

<p><b>NAME OF DECISION-MAKER:</b></p> <p>Standards and General Purposes Committee.</p>	<p><b>DATE</b></p> <p>18 July 2024.</p>
<p><b>REPORT/DECISION TITLE</b></p> <p>Standards and General Purposes Committee Annual Report 2023-24.</p>	<p><b>WARD(S)</b></p> <p>All.</p>
<p><b>CHIEF OFFICER</b></p> <p>Signed: Asad Mushtaq Date: 27/6/24</p> <p><i>[Print name and position if the decision is being taken by an individual]</i></p>	<p><b>CABINET/LEAD MEMBER</b></p> <p>Signed: Councillor Christie Date: 15/7/24</p> <p><i>[Print name and position if the decision is being taken by an individual]</i></p>
<p><b>DECISION CLASSIFICATION</b></p> <p>Non-exempt report Non-exempt appendix</p>	<p><b>IS THE FINAL DECISION ON THE RECOMMENDATIONS IN THIS REPORT TO BE MADE AT THIS MEETING?</b></p> <p>Yes/No</p> <p>The report asks the Committee to recommend that Council notes the Annual Report and agrees to its publication and distribution.</p>

**1. Recommendations:**

- A.** To comment on and approve the content of the Annual Report.
- B.** To recommend to Full Council that it notes the Annual Report and agrees to its publication and distribution to relevant stakeholders.

- C. To request that officers progress the appointment of an 'independent member' (audit) and then co-opt that independent member onto the S&GP Committee for the purposes of providing advice on the audit functions of the Standards and General Purposes Committee. To recommend to Full Council the appointment of the Independent Member (following recruitment).

## **2. Purpose of Report and Executive Summary.**

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) recommends that Audit Committees review and assess themselves annually or seek an external review. That recommendation is captured in the Standards and General Purposes Committee's new terms of reference, which require it to publish an Annual Report on its work and to form a conclusion on the compliance with the CIPFA position statement.
- 2.2 This report introduces the draft Annual Report of the Standards and General Purposes Committee for 2023/24 for consideration (Appendix A). It was drafted on behalf of the Committee by the Head of Internal Audit. The purpose of the Annual Report is to demonstrate to stakeholders the work undertaken by the Standards and General Purposes Committee during 2023/24 in promoting good governance and fulfilling its terms of reference.
- 2.3 The main points of the Annual Report are:
  - (i) The Committee met five times during 2023/24 and was well attended on each occasion.
  - (ii) The Committee continued to provide an independent and high-level focus on the risk management framework; internal control environment; and the integrity of the financial reporting and annual governance processes that underpin good governance and financial standards in the Council;
  - (iii) The draft Annual Report concludes that the audit work of the Committee does comply with the CIPFA position statement, subject to:
    - a) Some outstanding work to complete the appointment of an 'independent member' to the Committee;
    - b) An action to carry forward to 2024/25: "to consider ways in which the Committee might evaluate the impact of its work, in addition to doing so through its Annual Report."

## **3. Links to the Merton Priorities.**

- 3.1 This report relates to each of the Council's strategic priorities, in that the Standards and General Purposes Committee seeks to contribute to Merton's overall success by examining the underpinning governance arrangements for

decision making, the consideration of risk, and the management of operations.

#### **4. Introduction and Background.**

- 4.1 The Standards and General Purposes Committee, in its role as an Audit Committee, is a key part of Merton Council's overall governance framework. That framework is in place to help ensure the Council fulfils its legal duties and makes appropriate use of its legal powers and resources to make a positive difference to the lives of Merton residents. The Committee provides an independent and high-level focus on the adequacy of the Council's governance, risk and control arrangements and plays a vital role in supporting leadership teams and elected representatives to achieve the priorities set out in the Corporate Plan. The Committee receives a number of regular or standing items across each year, as well as specific reports on relevant control, risk, or governance issues.
- 4.2 The Council recognises the benefits of strong internal control, governance and risk management which include:
- Better decision-making through being more aware of control risks.
  - Better governance and the ability to demonstrate it to stakeholders.
  - A reduction in failure, error, and fraud risks.
  - Improvements in corporate governance.
  - Compliance with statutory and regulatory requirements
  - Assurance to all stakeholders that the Council is well run.
- 4.3 The external auditor considers the effectiveness of the Audit Committee when evaluating the Council's governance arrangements. If the external auditor has any significant concerns, they will make recommendations for improvement. Any such recommendations should be included in the Annual Report. However, at the time of writing, the external audit of the Council's draft statement of accounts for the year ended 31 March 2023 has not been completed by the external auditors, Ernst & Young LLP, due to a complex set of factors contributing to audit delays across the local government sector. This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015.
- 4.4 The Accounts and Audit Regulations also specify that the audited Statement of Accounts should be published by 30 September each year. As a consequence of the situation described in paragraph 4.3, this was not possible in respect of the 2022/23 accounts and the Council has published a notification to that effect on the Merton website. When the 2022/23 audit has been completed the Standards and General Purposes Committee will consider the results, and the Council will publish the final audited accounts.
- 4.5 Under the Local Audit and Accountability Act 2014, the external auditor is also required to be satisfied that the Council has made proper arrangements for securing economy, efficiency, and effectiveness its use of resources. This

is often referred to as 'the VFM report.' Similarly, the VFM Report is not available at the time of writing.

## **5. Annual Report.**

- 5.1 The Annual Report has been compiled with the principal aims of reviewing the Standards and General Purposes Committee's activities during 2023-24 and providing some forward-looking information, including the Committee's work plan for the next 12 months.
- 5.2 It is planned that the Annual Report will be reported to full Council and then published on the Council's website.
- 5.3 The Annual Report outlines the activity of the Committee during the year 2023-24. This included the external audit submissions that were not affected by the situation described in paragraphs 4.3 – 4.5 above; internal audit updates, fraud updates, HR reports and regular reports on complaints made to the Council through its general complaint's procedure, and its procedures for adult social services and children's social care. The Annual Report also sets out proposed reports for 2024-25, as a work plan for the Committee.
- 5.5 At the Annual council meeting in May 2024 two new councillors were appointed to the Committee, replacing two councillors who left the Committee. Training on the new councillors' roles for this Committee will be provided during 2024/25 and covered in next year's Annual Report.

## **6. CIPFA Guidance 2022.**

- 6.1 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 found that the Committee has a good mix of skills and knowledge.
- 6.2 During 2022/23 a review was undertaken to compare the CIPFA recommended terms of reference to the Standards and General Purposes Committee's terms of reference (in relation to the audit committee element). The review found that the Committee's terms of reference required review and update. The Committee recommended amended terms of reference to full Council on 13 September 2023, and these were approved alongside the 2022-23 Annual Report. The update of the constitution has been completed.
- 6.3 The CIPFA guidance also recommends that audit committees appoint independent advisory members in order to provide external expertise and challenge to the work of the Committee. The Committee has the benefit of two independent persons appointed under the Localism Act 2011, but they discharge a specific role in relation to the ethical standards and conduct of Elected Members. A recommendation to appoint such an independent

member for the audit side was also accepted by full Council on 13 September 2023.

- 6.4 An advertisement is due to be placed on the Merton website in 2024/25 as part of an external recruitment exercise to secure a suitably qualified independent member, to cover the audit items on the agenda. CIPFA recommends that the person be appointed for a term that spans the borough elections to provide continuity outside the political cycle. When the appointment process is complete, the advisory member will be non-voting.

## **7 Member Development**

- 7.1 The CIPFA guidance includes a self-assessment on skills and knowledge, for members of audit committees. This was sent as a survey to 10 members of the Standards and General Purposes Committee in March 2023. Overall, the results indicated a satisfactory level of general knowledge about audit and control issues among the 7 members of the Committee who responded, and good levels of experience in most areas.
- 7.2 An area of training requested by the Standards and General Purposes Committee, was on Risk Management, which was provided to the committee prior to the meeting on the 21 September 2023.

## **8. Available Options & Preferred Option.**

- 8.1 The Annual Report is for comment and approval by the Committee. The Committee's new terms of reference were agreed by the Council in September 2023 and require the Committee to publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.

## **9. Reasons for Recommendations**

- 9.1 The recommendations are designed to uphold good practice in this area of corporate governance.

## **10. Consultation Results**

- 10.1 None

## **11. Next Steps & Timetable: Communication and Implementation of the Decision**

- 11.1 The next steps are for the Annual Report to be noted by the full Council and for the Council to agree to the publication and distribution of the Annual Report at Appendix A.

## **12. Report Appendices.**

12.1 The following documents are to be published with and form part of the report:

- Appendix A: Standards and General Purposes Committee Annual Report.

### 13. Background Papers.

13.1 None.

### 14. Cross-Cutting Issues and Implications and Sign-Off.

Issue	Implications	Sign-off
<b>Legal</b> including Human Rights Act	The principal purpose of the report is to ask the Committee to comment upon and approve the contents of the Annual Report before recommending it to Full Council. There are no detailed legal implications arising from the report and the Committee is authorised to agree the recommendations in paragraph 1 of the report.	<b>John Scarborough</b> Managing Director South London Legal Partnership 9/7/24
<b>Finance</b> and other resources	There are no financial implications for the purposes of this report.	Ellis Kelly, Head of Accountancy 24/6/24
<b>Equalities</b>	The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no apparent equality impact on end users.	Margaret Culleton Head of Internal Audit 9/7/24
<b>Climate change</b>	This report has no implications for the Council's declared Climate Emergency and Carbon Neutral Ambitions.	Margaret Culleton Head of Internal Audit 9/7/24
<b>Risk management</b>	The Annual Report considers the contribution made by the Committee to effective risk management during 2023-24.	Margaret Culleton Head of Internal Audit 9/7/24
<b>Executive Director</b>	Clearance/Approval of Report	<i>Asad Mushtaq Executive</i>

		<i>Director Finance and Digital 27/6/24</i>
<b>Cabinet Member/s</b>	<i>Clearance/Approval of Report</i>	<i>Councillor Christie 15/7/24</i>
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