

Merton Council

Standards and General Purposes Committee Agenda

Membership

Councillors:

Peter McCabe (Chair)
Adam Bush (Vice-Chair)
Agatha Mary Akyigyina OBE
David Williams
John Dehaney
Eloise Bailey
Thomas Barlow
Ben Butler
Pauline Cowper
Brenda Fraser
Joan Henry
Dickie Wilkinson

Substitute Members:

Paul Kohler
Marsie Skeete
Peter Southgate
Dave Ward
Oonagh Moulton
Omar Bush

Date: Monday 30 July 2018

Time: 7.15 pm

Venue: Council Chamber - 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 please contact
democratic.services@merton.gov.uk or telephone 0208 545 3357.

All Press contacts: press@merton.gov.uk, 020 8545 3181

Standards and General Purposes Committee Agenda

30 July 2018

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| 1 | Apologies for Absence | |
| 2 | Declarations of Pecuniary Interest | |
| 3 | Minutes of Previous Meetings | 1 - 6 |
| 4 | Audit Results Report for the Council's Statement of Accounts and the Merton Pension Fund | |
| | <i>To Follow</i> | |
| 5 | Fee Letters for the Council and Pension Fund Accounts | |
| | <i>To Follow</i> | |
| 6 | Audited Final Accounts 2017/18 | |
| | 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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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.

Agenda Item 3

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.

STANDARDS AND GENERAL PURPOSES COMMITTEE

31 JANUARY 2018

(7.15 pm – 7.40pm)

Resumed on 27 FEBRUARY (7.15pm-8.25pm)

PRESENT: Councillors Councillor Peter McCabe (in the Chair),
Councillor Agatha Mary Akyigyina, Councillor John Bowcott,
Councillor Mary Curtin, Councillor John Dehaney,
Councillor Mary-Jane Jeanes, Councillor Ian Munn,
Councillor Gregory Udeh, Councillor Martin Whelton,
Councillor David Williams, Councillor Hamish Badenoch and
Councillor Michael Bull

ALSO PRESENT: Pam Donovan, Independent Person
Maria Memoli, Independent Investigator
Fiona Thomsen (Head of shared legal services),
Julia Regan (Head of Democracy Services) and
Paul Evans (Assistant Director of Corporate Governance)

1 APOLOGIES FOR ABSENCE (Agenda Item 1)

Apologies were received from Councillor Janice Howard (substituted by Councillor Michael Bull) and Councillor Adam Bush (substituted by Councillor Hamish Badenoch).

2 DECLARATIONS OF PECUNIARY INTEREST (Agenda Item 2)

There were no declarations of pecuniary interest.

3 EXCLUSION OF THE PUBLIC (Agenda Item 3)

The Committee RESOLVED that the public are excluded from the meeting during consideration of the Independent Investigators Report on the grounds that it is exempt from disclosure for the reasons set out in the report.

4 INDEPENDENT INVESTIGATORS REPORT (Agenda Item 4)

This item was discussed in an EXEMPT session. An EXEMPT minute has been published separately and is available to ATTENDEES ONLY.

Under Part 4B Section 10 of the Council's constitution, the report and minutes are exempt from publication due to the inclusion of "information relating to any individual."

5 REPORT OF THE DEPUTY MONITORING OFFICER (Agenda Item 5)

This item was discussed in an EXEMPT session. An EXEMPT minute has been published separately and is available to ATTENDEES ONLY.

Under Part 4B Section 10 of the Council's constitution, the report and minutes are exempt from publication due to the inclusion of "information relating to any individual."

The Committee discussed the report of the Independent Investigator and the report of the Deputy Monitoring Officer and RESOLVED to accept the recommendations of the Deputy Monitoring Officer. The Committee will take no further action on this matter.

STANDARDS AND GENERAL PURPOSES COMMITTEE
15 MARCH 2018

(7.15 pm - 8.20 pm)

PRESENT Councillors Councillor Peter McCabe (in the Chair),
Councillor Janice Howard, Councillor Agatha Mary Akyigyina,
Councillor John Bowcott, Councillor Mary Curtin,
Councillor John Dehaney, Councillor Mary-Jane Jeanes,
Councillor Ian Munn, Councillor Gregory Udeh,
Councillor Martin Whelton, Councillor David Williams and
Councillor Najeeb Latif.

Independent Person – Pam Donovan

Suresh Patel – External Auditor – Ernst Young

ALSO PRESENT Paul Evans – Assistant Director of Corporate Governance
Roger Kershaw – Interim Assistant Director of Resources
Andrew Hamilton – Audit Manager
Gaynor Fleming – Quality and Performance Manager
Kim Brown – HR Lead
Amy Dumitrescu – Democratic Services Officer

1 APOLOGIES FOR ABSENCE (Agenda Item 1)

Apologies were received from Councillor Adam Bush. Councillor Najeeb Latif attended as substitute.

2 DECLARATIONS OF PECUNIARY INTEREST (Agenda Item 2)

There were no declarations of pecuniary interest.

3 MINUTES OF THE PREVIOUS MEETING (Agenda Item 3)

RESOLVED: That the minutes of the meeting held on 9 November 2017 are agreed as an accurate record.

4 2017/18 MERTON COUNCIL AUDIT PLAN (Agenda Item 4)

The External Auditor presented the report, highlighting the new risks detailed in the report and invited questions and comments.

5 2017/18 MERTON PENSION FUND AUDIT PLAN (Agenda Item 5)

The External Auditor presented the report advising that this had been through the Pensions Committee and invited questions and comments.

6 2016/17 ANNUAL CERTIFICATION REPORT (Agenda Item 6)

The External Auditor presented the report and advised that of the £87m claim, an amendment of £315 had been identified which had to be reported, though the Auditor noted that this was a minor amount and similar to last year.

The External Auditor noted that this year was the final year of the current contract and that from 2018/19 the Council would need to appoint their own reporting accountant. External Audit were currently compiling a quote to do this work for submission to the Director of Corporate Services.

The Quality and Performance Manager advised the Committee that staff had been provided with training to minimise any errors but noted that some of the errors were from historic assessments.

7 INTERNAL AUDIT PLAN 2018/19 (Agenda Item 7)

The Audit Manager presented the report advising this was an annual report. The Audit Manager noted that there had been a reduction in days to 765 however reassured the Committee that the Head of Internal Audit was satisfied with the level of resource and this could be achieved through the 5-Borough partnership.

The Audit Manager advised there were a number of new pieces of work due to be undertaken including a review of the processes for the new GDPR regulations due to come into force in May 2018 as well as the Governance arrangements for the Local Authority Property Company.

Members asked what work would be carried out in regards to contract procurement specifically in relation to the Veolia Contract and the Audit Manager responded that work would be undertaken across the South London Waste Partnership Boroughs to assess value for money and contract compliance.

Members asked questions regarding the cycle of audits and provision for responding to one-off issues. The Audit Manager responded that there was a 3 year cyclical program in place for key financial system audits, however the plan was flexible and therefore there was still provision for any issues arising during the year that were not included within the plan.

RESOLVED: That Members reviewed and commented upon the 2018/19 Draft Internal Audit Strategy, Plan and Charter.

8 AUDITED FINAL ACCOUNTS 2016/17 (Agenda Item 8)

Order of Items: The Chair announced that Item 8 would be discussed after Item 5 on the Agenda.

The Interim Assistant Director of Resources presented the report advising that Officers were working closely with external audit and had put a number of measures in place to achieve the earlier closing date including reviewing the closing timetable,

employing additional temporary staff and resolving issues with the finance IT system. The Interim Assistant Director of Resources noted that in light of this work the External Auditors had re-evaluated London Borough of Merton's risk profile for closing the accounts from red to amber.

The External Auditor advised that a new online portal had been implemented which was making the processes quicker and whilst there were still residual issues they were in the minor category. The amber category reflected that External Audit were more confident in the Councils' ability to meet the closing deadlines.

In response to member questions the External Auditor advised that the earlier closing date was from Central Government and therefore affected all Local Authorities.

RESOLVED: That the Committee noted the work undertaken by officers to prepare for the closure of the 2017/18 Statement of Accounts.

9 REVIEW OF POLLING PLACES (Agenda Item 9)

The Assistant Director for Corporate Governance presented the report advising that there had already been consultation with members on the contents and gave an overview of the recommendations and noting that details of alternative options were contained within the report.

Members welcomed that less Schools were being used as Polling Stations and requested that officers ensure that adequate signage and maps were used to notify voters of any changes to locations of polling stations in addition to information currently given on polling cards.

RESOLVED:

- A) That the Standards and General Purposes Committee recommended that the Council agrees that the Salvation Army Hall replaces Merton Hall as a polling place for polling district QC in Abbey Ward.
- B) That the Standards and General Purposes Committee recommended that the Council agrees that Merton Park Baptist Church replaces Joseph Hood Primary School as a polling place for polling district SA in Cannon Hill Ward.

10 APPOINTMENT OF INDEPENDENT PERSON (Agenda Item 10)

The Democratic Services Officer presented the report and gave an overview of the recommendations.

Members requested that the Independent Person completing his term be written to expressing the Committees' thanks for his work.

RESOLVED: That the Standards and General Purposes Committee agreed that an interview panel comprising one Councillor from each political group should be

appointed to interview and to recommend to Council the appointment of one Independent Person to serve for a period of three years.

11 UPDATE ON RIPA AUTHORISATIONS (Agenda Item 11)

The Assistant Director for Corporate Governance presented the report, advising that whilst there had been zero authorisations under RIPA in the last quarter, other methods were being used. The Assistant Director for Corporate Governance advised there had been 190 prosecutions this year for fly tipping and litter offences.

Members requested that regular updates be provided on prosecutions.

RESOLVED: That members noted the purposes for which investigations have been authorised under the Regulation of Investigatory Powers Act (RIPA) 2000.

12 COMPLAINTS AGAINST MEMBERS (Agenda Item 12)

The Committee received a verbal update from the Assistant Director of Corporate Governance, who advised that there were currently no complaints being considered in any format against any Merton Councillors.

13 TEMPORARY AND CONTRACT STAFF UPDATE (Agenda Item 13)

RESOLVED: That the public were excluded from the meeting for the following item of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 2 Schedule 12A of the Local Government Act 1972.

The HR Lead presented the report, advising that the use of Temporary and Contract staff still continued to be closely monitored and this would remain a regular report to Committee.

Members discussed the report in depth; asked questions regarding hard to fill positions and expressed the importance of growing and developing current staff and methods in place to retain them.

RESOLVED: That progress made to monitor and control the use of Temporary workers and Consultants was noted.

14 WORK PROGRAMME (Agenda Item 14)

The Work Programme was noted and agreed.

Committee: Standards and General Purposes
Committee

Date: 30 July 2018

Agenda item:8

Wards: All

Subject: Annual Governance Statement 2017/18

Lead officer: Caroline Holland – Director of Corporate Services

Lead members: Peter McCabe- Chair of Standards and GP Committee

Contact officer: Margaret Culleton- Head of Internal Audit

margaret.culleton@merton.gov.uk telephone: 0208 545 3149

Recommendations:

That Committee agrees the Annual Governance Statement.

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 Merton Council is required to prepare an Annual Governance Statement (AGS) for the year 2017/18. This statement is required in order to comply with Regulation 6(3) of the Accounts and Audit Regulations 2015. The CIPFA framework and guidance has been updated from April 2017, to move from 6 core principles to 7.

2. DETAILS

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

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

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

Caroline Holland	Director of Corporate Services
Paul Evans	Assistant Director Governance
Margaret Culleton	Head of Internal Audit
Zoe Church	Head of Business Planning
Fiona Thomsen	Head of Shared Legal Services
Julia Regan	Head of Democracy Services
Karin Lane	Head of Information Governance
Kim Brown	Head of Organisational Development & HR Strategy
John Dimmer	Head of Partnerships

2.3 The new Framework consists of seven core principles:

Principle 1 Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

Principle 2 Ensuring openness and comprehensive stakeholder engagement.

Principle 3 Determining outcomes in terms of sustainable economic, social, and environmental benefits.

Principle 4 Determining the interventions necessary to optimise the achievement of the intended outcomes.

Principle 5 Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Principle 6 Managing risks and performance through robust internal control and strong public financial management,

Principle 7 Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

2.4 A new *Delivering Good Governance in Local Government: Framework*, (CIPFA/Solace, 2016) applies to annual governance statements prepared for the financial year 2016/17 onwards. The concept underpinning the Framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

2.5 The working group has carried out a review of the council's arrangement against the new standard and we found that the arrangements can continue to be regarded as fit for purpose in accordance with the governance framework. There are a few areas that have been carried over from the previous year that are currently in progress These are: -

- **Financial procedures** review and update
- **Potentially Violent persons Policy** process to be put in place with new core systems
- **New financial system** – to review internal controls in light of new financial system
- **Disclosure & Barring Service (DBS)** To carry out a full review of all staff to be DBS checked
- **GDPR**- to be fully compliant

Changes to Local Authority governance structures

2.6 Merton continues to undergo significant change, much of which has been driven by austerity measures. In order to cope with this climate of austerity, the council continues to adapt the way in which it operates.

2.7 Commissioning and Partnerships with other local authorities and sectors are being used more to deliver public services. As each partner organisation has its own governance and accountability structure, its own code of conduct and risk management and transparency arrangements. It is important that clear lines of accountability for stakeholders and customers are demonstrated. The Internal Audit Partnership works across five councils and has been able to provide assurance on some of the partnerships e.g. Regulatory Services. During 2018/19 a review is being carried out on the South London Waste Partnership.

2.8 Robust governance arrangements should be established at the outset when working with other authorities, public sector bodies, the third sector or private sector providers. These are areas that are included in the internal audit reviews and recommendations made where weaknesses have been identified.

Review of effectiveness

2.9 The council has a responsibility for conducting, at least annually, an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

2.10 The review of effectiveness of the system of internal control is informed by the work of the internal auditors. Effectiveness of the system is also

conveyed by Directors, Assistant Directors and Heads of Service within the authority that has responsibility for the development and maintenance of the internal control environment. The overall opinion is that the internal control environment is satisfactory.

3. ALTERNATIVE OPTIONS

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

4. CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1 No external consultation has taken place or is planned for this document.

4. TIMETABLE

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

5. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 5.1 There are no specific financial, resource or property implications apart from the need to implement the AGS Improvement Plan, which will be completed within existing resources

6. LEGAL AND STATUTORY IMPLICATIONS

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

7. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

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

8. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

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

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

- 9.1 Appendix I: Annual Governance Statement 2017/18.

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

- 10.1 CIPFA / SOLACE Delivering Good Governance in Local Government – Framework 2016
- 10.2 CIPFA / SOLACE Delivering Good Governance in Local Government – Guidance Note for Local Authorities 2016

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ANNUAL GOVERNANCE STATEMENT 2017/18

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

1. Scope of responsibility

- 1.1. Merton Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Merton Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, Merton Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3. Merton Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* (2016)
- 1.4. This statement explains how Merton Council has complied with the code and also meets the requirements of regulation 6(1b) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and the activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of London Borough of Merton policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the London Borough of Merton

for the year ended 31 March 2018 and up to the date of approval of the annual report and statement of accounts.

3 The governance framework

- 3.1 The London Borough of Merton has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, standards and general purposes committee, the Head of Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates and others as appropriate.
- 3.2 The council's code of governance has been reviewed to reflect Cipfa Delivering Good Governance guidelines 2016.
- 3.3 As part of this review a Corporate Governance steering group has been established and terms of reference agreed. Monthly meetings have been held and an evidence pack compiled to consider a combination of economy, efficiency and effectiveness factors. The results of this review are detailed in the seven principles below and areas of improvement in section 13.

Principle 1 Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Codes of Conduct

- 4.1 The Council has an Employee Code of Conduct that applies to all council employees without exception, as well as to non-employees who are engaged (e.g. agency workers) or contracted by the council. The summary code of conduct is available on the intranet, is given to all new members of staff and discussed as part of the induction process. This code includes a requirement for staff to declare any conflicts of interest.
- 4.2 The Members' Code of Conduct is included in the council's Constitution and includes the principles of public life and information on declaring and registering interests. Each year (after Annual Council) Members are asked to declare their interests and mechanisms are in place to update these regularly when there are changes.
- 4.3 The Standards and General Purposes Committee receives annual reports on gifts and hospitality declared by staff and Members.
- 4.4 The whistleblowing policy was last reviewed in 2016 and is available on the intranet and internet. Leaflets are distributed within the civic centre and to schools and other organisations.

Standards and General Purposes Committee

- 4.5 The Standards and General Purposes Committee has overall responsibility for corporate governance. The Committee is also concerned with the promotion

and maintenance of high standards of conduct within the council; the enforcement of the Member Code of Conduct; and advising the council on ethical governance matters. The Committee monitors the registers maintained in relation to gifts and hospitality received by councillors and offered to and accepted by staff. The Committee comprises twelve members, and the Council's two Independent Persons regularly attend as observers.

- 4.6 This committee also fulfils the role of an Audit Committee in accordance with CIPFA recommended best practice, and this committee has overall responsibility for ensuring controls are adequate and working effectively
- 4.7 This Committee is responsible for a range of non-executive functions, including electoral matters and personnel issues. It also has responsibility for considering and making recommendations to Full Council on any changes to the council's Constitution. Its functions include ensuring compliance with relevant laws and regulations, internal policies and procedures, and overseeing council accounts and audit activity.
- 4.8 Meetings are held in public. Agendas and minutes are published on the Council's website in line with statutory requirements.
- 4.9 A review was carried out on the effectiveness of the Standards and General Purposes Committee against CIPFA's guidance, Audit Committees: Practical Guidance for Local Authorities. This found that the Committee was meeting regularly and covered the range of governance issues, except risk management. Risk is however reported to Cabinet and Overview and Scrutiny on a regular basis as well as to Council on an annual basis as part of the business plan, therefore reliance could be placed on this.

Principle 2: Ensuring openness and comprehensive stakeholder engagement

Transparency agenda

- 5.1 The council publishes the information specified by the government's Open Data requirements on the council's Open Data webpage. The current data published on the council's website includes:
 - Spending over £500
 - Senior employees' salaries
 - Job descriptions of staff earning over £50k
 - Pay multiple
 - Pay policy statement
 - Payments to councillors – allowances and expenses
 - Councillors attendance at meetings
 - Democratic data including the Constitution, minutes, decisions and
 - Election results
 - The Business Plan, policies, performance, audit and inspections
 - Finance data and counter fraud statistics
 - Merton's contract register

- Funding to the voluntary and community sector
 - Structure charts
 - Parking income and expenditure
 - Details of on-street and off-street parking spaces
 - List of property assets
 - Trade union activity
- 5.2 The Protection of Freedoms Act 2012 requires the council to publish certain datasets that are requested.
- 5.3 Merton Council publishes an information requests disclosure log which gives brief details of the requests received each week under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.
- 5.4 Under the Freedom of Information (FOI) Act, a public authority must respond to FOI requests within 20 working days. The council is measured against a corporate target of 85% of FOI requests dealt with in time and performance for 2017/18 was 76%. Plans are in place to improve performance. Performance is reported to the Corporate Management team monthly and is also published on the council's website via the performance monitoring dashboard.

Partnerships

- 5.5 The Merton Partnership – the local strategic partnership – is the overarching strategic partnership and is responsible for the delivery of the Merton Community Plan (the Sustainable Community Strategy). The Merton Partnership Governance Handbook and the Performance Management Framework set out the respective governance and performance management arrangements for the Merton Partnership, including the thematic partnerships sitting under the Partnership and Executive Board (namely the Health and Wellbeing Board, the Children's Trust, the Sustainable Communities and Transport Board, and the Safer and Stronger Strategy Group [which also serves as the Crime & Disorder Reduction Partnership]).
- 5.6 The Merton Partnership also has an annual conference that brings together all members of the partnership including thematic boards, the Executive Board and voluntary and community sector representatives. The Merton Partnership website is www.mertonpartnership.org.uk
- 5.7 The principles guiding the relationship and conduct between the council and voluntary, community and faith sector is set out in the Merton Compact (last refreshed in 2011). The Merton Compact is monitored by the Compact Board, comprising representatives from Merton Council (political and officer), representatives from the voluntary, community and faith sector, and representatives from other public sector bodies, as well as the local Chamber of Commerce.
- 5.8 The Merton Community Plan was refreshed in 2013. This involved consulting over 1,000 residents, partner organisations and a wide range of representatives from the voluntary, community and faith sector. The Merton Community Plan

sets out the achievements of the Partnership over recent years and priorities for the next five years.

- 5.9 The council maintains a Partnerships Register which captures details of partnership bodies the council is involved in that are outside the standing bodies of the council, but which inform policy development or implementation. The Partnerships Register is reviewed annually to ensure it is up to date, and is published on the council's intranet and website. An internal Audit review of the governance arrangements for partnership received a satisfactory assurance. Recommendations made are in progress for implementation
- 5.10 The Merton Partnership developed a new Voluntary Sector and Volunteering Strategy in 2017 to inform and guide our collective approach to sustaining a thriving voluntary sector. This new Strategy will guide the requirements for the Council's Strategic Partner programme that commissions advice and information services, as well as support for the voluntary sector as a whole.

Complaints

- 5.11 The Complaints policy is reviewed periodically to ensure it remains relevant and supports improvement in the way the council deals with complaints. New staff are introduced to effective complaints handling through their departmental inductions and all new managers receive through their specific managers induction. Training and advice is provided on request to teams and targeted training is provided for teams which regularly deal with complaints.
- 5.12 Work is on-going with service departments to identify policy complaints so departments can deal with them appropriately. Departments receive feedback to help them identify areas for improvement and departmental actions are monitored to assess whether changes that are made make a difference. The number of complaints received by the council has increased in the past year with 39% more complaints received between 2016/17 and 2017/18. Performance over the same period shows 6% of complaints were escalated to Stage 2, compared with 7% in 2016/17.
- 5.13 The council's performance in responding to complaints is reported to the Corporate Management team on a monthly basis and is published on the council's website via the performance monitoring dashboard. For 2017/18 performance for Stage 1 complaints was 68% on time against the target of 85%. Plans are in place to improve performance. An annual report on complaints is presented to the Standards and General Purposes Committee and is published on the council's website.

Principle 3: Defining outcomes in terms of sustainable economic, social, and environmental benefits

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

‘London’s Best Council’ by 2020.

6.2 The Council’s Business Plan 2017-21 sets out the following vision:

By 2020 Merton Council will be transformed by the fruition of a number of change projects which will maximise the use of information technology and streamline processes and service provision. Providing value for money services to our residents is at the heart of our business and we must be able to demonstrate that all of our services represent best value for money. We will do this by continuing to finding innovative solutions to maximise future efficiency.

6.3 The financial reality facing local government dominates the choices the council will make for the future of the borough. The development of the Business Plan 2018/22 is therefore based on the set of guiding strategic priorities and principles, as adopted by the council on 13 July 2011:

Merton should continue to provide a certain level of essential services for residents. The order of priority of services should be:

- i) Continue to provide everything that is statutory.
- ii) Maintain services – within limits – to the vulnerable and elderly.

After meeting these obligations Merton should do all that it can to help residents. This means we should address the following as priorities in this order:

- i) Maintain clean streets and keep council tax low.
- ii) Keep Merton as a good place for young people to go to school and grow up.
- ii) Be the best it can for the local environment.
- iii) All the rest should be open for discussion.

The financial pressures facing Merton mean we should no longer aim to be a ‘place-maker’ but be a ‘place-shaper’. The council should be an enabler, working with partners to provide services.

Our top priority will continue to be to provide safe services of the best possible quality within financial constraints and the July 2011 principles. We will deliver services that customers want and need and, where possible, involve our customers in service specification and design.

The Authority is utilising best practice in project management/ transformation to assess the future direction of services and the required staff, process and IT development to deliver this change. Internal decision making structures have been established to maximise Authority wide assessment and development.

Principle 4: Determining the interventions necessary to optimise the achievement of the intended outcomes
Delegations

7.1 The council’s constitution sets out the roles and responsibilities of the executive, non-executive, scrutiny and officer functions.

- 7.2 The functions of Council are set out in Article 4 of the constitution. These include responsibility for adopting and changing the constitution, policy framework and budget
- 7.3 Cabinet (Article 7) has responsibility for carrying out all of the Council's functions which are not the responsibility of any other part of the local authority.
- 7.4 Part 3B of the constitution sets out responsibility for non-executive council functions, including those carried out by Standards and General Purposes Committee, Appointments Committee, Planning Applications Committee, Licensing Committee, Appeals Committee and the Borough Plan Advisory Committee.
- 7.5 Overview and Scrutiny (Article 6 and Part 3B) discharges the functions conferred by the Local Government Act 2000, Local Government Act 2003, Health and Social Care Act 2001, Police and Justice Act 2006 and the Local Government and Public Involvement in Health Act 2007. Its operation is set out in more detail in section 8 of the report.
- 7.6 Except for matters reserved to members or other decision makers, all other matters relating to the Council's executive and non-executive functions are delegated to the Chief Executive.
- 7.7 The constitution includes a scheme of delegation that sets out the powers delegated to officers, and provides for Financial Regulations, Contract Standing Orders and a range of operational and departmental procedures which govern the council's discharge of its functions. These have all been reviewed and updated during 2016/17.
- 7.8 Statutory officers are documented within the constitution. The Chief Executive (Head of Paid Service) works with members and Directors to deliver the council's themes.
- 7.9 The Monitoring Officer is responsible for ensuring agreed procedures are followed and that all applicable statutes and regulations are complied with.

Financial strategy and financial management

- 7.10 The council has approved a four-year Medium Term Financial Strategy (MTFS) for years 2017/18 to 2020/21 which is aligned and integrated with its business plan priorities, and incorporates the revenue and capital expenditure implications of budget proposals. The MTFS is reviewed, and rolled forward annually in order to ensure that the council's scarce resources are focused on achieving the council's vision, strategic objectives, and statutory functions as set out in the Business Plan.
- 7.11 Merton's financial performance is reported on a monthly basis to the Corporate Management Team, and action plans are prepared if any likely major variations are identified. Regular reports are made to the overview and scrutiny commission and panels, and to the council's cabinet. These are used to inform the MTFS process. Quarterly reports are submitted to the Financial Task Group a sub-group of the Overview and Scrutiny Committee to review the Authority's

financial position. Ongoing implications of current year spending pressures are incorporated into the MTFS and future years' budgets as appropriate

Policy and decision making

- 7.12 Policy and decision making is conducted within a leader and cabinet structure. The cabinet leads on the preparation of the council's policies and budget, and makes recommendations to the full council on the major policy plans and the budget and council tax. Where there is a relevant policy, the cabinet takes decisions within the adopted framework of plans and the procedural rules to implement them.
- 7.13 The constitution provides that the responsibility for the adoption and alteration of policy documents within the council's strategy framework lies with the full council. New policies and proposed changes are considered in the first instance by the Standards and General Purposes Committee, and are also subject to scrutiny.
- 7.14 A forward plan of proposed key decisions is published and updated each time a new key decision is added to the list. This sets out details and the proposed timing of key decisions (as defined by law and Article 13 of the constitution) to be made by the council. It includes processes in relation to reports containing exempt information in order to comply with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 which came into force on 10 September 2012
- 7.15 Council, on 19 November 2014, considered and agreed procedures for recording and publishing non-key delegated executive decisions to comply with the statutory requirement under the Openness of Local Government Bodies Regulations 2014. Council agreed a definition for these decisions and also agreed that, as well as being published, all such decisions made should be subject to call-in to allow greater openness and transparency. Council officers are regularly briefed on decision making requirements and have access to guidance notes and forms that have been published on the intranet. The decisions themselves are published on the website.

Performance management

- 7.16 The council has robust performance management arrangements in place and as part of the service planning process, performance indicators are challenged by the Business Planning team, Departmental Management Teams (DMT), Corporate Management Team, reviewed by members and Overview and Scrutiny.
- 7.17 Performance data on the service plan indicators are published on both the intranet and internet on a monthly basis. Progress on performance is regularly reviewed by DMTs and members
- 7.18 Review and challenge of PIs are established as part of service planning e.g. if PI this year is different from last years. Review and challenge with monthly, quarterly and annual returns e.g. monitor if changes markedly from prior

measure. London Authority Performance Solutions provides current comparison data across London for approximately 30 Indicators – compare and challenge if our data changes markedly and report to Corporate Management Team - this is not published as agreed by constituent authorities

- 7.19 Performance reports on partnership working are produced for the Merton Partnership Executive Board.

Principle 5: Developing the entity's capacity, including the capability of its leadership and the individuals within it

- 8.1 Elected Members are responsible for the governance of the council. The council's governance arrangements are enshrined in the constitution. Within this framework, the council is able to provide clear leadership to the community; take decisions efficiently and effectively; improve service delivery; and hold decision makers to account.
- 8.2 The constitution is updated regularly. Amendments are recommended to Council by the Standards and General Purposes Committee, following reference by the Chief Executive as the statutory Head of Paid Service and the Assistant Director of Corporate Governance as the Monitoring Officer.
- 8.3 The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015).

Development needs members/officers

- 8.4 Members –A members' development plan is in place and this is adapted to meet arising needs. Induction training is provided for all new members. The programme in place for new members post May 2018 are:
- Workshop 1: welcome reception: meet with the Corporate Management Team, standards and ethics.
 - Workshop 2: The role of the councillor (part 1) covering different aspects of the councillor's role, an outline of support available, information security and managing casework and introduction to personal development plans.
 - Workshop 3: Introduction to overview and scrutiny.
 - Workshop 4: Introduction to finance and business planning
 - Workshop 5: Keeping our people safe
 - Workshop 6: Community Leadership.
- 8.5 In November 2017 Committee agreed that the following modules would be mandatory for all members to participate during the four year term: safeguarding (adults and children), equalities and information security. Prior to sitting on a Planning or Licensing Committee members must be trained.
- 8.6 In addition to topics covered above; in house sessions were arranged to explain

specific items i.e. Housing Benefits, Public Health. Generic training will be provided to include public speaking, understanding equalities, using social media, IT skills, speed reading, chairing meetings, influencing skills, personal organisation, personal safety – this is not an exhaustive list. Personal Development Plans are in place for members and these will be reviewed on an annual basis to ensure learning needs are met and other areas for development identified.

- 8.7 Officers – All council employees (except those on probation) will have an annual appraisal. Training needs are identified through staff appraisals and training can now be booked on the council's iTrent System.
- 8.8 The Council has Induction workshops throughout the year for new starters and for employees who change their roles. There is a managers' induction session for managers new to the Council or new to role. Training is available to all staff to ensure they have the skills and knowledge to undertake their roles.
- 8.9 The leadership and core behaviours have been included in the appraisals of all staff. As part of the Council's ambition to be London's Best Council in 2020 a development programme was launched for the Collective DMTs and the Leadership Team the sessions delivered so far have included Coaching, Resilience and Emotional Intelligence. A workforce strategy (2018 – 2021) has been developed and has an action plan to ensure the priorities outlined are achieved. The priorities are:
- Workforce planning
 - Recruitment and Retention
 - Organisation and Workforce Development
 - Morale, Health and wellbeing
 - Leadership
 - Apprenticeships

Principle 6: Managing risks and performance through robust internal control and strong public financial management.

Overview and Scrutiny Commission and Panels

- 9.1 The Overview and Scrutiny Commission and Panels are responsible for holding the executive to account, influencing the decision making process, and shaping the development of new policy. Scrutiny oversees the development of the council's business plan and budget and takes an active role on financial and performance monitoring of council services. Three scrutiny panels cover all portfolios, and all areas of council activity. The Commission comprises fourteen members, four of whom are statutory co-opted members. The chair of the Commission is the leader of the Merton Park Ward Independent Resident Group.
- 9.2 The External Scrutiny Protocol sets out scrutiny powers, duties and responsibilities of the council and its partners. The protocol seeks to ensure all

partners, statutory and non-statutory, adhere to the same principles for effective scrutiny, provide information, consider recommendations and respond to the relevant overview and scrutiny panel within an agreed time frame. The protocol forms part of the council's constitution.

- 9.3 The key principles of scrutiny in Merton, set out in the scrutiny handbook, are that it should be member-led, consensual, evidence-based and relatively informal. The handbook also contains advice for councillors and officers on their respective roles, guidance and practical steps on how to achieve successful scrutiny. It is based on experience of scrutiny in Merton, best practice research and examples from other local authorities.
- 9.4 Under the Council's constitution an annual report is presented to Council, outlining the work of the overview and scrutiny function over the course of the municipal year. This is used as an opportunity not only to showcase the work carried out but also to demonstrate some of the outcomes achieved and the ways in which local residents have been involved in scrutiny.
- 9.5 Each year a survey of all members is undertaken to seek their views on the effectiveness of the scrutiny function and suggestions for improvement. The results are reported to the Overview and Scrutiny Commission together with an action plan containing measures for innovation and improvements over the coming year.

Risk management

- 9.6 Risk management is a central part of the organisation's system of internal control. The focus of the risk management strategy is to ensure the identification and treatment of risk as part of everyday management.
- 9.7 The Corporate Risk Management Group (CRMG) meets quarterly to review and challenge the risk registers and share best practice. Key Strategic Risks are reported quarterly as part of the financial monitoring report to cabinet and overview and scrutiny and annually included as part of the business plan to Council
- 9.8 The corporate risk strategy was reviewed as part of the annual refresh of the Business Plan 2017-21, which is submitted to Council in March. . The strategy makes reference to the authority's risk tolerance levels, to recognise that some risks can be tolerated and others must be mitigated against. Work has been undertaken with a "Risk Management" specialist through our insurance arrangement to review departmental and corporate risk registers, separating "risks" and "issues" and standardising classification. An internal Audit review carried out in November 2014, provided a satisfactory assurance.
- 9.9 Risk analysis is also included in the service review process, where managers are required to risk rate their proposed budget savings and service level projects for the coming years.
- 9.10 The council has an anti-fraud and corruption strategy. Integral to these arrangements is the Whistleblowing Policy which is communicated to staff via

the intranet, leaflets and posters to outbuildings. All Whistleblowing cases and action are reported annually to the General Purposes committee.

- 9.11 The council also participates in the National Fraud Initiative (NFI) a computerised data matching exercise, led by the Cabinet Office to detect fraud perpetrated on public bodies.
- 9.12 A wide range of communications channels are used by the council to target different audiences. The Council magazine, My Merton, is delivered to every household in the borough four times a year. The Council also uses online and social media channels to target different audiences. Some services have developed bespoke communication channels to reach particular target audiences.
- 9.13 A wide range of engagement forums are used, some led by the council, others by the community, to communicate the council's vision and to consult local people, for example the Faith and Belief Forum, LGBT Forum, BAME Forum, Involve, Community Forums, Youth Parliament, and Young Advisors
- 9.14 The council follows the principles for engagement agreed by the Merton Partnership in 2010 and refreshed in 2014 as part of the Get Involved - Community Engagement Strategy. These principles let residents know what they can expect from council consultations and they are invited to report on occasions when consultations fall short of these expectations.
- 9.15 All our consultations and many of our partner's consultations are listed in our online database. Residents and stakeholders can sign up for alert emails to be updated when new consultations are in place on the system so they can find out how to get involved.

Principle 7 Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Internal Audit

- 10.1 Internal Audit is an assurance function that provides an independent and objective opinion on the control environment. It operates to defined standards as set out in the Public Sector Internal Audit Standards. An annual internal review has been completed and concluded that the service is compliant. An external assessment was carried out in March 2014, which concluded that Merton's Internal Audit function complied with the standard, another external assessment has been completed in May 2018, the results of which have not been received.
- 10.2 An annual report is produced by the Head of Audit which provides an opinion on the adequacy and effectiveness of the internal control environment.
- 10.3 A review has been undertaken on the 5 elements of the CIPFA statement on the role of the Head of Audit in public sector organisations. These elements are all met.

Data Security

- 10.4 The council holds a significant amount of personal data across its many business areas and has put in place actions to manage the risk of possible loss of this data. These include annual mandatory training for all council and partner staff with access to council systems, publication of guidance and an Information Security policy.
- 10.5 Staff are required to report any security incident promptly to the Information Governance team so an investigation and appropriate remedial or mitigating action can be taken. Each reported incident is followed up by the Information Governance team to identify lessons to be learned and to implement changes to reduce the risk of further similar incidents in the future. Security breaches are reported to the Information Governance Board quarterly. The Head of Information Governance assesses each security breach, in line with the Information Commissioners guidance, to identify whether an incident should be reported to the Information Commissioner's Office. During 2017/18 no enforcement action or monetary penalties were issued against the council, reflecting the effectiveness of the policies and procedures in place.
- 10.6 To support the council's introduction of greater flexible and mobile working, updated procedures have been put in place to ensure the secure handling of personal data. Staff using mobile technology must have passed their online security training and are issued guidance on good practice in handling personal information on a mobile device. The Information Governance team send out a weekly data security tip of the week in the staff bulletin, to ensure staff are regularly reminded of good information handling.

11. Other areas of corporate governance and assurances

- 11.1 A review of the effectiveness of the governance arrangements for the council have been carried out also using the following areas:
- Performance management
 - Internal Audit
 - External Audit
 - Risk management
 - Other Inspection Reports

Sources of assurance

Internal Audit reviews	External reviews	Scrutiny reviews	other
Internal audit review - Organised fraud	Ofsted Single Inspection and LSCB review	South West London Joint Health Overview and scrutiny committee	Members development training -ethics, commissioning, procurement and contract, and mentoring.
Internal Audit review- cyber security	External Audit Reports, incl. Grant Claims and Statement of Accounts	Overview and Scrutiny commission- response top recommendations Shared and Outsourced Services in Merton Task Group	Corporate and departmental risk registers
Internal Audit review of grants to the voluntary sector f/u	Peer review – Adult services (Feb 2018)	Overview and scrutiny commission – financial monitoring task group meeting 3 times a year.	Reports to the Information and Security Governance Board GDPR working group Mandatory Information security training for staff
Annual Internal Audit Report and Fraud Referral Reports		Children and Young People Overview and Scrutiny Panel meetings	Residents survey – 92% satisfaction

11.2 This evidence has been considered by the Steering Group as the review of effectiveness of the Corporate Governance Framework and Internal Control.

11.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Governance working group to the Standards and General Purposes committee that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

12. Follow up of 2017/18 Improvement Plan

12.1 The working group reviewed progress on the actions from the AGS review of 2016/17, which resulted in an improvement plan for 2017/18. There were nine recommended improvement actions, of which 4 have been completed, 5 actions to carry forward to the 2018/19 improvement plan. These are detailed below:-

Action	Action taken
To review and update financial procedures	The financial Procedures have been updated and will dovetail into the new financial system. The new financial procedures will be presented at the next Standard and GP committee and then onto Council.
Potentially Violent persons Policy to be agreed at DMT and CMT and process to be put in place with new core systems	The policy has been updated in line with Data Protection Act and ICO guidance. Process needs to be put in place but dependent on rollout of new core systems.
New financial system – to review internal controls in light of new financial system.	This work is in progress. Further work to be done.
Disclosure & Barring Service (DBS) To carry out a full review of all staff to be DBS checked to ensure they are done and to implement audit recommendations	The DBS team are working with the HR managers to contact their managers within their respective areas to provide the information necessary. Also working with LB Kingston, who will complete this by July 2018.
GDPR	On-going The council is working towards on-going compliance of the new requirements of the GDPR and Data Protection Act 2018.
New Candidate Development programme	Complete To be in place to inform potential candidates and support newly elected member May 2018. (local elections)
IR35	Complete Review of compliance to IR35 rules, to ensure that all processes are in place. This has been completed. An internal audit review has provided assurance that sufficient processes are in place
Sickness	Complete A review of the new sickness policy impact on sickness levels has been undertaken. Sickness has fallen in the organisation but not to the corporate target of 7.5 days. Further work identified.
Volunteer strategy	Complete New Voluntary Sector and Volunteering Strategy approved by Cabinet January 2017. This will inform recommissioning of Strategic Partners 2019 onward and will again include support to strengthen governance.

- 12.2 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Standards and General Purposes committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

13. Significant governance issues (Improvement Programme 2018/19)

- 13.1 The improvement actions below have been identified as a result of the review carried out. Progress will be followed up during 2018/19 and reported to Standards and General Purposes committee.

Action	Action to be taken
To review and update financial procedures	The financial Procedures have been updated and will dovetail into the new financial system. The new financial procedures will be presented at the next Standard and General Purposes committee and then onto Council
Potentially Violent persons Policy to be agreed at DMT and CMT and process to be put in place with new core systems	The policy has been updated in line with Data Protection Act and ICO guidance. Process needs to be put in place but dependent on rollout of new core systems.
New financial system – to review internal controls in light of new financial system.	This work is in progress. Further work to be done.
Disclosure & Barring Service (DBS) To carry out a full review of all staff to be DBS checked to ensure they are done and to implement audit recommendations	DBS checks is part a rolling programme and managers have been contacted to establish who needs to have a DBS. This exercise will be complete – i.e. processing those identified as part of the process advised by LB Kingston July 2018.
GDPR	The council is working towards on-going compliance of the new requirements of the GDPR and Data Protection Act 2018

- 13.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: _____ **Leading Member**

Signed: _____ **Chief Executive**

Committee: Standards and General Purposes Committee

Date: 30 July 2018

Agenda item:

Wards: All

Subject: Internal Audit Annual Report

Lead officer: Caroline Holland Director of Corporate Services

Lead member: Peter McCabe Chair of Standards and General Purposes Committee

Forward Plan reference number:

Contact officer: Margaret Culleton Head of Internal Audit

margaret.culleton@merton.gov.uk

Recommendation:

- A. That the Standards and General Purposes Committee review and comment on the Internal Audit Annual Report 2017/18.
-

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The council has a responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of effectiveness of the system of internal control is informed by the work of the internal auditors. Effectiveness of the system is also conveyed by Directors and Heads of Service within the authority that have responsibility for the development and maintenance of the internal control environment.
- 1.2 The Annual Report summarises the work of Internal Audit in 2017/18 and provides the Head of Audit opinion on the adequacy and effectiveness of the internal control environment.
- 1.3 The overall opinion is that the internal control environment is satisfactory. During 2017/18 there were 78% of Internal Audit reviews provided substantial or above levels of assurance. This is an increase to last year (71%).
- 1.4 Some concerns still remain in procurement/contracts issues, with audits on CRM2000 and school meals contract providing a limited assurance. Post implementation reviews were carried on one 3 new IT systems, one of which received a limited assurance- Mayrise system (Environmental Asset Management system). A follow up was untaken on pensions investments where previous recommendation had not been implemented.. Other limited assurances were on service areas such as, Direct Payments and a follow up on Service tenancies, where controls are weakened by lack of procedures and reconciliation or monitoring.

- 1.5 Fraud investigations in 2017/18 have resulted in successful prosecutions on blue badge fraud, housing properties recovered, right to buys cancelled and non eligible housing applications removed from the housing waiting list
- 1.6 Employee investigations have resulted in 3 with a disciplinary, with one dismissal and one case being prepared for prosecution.

2 DETAILS

2.1 Background details

2.1.1 The Accounts and Audit Regulations 2015

Regulation 5 requires an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance

Regulation 6 requires bodies to review the effectiveness of the system of internal audit once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control referred to in regulation 5.

The guidance accompanying the Regulations states that in practice councils are likely to take assurance from the work of Internal Audit when discharging their responsibility for maintaining and reviewing the system of internal control. External Audit and other review agencies and inspectorates are also potential sources of assurance.

3 ALTERNATIVE OPTIONS

- 3.1 There are no alternative options as the annual report is a key component of the Annual Governance Statement, which is a statutory requirement,

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1 No alternative consultation has taken place or is planned for this document.

5 TIMETABLE

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

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1 None for the purposes of this report.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1 The report sets out a framework for Internal Audit to provide an annual report for 2017/18. The Local Government Act 1972 and subsequent legislation sets out a duty for Merton and other Councils to make arrangements for the proper administration of their financial affairs. The provision of an Internal Audit service

is integral to the financial management of Merton and assists in the discharge of these statutory duties.

- 7.2 This report is designed to meet the requirements of the Accounts and Audit Regulations 2015

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1 Effective and timely auditing and advice enable departments, voluntary organisations and schools to provide quality services to their clients. These client groups are often vulnerable members of the community, e.g. elderly people, disabled people, asylum seekers and voluntary organisations. The audit service helps to identify weak financial management and sometimes reflects weaknesses in other operational systems such as quality and ethnic monitoring. Audit, therefore, has a crucial role in ensuring that Council resources are used to enable a fair access to quality services.

9 CRIME AND DISORDER IMPLICATIONS

- 9.1 This report has already summarised activities in relation to fraud and irregularities

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1 A review of Risk Management has been included in this report.
- 10.2. The Audit Plan has a risk assessment formula built into the process. This takes such aspects as expenditure, income, and previous audit findings into account and calculates priorities and the frequency of the audit.

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

Appendix 1 Annual Report

Appendix A Internal Audit Activity 2017/18

Appendix B Summary of Limited assurance audits 2017/18

12. BACKGROUND PAPERS

Internal Audit files and papers.

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LONDON BOROUGH OF MERTON

INTERNAL AUDIT ANNUAL REPORT YEAR ENDING 31ST MARCH 2018

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1. Head of Audit Assurance Opinion

- 1.1 Internal Audit has reviewed the effectiveness of the Council's systems of internal control for 2017/18 and has taken into account appropriate assurances obtained from other relevant internal and external sources. The opinion, based on this work, is that the Council's systems of internal control are generally sound and effective although the expected high standards of control have not been achieved in a limited number of council activities (detailed below). There is therefore a requirement to improve in these areas.
- 1.2 Appropriate action plans are in place in response to internal audit actions where necessary. It is important that departments ensure that audit actions are implemented in a timely manner to ensure effective controls are in place.

2 The Internal Audit Assurance Framework

- 2.1. A key responsibility of Internal Audit is to give the organisation assurances about the levels of internal control being exercised in the areas of risk and in particular where there are transactions that are considered "material" to the Council.
- 2.2. Internal Audit seeks to ensure that Merton's systems adhere to recognised standards and that public accountability can be demonstrated and is transparent.
- 2.3 Overall, whilst issues have been identified and resolved, the systems of control within the Council are such that reliance can be placed upon them.
- 2.4. In order to give such an assurance, a balanced programme of Internal Audit reviews is constructed each year. This Annual Internal Audit Plan contains elements of all the Council's activities selected using a "Risk Based" approach. There are many tools used to achieve a balanced plan including undertaking systems reviews, regularity audits (e.g. schools), contract and computer audit, fraud and misappropriation reviews and an annual review of major financial systems such as Council Tax, cash and bank and Housing Benefits.
- 2.5 Audit assurance opinions issued by Internal Audit fall into one of the four categories:-
 - a) Full Assurance
 - b) Substantial Assurance
 - c) Limited Assurance
 - d) No Assurance
- 2.6. In addition, each recommendation emanating from the audit review is given a high, medium or low risk priority for implementation. All recommendations are followed up by Internal Audit to ensure that they have been implemented.
- 2.7. The audit plan for 2017/18 covered those area of high fraud risk, as identified through the councils own assessments and through information from CIPFA, and other sources, where fraud risks are highlighted. Examples of these are procurement cards, business rates, direct payments.

- 2.8 These audits reviewed the controls in place, although no fraud was identified in any of these reviews, a number of recommendations were made to improve the controls.
- 2.9 In addition to the agreed audit plan, additional audits and reviews at the request of Management have been completed. These have ranged from full audits to focused audit investigations. Examples of these additional pieces of work included:
- Procurement card/season ticket
 - Recruitment
 - memorandum of understanding
 - Planning review
- 2.10 Internal Audit has also undertaken substantial testing on the new financial E5 system as well as ongoing advice on the new social care system, Corelogic..
- 2.11 These referrals to Internal Audit help to demonstrate the continued good engagement from departments and their awareness of the role of Internal Audit and the work that they can undertake to support their service. The Council's risk profile is constantly changing. Therefore, Internal Audit and the internal audit plan needs to be flexible to be able to respond to these changing and emerging risks.
- 2.12 The Internal Audit function is conscious of the significant pressure on resources that the Council is facing and has continued to identify where we can support management through looking to identify potential efficiencies and making recommendations for possibly fewer but better controls wherever possible.

3. Internal Audit Assurances 2017/18

- 3.1. During 2017/18 there were 41 Internal Audit reviews completed providing an assurance rating. (5 areas were reviewed as either advisory or signing off accounts).
- 3.2 A full list of the assurances can be found in Appendix A.. Action Plans for improvements are in place for all audits. Discussions are being held with Departments and action plans are still to be finalised in some instances.
- 3.3 The following tables summarise the results by audit type:

Table 1 Internal Audit Assurances by Audit Type 2017/18

Assurance	assurance	Limited	Totals
Procurement	4	2	6
Establishments	9	2	11
Financial Systems	6	1	7
IT	4	1	5
Service Specific	7	3	10
Corp Gov/grants	2	0	2
Totals	32	9	41

- 3.4 Table 2 summarises results for the last three financial years in the form of number of reviews and % for satisfactory and limited assurance.

Table 2 Internal Audit Assurances 2015/16- 2017/18

	Full/ Substantial			Limited Assurance		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
C&H	5 (56%)	2 (67%)	4 (57%)	4 (44%)	1 (33%)	3 (43%)
CS	21 (81%)	19(76%)	14 (93%)	5 (19%)	6 (24%)	1 (7%)
E&R	4 (57%)	3 (60%)	2 (50%)	4 43%	2 (40%)	2 (50%)
CSF	9 69%	9 (69%)	11 (79%)	4 31%	4 (31%)	3 (21%)
All depts.	0	1	1		0	0
Total	41(71%)	34(72%)	32 (78%)	17(29%)	13(28%)	9 (22%)

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

Key Areas for 2017/18

- 3.7 Internal Audit has continued to improve their level of engagement with all levels of management. This has been achieved by attending regular DMT's to discuss audit progress, meeting with key stakeholders prior to the start of the audit to agree the audit brief.
- 3.8 When the audit plan is set, discussions are held with all key people for input, this engagement has enabled the Internal Audit team to focus on the key areas of risk as well as work closely with management to formulate actions to address areas where improvement is required.
- 3.9 As set out in the above section we have identified areas of good practice and an effective control environment across the majority of the systems, processes and establishments reviewed. This includes the Council's key financial systems as set out below.

- 3.10 However there are a number of areas where further improvements are required to strengthen the control environment and we have summarised the key themes identified below.

Procurement

- 3.11 A sample of seven areas reviewed found that 2 areas received a limited assurance as their procurement arrangements needed improvement, CRM2000 and School Meals where recommendations for improvement are currently in progress. A Corporate Procurement audit is due to be undertaken in 2018/19.

CRM2000 This contract has run for 11 years and the required extensions and compliance with CSO not followed. The intention of the service is to relook at this in 2019.

School Meals Contract Weak monitoring of the contract resulting in unpaid fees by the provider.

Financial systems

- 3.12 Of the 7 main financial systems reviewed this year, they all received a satisfactory/substantial assurance. The Pension Investment limited assurance, received a limited assurance..

Table 3 Financial systems audit assurance for last 3 years

Financial System	Assurance 2015/16	Assurance 2016/17	Assurance 2017/18
Cash and bank	satisfactory	satisfactory	Not audited
Payroll (iTrent)	satisfactory	satisfactory	Satisfactory
Accounts Payable	Not audited	Not audited	Satisfactory
Fixed Assets	Not audited	Not audited	Satisfactory
Debtors	Not audited	satisfactory	Not audited
Housing benefits	Limited	satisfactory	Satisfactory
Treasury management/pension investment	Limited	Not audited	Limited
Council Tax	Not audited	Satisfactory	Not audited
National Non-Domestic Rates (NNDR)	satisfactory	Not audited	Satisfactory
General Ledger	satisfactory	satisfactory	satisfactory

- 3.13 The Payroll (iTrent) audit has been carried out as part of a joint review for London Borough's:-Sutton, Merton, and Kingston undertaken by Mazars.

Pension Investment (follow up) evidence of the completeness of the recovery of recoverable tax has not been provided and evidence of independent valuation of assets held with fund managers has not been provided

IT audits

- 3.14 There were 5 Information Technology audits this year, one received a limited assurance - Mayrise (environmental system) post implementation. The other 4 audits received a substantial assurance:- Cyber essentials. Change Management, Mosiac (social care) post implementation, E5 (financial) post implementation.

Mayrise (environmental system) post implementation –this identified the following concerns:- Second level system password settings not fully in line with the Council's IT Security Policy; Generic accounts created and used by multiple users which reduces accountability; leavers access not disabled, Lack of segregation of duties in Mayrise System with System Administrators having business process user profiles, cleansing and migration issues resulted to duplication of some records in the Mayrise System; The interface with E5 system was not working efficiently and effectively

Service Specific

- 3.15 There were 10 service specific audits carried out, of these 3 received a limited assurance where staff did not follow a proper process in financial arrangements leading to weak controls. These limited reviews were in a range of service reviews, Direct Payment, Court of Protection and Service Tenancies follow up. A full follow up audit on the Court of Protection service has also been carried out and provided a substantial assurance. The actions on the other two limited assurance reports will be followed up to ensure implementation. follow up.

Direct Payment – Some of the documents available on the website were out of date and require updating to ensure that the authority is providing the correct information. service users had funds in excess of 8 weeks of their agreed weekly cost examples of expenditure that were outside of the service users agreed service plan

Court of Protection -issues relating to bank reconciliations and provide enhanced support and oversight for asset management. (A follow up audit in March 2018, provided a substantial assurance with previous high level concerns implemented)

Service Tenancies follow up

Formal signing off the contractual status of each property, proposed policy changes are authorised , completeness of record keeping, compliance with Contract Standing Orders, key reconciliations, rent due is recorded and annual review of rents and discounts or formal exemption from doing so effective and complete management of the risk of granting service tenancies unintentionally.

Schools

- 3.16 There were eight full school audits carried out this year, 2 of which have resulted in a limited assurance (Cricket Green and Holy Trinity) and three follow up audits on previous limited assurance schools resulting in a substantial assurance. A follow up audit is undertaken on limited assurance rated schools to ensure that

the recommendations have been implemented. At the year end a follow up audit was undertaken at Cricket Green School moving it to substantial assurance.

- 3.17 Internal Audit work closely with finance throughout the year to be aware of any concerns at schools in relation to budget deficits and late returns. Where concerns are raised, these are taken into account in the audit planning for each year.

4. Follow up's

- 4.1 During 2017/18 Internal Audit made 427 recommended improvement actions, at the time of this report 388 actions (91%) were fully implemented. 39 actions have yet to be implemented, of these 2 actions are overdue.
- 4.2 For those outstanding actions, an expected implementation date is provided by the manager. Monthly reports are sent out to all managers for actions due, where these are over two months overdue, the Head of Service also receives a copy. If an action is more than 3 months overdue, then the appropriate Director is informed. Any overdue outstanding audit actions are then reported to Standards /General Purposes committee.
- 4.3 Where reports are given a limited assurance and therefore have a number of recommendations a full follow up audit is usually carried out in the subsequent year to gain assurance that these recommendations have been actioned.

5 Anti-Fraud

- 5.1 The council Anti-Fraud and Corruption strategy, to sets out the council's approach to detecting, preventing and investigating fraud and corruption This strategy is supported by the councils whistleblowing policy, which was reviewed and updated in 2018 (at committee for approval) and by the council's code of conduct. The Internal Audit section has a key role in implementing this strategy and to ensure that the internal controls in place are robust to prevent fraud occurring or to tighten controls where fraud has occurred.

Single Person Discount

- 5.2 The Council Tax section engaged a company to carry out Single Person Discount data matching checks. In 2017/18, the SPD values that ceased totalled £41,044.

6 Fraud Partnership

- 6.1 The South West London Fraud Partnership covers five councils, the cases for Merton are: -

South West London Fraud Partnership – Merton cases 2017/18

2017/18	Sanction Target	Open Cases b/fwd	New Cases in Year	Total Cases	Closed No Sanction	Closed With Sanction	Open Cases c/fwd
Tenancy Fraud	8	34	45	79	40	8	31
Right to Buy	5	18	54	72	39	18	15
Housing Apps Rejected	10	5	15	20	5	14	1
Permit Fraud	n/a	2	16	18	8	5	5
Corporate – Internal	n/a	6*	10	16	5	5	6
Corporate – External	n/a	8	17	25	9	3	13
Totals	n/a	73	157	230	106	53	71

Housing Fraud

- 6.2 Eight properties were recovered in 2017/18. This allows for those on the councils waiting list to be provided with the opportunity for a housing tenancy. Work is ongoing, including 3 cases with legal for consideration of legal action.
- 6.3 Right to buy applicants are passed to the Fraud partnership and the application checked to Housing Benefit, 18 applications have been cancelled as a result of incorrect information provided.

Housing Applications Rejected

- 6.4 A pro-active fraud drive identified 14 housing applicants that were no longer eligible to be on the waiting list and a recommendation was made to Housing to cancel their applications. As a result all 14 were cancelled. A further 159 applications have been identified for removal following a review of NFI data matching.

Blue Badge Investigations

This resulted in:-

- 1 Prosecution pleaded guilty to all offences. (12 months conditional discharge, £250 charges and £40 surcharge).
- 4 Cases closed non RIPA set up and surveillance undertaken by no further action to be taken..

- 6 cases are on-going (1 case is currently being prepared for prosecution)

Corporate Fraud (internal)

- 6.5 The corporate fraud cases involved employees for 2017/18, resulted in: -
- 2 resignations (1 of which may have further action taken),
 - 3 disciplinary hearing- (1 dismissed, 1 final warning and 1 written warning)
 - 5 No Further action - recommended improved controls
 - 6 in progress (1 preparing for prosecution)

Corporate External

- 6.6 There are 3 Council Tax Reduction cases ongoing investigation..

National Fraud Initiative (NFI)

- 6.7 The council takes part in a National Fraud Initiative, whereby data in the following areas are matches against data from other councils and public bodies and also matches are done between different areas of Merton data.

NFI matches are: - Creditors, Market Traders, Personal Alcohol Licences, Parking, Payroll, Pensions, Personal Budgets, Residential Care, Council Tax & Electoral Registration.

- 6.8 On the 2016/17 NFI data match, the council received 6,166 matches for review. The results as the 31st March 2018 were;
- 279 matches have been completed and closed;
 - 270 matches are in progress (had some action taken on them)
 - 1 matches had been closed as fraud;
 - 1 matches identified as error.

This has so far resulted in £1,701.76 identified as overpaid/incorrectly paid.

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

- 7.1 The Annual Audit Plan for 2017/18 was agreed by Standard and General Purposes Committee Members at the start of the year. At the year-end 100% of the audit planned days were achieved and 91% of audit actions implemented by the agreed date.
- 7.2 Internal audit has contributed to the overall corporate governance of the council's activities by:
- Completion of the audit plan
 - Member of the corporate risk strategy group.

- Chair of AGS working group
- Providing advice/training on corporate policies and procedures and control issues

7.3 The Public Sector Internal Audit Standards defines the level of effective audit service expected for all public sector audit services. There is a requirement to undertake an annual internal review of compliance to the standard, an internal review of the standard to confirm conformity has been carried out in 2017/18. Based upon our ongoing assignment and review processes, together with the results of our Customer Surveys, we believe that we are substantially compliant with those Performance Standards

7.4 The standard also requires an independent external assessment to be carried out every 5 years, this was previously carried out in 2014 with compliance achieved and has been undertaken again in May 2018 (results expected shortly).

Quality assurance

7.5 Internal Audit operates a Quality Assurance system for its internal audits. This includes; -

- Preparation of a detailed audit plan submitted to the Standards and General Purposes Committee for approval;
- Regular review of progress against the plan to ensure we are delivering the work we have promised. Progress reports to Standards and General Purposes Committee, including details of limited assurance and outstanding audit actions. Quarterly reports on days and number of audits completed are also reported to the Shared Service Board
- A tailored audit approach using a defined methodology and assignment control documentation which is subject to a review protocol;
- The use of qualified, highly trained and experienced staff;
- Monitoring of performance against targets.
- The review of all reports by the Head of Audit.

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Audit Assurance Rating 2017/18
Appendix A

dept	Audit area	Type	assurance
ALL	Proactive fraud work	procurement	substantial
ALL	Income generation	service specific	advisory
CH	Mosiac post implementation	IT	substantial
CH	CM2000	procurement	limited
CH	Adult social care debt	service specific	substantial
CH	Court of protection	service specific	limited
CH	Court of Protection 17/18 f/u	service specific	substantial
CH	Direct Payments	service specific	limited
CH	Temporary Accommodation	service specific	substantial
CS	Mayors account	accounts	signing annual accounts
CS	E5	financial	substantial
CS	Pension investment f/u	financial	limited
CS	Housing benefit overpayments	financial	substantial
CS	Payroll	financial	substantial
CS	NNDR	financial	substantial
CS	Creditors	financial	substantial
CS	fixed assets	financial	Substantial
CS	IR35	Governance	full
CS	Information Security	Governance	substantial
CS	E5 post implementation	IT	substantial
CS	ICT Cyber Essentials	IT	substantial
CS	ICT Change Management	IT	substantial
CS	Procurement card/season ticket	procurement	advisory
CS	Procurement Cards	procurement	substantial
CS	Blue Badges	service specific	substantial
CS	Grants to Vol. Organisations. f/u	service specific	substantial
CSF	Holy Trinity Primary School	establishment	limited
CSF	Cricket Green School	establishment	limited

CSF	Links Primary School	establishment	substantial
CSF	Merton Park Primary School	establishment	substantial
CSF	Wimbledon Chase Primary School	establishment	substantial
CSF	Pelham primary f/u	establishment	substantial
CSF	Bishop Gilpin Primary School	establishment	substantial
CSF	Hollymount Primary School	establishment	substantial
CSF	West Wimbledon Primary School f/u	establishment	substantial
CSF	Wimbledon Park Primary School	establishment	substantial
CSF	Cricket green school f/u	establishment	substantial
CSF	Schools meals contract	procurement	limited
CSF	Commissioning of sen placements	procurement	substantial
CSF	Passenger Transport -SEN	procurement	substantial
CSF	Troubled families grant	grant	sample testing on grant return
ER	Merton & Sutton Joint Cemetery Board	accounts	signing annual accounts
ER	Mayrise System	IT	limited
ER	Section 106/cil	service specific	substantial
ER	Service Tenancies f/u	service specific	limited
ER	Strategic Asset Management	service specific	substantial

Service	CM2000 (electronic care monitoring system)		
Date of Final Audit Report	11 June 2018		
Audit Actions	14	Outstanding actions	13
Main issues	<p>CM2000 is the London Borough of Merton's electronic care monitoring system, which enables the logging and analysing of home care visits by care providers contracted to use the system.</p> <p>The CM2000 contract dates back to 2007 and has not been re-tendered for 11 years despite the fact that it expired in 2012. A contract exemption covering the period 1st December 2015 to 30th November 2017 was agreed in November 2015. A further contract exemption, commencing in February 2018, was agreed in January 2018, this exemption was for a maximum period of 24 months to 31st January 2020. The maximum value of these two exemptions was recorded as £232,623. An exemption covering the period 1st December 2017 to 31st January 2018 was not available. It was noted that the terms of the original contract dated 2007 are still in use for the current exemption.</p> <p>The CM2000 system interfaces with Mosaic, which in turn interfaces with E5. This process should enable payments to be made to providers automatically and subsequent billing of client invoices to be correct. However, due to problems with system implementation this has not always been possible. It should be noted that Mosaic went live on 16th May 2017</p> <p>Although several staff currently have access to CM2000, user-friendly monitoring reports are not readily available and there is a heavy reliance on the CM2000 Contract Monitoring officer to supply information required from the system. Internal Audit have been informed that reports are not provided to management.</p> <p>A large number of small care providers do not have access to CM2000 meaning that monitoring of commissioned visits is both time consuming and difficult to undertake. Invoices received from providers cannot be confirmed as correct in the same way as visits logged on CM2000.</p> <p>During the audit, it became clear that there is confusion on behalf of the supplier regarding reporting lines and responsibility for decision making within the authority. Furthermore, evidence was obtained that an increase in provider fees was actioned without a formal process being followed or appropriate approval being documented</p>		

Service	School Meals		
Date of Final Audit Report –	July 2018		
Audit actions	11	Outstanding actions	11
Actions in progress	<p>The School Meal Contract provision is undertaken by the Contracts and School Organisation Team within the Children, Schools and Families department. This team procure the school meal catering service and provides the contract management role on behalf of the schools who participate in the contract via a separate Service Level Agreement. There are currently 41 primary school and 3 specials school.</p> <p>The tender process to procure a new contractor to supply the School Meal Contract was undertaken in 2016. The tender exercise was undertaken successfully, with 4 bids received, weighted and scored. The new 3-year contract commenced from the 1st of August 2016, with an extension of up to 2 years</p> <p>The current cost of the service is approximately £2,004,316 on the basis of a meal price of £1.90, the contract value is based on the number of meal sales.</p> <p>Our review of the system and procedures for the provision of the School Meal Contract showed that there were some areas where the controls/ monitoring were weak and needed to be strengthened to make them more effective:</p> <p>A total of £115,077.96 of Council fee for the procurement, managing and monitoring of the contract is outstanding. The standards and consistency of the service is below that specified in the contract.</p> <p>The contractor has not implemented their own Quality Assurance Framework (onsite compliance monitoring, performance management and monitoring)</p> <p>The Performance Monitoring System – schedule 3 of the contract was found to still in draft and not yet implemented, resulting in the poor performance of the Contractor against the required standard not being addressed or resulting in Default Notices.</p> <p>The Key Performance Indicators – appendix 3 of the service specification has not yet been agreed, resulting in the Contractor not being subject to these measures.</p> <p>A lack of reporting of the performance of the Contract against the council objective and specification has led to Key Performance Indicators and the Performance Management Systems not being agreed.</p>		

Service	Pension Investments follow up		
Date of Final Audit Report	20 December 2017		
Audit Actions	11	Outstanding Audit Actions	0
Main issues	<p>In the opinion of Internal Audit, management has not demonstrated satisfactory progress in implementing actions to address Internal Audit recommendations. The audit opinion has therefore been restated as Limited Assurance.</p> <p>The above opinion refers specifically to the following matters:</p> <ul style="list-style-type: none"> evidence of the completeness of the recovery of recoverable tax has not been provided; evidence of independent valuation of assets held with fund managers has not been provided. <p>In summary, of the recommendations contained in the original audit report:</p> <ul style="list-style-type: none"> <input type="checkbox"/> 2 have been fully implemented <input type="checkbox"/> 2 have been partly implemented <input type="checkbox"/> 4 have not been implemented <input type="checkbox"/> 1 was rejected <p>We have re-stated previous and/or raised new recommendations (2 high, 3 medium and 1 low). Recommendations can be found in Section 5 of the report and management are asked to complete the comments and target dates.</p>		
Update	Since this review a new manager has been appointed and all the outstanding actions implemented.		

Service	Mayrise System (post implementation)		
Date of Final Audit Report	13 March 2018		
Audit actions	10	outstanding audit actions:- 6	
	The Environment and Regeneration Department previously used the application CONFIRM to manage its environmental assets and to provide Street Works ETON6 functionality to meet its regulatory obligations.		

Service	Mayrise System (post implementation)
	<p>There are concerns from Finance over the lack of secondary authorisation for placing orders with the contractor with the work carried out before being processed on E5 system it could create problems in forecasting expenditure particularly being an area with high annual spend.. The expectation is for Mayrise System to generate Purchase Orders, with positive value, for the jobs raised and for the contractor to raise invoices against the Purchase Orders. The Purchase Order numbers would be the Primary key that would be used to integrate the Mayrise and E5 Systems.</p> <p>There is no functionality on the Mayrise System to generate Purchase Orders at the moment however it is being suggested that the Financial Procedure could be amended to allow for lower value orders being placed without second check but required for over £1,000. Audit was informed that to make this a reality would involve changing the above process with potential impact on the Business Process resources and Service Level Agreements with the contractor.</p> <p>The other significant point arising were as follows:</p> <ul style="list-style-type: none"> • Second level system password settings not fully in line with the Council's IT Security Policy; • Generic accounts created and used by multiple users which reduces accountability; • Users have not been reviewed to identify and remove or disable leavers access; • The audit trail functionality had not been enabled to keep track of changes made on the application master data; • There were some technical difficulties during data cleansing and migration which resulted in duplication of some records in the Mayrise System; • The interface with the CRM (Customer contact) system was not working efficiently and effectively while management decision was made that the completion of the interface with the E5 system was not a requirement for go-live; • Lack of segregation of duties in Mayrise System with System Administrators having business process user profiles; Jobs order documentation are being filed manually rather than being scanned and attached to individual record on the Mayrise system.
Update	<p>Access levels and passwords will be reviewed and actions implemented by the end of July. The Interface with CRM. E&R believe that this is not working consistently and this issue has already been logged with GDIT and is actively under investigation.</p>

Service	Direct Payments		
Date of Final Audit Report	31 August 2017		
Audit Actions	6	Outstanding Audit Actions	0
<p>Direct Payments is a process by which all or part of a personal budget is spent by its customers to meet their assessed, eligible needs, using a pre-paid card. The aim of Direct Payments is to allow the service user greater choice and control through the flexibility of purchasing their own care package.</p> <p>At the time of the audit there were approximately 666 Direct Payment customers, made up of 536 adults and 130 children.</p> <p>The Council has a dedicated external facing website that provides information on what the council offers and includes documents and links to the relevant legislation. It was found that some of the documents available on the website were out of date and require updating to ensure that the authority is providing the correct information.</p> <p>Our review found that the Direct Payment Policy was last updated in March 2016 and is currently in the process of being reviewed and updated.</p> <p>The councils use pre-paid card accounts for the purpose of receiving and managing Direct Payments. A review of the card database as at April 2017 found a total of 1,274 cards on the database of which 575 were active. (total value on cards £1.8million – of which 0.5 million inactive).</p> <p>Testing found that although signed "Personal Agreements" were in place, in some cases the agreements had not been dated or signed by the Direct Payment Officer.</p> <p>A review of a sample of service users accounts to verify whether surplus funds were adequate and in line with the DP Personal Agreements found that of the 20 service users tested, 8 service users had funds in excess of 8 weeks of their agreed weekly cost, including 1 service user with surplus funds equivalent to 140 weeks of the weekly agreed cost.</p> <p>The current Direct Payment agreement allows the Council to recover money from an individual with surplus funds in their direct payments account (which is not part of any agreed contingency fund) of 8 weeks or more. However, this is not being applied.</p> <p>Where service users have been assessed to make contributions towards their care they are required to make payments onto their pre-paid card. Our review of customer accounts over a four months period found that of sample tested, 40% were not meeting their required contributions.</p>			

Our review also found examples of expenditure that were outside of the service users agreed service plan, including spend with retailers such as Gambling retailers, Grocery Stores, Fast Food Restaurants, Lawn and Garden Supplies etc. This is in breach of Section 7 of the "Personal Agreement" which states that customers must only use their personal budget to secure the support detailed in their support plan.

The Council has a responsibility to ensure that public money is spent and accounted for appropriately and must be satisfied that the Direct Payment is being used to meet the eligible care and support needs as set out in the agreed support plan through active monitoring of client expenditure. It has been brought to the attention of Internal Audit that the "Monitoring" post was recently deleted following a departmental restructure.

In the absence of a Monitoring Officer appropriate steps need to be undertaken to ensure that a robust method of auditing/monitoring client's expenditure is in place. The authority must be able to provide assurance that all clients are achieving the best possible outcome within their available funds, in line with their service plan.

The auditor was informed that the existing pre-paid card provider has recently served notice of their intention to terminate the existing pre-paid card service contract with the Council. It is the view of the Procurement and Brokerage Manager that the specification for the new service (which is currently out to tender) will support the implementation of some of these issues identified in this report (notably supporting the council to monitor pre-paid card activity in a robust way with the reduced resources now in the team

Service	Court of Protection		
Date of Final Audit Report	18 December 2017		
Audit Actions	11	Outstanding Audit Actions	3
The basis of this audit opinion of limited assurance relates to the priority 1 audit findings that at the time of audit the service was needing to resolve issues relating to bank reconciliations and provide enhanced support and oversight for asset management. Changes in staffing arrangements within the Court of Protection team at the time of the audit also made it difficult for the fieldwork to access all of the records relevant to the audit programme. The Assistant Director and Head of Service have confirmed that these staffing matters have now been resolved and that going forward the service will have the resources to support the audit process in 2017/18.			

Service	Court of Protection
<p>Update A follow up audit was undertaken in March 2018 and a <u>substantial assurance</u> provided, with 8 actions implemented and 3 in progress to be implemented.. The service has implemented a client account management software system (Caspar) which provides a significant enhancement to the level of internal control;</p> <p>The Assistant Director has accepted and started to discharge responsibility for oversight of material changes to client assets, such as sales of client houses</p>	

Service	Service Tenancies follow up	
Date of Final Audit Report	17 July 2018	
Audit Actions	17	Outstanding Audit Actions: 11
<p>This was a follow up review of service tenancies, of the 20 recommendations contained in the original audit report:</p> <ul style="list-style-type: none"> • 3 have been fully implemented • 13 have been partly implemented and • 4 have not been implemented <p>Of the 20 recommendations in the original report 6 were Priority 1 recommendations, of these: 5 have been partly implemented and 1 has not been implemented. This has therefore remained as a limited assurance.</p> <p>The opinion refers in particular to the following outstanding matters:</p> <ul style="list-style-type: none"> • Ensuring that proposed policy changes are authorised • Formally signing off the contractual status of each property • Ensuring the Board is updated timely with regard to contract negotiations • Evidencing compliance with Contract Standing Orders • Ensuring completeness of record keeping • Evidencing key reconciliations • Ensuring rent due is recorded and annual review of rents and discounts or formal exemption from doing so • Ensuring effective and complete management of the risk of granting service tenancies unintentionally 		

Service	Cricket Green School	
Date of Final Audit Report	20 July 2017	
Audit Actions	27	Outstanding Audit Actions: 0
<p>The Internal Audit review has identified areas of concerns in relation to the school managing its budget. These include:</p> <ul style="list-style-type: none"> • Ordering and Payments – During 2015/16 it was found that all 88% of expenditure was uncommitted as orders were not raised at the time of purchase (83% non-order and 5% raised on receipt of invoice). Although this improved in 2016/17 with 45% of expenditure uncommitted (23% non-order and 22% raised on receipt of invoice) resulting in £601,848.99 uncommitted expenditure. Further improvement is required as this significantly impacts on effective budget monitoring and weakened controls, that ensure all expenditure is appropriate and authorised prior to purchase. • Monthly monitoring –monthly review to agree budget movement. Virements –not prior to cost centres being overspent in order to provide accountability and authorisation of overspends. • Contract – the contract with xxx for IT support was agreed at £10k for 2016/17. It was found that since 2014/15 a total £240,702.71 has been spent with this supplier, without adherence to the requirements of the Scheme of financing for Schools (annex D). (£61,774.70 in 2016/17) • Petty Cash –To date £20,000 of uncommitted expenditure has been paid through petty cash. This may impact on budget monitoring and budget plan. • Recruitment – references and medical checks should be obtained and held in HR files. The Corporate Probationary Policy should be followed for all employees including support staff. Temporary staff arrangement – the IR35 Employment Status must be checked for all temporary workers and where relevant tax/ NI contributions deducted at source. • Extended School Provision –the recording and reconciliation of the Breakfast club records should be reviewed to ensure a full audit trail. • Although the school was found to have written procedures for IT security and Data management for the school and staff to follow, some further documents require implementing and adopting by the school: - 		
<p>Update: A follow up audit was completed in May 2018 and it moved to a substantial assurance. All actions have now been implemented.</p>		

Service	Holy Trinity School	
Date of Final Audit Report	22 September 2017	
Audit Actions	30	Outstanding Audit Actions: 0
<p>The Internal Audit review has identified areas of concerns in relation to the school managing its budget. These include:</p> <ul style="list-style-type: none"> • Bank – a complete and comprehensive bank mandate for both delegated accounts was not located at the school. • Terms of reference – was found to omit relevant information required, such as cheque signatories, debit card holder and level of petty cash imprest. • Ordering and Payments <ul style="list-style-type: none"> - During 2016/17 it was found that 43% of expenditure was uncommitted as orders were not raised at the time of purchase. This was found to have increased in 2017/18 with 74% of expenditure uncommitted. Improvements are required as this significantly impacts on effective budget monitoring and weakens controls. - Agreed procedures for the authorising of mismatches between orders raised and invoices paid must be established. During 2016/17 £41,371.18 of expenditure was paid over and above the original order raised, and to date in 2017/18 an excess of £1,547.06 has been paid. • Contracts - A review of all contracts held by the school must be undertaken. Signed and agreed copies of all contracts must be held in the school and available for inspection at all times. IT support - the contract with xxx for IT support was agreed at £10k for 2016/17. It was found that since 2015/16 a total £42,946.60 has been spent with this supplier, without adherence to the requirements of the Scheme of financing for Schools (annex D). • Petty Cash – a review of the reconciliation process must be undertaken. The imprest level must be agreed and the account reconciled back to this amount. • Recruitment – references, medical checks and relevant qualification certificates should be obtained and held in HR files. The Corporate Probationary Policy should be followed for all employees including support staff. Temporary staff arrangements – the IR35 Employment Status must be checked for all temporary workers and where relevant tax/ NI contributions deducted at source. • Inventory – this was last updated in 2012 and must be updated as soon as possible. The inventory must be reviewed annually. • Although the school was found to have written procedures for IT security and Data management for the school and staff to follow, some further documents require implementing and adopting by the school. 		

Committee: Standards and General Purposes Committee

Date: 30 July 2018

Agenda item:

Wards: All Wards

Subject: Anti Fraud and Corruption Strategy and Whistleblowing Policy update

Lead officer: Caroline Holland- Director of Corporate Services

Lead member: Chair of Standards and General Purposes Committee

Forward Plan reference number:

Contact officer: Margaret Culleton Head of Internal Audit

Margaret.culleton@merton.gov.uk

Recommendation:

The Committee comments upon and approves the revised Anti Fraud and Corruption Strategy and Whistleblowing policy

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The Anti-Fraud and Corruption Strategy sets the councils approach to preventing, detecting, investigation and action against fraud and corruption, both internally and externally. We will:-
- Encourage prevention.
 - Promote detection.
 - Ensure effective investigation where suspected fraud or corruption has occurred.
 - Take appropriate action against offenders
- 1.2 In May 1995 the Nolan Committee issued a report on the Standards in Public Life: Local Public Spending Bodies. This report made a number of recommendations, some sector specific and others more general in nature. The Nolan Committee recommended that Local Authorities should institute Codes of Practice on Whistleblowing, which would enable concerns to be raised confidentially inside and if necessary outside the organisation.

2 DETAILS

Anti fraud and Corruption Strategy

- 2.1 The Anti Fraud and Corruption strategy sets the culture of the organisation. There is an expectation that all members, employees, consultants, contractors, and service users behave in an honest and open way.
- 2.2 A review has been carried out on the councils Anti fraud and Corruption strategy and the following changes made:-

- The roles and responsibilities section has been updated
- reference to the audit, fraud and legal partnership have been added
- The prosecution policy has been included as an appendix.

Whistleblowing policy

- 2.3 The councils whistleblowing policy has always encouraged staff to raise concerns and assurance given that these would be treated in confidence. The policy has clearly stated the action that is taken when a whistleblowing allegation is received.
- 2.4 A review has been carried out on policy against other public sector bodies and guidance from the whistleblowing commission. This has found that the policy is robust and therefore only the following minor changes have been made,
- The contact details for external bodies have been reviewed and updated where required.
 - Reference to General Purposes Committee has been changed to Standards and General Purposes Committee

3. ALTERNATIVE OPTIONS

None for the purposes of this report.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. Other Local Authorities' Whistleblowing Policies have been reviewed for the purposes of updating Merton's Policy.
- 4.2. Human Resources, Legal Services and Directors were also consulted in respect of the policy review in earlier years.

5 TIMETABLE

- 5.1 This does not apply.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1 The costs of dealing with Whistleblowing allegations and the publication and promotion of the policy is usually met from within existing budgets.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. These are contained within the report and reflect the requirements of the Public Interest Disclosure Act 1998 and the Bribery Act 2010.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. Human Rights implications are considered in the conduct of all whistleblowing investigations. For example if directed surveillance is felt necessary this will be carried out in accordance with the Regulation of Investigatory Powers Act 2000.

- 8.2. In addition the Whistleblowing Policy provides a mechanism where concerns regarding the welfare of clients can be raised and therefore helps protect their Human Rights.
- 8.3. Whistleblowing investigations will take into consideration Equality and Diversity implications. Investigations may reveal weaknesses in financial management and other monitoring systems, e.g. ethnic monitoring. Ensuring action is then taken in respect of these weaknesses plays a role in ensuring that Council Resources are used to enable fair access to quality services.

9. CRIME AND DISORDER IMPLICATIONS

- 9.1 The Whistleblowing Policy allows for staff to come forward and report their concerns without the fear of reprisals in any form.

10. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. Each allegation is considered on a risk basis as to the amount of resources that should be employed in the investigation.
- 10.2. Some allegations involve Health and Safety matters and these are referred to the appropriate Council Section for investigation.

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

- A. Appendix 1 – Anti Fraud and Corruption Strategy
- B. Appendix 2 - Whistleblowing Policy

12 BACKGROUND PAPERS

- Whistleblowing Policies and register
- Internal Audit Papers

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LONDON BOROUGH OF MERTON

**ANTI-FRAUD AND CORRUPTION
STRATEGY**

July 2018



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1. INTRODUCTION

- 1.1 The Council is committed to the prevention, detection and investigation of all forms of fraud and corruption. The Council's Members and employees are expected to uphold the highest possible standard of conduct in public life in accordance with the Nolan principles.
- 1.2 The Council also expects that all individuals and organisations associated or collaborating with the Council will act with integrity and without intent to commit fraud or corruption and that such persons and bodies will use the resources given to them for the purposes intended.
- 1.3 Within the Council's Strategic Theme Corporate Capacity the ambition is to "systems for ensuring sound financial management and high standards of governance". This strategy is therefore designed to reduce losses to fraud and corruption to an absolute minimum.
- 1.4 Fraud and corruption are rare and not tolerated by the honest majority. Nevertheless, as part of its strategic risk management process, the Council has to ensure that there is robust framework in place to mitigate the risk of fraud and corruption. Therefore, the Council's aim is to:
 - Maintain its stance of providing a strong deterrent
 - Prevent fraud and corruption by designing and reformulating policies and systems
 - Provide fraud awareness training
 - Undertake proactive fraud work for example data matching
 - Continue to undertake the detection and investigation of fraud and corruption including aiming to apply sanctions and recovery procedures where it is identified.
- 1.5 This Anti-fraud and Corruption Strategy sets out roles and responsibilities and the means by which the Council will combat fraud and corruption.
- 1.6 In carrying out its functions and responsibilities, Merton has always adopted a culture of openness and fairness and has expected that Members and employees at all levels will adopt the highest standards of propriety and accountability. This has been achieved by leading by example and by an understanding of and adherence to rules, procedures and agreed practices. These standards have also been expected from organisations that have dealings with the authority (e.g. suppliers/contractors).

- 1.7. The Council is currently in a strong position due to the controls that have already been put in place, i.e. standing orders, financial regulations and the Members' and officer's Code of Conduct, but must not be complacent.
- 1.8. The authority must demonstrate clearly that it is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators from inside (Members and employees) and outside the authority. In addition, there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not.
- 1.9. This strategy document embodies a series of measures designed to frustrate an attempted fraudulent or corrupt act and the steps to be taken if such an act occurs. For ease of understanding, it is separated into five areas:
- Culture
 - Prevention
 - Deterrence
 - Detection and investigation
 - Awareness and Training
- 1.10 The authority is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as external audit, the Local Government Ombudsman, the Information Commissioner, the Chief Surveillance Commissioner and HM Revenue and Customs. These bodies are important in highlighting any areas where improvements can be made.
- 1.11 For the purposes of this strategy, fraud is as defined in the Fraud Act 2006. The Act provides for a general offence of fraud and three ways of committing it by false representation, by failing to disclose information and by abuse of position. Corruption is defined as the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person.

2 CULTURE

- 2.1. The culture of the authority has always been one of openness and the core values of fairness and trust support this. The authority's culture has always supported opposition to fraud and corruption and Members have always supported an anti-fraud culture.
- 2.2. The prevention/detection of fraud/corruption and the protection of the public purse is everyone's responsibility.
- 2.3. The authority's Members play an important role in creating and maintaining this culture and have their own "Members Code of Conduct". The Code contains provisions which would be breached by corrupt or fraudulent actions by councillors. These include:

- act solely in terms of the public interest not do so in order to gain financial or other material benefits for themselves, their family, or their friends
- not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties
- in carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit
- accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office
- be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands
- a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest
- promote and support these principles by leadership and example

2.4 Councillors are positively encouraged to raise concerns regarding fraud and corruption, immaterial of seniority, rank or status, in the knowledge that such concerns will, wherever possible, be treated in confidence. Under the Code of Conduct they are bound to report conduct which they reasonably believe to constitute a breach of the code by another Member.

2.5 Officers are expected to conduct themselves beyond reproach. They are required to follow the councils Financial Procedures and the officers 'Code of Conduct'. The Code requires employees to report their suspicions or knowledge of fraud or corruption to their line manager. Where they are unable to do this they should report it the Head of Internal Audit.

2.6 Members and Officers are expected to set an example by their own behaviour, which should be in accordance with Nolan's Seven Principles of Public Life:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

2.7. Concerns must be raised when Members, the public or employees

reasonably believe that one or more of the following has occurred is in the process of occurring or is likely to occur:

- a criminal offence
- a failure to comply with a statutory or legal obligation
- improper unauthorised use of public or other funds
- a miscarriage of justice
- maladministration, misconduct or malpractice
- endangering of an individual's health and safety
- damage to the environment
- deliberate concealment of any of the above

- 2.8. The Head of Audit will ensure that any allegations received in any way, including by anonymous letters or telephone calls, will be taken seriously and investigated in an appropriate manner, subject to the requirements of the Human Rights Act 1998 Police and Criminal Evidence Act 1984, Regulation of Investigatory Powers Act 2000 and other appropriate legislation.
- 2.9 Merton will deal firmly but fairly and consistently with those who defraud the authority, or who are corrupt, or where there has been financial malpractice. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees raising malicious allegations) may be dealt with as a disciplinary matter.
- 2.10 When fraud or corruption has occurred because of a breakdown in the authority's systems or procedures, departmental directors will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.
- 2.11 To promote the Councils culture of anti-fraud and corruption, fraud awareness training is provided, there are publicity campaigns and the council publishes newspaper articles in relation to fraud cases.

2.2 Bribery Act

- 2.2.1 Prior to entering into any business arrangements, the Council will ensure that they have taken all reasonable steps to identify any potential areas of risk relating to bribery or corruption.

There are four key offences under the Act:

- bribery of another person (section 1)
- accepting a bribe (section 2)
- bribing a foreign official (section 6)
- failing to prevent bribery (section 7)

- 2.2.2 The Bribery Act 2010 makes it an offence to offer, promise or give a bribe (Section 1). It also makes it an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of

business. There is also a corporate offence under Section 7 of failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation

- 2.2.3 Bribery is a criminal offence. The Council does not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor will the Council accept bribes or improper inducements.
- 2.2.4 To use a third party as a conduit to channel bribes to others is a criminal offence. The Council does not, and will not, engage indirectly in or otherwise encourage bribery.
- 2.2.5 The Council is committed to the prevention, deterrence and detection of bribery. The Council has a zero-tolerance towards bribery.

3 PREVENTION

The Corporate Framework

- 3.1 The corporate framework, which underpins the operation of the Council, has a number of facets that exist to protect the Council against losses from fraud. These include:-
 - An established Standards and General Purposes Committee and an adopted code of conduct for members
 - Members formally signing a declaration accepting the terms of the code of conduct
 - The constitution, financial regulations, standing orders and the scheme of delegation
 - Constitution arrangements which are disseminated to the public, partners, members and staff.
 - The Code of Corporate Governance
 - Internal control reviews by Internal Audit
 - An Anti-fraud and Corruption Strategy, Anti Money Laundering Policy and Whistleblowing Policy
 - Data Protection procedures
 - Complaints and FOI procedures
 - fraud investigations and proactive fraud checks by the South West London Fraud Partnership
 - Participation in National Fraud Initiative
 - The promotion of awareness of anti fraud and corruption issues reinforced by training and publicity.
 - Code of Conduct- Disciplinary procedures
 - Recruitment procedures
- 3.2 Our strategy to reduce fraud is based on prevention, detection, investigation and remedy within an over-riding anti fraud culture. We will promote this culture across all our service areas and within the

community as a whole.

- 3.3 We will seek to promote an anti-fraud culture within our community by publishing articles on the impact of fraud on the community. We will also seek to assist our partners and our community to understand and reduce fraud threats through publicity and general campaigns.

Roles and Responsibilities

Role	Responsibility
<u>Everyone</u>	<ul style="list-style-type: none"> • Read and understand this framework and apply its principles consistently and fairly in the conduct of your duties • Act in a manner which sets an example to the community and to other staff • Be alert to the red flags that may indicate fraud • Report genuine suspicions of fraud, corruption or other financial irregularities to the South West London Audit Partnership (SWLAP) and South West London Fraud Partnership (SWLFP) • Declare interests on an annual basis and as they arise. • Declare Gifts and Hospitality over £25.00 • Comply with the Employee Code of Conduct and financial governance arrangements (e.g. Contract Standing Orders and Financial Regulations)
<u>All Members</u>	<ul style="list-style-type: none"> • Comply with the Member Code of Conduct, other locally adopted protocols for behaviour, and other aspects of the Council's constitution concerning financial governance
Leader of the Council	<ul style="list-style-type: none"> • Acts as the Council's member lead for counter fraud & corruption to promote the policy, strategy and framework internally and externally
Standards and General Purposes Committee	<ul style="list-style-type: none"> • Endorses the anti fraud and corruption strategy and whistleblowing policy • Monitors implementation of the strategy and policy primarily through the work of the Internal Audit and Fraud Partnership. In particular: <ul style="list-style-type: none"> – ensures that the overall level and nature of the investment made in counter fraud work is adequate and effective and provides for a professional, integrated and proactive approach – Receives updates on fraud work undertaken, fraud risks and reports on significant frauds identified. Committee will review and monitor management action taken to redress control issues identified as a result of significant frauds.
Departmental Management Teams	<ul style="list-style-type: none"> • Assess the exposure to fraud risks in Departments activities annually • Consider any new or increased exposures to fraud & corruption in Departments activities • Escalate serious concerns as appropriate • Ensure that the action taken to address fraud & corruption risks in Departments activities is adequate and effective (whether aimed at prevention, deterrence or detection) • Periodically review declarations of interest and gifts and hospitality • Review reports of vendor spend over £50k on a quarterly basis.
Service Management Teams	<ul style="list-style-type: none"> • Assess the exposure to fraud risks in Service activities • Consider any new or increased exposures to fraud & corruption in Service activities • Escalate serious concerns as appropriate • Ensure that the action taken to address fraud & corruption

Role	Responsibility
	risks in Service activities is adequate and effective (whether aimed at prevention, deterrence or detection)
Programme/ Project Teams	<ul style="list-style-type: none"> Assess the exposure to fraud risks in Programme/ Project activities Consider any new or increased exposures to fraud & corruption in Programme/ Project activities Escalate serious concerns as appropriate Ensure that the action taken to address fraud risks in Programme/ Project activities is adequate and effective (whether aimed at prevention, deterrence or detection)
<u>All Chief Officers</u>	<ul style="list-style-type: none"> Set the tone for the Council's stance on counter fraud & corruption
Chief Executive	<ul style="list-style-type: none"> Acts as the Council's Head of Paid Service to promote a strong anti fraud & corruption culture
Director of Finance and Corporate Services	<ul style="list-style-type: none"> Acts as the Council's Section 151 Officer with regard to probity and propriety Receives reports on significant frauds and fraud risks identified and ensures that appropriate action is taken to redress these Acts as the Council's officer lead for counter fraud & corruption to promote and implement the policy and strategy internally and externally
Directors	<ul style="list-style-type: none"> Lead the Department's activities to counter fraud & corruption Reviews Declarations of Interest and gifts and hospitality within their Departments.
Heads of Service	<ul style="list-style-type: none"> Lead the Service's activities to counter fraud & corruption
Programme and Project Managers	<ul style="list-style-type: none"> Lead the Programme/ Project's activities to counter fraud & corruption
Partnership leads	<ul style="list-style-type: none"> Assess the Council's exposure to fraud and corruption risks from Partnership activities Consider any new or increased Council exposures to fraud & corruption from Partnership activities Escalate serious concerns as appropriate Ensure that the action taken to address the Council's fraud & corruption risks from Partnership activities is adequate and effective (whether aimed at prevention, deterrence or detection)
<u>All Managers</u>	<ul style="list-style-type: none"> Take responsibility to counter fraud & corruption in activities for which they are responsible Escalate serious concerns as appropriate Work with others to ensure appropriate investigation of concerns (e.g. Internal Audit and Fraud Partnerships, Human Resources, Legal Partnership) Have a duty to protect their service areas from losses due to fraud and irregularity and are responsible for implementing robust and proper internal controls. This includes being familiar with fraud risks in their service area and ensuring that sound controls are in place to mitigate

Role	Responsibility
	<p>those risks to acceptable levels</p> <ul style="list-style-type: none"> • Ensure that declarations of interest have been made for all staff for which they have management responsibility. • Ensure any allegations made to them by staff are dealt with in accordance with this strategy and the Council's Whistleblowing Policy.
Internal Audit and Fraud partnership (SWLAP/SWL FP_	<ul style="list-style-type: none"> • Ensures policies, strategies and procedures are adequate and effective • Provides guidance and support in fraud & corruption risk assessments and in appropriate risk management action • Ensures co-ordinated action is taken to counter fraud & corruption, working with others as appropriate (e.g. Human Resources, Legal partnership, members, directors, managers and other external agencies where necessary) • Leads on investigations, sanctions, redress and lessons learned/ remedies • Provides an objective opinion on anti fraud & corruption policies and procedures and their effectiveness in practice • Undertakes checks on controls and procedures as part of its internal audit work • Ensures control and other weaknesses revealed from events are addressed • Involvement in new system design or advice on changes to systems and processes to identify and eliminate fraud risks and gaps in control. • Providing regular reports to Standards & General Purposes Committee on fraud work undertaken • Undertakes a programme of proactive fraud work based on the Council's assessment of its key fraud risks. • Participation in National Anti-Fraud initiatives (NFI) and other data matching exercises.
Democratic Services	<ul style="list-style-type: none"> • Supports member policies and procedures in adequately addressing counter fraud & corruption matters, (e.g. training and development, member code of conduct, investigation procedures) • Advises the Council on the adoption of a Code of Conduct for Councillors and its effective implementation, including member training and advice
Human Resources	<ul style="list-style-type: none"> • Ensures employee policies and procedures adequately address counter fraud & corruption matters, working with the Internal Audit and fraud partnership as appropriate (e.g. organisational culture initiatives, training and development, employee code of conduct, whistleblowing procedure, disciplinary procedures, employee surveys) • Arranges and ensures proprietary checking for employees • Ensures investigatory and disciplinary action against an employee is undertaken in accordance with the Council's employee and disciplinary procedures
South London Legal Partnership (Sllp)	<ul style="list-style-type: none"> • Ensures actions are lawful through the role of the Monitoring Officer – establishing and monitoring compliance with policies, procedures and frameworks, e.g. Regulation of Investigatory Powers Act 2000 (RIPA), Whistleblowing Policy

Role	Responsibility
	<ul style="list-style-type: none"> • Advises on evidence prior to submission to police or disciplinary/ regulatory procedures • Authorises and conducts legal proceedings on behalf of the Council, subject to any necessary authorisations
Contractors and partners	<ul style="list-style-type: none"> • Declare probity concerns (e.g. at pre-qualification stage) • Maintain strong counter fraud & corruption principles and measures (covering, for example, recruitment, proprietary checking of employees and sub-contractors, own whistleblowing procedures and/or use of the Council's procedures, gifts and hospitality rules and registers, and compliance with the Council's Contract Standing Orders and Financial Regulations) • Certify an understanding that collusion and inducements lead to disqualification • Provide required evidence of application of principles and procedures • Provide appropriate access to premises, records and personnel to Council staff and auditors • Cover the Council's losses from fraud perpetrated by employees of the contractor or people acting on the contractor's behalf
External Audit	<ul style="list-style-type: none"> • Assesses the adequacy and appropriateness of the Council's financial systems and the integrity of public funds. • Undertakes specific reviews where appropriate to test the adequacy of the Council's arrangements for preventing and detecting fraud and corruption • External Audit are informed of any significant cases of fraud or corruption which may have a material impact on the Authority's accounts.
Monitoring Officer	<ul style="list-style-type: none"> • Advises the Council on the adoption of a Code of Conduct for Councillors and its effective implementation, including member training and advice • Determines appropriate action on complaints about Member conduct • Promotes and maintains high standards of conduct amongst elected, co-opted and advisory members (including the declaration and registration of interests)
Members' Standards and General Purposes Committee	<ul style="list-style-type: none"> • Considers where matters need to proceed to a local hearing in cases where an investigation determines that there may have been a breach of the Code of conduct and a Member refuses to comply with a Monitoring Officer resolution.

4. DETERRENCE

- 4.1. This policy encompasses the public, Members and employees. It is designed to clarify the authority's action in specific cases and to deter others from committing offences against the authority. However, it also recognises that it may not always be in the public interest to refer cases for criminal proceedings.

- 4.2 Theft, fraud and corruption are serious offences against the authority and any public funds and employees will face disciplinary action if there is evidence that they have been involved in these activities. Disciplinary action will be taken in addition to criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner.
- 4.3 Members will face appropriate action under this strategy if they are found to have been involved in theft, fraud or corruption against the authority or any public funds. Action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner and may be referred to the police, the Standards Committee or appropriate group leader, as appropriate.
- 4.4 The Authority's Communications team will optimise the publicity opportunities associated with anti-fraud and corruption activity within the authority. The Communications Unit will also try to ensure that the results of any action taken, including prosecutions, are reported in the media.
- 4.5 In all cases where it is economic to pursue and where financial loss to the authority has occurred, the authority will seek to recover any losses and advertise this fact.
- 4.6 All anti-fraud and corruption activities, including the update of this strategy, will be publicised in order to make the employees and the public aware of the authority's commitment to taking action on fraud and corruption when it occurs
- 4.7 Regular reports will be made to Committee about countering fraud and corruption activities.

5. DETECTION AND INVESTIGATION

- 5.1. The Internal Audit Partnership plays an important role in the detection of fraud and corruption. Included in their plans are reviews of system financial controls and specific fraud and corruption tests, spot checks and unannounced visits. Anti-fraud tests are built into nearly all audit reviews.
- 5.2. In addition to Internal Audit service, there are numerous systems controls in place to deter fraud and corruption, but it is often the vigilance of employees and members of the public that aids detection.
- 5.3. In some cases, frauds are discovered by chance or 'tip-off' and arrangements are in place to enable such information to be properly dealt with, in accordance with the requirements of the Human Rights Act 1998.
- 5.4 All suspected irregularities are required to be reported (verbally or in writing) either by the person with whom the initial concern was raised or by the originator, as per the authority's confidential Whistleblowing policy. This is essential to the strategy, and:

- ensures the consistent treatment of information regarding fraud and corruption
 - facilitates a proper and thorough investigation by an experienced team, in accordance with the requirements of the Human Rights Act 1998.
- 5.5. The SWLFP utilises all methods available to investigate fraud. This includes data matching, open source research, surveillance, intelligence led investigation and information provided from Internal Audit.
- 5.6 This process will apply to all the following areas:
- a) fraud/corruption by Members
 - b) internal fraud/corruption
 - c) other fraud/corruption by authority employees
 - d) fraud by contractors' employees
 - e) external fraud (the public)
- 5.7 Any decision to prosecute as a result of the outcome of any investigation will not be made without the authority of the Head of Internal Audit
- 5.8 Depending on the nature of the investigation, the Head of Internal Audit will liaise with the director concerned.
- 5.9 Despite the intention to prosecute offenders, there are associated costs in bringing a case to court which can be substantial and must be borne by the Council and the Council Taxpayers. By adopting this policy the Council commits itself to give serious thought to the costs involved, before proceeding with any prosecutions.
- 5.10 Merton's disciplinary procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees. However, investigations are not part of the disciplinary procedure.

6. AWARENESS AND TRAINING

- 6.1 Merton recognises that the continuing success of this strategy and its general credibility will depend in part on the effectiveness of programmed training in making members and employees of the Council aware of the risk of fraud.
- 6.2 Merton will seek to learn from all its experiences of countering fraud & corruption, and from best practice and the experiences of others. We aim to remedy any weaknesses and identified exposure to fraud.
- 6.3 The SWLAP/SWLFP produce reports for corporate fraud investigations which identify any gaps in control or instances of non compliance with procedure, systems and processes. These reports make recommendations to management which addressed these gaps and seek to reduce future exposure to the risk of fraud. For significant frauds, reports are made to the Standards and General Purposes

Committee to include lessons learnt and agreed actions are monitored to ensure they are implemented.

Prosecution Policy

- 1 The Council will invoke the highest level of sanction by applying appropriate criminal, civil, including disciplinary/ regulatory, sanctions in all cases where the evidence suggests that fraud, corruption, financial irregularities or malpractice have been committed. In cases of proven fraud, the Council will seek to prosecute.
2. Sanctions are determined at the end of an investigation, subject only to applying any necessary interim or precautionary measures or sanctions, for example to prevent continuing fraudulent or corrupt activity or behaviour.
- 3 The Council seeks the strongest possible sanction against any individual or organisation that defrauds, or seeks to defraud, the public purse. Our use of sanctions applies equally to any fraud against us or against funds for which we are responsible.
- .4 A range of sanctions is available to the Council. These include disciplinary action, civil proceedings, criminal proceedings, confiscation proceedings, formal cautions and administrative penalties. In appropriate cases we take more than one form of action. For example, where staff have defrauded the Council we may take disciplinary, prosecution and civil recovery action.
- 5 Where the Council takes action, the decision to refer cases for prosecution is taken by the Head of Internal Audit
- 6 In considering whether it is appropriate to prosecute for an offence it is generally accepted that there are two 'tests' to be applied – the evidential test and the public interest test. These are currently set out in the Code for Crown Prosecutors. The Prosecutor will consider both tests before approving a prosecution but will only go on to consider the Public Interest test where he/she believes that the Evidential Test is satisfied.
- 7 To meet the **Evidential Test**, the Prosecutor must be satisfied that there is enough evidence to provide a 'realistic prospect of conviction' bearing in mind that the Prosecution is required to prove its case to the criminal standard of proof, i.e. 'beyond a reasonable doubt', or so as to be sure. The evidence must be acquired in a form which can be used by the court, be admissible and be reliable. If there is not sufficient evidence, the case cannot go ahead no matter how important the case or how strong the public interest is in favour of prosecution. Consideration must be given to how the defence case may affect the prosecution case. If necessary an advice file will be sent to the prosecutor for their opinion.

- 8 The **Public Interest Test** in each case will be considered where there is enough evidence to provide a realistic prospect of conviction. In serious cases a prosecution usually takes place unless there are sufficient public interest factors against prosecution. Public interest factors that affect the decision to prosecute usually depend on the seriousness of the offence or the circumstances of the offender. Aggravating factors may increase the need to prosecute while mitigating factors may suggest that another course of action, such as offering a sanction, is more appropriate.
- 9 To ensure that a 'realistic prospect of conviction' exists, investigations are conducted in accordance with relevant legislation and in line with published Codes of Practice and Guidance on evidence gathering, interviewing and rules of disclosure. Evidence is independently examined and if the Public Interest test is satisfied, the case file is passed on to either the Council's Head of Legal Services, the DWP or the Crown Prosecution Service (CPS) via the police. All prosecutors will then consider the evidence to ensure that both tests are met.
- 10 Our sanctions policy with regard to the most common types of fraud & corruption is set out below:
- housing fraud
 - other fraud
 - staff fraud & corruption
 - Member fraud & corruption.

Housing Fraud

- 11 In all cases of fraudulent housing or homeless applications, where a tenancy has been obtained, the Council will work with the housing provider to seek repossession of the property and recovery of any financial losses. The Council's view is that one property lost to fraud is one less property available to use for genuine applicants.
- 12 Frauds committed by housing and homeless applicants are also considered for criminal prosecution.
- 13 The factors that affect our decision to prosecute are based on the evidential and the public interest tests in line with the Code for Crown Prosecutors.
- 14 Where properties have been sublet or are abandoned the Council always seeks repossession of the property and recovery of any financial losses. Under the new Prevention of Social Housing Fraud Act 2013, the Council will seek to prosecute in appropriate cases and can now be granted unlawful profit orders (UPO's). An "unlawful profit order" is an order requiring the offender to pay the landlord an amount representing the profit made by the offender as a result of the conduct constituting the offence. These can be granted by both the criminal court and the civil courts and can be done without having to prosecute.

Other Fraud

- 15 In all other cases of fraud, for example council tax reduction, direct care payments, renovation grants, voluntary sector grants, regeneration funding, insurance claims, blue badges, residents' parking, student awards, licences, school places, market traders and other applications for financial assistance, where the Council suffers a financial loss, we always seek recovery. Where an organisation is involved in the fraud, the Council also make referrals to the relevant governing body, e.g. Charities Commission, Registrar of Companies.
- 16 The Council also considers criminal prosecution. The factors that affect our decision to prosecute are based on the evidential and the public interest tests. This includes cases of attempted fraud such as applications for renovation grants where the financial estimates are deliberately misstated, and false applications for direct care payments.
- 17 Prosecutions are undertaken for a number of reasons by service areas outside of the South West London Audit Partnership and South West London Fraud Partnership e.g. Trading Standards, Environmental Health, who have their own procedures for deciding on appropriate sanctions and redress.

Employee Fraud

- 18 All cases of fraud, theft, financial misconduct, serious and intentional breach of financial regulations and corruption committed by officers are serious breaches of the disciplinary rules. Normally such cases will be considered as gross misconduct where dismissal would be considered a likely sanction.
- 19 Where a financial loss has been identified we always seek to recover this loss either through the civil or criminal process.
- 20 Where appropriate under this policy we refer cases to the relevant prosecuting authority for criminal prosecution.

Member Fraud

- 21 All cases of fraud, theft, financial misconduct, and corruption committed by Members are serious breaches of the trust placed in them by virtue of their public office. The Council's Monitoring Officer and our Members' Standards and General Purposes Committee are responsible for dealing with any serious breaches of the Code of Conduct.
- 22 Where a financial loss has been identified we always seek to recover this loss either through the civil or criminal process.
- 23 Where appropriate we refer cases to the relevant prosecuting authority for criminal prosecution.

Prosecution – General

- 24 A decision to prosecute as a result of the outcome of any investigation

will not be made without the authority of the Head of Internal Audit.

25. Each case deemed suitable for submission for prosecution will be subject to a full review by the Head of Internal Audit (as appropriate in each case) the relevant Director, Legal Services, the Police or other relevant prosecution Authority.
26. Despite the intention to prosecute offenders, there are associated costs in bringing a case to court which can be substantial and must be borne by the Council and the Council Taxpayers. By adopting this policy the Council commits itself to give serious thought to the costs involved, before proceeding with any prosecutions.
27. The cost of prosecution (where not progressed through the Police and via them the CPS) will be borne by the Department concerned.
28. In normal circumstances, once the decision to prosecute has been made and approved, the prosecution process will proceed uninterrupted. However, it is acknowledged that occasionally external forces will have an adverse affect and it may be that the CPS, DWP or Legal Services chooses to discontinue action, or there may be some other reason why criminal prosecution cannot or should not continue.
29. In these circumstances, consideration will be given as to whether it is appropriate to suspend proceedings and if so whether to undertake civil proceedings as an alternative (with due consideration to the implicit costs).
30. Further considerations may also be made to the most appropriate body to prosecute cases. Benefits fraud cases are now the responsibility of the DWP in investigate and prosecute.
31. Larger scale fraud may be referred to the Police and offered to the CPS for prosecution depending on the level of resource and skills required to bring about a successful prosecution.

Parallel Sanctions

32. The circumstances of an offence that involves or implicates a member of staff may dictate that both a criminal investigation and a disciplinary investigation be conducted simultaneously (or in parallel).
33. Due to conflicts between the legislation covering the gathering of evidence under employment law and under the Police and Criminal Evidence Act 1984 (PACE) it is preferable that the investigations are conducted independently and separately (although this does not necessarily imply that the same department cannot handle both investigations nor that information gathered cannot be shared between the two investigations).
34. Although conducted separately, the Head of Internal Audit will liaise both with Human Resources and any officer tasked with conducting the

disciplinary investigation.

- 35 Criminal investigation and prosecution can take substantially longer to undertake and complete than disciplinary investigation, and consequently any disciplinary investigation (and potential sanction) should not be unnecessarily delayed pending the outcome of any criminal investigation. The fact of the criminal investigation by itself should not form the grounds of the disciplinary investigation.
- 35 Sanctions relating to disciplinary investigations are covered in the employee Code of Conduct can range in scope up to and including summary dismissal for proven Gross Misconduct.

REDRESS

- 36 The recovery of money and resources wrongfully taken from us is a key part of our integrated strategy. Loss recovery is a key driver aimed at reducing losses from fraud & corruption and reducing exposure to the risks of fraud & corruption. As such, we actively seek to recover our losses.
37. Whilst the Council has insurance cover for losses from fraud, corruption or other such acts, these are subject to excesses and specific limits. We therefore do not rely on insurance as a preferred method of loss recovery.
38. We have a range of options available to us for recovering losses and, since the Proceeds of Crime Act 2002, these have increased. The options we consider include:
- instigating recovery of property, removing from the Housing Register, cancelling temporary accommodation, disallowing from Right to Buy, suing for loss of rent and/or portable discount
 - charges on property
 - third party debt orders ('Garnishee' – where payment can be obtained from a third party whom owes or holds money for the debtor, e.g. where a bank is ordered to pay the credit balance in a debtor's bank account to the creditor in satisfaction of a judgement or court order)
 - attachment of earnings
 - freezing injunctions
 - pursuing debts via legal proceedings
 - confiscation orders to secure the 'benefit' from a person involved in criminal activity, e.g. where a person has fraudulently obtained funding for social care which they have used to pay a mortgage on a property, the amount by which the property has increased in value may be confiscated as distinct from simply the amount of overpaid funding
 - compensation
 - restitution orders

- use of the National Crime Agency (NCA) for the most serious crimes.
39. Wherever the Council takes proceedings, criminal or civil, in respect of fraud, corruption or other financial irregularity/ malpractice it will seek to recover all its costs in doing so.

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Committee: Standards and General Purposes Committee

Date: Wards: All

Subject: Report on the use of temporary workers and consultants

Lead officer: Kim Brown, HR Lead

Lead member: Cllr Mark Allison

Contact officer: Kim Brown Ext 3152

Recommendations:

To note progress made to monitor and control the use of temporary workers and consultants

Purpose of report and executive summary

- 1.1. The Committee has received progressed in relation to the number of interim appointments and the mechanisms in place to monitor the use of such workers.

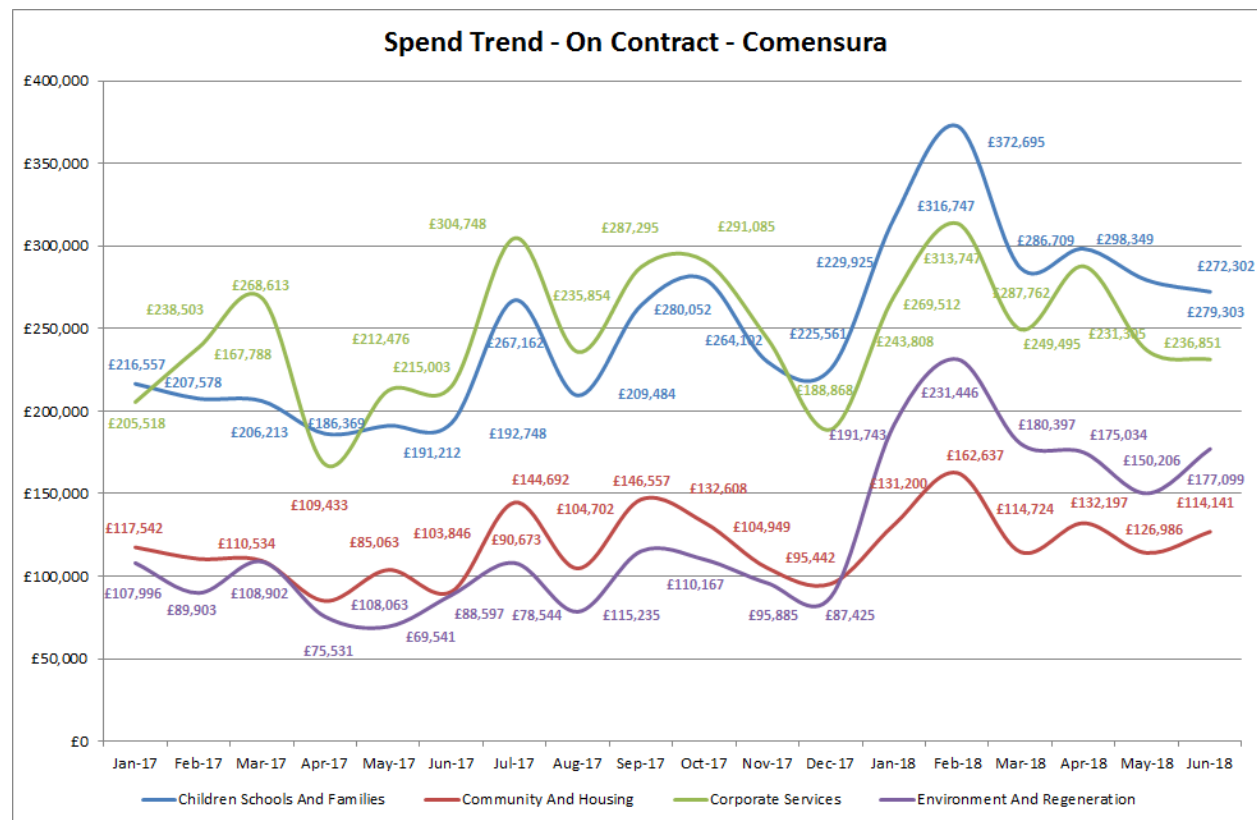
2. Details

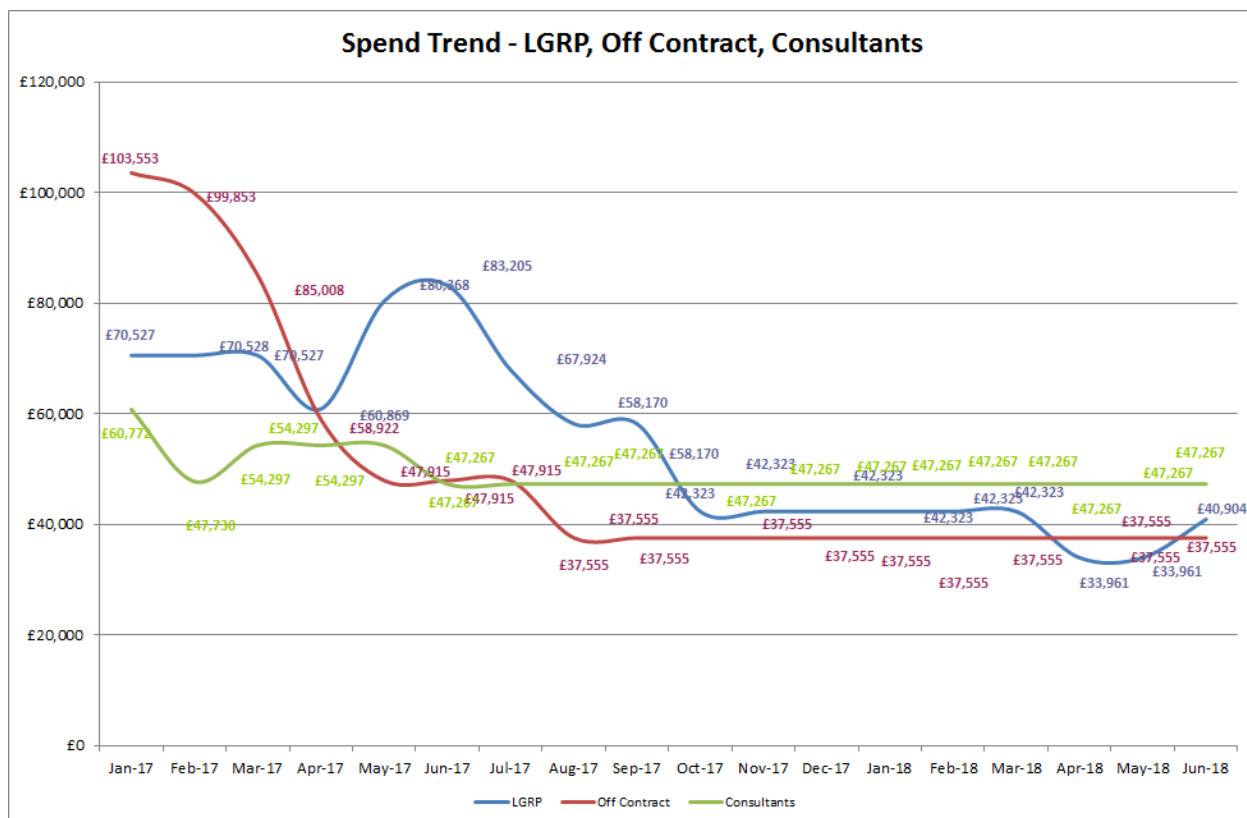
- 2.1 Appendix 1 attached to this report sets out the latest central monitoring database for all types of interim/temporary placement at a rate of £30 per hour or more across the Council, shown by department.
- 2.2 The database is updated on a monthly basis and double-checked with departments for accuracy.
- 2.3 The data about interim and consultancy placements is broken down by department and sent to each Department Management Team (DMT) on a monthly basis to review. HR attends monthly meetings of each DMT to review all the placements and to challenge on-going placements, especially where they are longer term. Every placement is reviewed with the respective DMT senior managers.
- 2.4 Arrangements are in place for HR to scrutinise all interim appointments and the single database provides a means of HR taking an overview of such appointments, together with the capability to ensure managerial compliance. In order to extend a placement, Comensura require written confirmation along with the signed Recruitment Authorisation form from the HR Contracts Manager. In recent months HR have actively challenged the completion of the ways the forms have been completed and have requested additional information.
- 2.5 The engaging of most interim workers is via Comensura or the LGRP, which is a London wide contract for interim appointments. There have been instances

due to market supply issues, although very few, when the Council has not used either of these contracts and has had to go 'off contract'. There are robust processes in place to manage this process, which require a business case and financial checks to ensure there is a budget to pay for the assignment, as well as sign off by the Director of Corporate Services.

- 2.6 The previously reported situation continues with by far the largest group of temporary workers being "on contract" agency and temporary staff appointed through the Council's corporate contract with Comensura for the supply of agency staff. These are all engaged with the involvement and oversight of the HR function with a database that supplies monthly spend and usage reports to Council managers.
- 2.7 As at the end of June 2018, the Council employed 139 interim/temporary workers at £30 per hour (or more) compared to 143 in December 2017. **Appendix 1** refers to the detail and composition of the interim workforce. Where possible, corporate contracts are used as they provide better value for the Council.
- 2.8 Running concurrently with the work to monitor and control interim placements has been a Council-wide staffing establishment exercise completed within iTrent to provide a comprehensive view of a fully budgeted workforce. This provides a clear picture of the workforce, including vacancies and reconciliation with temporary worker appointments. The quarterly position was reported to the Financial Monitoring Task Group which was held on 6th March.
- 2.9 The new "temp to perm" guidance has been agreed and implemented. This guidance enables managers to convert longer-term agency workers into "perm" directly employed staff. The conversion process is subject to safeguards, which check that a competitive recruitment process was followed when the worker(s) were first commissioned and establishment control procedures are followed.
- Agency workers, working via the Comensura are able to move to perm contracts after 12 weeks free of charge and we are proactively trying to convert the longer working candidates onto perm contracts.
- 2.10 Where difficulty in recruiting has been cited as a reason of long-term cover, HR will continue to work with client managers to identify what recruitment and retention measures are necessary, if any, to improve the recruitment offer. This may include review of recruitment efforts, pay market data and turnover statistics as well as a supporting business case.
- 2.11 The committee requested that the interim monitoring data be provided on a quarterly basis. The period considered for this report is January 2018 to June 2018 and details of the spend both on and off contract year on year is detailed below:

January 2018 – June 2018





- 2.12 HR has been monitoring the off contracts closely and there has been a fall in the use of these contracts. The council will seek to permanently recruit, however there are instances where agency/temporary/interim workers if managed appropriately can assist in delivering key projects and covering vacant posts.
- 2.13 The apprenticeship levy which was introduced in April 2017 provides an opportunity for the Council to develop its workforce as well as 'grow your own'. The Council have a range of apprenticeships in the organisation at different levels however as the higher level apprenticeships become available this may have an impact on the use of interims.
- 2.14 The Council also seeks to deliver services through projects with key deliverables and fixed costs.
- 2.13 Directors have been invited to provide short overall summary comments on agency/consultant usage and action being taken in their area

Children, Schools and Families

We continue to be successful in reducing the percentage of posts covered by agency and at 15% is the lowest for a number of years. Work continues with

colleges and recruitment fairs to recruit graduates and also encouraging education establishments to create courses which can then be utilised by the apprenticeship levy.

Community and Housing

Within Community and Housing, use of agency staff is predominantly within adult social care and in specialist, hard to recruit to posts. Targeted recruitment is in progress. The Council has signed the Memorandum of Understanding for Adult Social Care Workers so that Councils do not compete with each other and in doing so stabilises the market.

Corporate Services

There has been success with permanent recruitment which has enabled a reduction in the number of temporary workers, however the use in Legal and IT roles remains high.

Environment and Regeneration

Usage is relatively low in E&R. A number of workers are covering positions, which are subject to a service review in particular the Regulatory Service Partnership where the tri-borough service with Wandsworth is established and where a staffing review and restructure is underway. Others are providing specialist skills or are covering [often short term] externally funded roles. There are a number of professional areas where there is an extremely competitive market in which all London boroughs are struggling to recruit and retain permanent staff. This includes Traffic engineers, Planning officers and Building control surveyors where the emergence of a strong interim market as well as private sector competition [in building control particularly] has changed employment patterns and our ability to recruit and retain staff. There has been an increase in senior interims due to the retirement and resignation of two of the Assistant Directors in the department.

E&R DMT reviews this matter on a regular basis in order to manage risk including the financial impact.

3. Consultation undertaken or proposed

- 3.1 CMT receives monthly updates on agency usage and activity. Detailed below is a synopsis of the current themes on which CMT have requested assurance:
- The need for hiring manager compliance to complete agency placement extension arrangements and to seek proper authorisation. HR has put in place measures to improve such compliance with tighter authorisation controls.

- The trend for overall decreased usage of agency staff but rising costs due to the type of worker that we need to source e.g. specialist technical or niche professional skills such as children's social workers, project managers, IT specialists and business analysts. The marketplace for such posts is competitive and supply and demand dictate increased charge rates.
- An increasing trend of agency workers working for longer periods of time - in particular covering essential services. This reflects service demands and the need to cover statutory functions, and remains under regular review.
- Use of the Apprenticeship Levy for current staff to achieve higher level/professional qualifications for these hard to recruit areas.

4. Timetable

- 4.1 Regular monthly reports of all interim/temporary placements are sent to departments and suitable “challenge” meetings are held with DMTs on a monthly basis. Agency spend and number of agency staff forming part of the workforce are reported to CMT on a monthly basis as part of the HR Metrics.

5. Financial, resource and property implications

- 6.1 The aim is to challenge hiring managers’ interim/temporary placements and reduce overall costs associated with interim workers where possible, noting that in many cases the Council has to cover statutory functions.

6. Legal and statutory implications

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

7. Human rights, equalities and community cohesion implications

- 8.1 The amendments that have been made to the Council’s HR policies and processes will improve confidence in the Council’s HR recruitment procedure and the maintenance of the interim position database to provide the means to ensure compliance with Members’ requirements.

9.0 Crime and Disorder implications

- 9.1 None

10.0 Risk management and health and safety implications

- 10.1 These are detailed in the Ernst and Young report of 12 March 2014.

11.0 Appendices – the following documents are confidential and not to be published with this report and form part of the report

11.1 Appendix 1 - Summary data of the Council's current interim positions

12.0 Background papers

12.1 None

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Standards and General Purposes Committee Forward work plan 18/19

6 September 2018

- Audit Results Report on the 2017/18 statement of accounts.
- Internal Audit progress report on annual audit plan
- Update on RIPA authorisations
- Complaints against Members
- Temporary and Contract Staff update
- Work programme

8 November 2018

- External Audit Annual Letter
- Annual Gifts and Hospitality report (members)
- Annual Gifts and Hospitality report (officers)
- Annual Complaints report
- Risk management
- Complaints against Members
- Temporary and Contract Staff update
- Work programme

14 March 2019

- External Audit Certification of Claims report
- External Audit progress report
- External Audit Plans for Council and Pension Fund accounts
- Internal Audit Plan
- Internal Audit progress report
- Update on RIPA authorisations
- Complaints against Members
- Temporary and Contract Staff update
- Work programme

Add as required:

- Polling Places
- Constitutional amendments
- Review of members' interests
- Independent / co-opted members
- Reports on dispensations issued by Monitoring Officer
- Report on payment exceeding £1000 as a result of maladministration as directed by the LGO.

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