

STANDARDS AND GENERAL PURPOSES COMMITTEE  
30 JULY 2018

(7.15 pm - 8.58 pm)

PRESENT Councillors Councillor Peter McCabe (in the Chair),  
Councillor Adam Bush, Councillor Agatha Mary Akyigyina,  
Councillor John Dehaney, Councillor Eloise Bailey,  
Councillor Thomas Barlow, Councillor Ben Butler,  
Councillor Pauline Cowper, Councillor Brenda Fraser,  
Councillor Joan Henry and Councillor Dickie Wilkinson

ALSO PRESENT Suresh Patel – Associate Partner, Ernst & Young

Caroline Holland – Director of Corporate Services  
Fiona Thomsen – Head of Shared Legal Services  
Roger Kershaw – Assistant Director – Resources  
Margaret Culleton – Head of Internal Audit  
Zoe Church – Head of Business Planning  
Steve Bowsher – Chief Accountant  
Amy Dumitrescu – Democratic Services Officer

1 APOLOGIES FOR ABSENCE (Agenda Item 1)

Apologies were received from Councillor David Williams. Councillor Omar Bush attended as substitute.

2 DECLARATIONS OF PECUNIARY INTEREST (Agenda Item 2)

There were no declarations of pecuniary interest.

3 MINUTES OF PREVIOUS MEETINGS (Agenda Item 3)

RESOLVED: That the minutes of the meetings held on 27 February 2018 and 15 March 2018 are agreed as an accurate record.

4 AUDIT PROGRESS REPORT (Agenda Item 4)

The External Auditor presented the report and highlighted that compared to the previous year the timescale for Local Authority accounts was shorter with the accounts needing to be prepared by the Council by the end of May (previously June) and the audit completed on these accounts by the end of July (previously September). It was recognised that this would be a challenge particularly in the first year. He also commented that he had had good engagement with the Finance team during the audit.

The External Auditor highlighted two main issues for the Committee to be aware of:

- 1) There had been a number of significant issues identified with the valuation of the Council's Property Plant and Equipment (PPE), specifically specialist assets such as schools. As a result the Council has had to undertake significant work to re-calculate those figures (for 2015/16, 2016/17 and 2017/18). Issues had been flagged in relation to the work of the in house Council valuer and therefore External Audit had engaged their own experts to carry out specialist work to look at this, which would be commencing in due course. This was the most significant issues that the auditors had identified during the audit.
- 2) Other areas had been identified as needing revising in the accounts including recharges in the Comprehensive Income and Expenditure Statement and a number of prior period adjustments which did not meet the accounting standards definition.

As a result of the significant PPE and other errors identified the External Auditor informed the Committee that the level of materiality used to inform audit testing had been reduced from the level communicated in the Audit Plan (March 2018). This reduction had meant that the External Auditor needed to revisit work conducted to date and carry out additional testing work.

Given these issues, the Committee was informed that the external audit was still in progress and the External Auditor was not in a position to issue the auditor's report by the deadline of 31 July 2018. The External Auditor had arranged resources to carry the work out in August and the results would be brought to the next meeting of Standards and General Purposes Committee in September 2018.

The External Auditor advised that, as highlighted in the report, in regards to value for money conclusion the Local Authority transaction in relation to the Elim Church had been investigated following correspondence from a member of the public. The External Auditor advised the Committee that following this work, they were satisfied that the Local Authority approach was reasonable for that transaction.

In response to member questions, the External Auditor advised that the new shorter timescale had been introduced by government and that his understanding was that approximately 10% of Local Authorities may miss the 31 July deadline, with those who did named in a report in the Autumn.

Members discussed the Audit Progress report in depth further and sought assurance from officers and external audit that lessons would be learnt going forward. External Audit and Officers responded that lessons had been and would continue to be learnt.

External Audit responded to a further member question in regards to the additional audit fee that this would be dependant on the extent of the work required and this would be known at the end of August and therefore included in the report at the September meeting.

## 5 FEE LETTERS FOR THE COUNCIL AND PENSION FUND ACCOUNTS (Agenda Item 5)

The External Auditor presented the Fee Letters, advising that following a procurement process EY were appointed as the Council's auditor for 2018/19 and

therefore the fee letter outlined the set fees that would be charged for the upcoming year.

## 6 AUDITED FINAL ACCOUNTS 2017/18 (Agenda Item 6)

The Director of Corporate Services presented the report advising that the figures were the current figures available and that the adjustments that officers were aware of had been tabled at the meeting. As the auditor had found an error which affected property valuations in the accounts back to 2015/16, these had been required to be re-done for each year (2015/16, 16/17, 17/18) and this had required some major changes, however it was re-iterated that this had not meant an increase in funds for the Local Authority. The Director of Corporate Services advised that they had been working closely with External Audit to ensure the information was available as much as possible and that a notice had been placed on the Councils' website to explain that the deadline for publication of the accounts would not be met. It was noted that there were a number of other local authorities in the same position .

In response to member questions the Director of Corporate Services advised that further work would be done and the Committee would be updated on the progress of the accounts. However it was noted that the Pension Fund accounts had been successfully audited with no issues raised, although the auditor's report could not be issued until the Council accounts had been audited.

In response to further questions the Assistant Director of Resources explained that in regards to the Pension Fund investing in fossil fuels, a new strategy was agreed last year which has resulted in a much lower carbon footprint.

Following a member question regarding the pension board having not met in the year of the audit, officers responded that the board had met in the previous week and that there was an ongoing training programme for members of the panel.

The Chair advised that as the statement of accounts was not complete, the recommendations in the report were unable to be agreed, however the Committee agreed to note the progress made on the accounts and would look to agree the final accounts at the next meeting in September.

**RESOLVED:** That the Committee noted the progress on the Final accounts.

## 7 ANNUAL GOVERNANCE STATEMENT (Agenda Item 7)

The Head of Internal Audit presented the report, advising that it was an annual statement required to support the accounts and a working group of officers met throughout the year with a final review at the year end to complete the statement. The report also contained an update on actions from the previous year and upcoming actions for the year 2018/19.

In response to member questions, officers advised that the new financial system was constantly under review, that work on GDPR was ongoing and that officers continued to work to address staff sickness levels.

RESOLVED: That the Committee agreed the Annual Governance Statement.

#### 8 INTERNAL AUDIT ANNUAL REPORT (Agenda Item 8)

The Head of Internal Audit presented an overview of the report and advised that there would be a further update at the meeting in September 2018, stating that there was a 3 year rolling programme with the focus on those areas which had increased risks associated with them.

In response to member questions, the Committee were advised that the unpaid fees in regards to school meals contracts had now been paid however the audit of the monitoring of the contract was still being finalised.

In response to a member question on minimising tenancy fraud, the Head of Internal Audit responded that the Fraud Partnership undertake work with Merton Priory Homes to data match as well as investigating referrals from members of the public.

RESOLVED: That the Standards and General Purposes Committee reviewed and commented on the Internal Audit Annual Report 2017/18.

#### 9 ANTI FRAUD AND CORRUPTION STRATEGY AND WHISTLEBLOWING POLICY UPDATE (Agenda Item 9)

The Head of Internal Audit presented the report, advising that the policies had not been refreshed for a number of years and were therefore being reviewed. The Head of Internal Audit highlighted a number of minor changes that had been made to the policy and outlined the Council's approach to fraud, advising that the Council consider prosecution for all types of fraud.

Members asked questions regarding fraud training for Council staff and the Head of Internal Audit advised this was being rolled out to staff shortly.

RESOLVED: That the Committee commented upon and approved the revised Anti Fraud and Corruption Strategy and Whistleblowing policy.

#### 10 TEMPORARY AND CONTRACT STAFF UPDATE (Agenda Item 10)

RESOLVED: That the public were excluded from the meeting for the following item of business on the grounds that they involved the likely disclosure of exempt information as defined in paragraph 2 Schedule 12A of the Local Government Act 1972.

The Director of Corporate Services presented the report and highlighted certain areas where recruitment and retention remained an issue.

Members discussed the report in depth and asked questions regarding succession planning, comparison of usage to previous years and the use of "temp to perm" in employing long term agency staff.

RESOLVED: That progress made to monitor and control the use of Temporary workers and consultants was noted.

11 COMPLAINTS AGAINST MEMBERS (Agenda Item 11)

The Committee received a verbal update from the Head of Shared Legal Services, who advised that there had been one complaint received since the March meeting however it had been decided that it did not merit investigation. The Head of Shared Legal Services advised the level of complaints were generally very low and confirmed there were currently no complaints being considered against any Merton Councillors.

12 APPOINTMENT OF INDEPENDENT PERSON (Agenda Item 12)

The Head of Shared Legal Services advised the Committee that following the post being advertised, no applications for the role had been received and therefore the advertisement would be reposted in September and would also be advertised on Social Media.

13 WORK PROGRAMME (Agenda Item 13)

The Work Programme was noted and agreed.