

Committee: Council

Date: 13 September 2023

Wards: All

Subject: Standards and General Purposes Annual Report

Lead officer: Polly Cziok, Executive Director Innovation and Change

Lead member: Billy Christie, Cabinet Member Finance and Corporate Services

Forward Plan reference number: N/A

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Recommendations:

- A To note the Annual Report and agree to its for publication and distribution to relevant stakeholders.
 - B To note the appointment of an independent person and to co-opt such a person onto the S&GP Committee for the purposes of providing advice on the audit functions of the S&GP Committee; and
 - C To consider S&GP's recommendation to agree the amended terms of reference for S&GP Committee in accordance with Appendix C.
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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report presents the Annual Report of the Standards and General Purposes Committee for 2022/23, which was approved by the S&GP committee on the 19 July 2023, with a recommendation that this decision go to full Council.
- 1.2 The purpose of this Annual Report is to demonstrate to stakeholders the work undertaken by the Standards and General Purposes Committee over the previous 12 months in promoting good governance and fulfilling its terms of reference.
- 1.3 It also reviews guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and invites the Committee to consider whether to adopt amended terms of reference and to appoint an independent advisory member for the purposes of its audit functions.

2 Details

- 2.1 The Annual Report of the Standards and General Purposes Committee is drafted

on behalf of the Committee by the Head of Internal Audit.

- 2.2 It is recommended practice, by CIPFA, for audit committees to review and assess themselves annually or to seek an external review. The results of the assessment should be available in the annual report from the committee.
- 2.3 The external auditor also considers the effectiveness of the audit committee when evaluating the authority's governance arrangements. If they have any significant concerns, they will make recommendations for improvement. Any such recommendations should also be included in the committee's annual report. No recommendations have been made by the external auditor Ernst and Young in their review for 2021/22.
- 2.4 Internal control, governance and risk management arrangements are in place to help ensure the Council makes appropriate use of its resources and powers to make a positive difference to the lives of Merton residents. The Standards and General Purposes committee is a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams and elected representatives and help the Council to achieve the priorities set out in Merton's Corporate Plan.
- 2.5 The Council recognises the benefits of strong internal control, governance and risk management which include: -
 - Better decision making as we are more aware of control risks.
 - Better governance and the ability to demonstrate it to our stakeholders.
 - Reduction in failure, error and fraud risks
 - Improvement in our corporate governance
 - Compliance with statutory and regulatory requirements

3 Annual Report

- 3.1 The Annual Report has been compiled with the principal aims of reviewing the Standards and General Purposes Committee's activities during 2022/23 and providing some forward-looking information including the work plan for the next 12 months for the Standards and General Purposes Committee.
- 3.2 It is planned that the Annual Report will be published on the Council's website.
- 3.3 Audit committees are a key component of governance, providing independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, and commissioners, and help provide assurance to all stakeholders that an organisation is well run. The Standards and General Purposes Committee undertakes this function for the Council and receives a number of regular or standing items across each year, as well as specific reports on relevant control, risk or governance issues.
- 3.4 The annual report outlines the reports submitted to the committee during the year

2022/23. This included external audit reports, internal audit updates, fraud updates, HR reports and regular updates on the Council's treasury management activities. The annual report also sets out proposed reports for 2023/24 as a work plan for the Committee.

- 3.5 The Committee Members changed from June 2022, following local elections. Training on their role for this Committee was provided to Committee Members in July 2022.

Cipfa guidance 2022

- 3.6 CIPFA provided updated guidance for audit committees in 2022. This recommends a number of actions for committees to improve effectiveness. A skills assessment was sent to committee members in March 2023, using the CIPFA recommended questions. This has found that the committee has a good mix of skills and knowledge, where there were new members, some training has been identified, which will be considered during 2023/24.
- 3.7 A review was undertaken comparing Cipfa recommended terms of reference to the Standards and General Purposes terms of reference (in relation to the audit committee element), this found that the councils' terms of reference require review and update, in accordance with Appendix C. Committee is invited to consider whether to recommend these amended terms of reference to full Council.
- 3.8 CIPFA also recommends that audit committees appoint independent advisory members in order to provide external expertise and challenge to the work of the committee. Although the Committee has the benefit of two independent advisory members for the purposes of giving advice and support on standards and conduct issues, to date there has not been an analogous role in respect of its audit functions. If appointed, such advisory members would be non-voting and if the Committee and Council agreed that one should be appointed, an external recruitment exercise would be undertaken to secure a suitably qualified person. CIPFA recommends that the person be appointed for a term that spans the borough elections to provide continuity outside the political cycle.

4 ALTERNATIVE OPTIONS

- 4.1. There are no options to consider as this item is not for decision.

5 CONSULTATION UNDERTAKEN OR PROPOSED

- 5.1. None.

6 TIMETABLE

- 6.1. Review of the committee terms of reference and additional training to be considered in 2023/24.

7 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

7.1. There are no implications arising directly from this report.

8 LEGAL AND STATUTORY IMPLICATIONS

8.1. There are no direct legal implications arising from the recommendation(s) in this report.

9 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

9.1. There are no implications arising from the recommendation in this report

10 CRIME AND DISORDER IMPLICATIONS

10.1. There are no specific crime and disorder implications arising from this report.

11 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

11.1. There are no implications arising from the recommendation in this report

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

Appendix A – Standards and General Purposes Annual Report
Appendix B -Planned Meeting Dates & Provisional Work Plan: 2023/24
Appendix C- Terms of Reference suggested updates
Appendix D- Skills Assessment results

13 BACKGROUND PAPERS

13.1. Papers held within the Internal Audit Service.