed on avoiding personal bias in the appointment of all interim positions. Further review and advice by the Council's retained employment law advisers has recommended a wider policy framework approach to include all conflicts of interest. Work has been completed to redraft the policy into a 'conflicts of interest' policy (to ensure a wider perspective than personal relationships) and is to be reported to CMT in November 2014 for approval.
- 2.17 **Recommendation 7 – The Council should communicate to all officers any revisions it makes to its procurement procedure.**

Interim measures, including the maintenance of the new database, and policy changes have been made. Further communications will be made to support the launch of the C-Net system changes set out under section 2.4 above for the December 2014 go live.

3. Consultation undertaken or proposed

- 3.1 CMT is to be consulted on the new 'conflicts of interest' policy and all the work associated with the systems development and supporting communication for managers, for the December 2014 go live.

4. Timetable

- 4.1 Work to develop a single, electronic database and authorisation process within the Comensura system, C-Net, is progressing and it is anticipated this should be ready to go live by December 2014.

5. Financial, resource and property implications

- 5.1 To implement a database to collate accurate and contemporaneous consultant information will require additional funding. To utilise the CNet (Comensura) system to provide this functionality is likely to be in the region of £10,000 (on-off cost) or alternatively on a 'pay as you go' basis of £50 per consultant (maintenance, licence for system access and system administration fee). This funding will be allocated from Merton 2015 Board.
- 5.2 Monies (up to £65,580) have been allocated by Merton 2015 Board in 2014/15 to complete the organisation-wide Technical Staffing Establishment exercise to align staffing composition and budgets in iTrent (paragraph 2.11 refers). This work will be completed in early 2015.

6. Legal and statutory implications

- 6.1 There are no specific legal implications arising from the report

7. Human rights, equalities and community cohesion implications

- 7.1 The amendments to the Council's HR policies will improve confidence in the Council's HR recruitment procedure and the maintenance of the interim position database provides the means to ensure compliance.

8. Crime and Disorder implications

- 8.1 None

9. Risk management and health and safety implications

- 9.1 These are detailed in the Ernst and Young report.

10. Appendices – the following documents are to be published with this report and form part of the report

- 10.1 Appendix 1 – Register comprising summary data of the Council's current interim/temporary workforce

11. Background papers

- 11.1 Reports of 12 March, 26th June and 17 September 2014 to General Purposes Committee

By virtue of paragraph(s) 1, 2, 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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Work Programme General Purposes Committee

Outline programme – scheduled audit and finance items

MARCH

- External auditor: certification of claims report
- External auditor: fee letters for audit and for the Council and Pension fund
- Internal audit: Progress report
- Internal audit: Plan, strategy and terms of reference
- Internal audit: Whistleblowing policy and annual update

JUNE

- Internal audit: Annual Governance Statement
- Internal audit: Annual Report
- Finance: Draft Accounts

SEPTEMBER

- Internal audit: Progress on annual audit plan
- Finance: Final Accounts

NOVEMBER

- External auditor: annual audit letter
- Polling places
- Constitutional amendments
- Feedback on EY whistleblowing report

OTHER STANDARD ITEMS

SPECIFIC ITEMS

- Constitutional changes – Financial regulations, GP terms of reference, Council standing orders, and Chief Exec's delegation
- Report addressing recommendations of the External Auditor's review of the whistleblowing statement – JUNE 2014.
- Internal audit: Annual Governance Statement update on improvement plan (January onwards)

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