

# Agenda Item 3

## STANDARDS AND GENERAL PURPOSES COMMITTEE 21 JULY 2022

(7.15 pm - 9.22 pm)

**PRESENT** Councillors Councillor Michael Brunt (in the Chair),  
Councillor John Oliver, Councillor Brenda Fraser,  
Councillor Caroline Cooper-Marbiah, Councillor Edith Macauley,  
Councillor Stephen Alambritis, Councillor Martin Whelton,  
Councillor Billy Hayes, Councillor John Braithwaite,  
Councillor Robert Page, Councillor Victoria Wilson and  
Councillor Michael Paterson

**ALSO PRESENT** Caroline Holland (Director of Corporate Services), Louise Round  
(Managing Director, South London Legal Partnership and  
Monitoring Officer), Margaret Culleton (Head of Internal Audit),  
Martin Hone (Interim Chief Accountant) Helen Martin (Deputy  
Chief Accountant), Elizabeth Jackson (Ernst and Young,  
External Auditor), Richard Seedhouse (Democratic Services  
Officer)

**ATTENDING REMOTELY** Katy Willison (Independent Person), Clive Douglas (Independent  
Person)

### 1 APOLOGIES FOR ABSENCE (Agenda Item 1)

There were no apologies for absence.

### 2 DECLARATIONS OF PECUNIARY INTEREST (Agenda Item 2)

There were no declarations of interest

### 3 MINUTES OF THE PREVIOUS MEETING (Agenda Item 3)

RESOLVED: That the minutes of the meeting held on 10 March 2022 were agreed as a correct record.

The Director of Corporate Services gave the Committee an overview of the topics and themes likely to be brought to the Committee.

### 4 EXTERNAL AUDITORS ANNUAL REPORT FOR 2020-21 (Agenda Item 4)

The External Auditor presented the Annual Report for 2020-21, highlighting in particular that there had been no major issues in 2021. The audit year was not yet closed, that would come in the summer, and once completed they would be able to certify the year.

The final fees came to £110,000 for the audit of the Council and £16,000 for the Pension. PSAA additional audit fees came to £192,000 for the Council and £26,000 for the pension, this had now been invoiced.

In response to questions the External Auditor confirmed that the fees were the same as in the previous year.

Value for Money considerations cover the arrangements rather than the controls and whether or not systems are working as expected. Internal Audit test the controls, while EY look at high level matters.

EY do not rate the system to see if it's best in class or best practice, they assess the control environment and whether or not the systems are working.

The audit report had to be materially correct, errors below the threshold of 1.8% can be left uncorrected, as they are not considered a material error. If External Audit and the Council can't agree the outcome, or if the errors are large then External Audit may have to qualify the report. There is a risk in amending elements and making them worse.

Valuation is an estimate, there are always differences and External Audit and the Council often agree to disagree as long as the difference is within the material level, the External Auditor is satisfied.

RESOLVED: That the Committee noted the contents of the report.

## 5 EXTERNAL AUDIT PLANNING REPORT (Agenda Item 5)

The External Auditor presented the Planning Report. Particularly noting that they were still waiting on the criteria for Infrastructure Assets, guidance was being drafted but unlikely to be fixed before November.

There were three risk categories, fraud risks, significant risks and inherent risks.

Fraud risks apply to all sectors and could cover misstatements due to fraud and error, ability to override controls through seniority, recognising revenue in the wrong accounting year. These were not suspicions, but risks that needed managing

Inherent risks were at a lower level of concern, but worth noting, they included NNDR provision, going concern and the pension scheme.

RESOLVED: That the Committee noted the contents of the report.

## 6 ANNUAL GOVERNANCE STATEMENT (Agenda Item 6)

The Head of Internal Audit presented the report. The report covers the years 21/22, Any changes that have occurred since March will be in the next review.

3 Actions from last year have been carried forward to this year, 3 have been resolved and a further three have been identified.

The Chair brought to the attention of the Committee that he is about to become a Director of CHAS, a non-remunerated position. CHAS featured in the report.

In response to questions the Head of Internal Audit explained that the report explains the governance arrangements in place, but the statement won't go into the details of what was in those reports/inspections or actions taken.

Councillors requested for ease that the AGS follows the Internal Audit Report in future meetings.

RESOLVED: That the Committee endorsed the final 2021/22 AGS for inclusion within the Council's final Statement of Accounts.

## 7 INTERNAL AUDIT ANNUAL REPORT (Agenda Item 7)

The Head of Internal Audit presented the Annual Report, explaining that the Audit Plan is partly based on a rolling programme of audits across 3 years. Known issues are identified throughout the year, and changes to systems are considered for including in the plan.

The report looks at areas of high risk, or those which have not been looked at for some time.

In 2021/22, Internal Audit provided 34 assurance opinions, 76% substantial assurance – the same level as last year.

The Head of Internal highlighted the following points:

Priority rating 1 would normally result in a limited assurance audit outcome, and indicate a non-compliance with legislation or council policy, or there are control weaknesses that put the council at risk of fraud, such as if one person controlled the whole purchase process.

Priority 2 would be a substantial assurance audit recommending actions to improve/enhance the controls already in place.

Priority 3 recommendation is more advisory.

There were 19 outstanding priority 1 actions across 6 audit areas - this is higher than we would like at year end, but work has been impacted by a high turnover of staff.

In response to questions, the Head of Internal Audit explained that payroll is covered every year, and pension administration is done annually through the shared service. Key financials are covered if we are made aware of changes, for instance with the new banking system and mandate changes in accounts payable. The team is not resourced to check everything every year.

Monthly duplicate payment checks are run to identify any errors. The listed duplicate payments have either been paid back or are in the process of being paid back.

Priority 1 actions are higher in number than partner councils, but they change quite frequently. Internal Audit approach owners of overdue actions when the due date arrives, and test them, in some cases the dates have been extended. Action owners could be called to this Committee to explain progress.

If follow up action was not satisfactory the Head of Internal Audit would qualify their opinion.

The National Fraud Initiative is a data matching exercise with other councils. Our data is submitted and compared with the data in other councils, and then matches are highlighted for further investigation. 327 cases are noted as fraud or error, and these will be followed up to establish why there is a match.

Approximately 6 school audits are conducted each year, rather than doing a full new audit where actions are identified, the team focus on the specific areas of concern. There is work to look at schools that have not been seen for a while. Academies are not included. All schools should be visited over a course of five years, but some have been longer than five years since the last visit.

The DBS actions are now all complete. The Service is provided by Kingston, so where there had been a delay, it is all now caught up.

RESOLVED: That the Committee reviewed and commented on the report.

## 8 AMENDMENTS TO THE CONSTITUTION (Agenda Item 8)

The Monitoring Officer introduced the report which asks for approval to changes to the Constitution to remove some anomalies.

In particular the Monitoring Officer mentioned an anomaly around access to information rules. Decision making normally requires a report to be on the forward plan for 28 days. Exemptions allow a report to be added with fewer than 28 days. If we are unable to give five clear working days, the chair of the Scrutiny and Oversight Commission must approve, but the current wording suggests such approval is required even when we can give more than 5 working days' notice.

The second relates to motions relating to Community Fora. Motions currently have to be with Democratic Services by 9am the day before the council meeting, which doesn't give much time to other councillors to draft and propose amendments. The recommended change is to set the deadline in line with other motions by the morning 2 clear days before the council meeting.

During hybrid meetings, online participation does not extend to proposing or seconding motions.

In the past it has been practice to allow all councillors to all papers through ModernGov, and it was recommended to restrict papers to only those who need access to them.

Recommendation E is a duplication of Recommendation A

Planning protocol requires further work to bring the changes back to a future meeting.

On Contract Standing Orders, the scheme of delegation states that the approval limit for Directors is set to £2 million, but the contract standing orders state that it is £500,000. The recommendation is that this £500,000 for Directors and any contract between £500,000 and £2million is for the CEO and as currently any contract over £2million require approval of Cabinet.

In response to questions the Monitoring Officer clarified that the Planning amendments would come back to this Committee if there was time, but could go direct to the Council. If this Committee wanted changes to come back here, they could do, but it would delay the overall process.

#### RESOLVED:

- The Committee authorised that Part 4B Para 18 as described in paragraph 2.5 below and detailed at Appendix A be put before full council
- The Committee authorised that Rule 2.3h (Community Fora Motions) as described at paragraph 2.8 below be out before full council
- The Committee authorised that Part 4A Para 21.5 (Remote Attendance) as described in paragraph 2.11 below and detailed at Appendix B be put before full council
- The Committee noted that the practice of automatically circulating reports which are legally exempt from publication to all councillors will cease; such circulation was to be restricted to councillors with a statutory right of access to such documents or who could otherwise demonstrate they have a need to know the information contained in such documents.
- The Committee considered and recommended to Council the financial limit at which directors may agree contract awards and the treatment of contract extension for decision making purposes, details of which are set out in 2.8 to 2.10 below
- The Committee noted that potential amendments to the Planning Protocol at Part 5 of the Constitution may be required as described at Paragraph 2.2 below be discussed at Planning Applications Committee before being forwarded for consideration at full Council.

## 9 POLITICAL GROUP USE OF COUNCIL RESOURCES (Agenda Item 9)

The Monitoring Officer presented the paper.

The issue has arisen out of Groups writing to their constituents, and this is an opportunity to consider how we might proceed with this practice in the future. The

Committee may consider a cross party working group to look at all the options, or could pick an option now.

In response to comments and questions, the Director Corporate Services confirmed that much of the welcome pack information to new residents is on the website, including who ward councillors are, but letters are not sent.

The Monitoring Officer confirmed that under Option 2, letters can be sent, but the council will not fund postage.

**RESOLVED:**

That members agreed Option 2 for the use of Merton Letterhead paper for use by councillors.

**10 FREEDOM OF THE BOROUGH (Agenda Item 10)**

**RESOLVED:**

The Committee agreed the nomination of Ex-Councillor Mark Allison for Freeperson of the Borough Status.

The Committee noted that a special Council meeting will be held on 5 September to confer that status on Ex-Councillor Allison and Ex-Councillor Williams and to awarded honorary alderman status on the ex-councillors listed in paragraph 2.1.5 below

**11 COMPLAINTS AGAINST MEMBERS (Agenda Item 11)**

No complaints had been received.

**12 WORK PROGRAMME (Agenda Item 12)**

**RESOLVED:** that the Work Programme was noted and agreed.