

Committee: General Purposes Committee

Date: 26 June 2014

Agenda item:

8 Wards: All

Subject: Annual Governance Statement 2013/14, Annual Internal Audit Report

Lead officer: Caroline Holland – Director of Corporate Services

Lead members: Chair of General Purposes Committee

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Recommendations:

- A. That the General Purposes Committee agrees the Annual Governance Statement.
 - B. That the General Purposes Committee review and comment on the Internal Audit Annual Report 2013/14
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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 2013/14. This statement is required in order to comply with Regulation 4(3) of the Accounts and Audit Regulations 2011.

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 Audit & Investigations
Kate Herbert	Head of Policy, Strategy and Partnerships
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
Adam Viccari	Head of Safety Services

2.3 The Framework consists of six core principles:

Principle 1

Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Principle 2

Members and officers working together to achieve a common purpose with clearly defined functions and roles

Principle 3

Promoting values for the authority and demonstrating the values of good

Principle 4

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Principle 5

Developing the capacity and capability of members and officers to be effective

Principle 6

Engaging with local people and other stakeholders to ensure robust public accountability

2.4 During 2012, a CIPFA/SOLACE Joint Working Group reviewed the *Delivering Good Governance in Local Government: Framework*, first issued in 2007, to ensure it remains fit for purpose. In December 2012, the Joint Working Group issued an addendum to the framework and a revised guidance note.

2.5 The guidance note highlights a number of developments since the launch of the framework. These areas were covered in the AGS for 13/14. Recent changes however are detailed below.

Transparency

2.6 The government is committed to increasing transparency across Whitehall and local authorities in order to make data more readily accessible to the citizen and to hold service providers to account. The Department for Communities and Local Government published The Local Government Transparency code 2014, which sets out the data to be published and also data recommended for publishing. The council

has met most of the requirements of the code. A top level structure chart has been published and work is in progress to publish the outstanding data of the council's organisation chart and pick up on any new requirements.

Care Act

- 2.7 The council will be preparing for the implementation of the Care Act in 2015/16. Part of the preparation in 2014/15 will be to ensure that good governance arrangements are set up. The council will be required to undertake three implementation stocktaking exercises, to ensure that the council is ready to implement their statutory duties under the Care Act from April 2015 and to benchmark against others. Funding will be provided to Local Authorities to support adult social care.

Changes to Local Authority governance structures

- 2.8 Commissioning and Partnerships with other local authorities and sectors are being used more to deliver public services in local authorities. Each partner organisation may have its own governance and accountability structure, its own code of conduct and risk management arrangements. It is important that clear lines of accountability for stakeholders and customers are demonstrated.
- 2.9 A review will be carried out in 2014/15 on the governance arrangements in place for the councils shared services to ensure that requirements such as FOI and the council's code of conduct are followed.

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.
- 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 The council currently has a corporate investigation team within the Audit & Investigation service that investigated both welfare and non welfare benefit. From November 2014, the posts within this team will

be transferred to the DWP under the single fraud investigation service. An anti fraud function will then be set up within the Audit & Investigation service to cover corporate fraud investigations.

- 2.14 The Audit & Investigation service has anti fraud policies in place, including strong Whistleblowing arrangements and the Head of Audit & Investigations reports all cases of Whistleblowing on an annual basis to the general purposes committee

Internal Audit Annual Report

- 2.12 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. 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.
- 2.13 The Annual Report summarises the work of Internal Audit in 2013/14 and provides the Head of Audit opinion on the adequacy and effectiveness of the internal control environment.
- 2.14 The overall opinion is that the internal control environment is satisfactory. 79% of Internal Audit reviews provided satisfactory or above levels of assurance. This is the higher than last year (70%).
- 2.15 Some concerns still remain in procurement issues, with a number of issues being raised by Internal Audit. Other issues identified during audit review were the lack of audit trail or clear processes in particular in service specific areas such as adoption (financial review), street market traders and No Recourse to Public funds.

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.

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

4. LEGAL AND STATUTORY IMPLICATIONS

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

5. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

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

6. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 9.1 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

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

- 10.1 Appendix 1: Annual Governance Statement 2013/14
- 10.2 Appendix 2: Internal Audit Annual Report

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

- 11.1 CIPFA / SOLACE Delivering Good Governance in Local Government – Framework
- 11.2 CIPFA / SOLACE Delivering Good Governance in Local Government – Guidance Note for Local Authorities 2012
- 11.3 CIPFA Rough Guide to Annual Governance Statement

ANNUAL GOVERNANCE STATEMENT 2013/14

This statement from the Leader and the Chief Executive, provides assurance to all stakeholders that within the London Borough of Merton 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*.
- 1.4. This statement explains how Merton Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 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 controlled and its 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 2014 and up to the date of approval of the annual report and statement of accounts.

3. The governance framework

- 3.1. The framework describes the key elements of the systems and processes that comprise the authority's governance arrangements including arrangements for:

4. Principle 1: Focusing on the purpose of the authority and creating and implementing a vision

- 4.1 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.

- 4.2 The Council's Business Plan 2014-18 sets out the following vision:

'By 2015 Merton Council will be smaller, reducing in size. Our top priority will continue to be to provide safe services of the best possible quality. 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 finding innovative solutions to maximise future efficiency.

We will deliver services that customers want and need and, where possible, involve our customers in service specification and design.

Delivering quality and value services in an era of significantly reduced resources will require strong and determined leadership. A single business view is essential to ensure a 'One Council' approach is followed in everything we do. Leaders at all levels will be visible and lead by example.

Change of this magnitude will only be achieved through a unified effort.

- **Get Involved!** – identify and implement improvements.
- **One team** – Directors, managers and staff have an equal part to play.
- **Learn** – from each other, our mistakes and from what our customers say.
- **Determination** – to try out new ideas'

Performance management

- 4.3 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.
- 4.4 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.

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

Financial strategy and financial management

- 4.6 The council has approved a four year Medium Term Financial Strategy (MTFS) for the years 2014/15 to 2017/18, 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.
- 4.7 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. Ongoing implications of current year spending pressures are incorporated into the MTFS and future years' budgets as appropriate.

Partnerships

- 4.8 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]). The Merton Partnership website is www.mertonpartnership.org.
- 4.9 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.
- 4.10 The Merton Community Plan was refreshed in 2013. This involved consulting over 1000 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.
- 4.11 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 both the Council's intranet and website.

5 Principle 2: Members and Officers working together to achieve a common purpose with clearly defined function and roles

- 5.1 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.
- 5.2 The constitution is updated regularly. Amendments are recommended to Council by the General Purposes Committee, following reference by the Chief Executive as the statutory Head of Paid Service, the Assistant Director Corporate Governance, and the Standards Committee.

Delegations

- 5.3 The Council's constitution sets out the roles and responsibilities of the executive, non-executive, scrutiny and officer functions.
- 5.4 The functions of Council are set out in Article 4 of the constitution. These include responsibility for adopting and changing the constitution, policy framework, budget and housing land transfer.
- 5.5 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.
- 5.6 Part 3B of the constitution sets out responsibility for non-executive council functions, including those carried out by Standards Committee, Appointments Committee, Planning Applications Committee, Licensing committee, Appeals Committee, General Purposes Committee and the Borough Plan Advisory Committee.
- 5.7 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 in section 6 of the report.
- 5.8 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.
- 5.9 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.

Chief Financial Officer

- 5.10 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 (2010).

Internal Audit

- 5.11 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 external assessment was carried out in March 2014, which concluded that Merton's Internal Audit function complied with the standard.
- 5.12 An annual report is produced by the Head of Audit & Investigations which provides an opinion on the adequacy and effectiveness of the internal control environment.
- 5.13 A review has been undertaken on the 5 elements of the CIPFA statement on the role of the Head of Audit & Investigations in public section organisations. These elements are all met.

6 Principle 3: Values of Good Governance and standards of behaviour

Codes of conduct

- 6.1 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.
- 6.2 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.
- 6.3 The Standards Committee receives annual reports on gifts and hospitality declared by staff and Members.

Standards Committee

- 6.4 The Standards 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 eleven members, three of whom are non-voting co-opted members.

General Purposes Committee

6.5 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.

7. Principle 4: Making transparent decisions which are subject to scrutiny and risk management

7.1 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, the Head of Internal Audit & Investigations' annual report, and also by comments made by the external auditors and other review agencies and inspectorates

7.2 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.

7.3 The council also participates in the National Fraud Initiative (NFI) a computerised data matching exercise, currently led by the Audit Commission, designed to detect fraud perpetrated on public bodies. Housing Benefit Matching to Department for Works and Pensions (DWP) records is also undertaken.

7.4 The Audit and Investigations teams merged in February 2014 to form the Audit & Investigation service. The merger will assist with future proactive fraud work and will help to co-ordinate the investigations of fraud and irregularity.

7.5 The DWP informed the council in March 2014, on their intention to move forward on the SFIS, part of their proposals is to TUPE like' staff currently dealing with HB investigation work. Merton was informed on the 1st May 2014 that the transfer for Merton staff will happen on the 1st November 2014. An anti fraud function will however be established within the Audit & Investigation service to cover corporate fraud.

Complaints

7.6 The Complaints policy is reviewed regularly to ensure on-going continuous improvement in how we deal with complaints. Complaints handling is included in departmental induction and specific training on how to respond positively to complaints has been provided to teams who have high volumes of complaints. Work is on-going with service departments in identifying Policy complaints so that they can be dealt with appropriately and also ensuring we learn from complaints. Performance is steadily improving with fewer complaints escalating to Stage 2. The council's performance in responding to complaints is published

on the council's website via the performance monitoring dashboard and the annual complaints report is published on the council's website..

Transparency agenda

- 7.7 The council publishes most of the information specified by the government's Open Data requirements on the council's Open Data webpage. Work is in progress to publish the outstanding data of the council's organisation chart and the new requirements of the 2014 Transparency Code. The current data published on the council's website includes:
- Spending over £500
 - Senior employees' salaries
 - Job descriptions of senior staff
 - Pay multiple
 - Pay policy statement
 - Payments to councillors – allowances and expenses
 - Democratic data including the Constitution, minutes, decisions and election results
 - The Business Plan, policies, performance, audit and inspections
 - Finance data
 - Link to Merton's contract register
 - Funding to the voluntary and community sector
 - Top level staff structure
 - List of property assets was published
- 7.8 The Protection of Freedoms Act 2012 places a number of duties on public authorities with the aim to simplify the complex procedures around the release of Government-held datasets so they can be requested and used by the public and published on a regular basis. To accompany the dataset provisions the Information Commissioner's Office has issued guidance. This advises that:
- when we disclose a dataset in response to an information request, this should be provided in an electronic format which is capable of re-use, whenever reasonably practicable,
 - where we own the copy right we must license the dataset for re-use,
 - we may charge a fee for licensing re-use of the data set,
 - we have to make requested datasets available for re-use under our Publication Scheme, unless it is not appropriate to do so.
- 7.9 Merton Council publishes an Information requests disclosure log which gives brief details of the requests received that week under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.
- 7.10 Performance has dropped slightly for 2013/14 in responding to FOI requests to 88.3% however there has been a 22% increase in the number of requests received. Performance is published on the council's website via the performance monitoring dashboard.

Risk management

- 7.11 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.
- 7.12 As part of the transformation process, the responsibility for risk management has been moved to the corporate Business Planning, to ensure risk management is embedded in all financial and service planning. The Corporate Risk Management Group (CRMG) has been re-established and meets quarterly to review and challenge the risk registers and share best practice.
- 7.13 The corporate risk strategy was reviewed as part of the annual refresh of the Business Plan 2014-18. The risk management strategy has been revised and streamlined. Changes include the wording of the risk scoring methodology, which now allows managers to make a more realistic assessment of their risks. The strategy also now makes reference to the authorities 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.
- 7.14 Risk analysis is also included in the service review process, where managers are required to risk rate their proposed budget savings for the coming years

Policy and decision making

- 7.15 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.
- 7.16 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 General Purposes Committee, and are also subject to scrutiny
- 7.17 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. The Council has introduced new 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

Overview and Scrutiny Commission and Panels

- 7.18 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 co-optees. The chair of the Commission is the leader of the Merton Park Ward Independent Resident Group.

- 7.19 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.
- 7.20 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.
- 7.21 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.

Health and safety

- 7.22 The council's safety management system ensures compliance of employers under the Health and Safety At Work Etc Act 1974, The Management of Health and Safety At Work Regulations 1999 and all sister regulations.
- 7.23 Primary functions are to promote good health and safety practice across the council, develop and implement corporate policies and guidance to safeguard the health, safety and welfare of the Council's employees, clients, and members of the public and other persons. To provide departmental management teams with suitable systems and procedures to ensure there is compliance with their duties under the legislation. The introduction of a revised priority action and follow-up process as part of the inspection and audit program ensures that resources are directed to dealing with the more important items first.

Civil Contingencies, business continuity and emergency planning

- 7.24 There has been a sustained period of change within civil contingencies and emergency management. During since 2012 the London resilience structure underwent several changes, with resilience moving under the remit of London's Mayor and City Hall. Changes to the London arrangements saw the implementation of Borough Resilience Forums as statutory bodies delivering resilience at the local level and during the last year the inclusion of Public Health to the agenda and public risk registers. The revision of the Minimum Standards for London during 2013 placed increased responsibility on local authorities to self regulate and provide greater resilience on supporting community cohesion

and community recovery post incident. This increase in workload has come with no additional resource.

- 7.25 Safety Services has undertaken a full review of all disaster and business continuity plans with departments. A process of reviewing business impact assessments was undertaken with Business Partners and CMT agreed a structure of criticality for recovery. The revision also included a disaster recovery framework which has been developed with IT to enable the critical services to function within prescribed timescales as part of a recovery process. The revised strategic and departmental arrangements have been agreed by CMT in May this year and are published on the intranet. During this coming year the plans and departmental arrangements will be tested as part of the on-going assurance to London Resilience Team that Merton is compliant with Civil Contingencies both at a local level and as part of the London resilience planning process.

8 Principle 5: Developing the capacity of members and officers to be effective

- 8.1 Members – A members' development plan is in place. Induction training is provided for all new and existing members. New members induction workshops for 2014/15 covered: Overview of the Council, standards and ethics, information security and managing casework, the role of a Councillor; introduction to overview and scrutiny, introduction to finance, safeguarding community leadership, licensing, planning, risk management and the importance of developing personal development plans.
- 8.2 In addition to the induction topics covered above; in house sessions will be 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 will be put in place for all members these will be reviewed on an annual basis to ensure learning needs are met and other areas for development identified..
- 8.3 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. 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 for all staff to ensure they have the skills and knowledge to undertake their role. The management behaviours have been included in the appraisals for DMTs and Leadership team for 2014/15 with the view to rolling it out to other management grades after the appraisal analysis.

9. Principle 6: Engaging with local people and stakeholders

- 9.1 The council uses a wide range of communications channels targeting different audiences. Our magazine, My Merton, is delivered to every household in the borough four times a year. We also make use of online and social media channels to target different audiences. Some services have developed bespoke communication channels to reach particular target audiences.
- 9.2 There are a wide range of engagement forums, some led by the council, others by the community, to communicate the council's vision and to consult local people, for example the Interfaith Forum, LGBT Forum, BME Forum, Involve, Community Forums, Youth Parliament, and Young Advisors
- 9.3 The council follows the principles for engagement agreed by the Merton Partnership in 2010 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 and occasions when consultations fall short of these expectations.
- 9.4 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 place on the system so they can find out how to get involved.

10. Other areas of corporate governance and assurances

- 10.1 A Corporate Governance steering group has been established and terms of reference agreed. A monthly meeting has been held and an evidence pack compiled. The overall governance arrangements have been reviewed
- 10.2 Evidence has been gathered to cover the following areas of Corporate Governance:
- Performance management
 - Internal Audit
 - External Audit
 - Risk management
 - Other Inspection Reports
- 10.3 This evidence has been considered by the Steering Group as the review of effectiveness of the Corporate Governance Framework and Internal Control. The external audit review and Internal Audit Annual Report (see Appendix A).
- 10.4 External Audit Value for money review – Good Governance framework for local governance include the following supporting principle 'ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money'.
- 10.5 Comments on the 2012/13 accounts were
- 'We did not identify any areas which would lead to qualifying the economy, efficiency and effectiveness criteria

We did not identify any areas which would lead to qualifying the financial resilience criterion.'

External Audit review on Whistleblowing allegation

- 10.6 External Audit completed a review of a Whistleblowing allegation into possible corruption. The review found no evidence of corruption but made a number of recommendations in relation to the procedures for appointing interim staff, regular review of their appointment, procedures for exemptions to CSO and procedures relating to declaring staff relationships. A working group was established to put these recommendations in place and the AGS working group will follow progress on these as part of the improvement plan for 14/15.

11. Follow up of 2013/14 Internal Control issues

Proposal for improvement	Action taken
<p>Business Continuity Plans and Business Impact Assessments To update all Business Continuity Plans and to ensure that Business Impact assessments have been completed</p>	<p>Completed The strategic business continuity plan and corporate services business continuity plan has been agreed at CMT and is published on the Merton intranet. Disaster recovery arrangements with LB Wandsworth are in place and will continue to develop towards a fully automated process over the coming year. This does not affect the implementation of the plan or the recovery of services but is a continued development of IT process</p>
<p>Financial regulations and procedures To review and update</p>	<p>Carry forward to 2014/15 Improvement Plan These amendments will go as part of the constitution amendments in October 2014 to Standards Committee and to General Purposes Committee in November 2014 for approval.</p>
<p>Scheme of Delegations To develop and implement a new template and guidance to simplify, streamline and ensure consistency</p>	<p>Completed The new approach and template agreed by CMT for the departmental schemes of management has been implemented. These are shorter, simpler and standardised. All departments published revised new-look schemes departments by end November 2013</p>
<p>Declaration of Interests On-Line form New on-line form for staff to complete their annual returns. This will include declaration of staff relationships</p>	<p>Carry forward to 2014/15 Improvement Plan New on-line form has been designed and has been tested. Guidance has been issued to Directors and staff guidance has been revised and will be issued when the on-line form is ready for launch. The online system has been delayed as the Personal Relationships Policy is currently being reviewed</p>
<p>Establish a Partnership Register for the Council</p>	<p>Completed A revised Partnership Register was established in July 2013 building on the last review in 2009. This has now been</p>

	<p>published on the Council's intranet pages under Plans and Strategies.</p> <p>In May 2014 the Partnership Register was also published on the Council's website at http://www.merton.gov.uk/council/partnerships.htm.</p> <p>The Policy, Strategy and Partnerships Team will update the Partnership Register again in July 2014 and annually thereafter.</p>
<p>Update Policy Register</p>	<p>Completed</p> <p>Due to the delay in implementation of Metacompliance, a Policy Register for the council was developed in 2013 and is published on the Council's intranet pages under Plans and Strategies.</p> <p>In May 2014 the information presented in the Policy Register was also published on the Council's website at http://www.merton.gov.uk/council/plansandpolicies.htm.</p> <p>The Policy, Strategy and Partnerships Team will update the Policy Register again in July 2014 and annually thereafter.</p> <p>Carry forward to 2014/15 Improvement Plan</p> <p>The roll out of Metacompliance to assist in ensuring compliance for operational policies is currently in progress. There has been some delay due to compatibility issues with Wyse terminals, but this has now been resolved.</p> <p>The Head of Policy, Strategy & Partnerships has taken on responsibility for overseeing roll out and met with the Metacompliance suppliers on 28 May to have a demonstration of the system. A revised roll out plan is in development.</p>
<p>Performance and Risk Management System</p> <p>To implement a new performance management system to improve the monitoring of targets</p>	<p>Completed</p> <p><u>Performance Management</u> – Corporate and Service Planning Indicators are monitored on the new Covalent System. This has greatly improved reporting flexibility.</p> <p><u>Risk Management</u> Risk registers have been transferred onto the Covalent System</p>
<p>Management behaviours</p> <p>To roll out the management behaviour system for all managers to ensure a consistent and suitable level of competency</p>	<p>Carry forward to 2014/15 Improvement Plan</p> <p>Management behaviours will be rolled out to managers across the organisation. The behaviours have been included in the 2014/15 appraisal process for DMTs and Leadership teams. The Council has used the 360-degree feedback for these tiers to identify strengths, development and gaps to inform the 2014 appraisal and learning development needs.</p>
<p>Transparency Agenda</p> <p>To publish the remaining requirements of the</p>	<p>Carry forward to 2014/15 Improvement Plan</p> <p>A new Transparency Code was published by the DCLG in May 2014, and publication of much of the information it covers will become mandatory. The Information Governance Team is working with HR and other relevant teams to meet the updated</p>

DCLG Code of Recommended Practice for Local Authorities on Data Transparency	requirements of the new Code, including where possible, publishing some of the information which is recommended but not mandatory.
Workforce Development Strategy To complete the strategy in relation to succession planning	Completed The Workforce Strategy Board has been produced a draft workforce strategy. This has been represented to DMT and CMT who have provided comments and approved the draft. The draft workforce strategy is due to be presented and approved by the Merton 2015 Board in June 2014.

12. Assurances by Directors and Heads of Services

- 12.1 All heads of services have completed self-assessment questionnaires on corporate governance and internal control. These are reviewed and signed off by the appropriate director.
- 12.2 No major weaknesses in Corporate Governance and Internal Control were identified from the self-assessments however the following key areas of development/improvement were identified:

Children, School and Families

- Further work on-going in relation to establishing the Youth Partnership in Mitcham
- As the EYCC Locality arrangements are embedding further work in on-going to support robust self evaluation and planning linked to analysis
- Work being planned to deliver a 0 -25 SEND service in collaboration with Adult Services – this is in line with legislation in the Children and Families Act 2014

Environmental and Regeneration

- Governance arrangement being developed for new waste disposal contracts – 3rd phase on-going. (Merton is the lead in partnership with 3 other boroughs)
- Divisional risk registers to be established for street scene and waste.
- Highway assets management plan is on-going- procurement later this year
- Traffic & highways moving to sustainable communities – need improved partnership between this and Future Merton
- Constant review of non-statutory fees as well as work undertaken to implement recommendations of any relevant audit reports
- Considering appointment of H&S champions within the division.

Community and Housing

- A major planning and re-design process is currently underway across ASC to prepare for the Care Act 2014 implementation in April 2015

- Currently all services are increasing the use of volunteers in connection with MVSC, MENCAP and other groups.
- Ongoing review of partnership arrangements. Re-procurement of security and self-service contracts in the next 18 months

Corporate Services

- A corporate asset database is being developed to hold all of the Council's property related information in respect to operational and non-operational assets.
- Further improvements in frequency and quality of reconciliations are planned for 2014/15 and these measures are integral to the replacement of financial systems.
- There are plans to review the feasibility of a four-borough HR service
- Single Fraud Investigation Service – transfer of investigation staff. Setting up an anti fraud function.
- Volunteering service on managing your money - MSVC

13. Significant governance issues (Improvement Programme 2014/15)

Action	Lead
To review and update Constitution including financial regulations and procedures	Assistant Director of Corporate Governance and Joint Head of Legal Services/ Head of Business Planning
Strengthen compliance systems by rolling out Metacompliance Roll out Metacompliance software to assist in ensuring compliance with operational policies	Head of Policy, Strategy & Partnerships
Declaration of Interests On-Line form New on-line form for staff to complete their annual returns. This will include declaration of staff relationships	Head of Human Resources
Management behaviours To roll out the management behaviour system for all managers to ensure a consistent and suitable level of competency	Head of Human Resources
Transparency Agenda To publish the remaining requirements of the DCLG Code of Recommended Practice for Local Authorities on Data Transparency	Head of Information Governance
Implement External Audit recommendations in the Whistleblowing report in relation to the procedures for the appointment of interim staff, reviews, and exemptions to CSO and staff relationship policy.	Head of Human Resources/Head of Commercial Services

Shared Services – review of governance arrangements of each shared service including how FOIs are managed	Joint Head of HR and Heads of Shared Services
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13.1 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**

LONDON BOROUGH OF MERTON

INTERNAL AUDIT ANNUAL REPORT YEAR ENDING 31ST MARCH 2014

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1. Head of Audit & Investigations Assurance Opinion

- 1.1 Internal Audit has reviewed the effectiveness of the Council's systems of internal control for 2013/14 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. In order to contribute to the Annual Governance Statement, all Internal Audit reports give an audit assurance as follows:
 - a) Substantial Assurance
 - b) Satisfactory 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 2013/14 covered those area of high fraud risk, as identified through the councils own assessments and through information from CIPFA, the Audit Commission and other sources, where fraud risks are highlighted. Examples of these are Council Tax Discounts, in particular Single Person Discounts, procurement fraud, schools and personal budgets. 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.

2.8 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:

- Data Security
- Unreconciled bank e returns
- Recreation trust
- Oyster cards usage
- CTAX refunds
- Pensions Shared Services
- Conflict of interests x2
- Declaration of Interest on line form
- School Bacs
- Bailiff training

2.9 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.

2.10 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. 2013/14 Internal Audit Assurances

3.1. During 2013/14 there were 61 internal audit reviews completed and given a level of assurance.

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 2013/14

Assurance	Substantial	assurance	Limited	N/a	Totals
Procurement	0	2	3	0	5
Establishments	3	5	2	0	10
Financial Systems	0	8	1	0	9
IT	0	8	1	0	9
Service Specific	0	13	6	2	21
Corp Gov/grants	0	1	0	6	7
Totals	3	36	13 (21%)	8	61

- 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 2011/12- 2013/14

	Satisfactory			Limited		
	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14
C&H	7 (64%)	4 (57%)	4 (67%)	4 (36%)	3 (43%)	2 (33%)
CS	14 (67%)	18 (69%)	16 (76%)	7 (33%)	8 (31%)	5 (24%)
E&R	3 (50%)	4 (44%)	9 (75%)	3 (50%)	5 (56%)	3 (25%)
CSF	12 (71%)	18 (86%)	15 (83%)	5 (29%)	3 (14%)	3 (17%)
All depts.			4 (100%)			0
Total	36 (64%)	44 (70%)	48 (79%)	20(36%)	19(30%)	13 (21%)

- 3.5. Overall the number of audit assurances achieving a satisfactory or above rating has increased and increased for all departments as well. In all cases action plans are in place for agreed areas of improvement. Management summaries for each limited report were regularly submitted to the 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 13/14

- 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 There were 5 audit reviews in 2013/14 that included an element of procurement and three of these were given a limited assurance. These were: procurement cards, iTrent expenses and oyster card procedures.
- 3.12 A previous Corporate Procurement report had a limited assurance, all recommendations have been implemented and a follow up audit is in progress, early indications are that this has significantly improved since the last audit.
- 3.13 Other contract audits found that some contracts were not being tendered or retendered in line with Contract Standing Orders, or inadequate monitoring of contracts. Spend Analysis being carried out in the council is helping to start identifying expenditure not in contract. There is however evidence during audit reviews that there is further work to be done on this

IT systems

- 3.14 There were 9 IT audits on the audit plan this year, one received a limited assurance
- An audit of the councils Mango system received a limited assurance as a result of weak access control, back up arrangements and payment validation.
 - IT security in schools audits were carried out at three schools in the authority, these reviews all obtained a satisfactory assurance.
 - 3 IT audits were carried out on the following financial system: Ash (Debtors), Proactis (Creditors) and Civica Revenue (Housing Benefit/council tax and Business rates system). All reviewed received a satisfactory assurance. One of the recommendations from these reviews related to have a system set up for starters, leavers and movers. This is currently work in progress.
 - A phased audit review was also carried out on the Firewall implementation. This review made a few recommendations but overall concluded a satisfactory level of assurance.

Main financial systems

- 3.15 There were 7 main financial system audit reviews carried out as part of the 2013/14 audit plan, see table 3 for a comparison with previous years.

Table 3 Financial systems audit assurance for last 3 years

Financial System	Assurance 2013/14	Assurance 2012/13	Previous assurance
Cash and bank	Satisfactory	Limited	Limited
Payroll (iTrent)	Limited	Limited	Satisfactory
Carefirst	Not audited	Limited	Satisfactory
Accounts Payable	Not audited	Satisfactory	Limited

Fixed Assets	Satisfactory	Not audited	Limited
Debtors	Satisfactory	Satisfactory	Satisfactory
Housing benefits	Satisfactory	Satisfactory	Satisfactory
Treasury management	Not audited	Satisfactory	Satisfactory
Council Tax	Not audited	Satisfactory	Satisfactory
National Non-Domestic Rates (NNDR)	Not audited	Satisfactory	Satisfactory
General Ledger	Satisfactory	Not audited	Satisfactory
Budgetary Control	Satisfactory	Not audited	Satisfactory

- 3.16 The Payroll (iTrent) audit was carried out as part of a joint review for London Borough's:-Sutton, Merton, Richmond and Kingston and was undertaken by Moore Stephens. The findings for this audit have been discussed and accepted by the shared service. A formal report has yet to be issued but a limited assurance is proposed based on a number of controls weaknesses and the governance arrangements not being clear or developed in terms of established procedures for much of day to day operational/transactional work. All audit actions will be followed up and a further review will be carried out in 2014/15.
- 3.17 Financial system reviews are now planned on a three year cycle. All audits received a satisfactory assurance; those that had previously received a limited assurance were audited except for the Carefirst system as this is currently in the process of being retendered.
- 3.18 Smaller financial reviews were carried out on unreconciled e returns and schools BACS processes, where improvements were recommended.

Other audit reviews

- 3.19 10 school audit reviews were carried out in 2013/14, 8 received a satisfactory assurance or above and 2 a limited assurance. Audit recommendations are all followed up in writing. A follow up visit will also be carried out to these schools with a limited assurance.
- 3.20 There were 21 service specific audits carried out, these audits are carried out on an ad-hoc basis, and come out of the risk approach. Audit identified a number of limited assurances where staff did not following a proper process in financial arrangements leading to weak controls. These limited reviews were in a range of service reviews; adoption, parks income, retention and recruitment, market traders and no recourse to public funds.
- 3.21 During 2013/14 the Head of Internal Audit & Investigations worked closely with other elements of Corporate Governance, including leading on the working group for the 2013/14 Annual Governance Statement. In addition Internal Audit has been involved with a number of cross cutting reviews which have identified areas for improvement across the Council. These are gifts and hospitality, declaration of interest and Data security.

3.22 We have also undertaken bailiff training which resulted in positive feedback and a number of changes to the process. We have also provided training on the use of IDEA (interrogation software) to the Direct Payment team.

4. Follow up's

4.1 During 2013/14 Internal Audit made a total of 456 recommended improvement actions, at the time of this report 370 actions (81%) were fully implemented. 86 actions have yet to be implemented, of these 17 actions are overdue

Table 4 Audit actions implemented and outstanding

Actions	High	Medium	low	Total
Actions not yet due	5	54	10	69
Overdue	0	16	1	17
Total Outstanding	5	70	11	86

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 General Purposes committee.

4.3 At the time of writing this report, of the 17 overdue actions, 14 related to schools and have been overdue since April. Currently the monthly follow ups are sent to the Headteacher and Bursar at the school, consideration will be given in future to escalating these to the Governors at the school when they become more than 3 months overdue.

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. KPI'S

5.1 Key performance indicators for internal audit for 2013/14 were all met or exceeded.

Table 5 KPI's for Internal Audit 2013/14

Internal Audit Performance Indicators 2013/14	target	result
% of audits completed against plan	90%	98%
% of agreed actions	90%	94%
% of actions implemented by agreed date	90%	91%
% of internal audit chargeable time	70%	70%

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

- 6.1 The Annual Audit Plan for 2013/14 was agreed by General Purposes Committee Members at the start of the year.
- 6.2 The council's external auditors, Ernst and Young, have also placed reliance on Internal Audit's work in achieving their views of the council's financial activities.
- 6.3 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
- 6.4 A new standard was introduced from April 2013, called 'Public Sector Internal Audit Standards'. This standard 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, which was completed by in November 2013, with a small number of changes required, which were all put in place.
- 6.5 The standard also requires an independent external assessment to be carried out every 5 years. Merton was one of the first in London to have this assessment (only 2 other London councils in 2013/14). This was undertaken as part of a peer review in March 2014, and resulted in a conclusion that Merton internal Audit service is compliant with the standard.

7. Anti Fraud

- 7.1 The Investigation Team merged with Internal Audit on the 1st February 2014 to form the Audit & Investigation Service. This merge was to ensure a consistent approach to audit investigation and investigation work and to examine scope for further proactive fraud work.
- 7.2 The number of investigators employed by the Merton is 7.6 posts, with total available days of 1,277. The work of the investigation team is set out as follows for 2013/14.

Table 6 Investigation team outcomes 2013/14

Area	Referrals	Cases closed	Cases on-going	Cautions/disciplinary	Prosecutions	Ad-pens	Total sanctions
HB	275	140	64	37	21	13	71
Blue badge	n/a	n/a	n/a	2	1	n/a	3
Other	10	4	3	1	2	0	3

7.3 The total value of fraud detected for Merton was £226,015, a breakdown of this is as follows:-

- Housing Benefit £186,981
- Council Tax Benefit £20,484
- Corporate fraud £18,550

7.4 The amount quoted above for Housing Benefit (HB) relates to the level of HB overpayments made. The council always seeks to recover all overpayments. The council is also able to claim 40% of this back through their subsidy grant. An additional administrative penalty was also issued to claimants in 13 cases, totalling £12,874. The claimant is expected to pay back both the overpayment and the administrative penalty (ad-pens). In 2013/14 £2,850 was recovered for ad-pens.

7.5. The Investigation team receives referrals of Housing and Council Tax Benefit fraud from a variety of sources, including the National Fraud Initiative (NFI), the Housing Benefit Matching Service (HBMS), the fraud hotline and referrals from Housing Benefits and other departments.

7.6. Joint working with DWP (the Department for Work and Pensions) and other Local Authorities is routinely undertaken when appropriate. Examples of this are claimants who commit fraud in more than one borough or claimants who commit fraud against Merton Council and the DWP.

7.7 During 13/14, the council received 26 Whistleblowing allegations, these were investigated as follows:-

- 10 cases were fraud related and were investigated by the Investigation team (see above). 4 cases had insufficient evidence to proceed, of the other **6 cases:-**
 - 1 case resulted in a recommendation for disciplinary action,
 - 2 cases have prosecutions being prepared (1 linked to Housing Benefit) and
 - 3 cases are on-going
- 7 cases relate to HR/management issues and were referred to them for investigation. 3 cases had insufficient evidence to proceed, of the other **4 cases:-**
 - 1 case the officer resigned,
 - 1 case resulted in a final written warning and
 - 2 cases the issues were resolved.
- 8 cases related to control issues and were investigated by Internal Audit, 1 case had insufficient evidence to proceed, of the other **7 cases:-**
 - 5 cases resulted in recommendations for improved controls and
 - 2 cases are on-going.

- 1 case was investigated by external audit resulting in recommendations for improved controls in relation to the appointment of interim staff.
- 7.8 Proactive fraud work has been undertaken on Blue Badges, which is done jointly by the investigation team with Parking Services and the Police. In 2013/14, 2 cautions were issued and 1 successful prosecution undertaken, which resulted in a guilty outcome and a fine being issued. Further joint work has been carried out in 2014/15, with 8 cautions being issued as at 5th June 2014 and further work planned.
- 7.9 The Department for Works and Pensions (DWP) is starting the national roll out of their Single Fraud Investigation Service from October 2014. All allegations of benefit fraud will be transferred from Local Authorities to be investigated by the DWP. The effect of this is that all investigation posts in Merton will be transferred to DWP on 1st November 2014. A new anti fraud function will then be set in Merton to cover corporate fraud and to undertake more proactive fraud work
- 7.10 A fraud risk assessment has been carried out to ensure that those areas of high risk are included in the internal audit plan. Others areas of high risk to fraud are Housing Benefit and Council Tax Single Persons Discounts, both are subject to audit reviews as well as work undertaken by the Council Tax and Investigation team. A proactive fraud plan will also be put in place from November 2014 to cover non welfare benefit fraud.

Internal Audit Reviews 2013/14

Appendix A

Year	Department	Audit Title	Type	Assurance
12/13	CSF	Adoption review of financial processes	service specific	Limited
12/13	CSF	Fostering review of financial processes	service specific	Assurance
12/13	ER	Abandoned Vehicles	service specific	Assurance
12/13	ER	Cemetaries and Churchyards	service specific	Assurance
13/14	All	Gifts and Hospitality	Governance	Assurance
13/14	CS	Facilities Management Service Level Agreement	contract	Assurance
13/14	CS	Merton & Sutton Joint Cemetary Board	Grant	n/a
13/14	all	Annual Governance Statement	Governance	n/a
13/14	CSF	Aragon Primary School	Establishment	Assurance
13/14	CSF	Transforming Families Grant Claims x 3	Grant	n/a
13/14	ER	Parks income (Wimbledon Park)	service specific	Limited
13/14	CSF	West Wimbledon Primary School	Establishment	Limited
13/14	CS	Recruitment/Retention of staff	service specific	Limited
13/14	ER	Tamworth Recreation Trust	service specific	n/a
13/14	ER	City Cycle Grant Claim	Grant	n/a
13/14	ER	Street and Market Traders	service specific	Limited
13/14	CH	Pre paid cards (direct payments)	service specific	Assurance
13/14	CSF	Haslemere Primary School	Establishment	Assurance
13/14	CSF	Garfeild Primary School	Establishment	Substantial
13/14	CH	Rent Deposit Scheme (homelessness)	service specific	Assurance
13/14	CS	Civica - Revenue	IT	Assurance
13/14	CSF	Cramner Primary School	Establishment	Substantial
13/14	CSF	Hillcross Primary School	Establishment	Assurance
13/14	All	Declaration of Interest	Governance	n/a
13/14	CS	Pension Shared Service	service specific	Assurance
13/14	CSF	School Bacs	financial system	Assurance
13/14	CS	Debtors	financial system	Assurance
13/14	CS	IT Ash (Debtors)	IT	Assurance
13/14	CH	Merton Priory Homes- VAT/Right to Buy	service specific	Assurance
13/14	CS	Procurement Cards	service specific	Limited
13/14	CS	Unreconciled Bank e-returns	financial system	Assurance
13/14	CSF	IT Security in Schools-Garfeild Primary School	IT	Assurance
13/14	ER	City Cycle Grant Claim	Grant	n/a
13/14	CS	Oyster Card Procedures	financial system	Limited
13/14	CSF	IT security in schools-Hillcross Primary School	IT	Assurance
13/14	CSF	IT security in schools-Cramner Primary School	IT	Assurance
13/14	CSF	St Matthews Primary School	Establishment	Substantial
13/14	CSF	Sherwood Primary School	Establishment	Limited
13/14	CSF	Pupil Place Funding	service specific	Assurance
13/14	CS	Cash and Bank	financial system	Assurance
13/14	CS	IT Proactis (creditors)	IT	Assurance
13/14	CS	Firewall Phase 1, 2 & 3	IT	Assurance
13/14	CSF	Ursuline High School	Establishment	Assurance
13/14	CS	Housing Benefits	financial system	Assurance
13/14	CH/CS	Homelessness & Nominations	service specific	Assurance
13/14	ER	Residents Parking Permits	service specific	Assurance
13/14	CS	iTrent expenses	IT	Limited
13/14	ER	IT Confirm	IT	Assurance

Internal Audit Reviews 2013/14

Appendix A

13/14	CSF	Persaid school	Establishment	Assurance
13/14	CS	General Ledger	financial system	Assurance
13/14	ER	Passenger Transport	contract	Assurance
13/14	CH/CS	No Recourse to Public Funds	service specific	Limited
13/14	CS	Fixed Assets	financial system	Assurance
13/14	CS	CCTV review	service specific	n/a
13/14	ER	Mango system	IT	Limited
13/14	all	Budget Management	financial system	Assurance
13/14	CH	Integrated Community Equipment	service specific	Limited
13/14	CS	Council Tax Refunds	service specific	Assurance
13/14	CS	Telecommunications	service specific	Assurance
13/14	CS	South London Waste Partnership	service specific	Assurance
13/14	CS	iTrent - payroll	financial system	Limited