

**Committee:** Standards and General Purposes  
Committee

**Date:** 29 June 2017

Wards: All

**Subject:** Annual Governance Statement 2016/17

**Lead officer:** Caroline Holland – Director of Corporate Services

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

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**Recommendations:**

That Committee agrees the Annual Governance Statement.

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**1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1 Merton Council is required to prepare an Annual Governance Statement (AGS) for the year 2016/17. 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                   |
| Margaret Culleton | Head of Internal Audit                           |
| Zoe Church        | Head of Business Planning                        |
| Fiona Thomsen     | Head of Legal Services                           |
| Julia Regan       | Head of Democracy Services                       |
| Graham Owen       | Interim Head of Information Governance           |
| Kim Brown         | Head of Organisational Development & HR Strategy |

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 have 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. We have however identified a number of areas to review during 2017/18, some as a result of new IT systems, legislative change or training requirement. These are: -

- To review and update financial procedures
- Potentially Violent Persons Policy to be implemented
- New financial system –review internal controls in light of new financial system
- Disclosure & Barring Service (DBS) review
- General Data Protection Regulations implemented by May 2018
- New Candidate Development programme (for potential members)
- Review of Implementation of IR35 (inland Revenue tax rules on temporary staff)
- Review impact of new Sickness Policy
- Review Volunteer strategy

### **Changes to Local Authority governance structures**

- 2.7 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.
- 2.8 Commissioning and Partnerships with other local authorities and sectors are being used more to deliver public services. 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.
- 2.9 The council seeks to ensure that robust governance arrangements are 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. A follow up audit review of Grants to Voluntary Groups will be undertaken in 2017/18.

### **Review of effectiveness**

- 2.10 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.
- 2.11 An external review was carried out in March 2014 on the effectiveness

of internal audit. This review found that the service provided at Merton conformed to the Public Sector Internal Audit Standards. In October 2015 Merton's audit services joined with Richmond and Kingston to form the South West London Audit Partnership (Sutton joined in April 2016). An internal assessment has been completed against the standard and found minor changes required to reflect the new partnership. An external assessment on the audit partnership will be arranged in 2018/19.

- 2.12 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.

### **Counter fraud arrangements**

- 2.13 From April 2015, the council joined a five borough fraud partnership with Wandsworth, Richmond, Kingston and Sutton.
- 2.14 The Head of Internal Audit works closely with the fraud partnership to monitoring referrals and review recommended outcomes and potential control weaknesses. Whistleblowing and proactive and reactive fraud cases and outcomes will continue to be reported on a regular basis to Standards and General Purposes Committee.
- 2.15 Other whistleblowing or concerns received that are not fraud related, will continue to be referred to the appropriate team for investigation, for example Human Resources (HR) or management issues may be referred to HR to investigate.
- 2.16 The council has anti fraud policies in place, including strong Whistleblowing arrangements

## **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 2016/17.

**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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