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Merton Council

Standards and General Purposes Committee Agenda

Membership

Councillors:

Peter McCabe (Chair)
Adam Bush (Vice-Chair)
Agatha Mary Akyigyina OBE
Ben Butler
John Dehaney
Dickie Wilkinson
David Williams MBE JP
Hina Bokhari
Mary Curtin
Carl Quilliam
Pauline Cowper
Andrew Howard

Independent Members:

Clive Douglas
Katy Willison

Substitute Members:

Brenda Fraser
Omar Bush
Stan Anderson
Nick McLean
Jenifer Gould
Edward Foley

Date: Thursday 5 November 2020

Time: 7.15 pm

Venue: This will be a virtual meeting and therefore will not take place in a physical location, in accordance with s78 of the Coronavirus Act 2020.

This is a public meeting and can be viewed by following this link
<https://www.youtube.com/user/MertonCouncil>.

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website. To access this, click <https://www.merton.gov.uk/council-and-local-democracy> and search for the relevant committee and meeting date.

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democratic.services@merton.gov.uk or telephone 020 8545 3357.

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Standards and General Purposes Committee Agenda

5 November 2020

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8	Complaints against Members <i>A verbal update to be provided at the meeting.</i>	
9	Work Programme	161 - 162

Note on declarations of interest

Members are advised to declare any Disclosable Pecuniary Interest in any matter to be considered at the meeting. If a pecuniary interest is declared they should withdraw from the meeting room during the whole of the consideration of that matter and must not participate in any vote on that matter. For further advice please speak with the Managing Director, South London Legal Partnership.

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Agenda Item 3

STANDARDS AND GENERAL PURPOSES COMMITTEE 22 SEPTEMBER 2020

(7.15 pm - 8.28 pm)

PRESENT Councillors Councillor Peter McCabe (in the Chair),
Councillor Adam Bush, Councillor Agatha Mary Akyigyina,
Councillor Ben Butler, Councillor John Dehaney,
Councillor Dickie Wilkinson, Councillor David Williams,
Councillor Hina Bokhari, Councillor Pauline Cowper,
Councillor Andrew Howard and Councillor Carl Quilliam

ALSO PRESENT Clive Douglas – Independent Person
Katy Willison – Independent Person

Suresh Patel, Simon Luk and Simon Mathers – External Audit

Roger Kershaw (Assistant Director Resources), Margaret Culleton (Head of Internal Audit), Fabiola Hickson (Head of Law, Property and Commercial), Steve Langley (Head of Housing Needs), Steve Bowsher (Chief Accountant), Amy Dumitrescu (Democratic Services Officer), Diane Perez (Cabinet Assistant) and Matthew Cannon (Trainee Electoral Services Officer)

1 APOLOGIES FOR ABSENCE (Agenda Item 1)

Apologies for absence were received from Councillor Mary Curtin.

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 23 July 2020 were agreed as a correct record.

4 FINAL ACCOUNTS (Agenda Item 4)

The Assistant Director presented the report, highlighting areas of adjustments made on the recommendation of audit colleagues.

External Audit presented their section of the report, advising that the final audit results were expected to come to committee in November 2020.

External Audit advised that on audit differences, one difference had been identified in relation to property valuation and two differences identified which related to accounting errors on the face of the Balance Sheet, however none of these impacted the general fund. One unadjusted misstatement was also identified for PPE.

External Audit advised that in relation to value for money this was likely to be an unqualified opinion.

It was noted that last year services in the 2019/20 year had been successful in delivering a £1.7m net favourable variance, however there were still pressure points within the budget particularly relating to SEN (Special Educational Needs) and SEN transport costs.

External Audit had looked at the last update of the MTFFS (Medium Term Financial Strategy) and were satisfied this had been updated reasonably and there was a reasonable basis for the projections. The budget gaps reported are accurate and savings plans are in place to address those going forward and therefore there were no matters to report there.

It was acknowledged that the impact of Covid 19 has been significant and the MTFFS will need to be updated to reflect that. Officers are working on this and this would be referenced in the value for money (VFM) conclusion given, however Covid shouldn't impact on the 2019.20 VFM judgement.

On fees, External Audit would need to conclude on final fees where additional work had been undertaken and they undertook to come back on these in due course.

In response to member questions, officers advised that currently there was £6.173m within the Covid19 reserve. The MTFFS needed to be updated again for the impact of covid19 in due course. Officers advised that a monthly return on the impact of Covid19 is sent to MHCLG.

The Committee thanked all involved for their hard work, particularly in ensuring the accounts were signed off on time.

RESOLVED:

1. That the Committee approved the audited Statement of Accounts, including the Group Accounts and the Pension Fund Accounts (Appendix 2), subject to any further comments from the External Auditor.
2. That the Committee noted any comments made by the Pensions Fund Advisory Panel regarding the Pension Fund Accounts.
3. The Committee noted EY's Audit Results Report (Appendix 4) for the Pension Fund accounts under the International Standard on Auditing (ISA) 260.
4. The Committee noted EY's Audit Results Report (Appendix 3) for the Statement of Accounts under the ISA 260.
5. That the Chair signed the Statement of Responsibilities for the Statement of Accounts (Appendix 2).
6. That the Chair signed the Letters of Representation (Appendices 3 and 4) for the Statement of Accounts and Pension Fund Accounts.

5 INTERNAL AUDIT PROGRESS REPORT ON ANNUAL AUDIT PLAN (Agenda Item 5)

The Head of Internal Audit presented the report. In response to questions from members, the Head of Internal Audit advised that most areas were audited every 3-5 years with some done annually. All actions are followed up and closed off and if progress is insufficient those areas would go back on the plan.

In relation to the impact of Covid 19, the Head of Internal Audit informed the committee that fraud checks had been completed on the business grants allocations as well as an audit on the Covid19 response to check whether the Council had complied with the regulations. Some other planned work had needed to be postponed as a result of the Covid19 related audits.

RESOLVED:

That the Committee considered and commented on the progress report.

6 OMBUDSMAN REPORT - HOUSING (Agenda Item 6)

The Head of Housing needs presented an overview of the report and noting that Merton has the lowest number of people living within temporary accommodation of any London Borough.

In response to member questions, the Head of Housing needs advised that it was a rare occurrence to arrange placements out of London, with approximately 6 or 8 per annum, however it was noted that there are some occasions where residents request to be placed outside of London in areas where housing is more affordable.

The team were currently in the process of compiling a housing options toolkit which had developed how persons were interviewed as well as reflecting changes in the law.

The team had reviewed the findings of the LGSCO and regularly reviewed other cases published by the LGSCO and would continue to do so.

At the request of the committee, the Head of Housing Needs agreed to bring another report back to a future meeting in 2021 to review the progress made.

RESOLVED:

1. That the Standards & General Purposes Committee considered the contents of the report regarding the Local Government and Social Care Ombudsman (LGSCO) decision and report.

2. That the Standards & General Purposes Committee noted the actions already taken to remedy this matter, namely the written apology to Mr X, the award of compensation, amendments to the Homeless Placement Policy and the refresh of the Housing Options Toolkit.

7 COMPLAINTS AGAINST MEMBERS (Agenda Item 7)

The Deputy Monitoring Officer advised that there had been no complaints against members since the last meeting of the Committee.

8 WORK PROGRAMME (Agenda Item 8)

The Work Programme was noted.

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Committee: Standards and General Purposes

Date: 5th November 2020

Agenda item:

Wards: All

Subject: Audited Final Accounts 2019/20

Lead officer: Caroline Holland, Director of Corporate Services

Lead Member: Cllr Mark Allison – Cabinet Member for Finance

Contact officer: Roger Kershaw: Assistant Director of Resources 0208-545-3458

Key decision reference number: This report is written and any decisions taken are within the Budget and Policy Framework Procedure Rules as laid out in Part 4-C of the Constitution.

Recommendations:

1. That the Committee, having scrutinised and approved the accounts at its meeting on 22nd September, approve one amendment to those audited Statement of Accounts, including the Group Accounts and the Pension Fund Accounts subject to any further comments from the External Auditor.
 2. To note EY's Audit Results Report (Appendix 2) for the Pension Fund accounts under the International Standard on Auditing (ISA) 260.
 3. To note EY's Audit Results Report (Appendix 1) for the Statement of Accounts under the ISA 260.
 4. That the Chair signs the Statement of Responsibilities for the Statement of Accounts (Appendix 3).
 5. That the Chair signs the Letters of Representation (Appendices 1 and 2) for the Statement of Accounts and Pension Fund Accounts.
-

1 Purpose of report and executive summary

- 1.1. This report presents the audited Statement of Accounts for the year ended 31st March 2020 for adoption by Standards and General Purposes Committee (SGPC) in accordance with the statutory requirements contained in the Accounts and Audit Regulations 2015 and the ISA 260.
- 1.2. Since the September SGPC there has been one further corrected misstatement. Further details are contained in Section 2.
- 1.3. Appendices 1 and 2 contain Ernst & Young's (EY's) latest Audit Results Reports on the main accounts and Pension Fund respectively, including two Letters of Representation, one for the main accounts and one for the Pension Fund. The final reports will be issued soon after the Committee.

2 Details

- 2.1. The Accounting Code of Practice: Section 21(2) of the Local Government Act 2003 requires local authorities in the United Kingdom to keep their accounts in accordance with "proper practices". This is defined, for the purposes of local government legislation, as meaning compliance with the terms of the Code of

Practice on Local Authority Accounting in the United Kingdom, prepared by the CIPFA/LASAAC Joint Committee. The Code specifies the principles and practices of accounting required to give a “true and fair“ view of the financial position and transactions of a local authority. In particular, it prescribes the accounting treatment and disclosures for all normal transactions of a local authority.

2.2. The Code involves adaptations of International Financial Reporting Standards and other pronouncements by the International Accounting Standards Board (IASB) subject to such adaptations as are necessary for local government.

2.3. **Accounts and Audit Regulations:** These specify the timetable for producing the Council’s accounts. The timetable for the 2019/20 Statement of Accounts is exceptional in allowing a longer period for the production and audit because of the COVID-19 pandemic. Table 1 below compares the 2019/20 timetable with the dates actually achieved and with the requirements of the 2018/19 timetable. The paragraphs below the table provide more specific details about the 2019/20 timetable.

Table 1 Audit of Accounts

	2018/19	2019/20	2019/20
	Audit timetable	Audit timetable	Actual/Expected
Accounts ready for audit	31 st May 2019	31 st August 2020	6 th July 2020
Publication of accounts	31 st July 2019	30 th November 2020	By 30 th November

2.4. Accounts ready for audit: The Council's statement of accounts must have been ready for audit by no later than 31st August 2020. The Chief Financial Officer must have signed and dated the accounts and certified that it presents a true and fair view of the financial position of the body at the year end and of that body’s income and expenditure for that year. There is no requirement for approval by committee at this stage. This requirement has been met.

2.5. Publication of accounts The committee of members must approve the Statement of Accounts by the 30th November 2020. The accounts must be signed and dated by the chairman of that committee and then published on the Council’s website. This requirement will be met.

2.6. **Audit Progress:** Ernst & Young have almost completed their work. The results of the audit are that the accounts are unqualified, that is, the financial statements give a true and fair view in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

2.7. Members are requested to recommend that the Council approve one amendment to the accounts submitted to the September SGPC.

2.8. Audit Results Reports: The external auditors are required to comply with the Auditing Standards contained under ISA 260, which covers ‘Communications

of Audit Matters with those charged with governance'. They do so through the Audit Results Reports, ARR. EY has now issued further Audit Results Reports (ARRs) which are appended to this report. The ARR for the main accounts contains details of one further misstatement which has now been corrected and which is explained in paragraph 2.9.

2.9. Adjustments to the Accounts: Three corrected misstatements were reported to the September SGPC and one further corrected misstatement is reported here. This further misstatement relates to accounting standard IAS19 Employee Benefits. An adjustment is required to increase the Pensions liability and increase the deficit on the Pension Fund reserve. Details of all the misstatements are contained in page 25 of the ARR.

2.10. Table 2 shows the effect on the Council's Balance Sheet of the corrected misstatements which are numbered 1 to 4. They have had no effect on Usable reserves.

Table 2 Adjustments to the draft accounts

Item	LT Assets £000	Current Assets £000	Current Liabilities £000	LT Liabilities £000	Usable Reserves £000	Unusable Reserves £000
Draft Accounts	755,842	153,441	73,426	440,493	93,048	302,316
	DR	DR	CR	CR	CR	CR
Reported to SGPC 22nd September- Correction of misstatements						
1. Property, Plant and Equipment	2,876					2,876
	DR					CR
2. CTAX and NDR Debtors		858	858			
		CR	DR			
3. Sundry Debtors		481	481			
		CR	DR			
Revised statement of accounts reported to September SGPC	758,718	152,102	72,087	440,493	93,048	305,192
	DR	DR	CR	CR	CR	CR
Reported to November SGPC-						
4. Pension Fund assets aligned with actuaries' figures				4,506		4,506
				CR		DR
Rounding	1			1		
	CR			DR		
Final Balance Sheet	758,717	152,102	72,087	444,998	93,048	300,686
	DR	DR	CR	CR	CR	CR

- 2.11. Letters of Representation: ISA 580, covering Management Representation, requires that the auditor be provided with written representations from management with appropriate responsibilities and knowledge of the financial statements. This applies to the main accounts and the Pension Fund Accounts.
- 2.12. ISA 260 requires that those charged with governance should sign agreement to the Letter of Representation. After the Committee has discussed and agreed the Letter of Representation, it has to be signed by the Chief Financial Officer. The Chair of the Committee is then required to sign agreement to the Letter of Representation. The ARR in Appendices 1 and 2 each contain proposed copies of the letters to be signed for the main accounts and the Pension Fund accounts. The actual ARRs (on Merton headed notepaper) are included at the end of these appendices.
- 2.13. **Financial Summary:** As reported in paragraph 2.9, I Table 2, when comparing with the draft accounts, the adjustments arising from the audit work to date have not changed Usable Reserves.
- 2.14. Reserves: Table 3 contains a breakdown of all reserves, divided into Usable Reserves and Unusable Reserves. Usable Reserves (Revenue reserves and fund balances) are £69,089m as at 31st March 2020 compared to £67.071m as at 31st March 2019. This represents an increase of £2.018m.
- 2.15. Unusable Reserves: These are now £300.686m as at 31st March 2020 (£184.473m as at 31st March 2019) an increase of £116.213m.

Table 3: Reserves

Reserves	2019/20	2018/19
	Expected Final Accounts still subject to audit £000	Audited Accounts £000
Usable reserves		
General fund balance	13,778	13,778
Earmarked reserves (excluding schools in 1920)	59,606	48,106
Earmarked reserves- schools (including DSG)	(4,295)	(5,187)
Total Revenue reserves and balances	69,089	67,071
Unapplied capital receipts	2,059	9,228
Unapplied capital grants	21,900	17,006
Other usable reserves	23,959	26,234
Total usable reserves	93,048	93,305
Collection fund	413	(476)
Other unusable reserves	300,273	184,949
Total unusable reserves	300,686	184,473
Total reserves	393,734	277,778

- 2.16. Outturn Table 4 shows the final outturn for the year. The departmental figures are those reported to the Cabinet. Net service expenditure showed a favourable variance of £1.716m. There was also a favourable variance on corporate funding of £8.760m which was taken to earmarked revenue reserves. This was comprised of favourable variances on corporate grants and business rates of £3.971m and the receipt of a government grant of £4.789m to be used in 2020/21 towards COVID-19.

Table 4: 2019/20 Outturn and Budget Variances

Cabinet Outturn Report	2019/20	2019/20	2019/20
	Current Budget	Outturn	Variance
	£000	£000	£000
Department			
Corporate Services	10,874	10,147	(727)
Children, Schools & Families	60,579	60,377	(202)
Community & Housing	62,510	62,271	(239)
Environment & Regeneration	15,821	16,842	1,021
Net Service Expenditure	149,784	149,637	(147)
Corporate Provisions	2,244	675	(1,569)
Total General Fund	152,028	150,312	(1,716)
Net favourable outturn balance transferred to OCPB (Outstanding Council Programme Board Reserve)			1,716
Funding			
Grants	(8,169)	(9,476)	(1,307)
Business Rates	(44,026)	(46,690)	(2,664)
Council Tax and Collection Fund	(91,070)	(91,070)	0
Net COVID-19 Emergency Funding	0	(4,789)	(4,789)
Total Funding	(143,265)	(152,025)	(8,760)
Funding transferred to earmarked reserves			8,760

3 Alternative options

- 3.1. None for the purposes of this report.

4 Consultation undertaken or proposed

- 4.1. Under the Accounts and Audit Regulations 2015, the Council is required to make available, for a 30 working day period, copies of the Statement of Accounts and related information for inspection by any interested person. During this period, interested persons also have the right to question the auditor, by prior appointment, about the accounts. The inspection period ran from 6th July to 14th August 2020 and was advertised on the Council's website at www.merton.gov.uk/finance.
- 4.2. During the inspection period officers responded to two people who had made formal enquiries about the accounts. There were no requests to question the auditors about the accounts.

5 Whole of Government Accounts (WGA)

- 5.1. The Whole of Government Accounts (WGA) process consolidates the audited accounts of around 4,000 organisations across the public sector in order to produce a comprehensive picture of the financial position of the UK public sector. WGA is based on International Financial Reporting Standards (IFRS) and is independently audited.
- 5.2. As an organisation within the WGA boundary, the Council is required each year to complete a WGA return in order that HM Treasury can produce the consolidated WGA accounts. The draft WGA return has been submitted to EY to be audited. EY provide an assurance statement to the National Audit Office in respect of the WGA return as part of their audit work and they expect to provide this statement in November or December.

6 Audit of Council's subsidiary companies

- 6.1. The Council has two wholly-owned subsidiaries, CHAS2013 Ltd and Merantun. CHAS2013 Ltd was audited by Ernst & Young from the week beginning 2nd September 2020. Merantun was audited from the week beginning 19th October 2020. It is not expected that this work will have any material impact on the Council's accounts.

7 Finance, resource and property implications

- 7.1. The expected cost of the audit is £110,500 together with additional costs of £36,300 for specific additional tasks.
- 7.2. These figures do not include non-audit services, namely the audit of the Housing Benefits return and the Teachers Pensions Authority return. Nor do they include the proposed increase in the scale fee which has been submitted to Public Sector Audit Appointments (PSAA) for consideration.

8 Legal and statutory implications

- 8.1. These are contained within the report, Members are referred to the Council's Constitution, and in particular the Financial Regulations, which are set out in Part 4f.

9 Human rights, equalities and community cohesion implications

- 9.1. None for the purposes of this report.

10 Crime and disorder implications

- 10.1. None for the purposes of this report.

11 Risk management and health and safety implications

- 11.1. None for the purposes of this report.

Appendices

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

- Appendix 1: EY Audit Results Report and Letter of Representation – Statement of Accounts
- Appendix 2 EY Audit Results Report and Letter of Representation- Pension Fund Accounts
- Appendix 3 Statement of Responsibilities

Background Papers

The papers used to compile this report are held within the Corporate Services Department. Specifically, they include:-

- Statement of Accounts 2019/20
- Working papers for the accounting entries
- Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
- CIPFA- technical bulletins

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London Borough of Merton Audit results report

Year ended 31 March 2020

20 October 2020

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y'.

Building a better
working world



London Borough of Merton
Standards and General Purposes Committee

20 October 2020

Dear Committee Members

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Standards and General Purposes Committee. This report summarises our audit conclusion in relation to the audit of the London Borough of Merton (the Authority) for 2019/20 and updates our preliminary Audit Results Report dated 10 September 2020. We will issue our final report soon after the Committee meeting.

Subject to concluding the outstanding matters listed in our report, we anticipate issuing an unqualified audit opinion on the financial statements in the form at Section 3 of this report. As set out on pages 5 to 8, as per our update to the Committee in July 2020, the Covid-19 pandemic has impacted the statements and our audit opinion. We have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Standards and General Purposes Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement given the additional pressures they have faced responding to the pandemic and working remotely.

We welcome the opportunity to discuss the contents of this report with you at the Standards and General Purposes Committee meeting on 5 November 2020.

Yours faithfully

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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02 Areas of Audit Focus



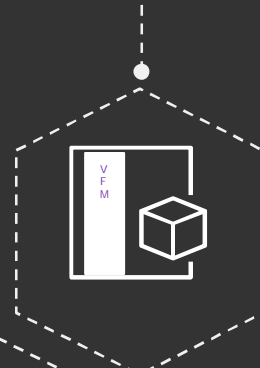
03 Audit Report



04 Audit Differences



05 Value for Money

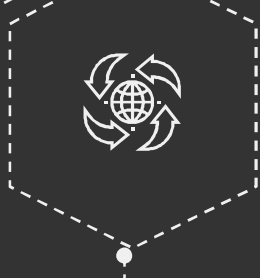
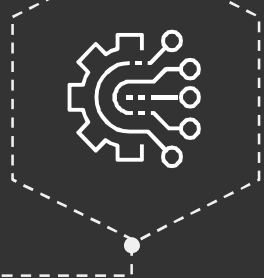


06 Other reporting issues

07 Assessment of Control Environment

08 Independence

09 Appendices



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01 Executive Summary



Executive Summary

Scope update

In our audit planning report tabled at the 12 March 2020 Standards and General Purposes Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions which we reported to the Committee in July 2020.

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

Changes to our risk assessment as a result of Covid-19

- Valuation of Property Plant and Equipment - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty were included in the year-end valuation reports produced by the Authority's external valuer. We considered that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment. We had already identified valuation of the Authority's fixed assets as a significant risk.
- Disclosures on Going Concern - The pandemic has had a significant impact on the Authority's finances and as a result there was a need for the Authority to revisit and update financial plans for 2020/21 and the medium term financial plan. We determined that the unpredictability of the current environment gave rise to a risk that the Authority would not appropriately disclose the key factors relating to going concern, underpinned by management's assessment with particular reference to Covid-19 and the Authority's actual year end financial position and performance.
- Events after the balance sheet date - We identified an increased risk that further events after the balance sheet date concerning the Covid-19 pandemic would need to be disclosed. The amount of detail required in the disclosure needs to reflect the specific circumstances of the Authority.
- New accounting standard on leases (IFRS16) - The planned implementation of IFRS16 for the 2019/20 accounts has been deferred to 2021/22. As a result, we removed this areas of audit focus from the audit.

Executive Summary

Scope update

Changes in materiality - We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our planning materiality measure of 1.8% of gross expenditure on provision of services and performance materiality at 75% of planning materiality:

Materiality	Group (£m)		Authority (£m)	
	Audit Plan	Final	Audit Plan	Final
Planning	9.9	9.8	9.7	9.6
Performance	7.4	7.3	7.3	7.2
Reporting	0.494	0.488	0.487	0.480

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19.

The continued impact of the Covid-19 pandemic increases the risks to the material accuracy of financial statements and disclosures. To ensure we are providing the right assurances to the Authority and its stakeholders the firm has introduced a rigorous consultation process for all auditor reports to ensure that they include the appropriate narrative.

The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. We have set out the impact on our audit fee on page 39.

Executive Summary

Status of the audit

We have substantially completed our audit of the London Borough of Merton's financial statements for the year 31 March 2020 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Consideration of post balance sheet events up to the date of issuing the opinion.
- Receipt and review of the management representation letter.

We do not expect to issue the audit certificate at the same time as the audit opinion because of changes in the Whole of Government Accounts timetable. In our preliminary Audit Results Report presented to the 22 September 2020 meeting of the Standard and General Purposes Committee we indicated that our audit opinion may include two emphasis of matter paragraphs relating to the material uncertainty disclosure on the valuation of Property, plant and equipment assets, and going concern and the impact of the Covid-19 pandemic. We have now completed our internal consultation process on the form of the audit opinion and determined that the two specific disclosures are not fundamental to the reader's understanding of the accounts and therefore we do not need to emphasise the disclosures in our audit opinion.

Audit differences

There are three adjusted audit differences which we wish to bring to your attention and are included in Section 04. None of the adjustments made impact the general fund balance.

There is one unadjusted difference relating to industrial sites accounted for as Property, Plant and Equipment in the financial statements where we have disagreed with the approach taken by the Authority's valuer. Based on the work of our valuation specialist we have concluded that the value of industrial sites is understated by approximately £6.3m in the financial statements. We consider this to be a judgemental difference involving estimation which relate to facts or circumstances that are uncertain or open to interpretation. Management considers this to be a difference in professional opinion between two sets of valuers and therefore that no adjustment should be made. Further narrative disclosure has been added to Note 43, Assumptions Made About the Future and Other Sources of Estimation Uncertainty, to explain Management's view.

Executive Summary

Areas of audit focus

Our audit plan identified significant risks and areas of focus for our audit of the Authority's financial statements. We summarise below our latest findings.

Significant risk	Findings & conclusions
Management Override: Misstatements due to fraud or error	We have completed our testing and found no indications of management override of controls.
Incorrect capitalisation of revenue expenditure	We have completed our testing, subject to review, and have nothing to report
Valuation of land and buildings	We have completed our work and have reported an unadjusted audit difference on page 7 and one adjustment in Section 04. Management's disclosure of the material uncertainty related to the valuation of its land and buildings is reasonable.
Data migration of property, plant and equipment for the new fixed asset register	We have completed our review of the reconciliations carried out by the Authority and have not identified any issues to report.
Incorrect classification of the Dedicated Schools Grant (DSG)	We have reviewed the Authority's accounting treatment of the DSG deficit and can confirm that it meets the requirements of the Code.

Other area of audit focus	Findings & conclusions
Pension liability	We have agreed the Authority's pension liability disclosures to the actuarial report. An amendment has been made to the financial statements to increase the pensions liability accounted for on the Authority's balance sheet to account for the difference between the Authority's share of Pension Fund assets used to inform the actuarial assessment of the pensions liability and the final value of Pension Fund assets accounted for in the Pension Fund's financial statements.
Private finance initiative	We have completed our review and have nothing to report.
Going concern	The draft accounts did not include a detailed disclosure on going concern. Officers have used the assessment of the impact of Covid-19 on the Authority's finances, as reported to Cabinet, to draft a new going concern disclosure note. We have scrutinised the financial assessment, cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions. We reviewed and further amended the revised going concern disclosure and are satisfied that it is an adequate reflection of Management's assessment that it remains appropriate to prepare the financial statements on a going concern basis.



Executive Summary

Areas of audit focus

This report sets out our latest observations and conclusions on the above matters, and any others identified, in the "Areas of Audit Focus" section of this report. We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues; and
- You agree with the resolution of the issues; and there are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to your attention.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

We have not identified any key control deficiencies as part of the audit process. Please refer to Section 7 for details.

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Value for money

We identified one significant risk relating to sustainable resource deployment and in particular the Authority's arrangements to manage the financial challenges outlined in the Medium Term Financial Strategy. We are satisfied that the Authority has proper arrangements in place around the MTFs. As such we have no matters to report in the audit opinion. We include further details in Section 05 of this report.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission. However Treasury has extended the reporting timetable for WGA so we may not certify completion of the audit at the same time as issuing the audit opinion.

Independence

Please refer to Section 8 for our update on Independence. There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.



02 Areas of Audit Focus



Significant risk

Management Override:
Misstatements due to
fraud or error
(Fraud risk)

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

For the Authority, we have assessed that this risk could manifest in:

- Inappropriate journal entries; specifically manual journals posted by management in the preparation of the financial statements.
- Significantly unusual transactions entered into by management that are outside of the normal scope of business of the Authority.
- Management bias in key accounting estimates and judgements.

Page 23

What judgements are we focused on?

We have considered the risk of management override in respect of the Authority's judgements over capitalisation of revenue expenditure (see over).

What did we do?

- Identified fraud risks during the planning stages.
- Asked management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures in relation to journal entries and other adjustments
- Assessed the nature of significantly unusual transactions
- Considered if management bias was present in key accounting estimates and judgments in the financial statements

What are our conclusions?

Our testing is complete. We did not identify any:

- material weaknesses in controls or evidence of material management override;
- instances of inappropriate judgements being applied; or
- any other transactions during our audit which appear unusual or outside the Authority's normal course of business.



Areas of Audit Focus

Significant risk

Incorrect capitalisation of revenue expenditure
(Fraud risk)

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts.

Page 24

What judgements are we focused on?

We have identified a risk of expenditure misstatement due to fraud or error that could affect the income and expenditure accounts. We have focused on the Authority's judgement that an item is capital expenditure in nature. If this were to happen it would have the impact of understating revenue expenditure and overstating property, plant and equipment additions and/or Revenue Expenditure Financed as Capital Under Statute (REFCUS) in the financial statements.

What did we do?

Our approach focused on:

- Sample testing additions to property, plant and equipment to ensure that they had been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised; and
- Using our data analytics tool to identify and test journal entries that moved expenditure into capital codes.

What are our conclusions?

Our sample testing of additions to property, plant and equipment:

- Found they had been correctly classified as capital and included at the correct value.
- Did not identify any revenue items that were incorrectly classified as capital.

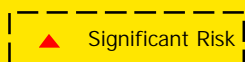
Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.



Areas of Audit Focus

Significant risk

Valuation of other land & buildings



What is the risk?

as an area of audit focus. The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of COVID-19 on markets might cause a valuer to conclude that there is a material uncertainty, which the valuer would then disclose in their report. RICS has explained this is not a 'disclaimer' in the valuation: valuers are continuing to apply their professional judgement, this is disclosing the additional uncertainty attached to current valuations. This is particularly relevant for Fair Value / Market Value based assets because of the paucity of market information available at 31 March upon which to give those valuations. The Authority's valuation report includes this reference. [our work](#)

What judgements are we focused on?

The reasonableness of the methodologies adopted by the valuer in undertaking their valuations in 2019/20 and of the key assumptions input into these valuations. In particular assets with reference to fair value/ market value. Additionally, we considered assets not revalued in the current year for the potential of material misstatement in valuation as of 31 March 2020.

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What did we do?

- Considered the work performed by the Authority's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Disaggregated the Authority's other land and buildings and adopted different testing strategies for specialised assets the Authority values using depreciated replacement cost (DRC) and non-specialist assets valued using existing use value (EUV):
 - For DRC we checked that the Authority had used the methodology it revised in the prior year following our audit which included the work of our expert. We also tested a sample of valuations, challenging the Authority on key assumptions and base data such as agreeing floor areas back to original documentation.
 - For EUV, due to the extent of subjectivity and professional judgement that management's expert applies and the impact of Covid-19 on aspects of these valuations we engaged our own expert (EY Real Estates) to enable us to audit a sample of valuations, challenging management on key assumptions and judgements.
- Reviewed assets not subject to valuation in 2019/20 to confirm that the valuation remaining asset base was not materially misstated.
- Checked that the material uncertainty reported by the Authority's valuer was appropriately disclosed in the financial statements.



Areas of Audit Focus

Significant risk

Valuation of other land & buildings

What are our conclusions?

- We completed our work in response to this risk, including the work carried out by our EY Real Estates.
- We have reviewed the disclosure in the financial statements relating to the material valuation uncertainty paragraph included by the valuer in their valuation report, and consider the disclosure appropriate.

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We have concluded that the assessment of fair values performed by the valuer and the directors are within an acceptable range and the carrying values of assets are fairly stated at 31 March 2020 within material parameters. There is, however, one area relating to the valuation of industrial sites accounted for as Property, Plant and Equipment in the financial statements where we disagreed with the approach taken by the Council's valuer. Based on the work of our valuation specialist we have concluded that the value of industrial sites is understated by approximately £6.3m in the financial statements. We consider this to be a judgemental difference involving estimation which relate to facts or circumstances that are uncertain or open to interpretation. Management considers this to be a difference in professional opinion between two sets of valuers and therefore that no adjustment should be made. Further narrative disclosure has been added to Note 43, Assumptions Made About the Future and Other Sources of Estimation Uncertainty, to explain Management's view.

- The Authority undertook a desktop review to estimate the change in value for land and buildings not actually subject to revaluation by a valuer in 2019/20. However, this estimate was not reflected in the draft accounts. We reviewed the exercise and concluded that the estimate made was reasonable, being based on the results of the actual revaluation exercise undertaken in the year. We recommended that the Authority adjust the carrying value of land and buildings assets in the financial statements to account for the estimate. This had the impact of reducing the carrying value of property, plant and equipment assets by approximately £2.9m.



Areas of Audit Focus

Significant risk

Data Migration of the property, plant and equipment Fixed Asset Register (FAR)



What is the risk?

During 2019/20, the Authority has changed its fixed asset register (FAR) from the current system to the CIPFA accounting module. Given output from the system is material and there have been significant issues relating to property valuations in prior years we have concluded this should be treated as a significant risk in our 2019-20 audit.

our work.

What judgements are we focused on?

The adequacy of the reconciliations undertaken by the Authority and accuracy of data held on the new FAR.

What did we do?

- Reviewed the Authority's reconciliation of the prior year 2018-19 closing balance to the 2019-20 opening balance in the old FAR on Excel.
- Reviewed the Authority's reconciliation between the old FAR on Excel to the new CIPFA accounting system to confirm that data transfer is complete and accurate.
- Considered the Authority's investigation into any variances between the two systems.
- Assessed the accuracy of data held on the new FAR through substantive testing of a sample of PPE.

What are our conclusions?

We found that:

- The prior year 2018-19 closing balance fully reconciled to the new year 2019-20 opening balance in the old FAR.
- Property, plant and equipment data had been completely and accurately transferred between the old FAR and new CIPFA accounting system in 2019/20.
- All variances between the two systems were adequately explained.
- Some immaterial adjustments were made to improve the accuracy of data on the new CIPFA accounting system.



Areas of Audit Focus

Significant risk

Incorrect classification of Dedicated Schools Grant (DSG) deficit



What is the risk?

At the end of 2018/19 the Council had incurred a cumulative deficit of £2.9 million against DSG funded activities, This was accounted for as a negative, or debit balance, earmarked reserve. We concluded it was not permissible under extant accounting rules to have a negative earmarked reserve, and therefore considered this to be an uncorrected misstatement in the 2018/19 audit. The Authority was forecasting a cumulative DSG overspend in 2019/20 of £13 million.

In January 2020 the Department for Education (DfE) released some further guidance on the accounting treatment of the DSG deficit.

our work.

What judgements are we focused on?

The decision made by the Authority on how it would account for its DSG deficit.

What did we do?

- DSG income: we reconciled DSG income reported to the DSG funding schedule for the Authority on the DfE website.
- DSG expenditure: we performed a year on year analytical review and substantive testing of relevant expenditure.
- We considered the accounting decisions taken by the Authority to determine the acceptability of the accounting approach taken and any impact on the financial statements.

What are our conclusions?

Our procedures on DSG income and expenditure identified no significant issues.

The Authority has followed the guidance issued by CIPFA following clarification of the DfE guidance which allows the Authority to disclose a negative DSG deficit without this being charged to the General Fund.

A statutory instrument is currently being prepared by the Ministry of Housing, Communities and Local Government which would allow cumulative DSG deficits to be accounted for as an unusable reserve. The statutory instrument will apply prospectively from 1 April 2020 and therefore has no impact on the Council's 2019/20 financial statements.



Areas of Audit Focus



Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2020 this totalled £279 million (£343 million at 31 March 2019).

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the Pension Fund.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach has focused on:

- Liaising with the auditors of the Merton Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Authority;
- Assessing the work of the Pension Fund actuary (Barnett Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the NAO for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Reviewing and testing the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

Findings and conclusions

We have agreed the Authority's pension liability disclosures to the IAS19 report provided by the actuary. We have now also received the assurances requested from the auditor of the Pension Fund. Following the receipts of that assurance an amendment has been made to the financial statements to increase the pensions liability accounted for on the Authority's balance sheet to account for the difference between the Authority's share of Pension Fund assets used to inform the actuarial assessment of the pensions liability and the final value of Pension Fund assets accounted for in the Pension Fund's financial statements.



Areas of Audit Focus



Going concern disclosure

There is presumption that the Authority will continue as a going concern. However, the current and future uncertainty over government funding and other sources of Authority revenue as a result of Covid-19 increases the need for the Authority to undertake a detailed going concern assessment to support its assertion. From an audit perspective, the auditor's report going concern concept is a 12-month outlook from the audit opinion date, rather than the balance sheet date. So, this year, for example, we will need to see evidence of the going concern assessment up to and including around September / October 2021.

Findings and conclusions

The draft accounts did not include a going concern disclosure but officers had carried out assessment of the impact of the Covid-19 pandemic on the Authority's income, expenditure, balances and reserves to inform reporting to Cabinet. Officers have used these assessments, and working in collaboration with the audit team, drafted a new going concern disclosure note for inclusion in the final version of the statements.

We have reviewed the assessment, focusing on the reasonableness of the financial impact assessment, cashflow and liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions, particular around reductions in fees and charges. We have also considered the adequacy of management's new disclosure note and its agreement with the financial assessment.

The Authority is forecasting that as at July 2020 it will incur an overspend in 2020/21 of £23m which is predominantly Covid-19 related. Whilst the Authority continues to review all service areas revenue and capital budgets to identify options for delivering efficiency savings and / or generating income with the aim of setting a balanced budget in 2021/22 and reducing the overspend in 2020/21, The Authority has the following reserves to call on in delivering its services:

General Fund	£13.8m	Earmarked	£59.6m
Capital grants	£21.9m	Capital receipts	£2.1m

If required the Authority is prepared to 'un-earmark' certain reserves to meet its Covid-19 related commitments.

We therefore note that the Authority has headroom within the General Fund to absorb the estimated financial impact of the Covid-19 pandemic in the short to medium-term.

In terms of cash, at the end of June the Authority had a cash balance of £13.4m, with a further £35m in money market funds which are instantly callable, £65m in short term deposits maturing between one month and eight months and £10m in longer term property related investments, also available within a few days.

We have now reviewed the new going concern disclosure which officers plan to include at Note 42 of the statements, and are satisfied that it adequately reflects the Authority's assessment and informs the reader of the impact of the pandemic on the Authority's finances.



Areas of Audit Focus



Private Finance Initiative (PFI) accounting

The Authority has a material PFI arrangement in relation to schools. PFI accounting is a complex area, and a detailed review of these arrangements was undertaken by our internal expert in 2016-17 and followed-up in 2017-18 and 2018-19.

Our approach has focused on:

- Reviewing the accounting entries and disclosures in relation to PFI in detail in 2019-20, with a focus on any significant changes since the expert's follow-up review in the previous year.
- Testing of in-year inputs to the accounting models and agreeing relevant entries in the financial statements to year-end output from the accounting model.

Findings and conclusions

Officers have affirmed that there have been no significant changes in the way the Authority accounts for PFI. We have completed our review and found that the accounting entries and disclosures are in line with the prior year arrangements and satisfactorily reported in the 2019/20 statements.



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF MERTON

Opinion

We have audited the financial statements of the London Borough of Merton for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement and the related notes 1 to [43].
- Collection Fund and the related notes 1 to [x]

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of the London Borough of Merton as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Corporate Resources use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Corporate Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts 2019/20, other than the financial statements and our auditor's report thereon. The Director of Corporate Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.



Audit Report

Draft audit report

Our opinion on the financial statements

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, we are satisfied that, in all significant respects, the London Borough of Merton put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Director of Corporate Resources

As explained more fully in the Statement of the Responsibilities, the Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Corporate Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Audit Report

Draft audit report

Our opinion on the financial statements

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether the London Borough of Merton had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the London Borough of Merton put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the London Borough of Merton had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in the certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack.

We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the NAO.

Use of our report

This report is made solely to the members of the London Borough of Merton, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Suresh Patel (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London Date



04 Audit Differences





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

Judgemental misstatement

The Authority undertook a desktop to estimate the change in value for land and buildings not actually subject to revaluation by a qualified valuer in 2019/20. We reviewed the exercise and concluded that the estimate made was reasonable as it was based on the results of the actual revaluation exercise undertaken in the year. We therefore recommended that the Authority adjust the carrying value of land and buildings assets in the financial statements to account for the estimate. This had the impact of reducing the carrying value of property, plant and equipment assets by approximately £2.9m.

Known misstatements

Debtors on the main Authority balance sheet have been reduced by a total of approximately £1.34m, with a corresponding adjustment made to receipts in advance. The adjustment is as a result of two issues:

The write back of historic council tax and NNDR receipts in advance to the general fund totalling approximately £860k had been incorrectly debited to debtors rather than to receipts in advance.

- Approximately £480k of income relating to 2020/21 had been reversed from the year account by adjustment of receipts in advance rather than debtors. This has the impact of grossing up debtors and receipts in advance.

Both of these adjustments had no impact on the general fund balance.

Following receipt IAS19 assurances from the auditor of the Pension Fund an amendment has been made to the financial statements to increase the pensions liability accounted for on the Authority's balance sheet by £4.5m to account for the difference between the Authority's share of Pension Fund assets used to inform the actuarial assessment of the pensions liability and the final value of Pension Fund assets accounted for in the Pension Fund's financial statements.

Unadjusted difference

There is one unadjusted misstatement we wish to bring to your attention. Based on the work of our valuation professionals we have concluded that the value of industrial sites accounted for as Property, Plant and Equipment in the financial statements is understated by approximately £6.3m. We consider this to be a judgemental difference. Management considers this to be a difference in professional opinion between two sets of valuers and therefore that no adjustment should be made. Further narrative disclosure has been added to Note 43, Assumptions Made About the Future and Other Sources of Estimation Uncertainty, to explain Management's view.



05

Value for Money



Background

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

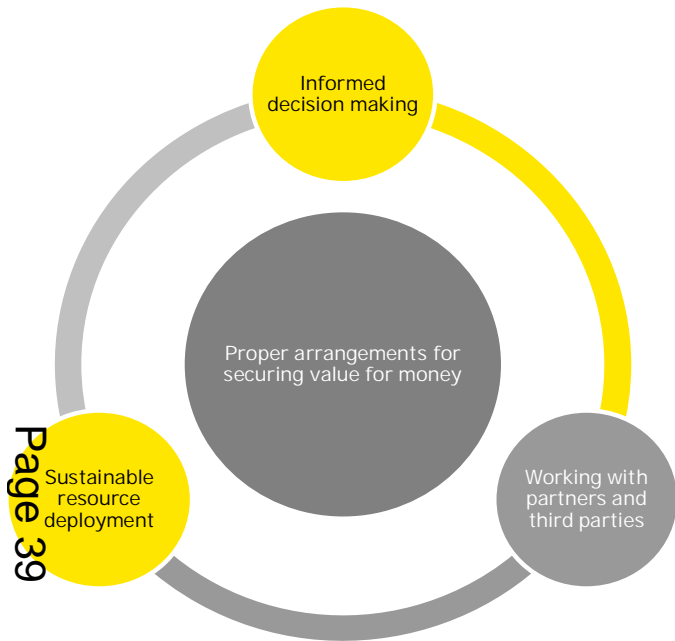
For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.



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Impact of covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

Overall conclusion

We identified one significant risk around these arrangements. The tables below present our findings in response to the risks in our Audit Planning Report and any other significant weaknesses or issues we want to bring to your attention.

We have not identified any new significant risks around these arrangements.

We have no matters to include in the auditor's report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:
“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

We present below the findings of our work in response to the risk area in our audit plan.

What is the significant value for money risk?

Sustainable resource deployment

In the March 2020 Audit Plan we reported that like other local government bodies, the Authority continued to have a challenging financial outlook. To balance the budget over the next four years it was planning to deliver cumulative agreed savings of approximately £7.0 million with further savings of approximately £3.3 million needing to be found to fully balance the budget and avoid further dependence on its reserves.

As at January 2020, the draft business plan 2020-24 showed a cumulative budget gap, including the use of reserves, and assuming no Adult Social Care grant but that Council Tax hypothecation can be used, as follows over the next four years:

No budget gap in 2020-21.

£4,239,000 in 2021-22.

£8,052,000 in 2022-23.

£10,541,000 in 2023-24.

These financial pressures were compounded by other activities. Firstly the Ofsted inspection of the Authority’s services for special educational needs and/or disabilities (SEND) in September 2019, which identified some significant weaknesses, particularly in leadership and partnership working with CCGs, and opportunities for improvement. Secondly the Authority’s overspending against its Dedicated Schools Grant (DSG) budget.

We consider all of the above to be relevant to the sustainable resource deployment VFM criterion and as a result it constituted a significant risk.

Since the March 2020 Audit Plan, we have clarified with the NAO that the overspend relating to the DSG budget should not be a consideration for our VFM conclusion work around sustainable resource deployment because the revised DfE regulations make it clear that local authorities are not required to fund the DSG deficit with general fund monies. However, there remains an expectation that authorities will put in place arrangements to manage DSG related spending.



Value for Money Risks (continued)

What did we do?

Our approach focused on reviewing the robustness of the Authority's plans and arrangements to:

- Address budget pressures in Children, Schools and Families, and
- Achieve its savings targets and address budget gaps to deliver sustainable financial balance over the medium term.

We also followed up the issues we highlighted as part of our prior year 2018-19 programme of value for money work.

In doing this we explicitly considered the:

- Financial pressures created by the need to address the findings of the SEND inspection and whether these have been adequately considered in the Council's medium-term financial plans.

The Authority's deficit recovery plan in respect of the cumulative DSG deficit.

What did find?

Overall 2019/20 financial performance including financial performance in Children, Schools and Families

The Council delivered a 2019/20 overall revenue underspend of £1.7m or approximately 0.3% of its gross general fund budget. Total capital expenditure for 2019/20 was £23.2 million. The Council made a number of amendments to the capital budget during the year reflecting slippage from the prior year brought forward and significant re-profiling of activity into subsequent financial years. This resulted in a final revised capital budget of £27.0m compared to an opening planned capital programme of £53.9m. Final capital outturn was therefore 13% lower than the final revised budget.

The level of underspending against budget allowed the Council to increase the level of earmarked and general fund reserves available to finance revenue expenditure by approximately £4m or 6%. Some of this increase was taken to the General Fund Reserve, Spending Review Reserve and Balancing the Budget Reserve and therefore is available to support the continuing pressures on the revenue budget faced by the Council over the medium term.

Value for Money Risks (continued)

What did we find (continued)?

As part of the overall revenue underspend, net service expenditure was underspent by £147k with savings in Adult Social Care, Corporate Services and Children, Schools and Families (CSF). The CSF department outturn position underspent by £241k. The overall net underspend within the department was achieved by lower than planned redundancy costs, savings against the schools PFI budget and underspending within other cross-departmental budgets. There was also underspending on procurement & schools organisation, early years and education & inclusion budgets. Delivery of an overall underspend at service level represents a considerable achievement given the significant overspends incurred in both 2018/19 and 2017/18. However, areas of budget pressure experienced in recent years have continued into 2019/20, with Special Education Needs (SEN) transport spend in particular, being again significantly over budget. Costs in this area are inherently volatile and difficult for the Council to forecast and control, with small increases in the number of SEN children entitled to the provision of transport potentially having a significant impact on the level of expenditure incurred.

More broadly costs related to the implementation of Special Educational Needs and/or Disabilities (SEND) reforms have continued to grow significantly during the year. These costs are primarily funded from DSG, and at the end of the year the cumulative DSG deficit stood at £12.75 million with this being partly driven by SEND related costs. Although it is now clear, following the issue further guidance and planned regulation by the Department for Education (DfE), DSG deficits should not be covered from the general fund but over time be recovered from DSG income, the Council has a role in working with the DfE and other partners to control related spending. We consider this further below.

Achievement of savings targets and medium-term financial planning

The Medium-Term Financial Strategy was last updated in February 2020 as part of the Council's Business Plan. At that time the Council set a balanced budget for 2020/21 with residual gaps to be closed of £3.3m, £6.9m, and £9.0m in 2021/22, 2022/23 and 2023/24 respectively. Cumulative savings of £11.9m had been identified in 2020/21, rising to £16.3m by 2023/24. We have not tested individual schemes in detail as part of our work but based on the Council's own internal reporting note that a programme of named savings schemes had been established in support of this.

Despite delivering an overall revenue underspend the Council only succeeded in delivering 72% of the savings it planned for the year. This compared to 78% of planned savings being achieved in the prior year. The main shortfall was in the Environment and Regeneration Department where only 52% of planned savings were delivered. Given the recurrent nature of many of the planned savings the Council needs to improve the rate of savings delivery.

Although not directly relevant to our 2019/20 value for money conclusion responsibilities given its proximity to the end of the year, the emergence of the C-19 pandemic subsequent to the budget being set has fundamentally changed the Council's planned spending and income streams in 2020/21. At the end of month 4 of 2020/21 the Council forecast a full-year overspend of £23.7m which is being driven entirely by the adverse financial impact of C-19. The Council's reporting suggests that the underlying position discounting the impact of C-19 would be a forecast full-year surplus of £3.2m. The impact of C-19 on the Council's ability to deliver its planned programme of savings has been a contributory factor to the forecast level of 2020/21 overspending, and medium-term financial planning will require significant revision in due course as the extent and duration of net cost pressures become clearer. Work is currently ongoing in all service areas to review revenue and capital budgets during 2020 to identify options for delivering efficiency savings and/or income generation, with the aim of setting both a balanced budget in 2021/22 and reducing the overspend in 2020/21.

Value for Money Risks (continued)

What did we find (continued)?

SEND inspection response and DSG recovery planning

Ofsted inspection of the Council's SEND services in September 2019 identified some significant weaknesses, particularly in leadership and partnership working with Clinical Commissioning Groups (CCGs), and related opportunities for improvement.

A key requirement of the SEND reforms is for relevant authorities to work together to develop appropriate education, health and care plans (EHCP). EHCPs are for children and young people aged up to 25 with complex needs who need more support than is available through special educational needs support. EHCPs identify educational, health and social needs and set out the additional support to meet those needs. Elements of SEND generally, and EHCPs specifically, are funded by the DSG. The Council reports that the annual increase in the number of EHCPs significantly exceeds the number of additional special school places the Council is able to create in the borough. This is creating financial pressure and significantly contributing to the cumulative deficit of DSG related costs against available funding. Other adverse variances include £1.2m on EHCP allocations to Merton primary and secondary schools, £2m on EHCP allocations to out of borough maintained primary, secondary and special schools, and £1.1m on one-to-one support, therapies and alternative education. While the EHCP costs do not directly impact the Council's General Fund, the Council is required to produce a recovery plan in respect of the cumulative DSG deficit and the Council has a key role, working with the DfE and other partners, in shaping arrangements to deliver against this.

Although areas of good practice were identified, Ofsted raised a number of adverse findings covering:

- A lack of progress in implementing SEND reforms, including a need for more effective partnership arrangements with NHS commissioners.
- A lack of training for health and social care professionals on the EHCP process.
- Weaknesses in quality assurance arrangements around EHCPs.

Subsequent to the inspection the Council has produced a joint written statement with the South West London Clinical Commissioning Group providing an update on the progress made against each overarching objective and action point raised in the Inspection. Based on a review of relevant documentation the statement is underpinned by a detailed action plan and further supporting arrangements.

The Council also produced an updated DSG recovery plan in January 2020 focusing on actions required to address the funding pressures on the high needs block element of the DSG funding allocation. Specifically:

- Expanding state special school provision.
- Working collaboratively with the Council's state special schools to provide support and encourage inclusive practice, hence reducing specialist placements.
- Improving the consistency of identifying children with Special Educational Needs across borough schools.
- More intervention and support for the age 14-25 cohort.



Value for Money Risks (continued)

What did we find (continued)?

This follows other actions in recent years to control spending:

- The provision of extra state school placements.
- Efforts to minimise the use of residential placements.
- A reduction in independent provision placements inflation increases through joint working with the South London Consortium including use of a Dynamic Purchasing System.
- Additional Resourced Provision and Education Health and Care Plan banding allocations have only been inflated once since 2013/14.

Despite this, significant and continuing increases in ECHPs and other qualifying demand for SEN support are driving additional costs and mean that there remains a reliance on relatively expensive independent school provision that cannot be easily addressed in the short term. The Council therefore continues to forecast an increasing cumulative DSG overspend of approximately £65.9m by the end of 2023/24. This deficit was partly integrated into the Council's medium-term financial plans, which assumed that the Council's General Fund meets all the deficits until the end of 2020/21 and 50% of the deficit thereafter, but this remains under further consideration given that it has now been made clear that DSG deficits are not chargeable to the general fund. A further update of the DSG recovery plan and arrangements was planned for the summer but this has been delayed due to the impact of C-19, but it is clear that regular discussions with DfE and other partners have continued.

Based on all of the above we are satisfied that the Council has proper arrangements in place in respect for taking informed decisions, deploying resources in a sustainable manner and working with partners and other third parties.



06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance. Financial information in the Statement of Accounts 2019/20 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the latest version of the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

The Treasury has extended the timetable for the Authority to make its WGA submission and for the auditor's assurance statement. As a result, we have yet to receive the submission.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We have had no reason to exercise these duties.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit; Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested; Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process; Related parties; External confirmations; Going concern; and
- Consideration of laws and regulations.

We have nothing to report.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



08

Independence

Independence

Confirmation

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning report dated March 2020. We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Standards and General Purposes Committee on 22 September 2020.

We confirm we have not undertaken any non-audit work outside the NAO Code requirements in relation to our work.

Page 15 Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table overleaf includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Appendix A

Fees

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2020. We have included the fees paid by the Authority in engaging us as a reporting accountant on DWP's the housing benefits assurance programme. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

In our Audit Plan and subsequent reporting to the Standards and General Purposes Committee, we have communicated our proposal to increase the scale fee for 2019/20. This proposal is currently being considered by PSAA as part of their national consideration of EY's fee proposals. The table below does not reflect those proposals and includes items where we need to determine the final fee to present to the Director of Corporate Services.

	Final fee 2019/20 (£)	Planned fee 2019/20 (£)	Final Fee 2018/19 (£)
Scale Fee - Code work	110,493	110,493	110,493
Additional work:			
PPE including RICS related material uncertainty	14,250	5,000-15,000	14,560
Change in materiality and clearance of audit queries	-	-	23,500
McCloud query	-	-	850
• VFMC significant risk	6,800	2,000-7,000	-
• Data migration for the new FAR	6,900	1,500-7,500	-
• Going concern assessment and disclosure	2,750	-	-
• EY consultation on auditor's report on the statements involving EY professional practice directorate to ensure the auditor's report is appropriate.	5,600	-	-
Total audit	146,793	118,993-139,993	149,403
Non-audit services:			
Housing Benefits 1819	TBC	TBC	TBC
Housing Benefits 1718 Module X (further work on the 1718 claim)	-	n/a	39,600
Teachers' Pensions	TBC	TBC	9,000
Total other non-audit services	TBC	TBC	TBC
Total fees	TBC	TBC	TBC

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services - Remuneration advisory services - Internal audit services - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Standards and General Purposes Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the Standards and General Purposes committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019: https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf







09 Appendices

Appendix A

Required communications with the Standards and General Purposes Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Standards and General Purposes Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan – March 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan – March 2020
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report – November 2020





Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Merton Council’s ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	Audit Results Report – November 2020
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit Results Report – November 2020
Fraud	<ul style="list-style-type: none"> • Enquiries of the Standards and General Purposes Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Standards and General Purposes Committee responsibility. 	Audit Results Report – November 2020





Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Authority 	Audit Results Report - November 2020
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit 	Audit Plan - March 2020 and Audit Results Report - November 2020

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
	<ul style="list-style-type: none"> • Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy • Details of any contingent fee arrangements for non-audit services • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit. 	Audit Results Report – November 2020

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit Results Report – November 2020
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report – November 2020
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor’s report 	Audit Results Report – November 2020
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Plan – March 2020 and Audit Results Report – November 2020

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Management representation letter – Illustrative draft

Management Rep Letter

[To be prepared on the entity's letterhead]

Date

Suresh Patel

Associate Partner

Ernst & Young LLP

This letter of representations is provided in connection with your audit of the financial statements of the London Borough of Merton (“the Group and Council”) for the year ended 31 March 2020. We recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of the London Borough of Merton as of 31 March 2020 and of its income and expenditure and its cash flows for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Group and Council, we believe that the Group and Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and council financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because [specify reasons for not correcting misstatement].

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Group and Council's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Management Rep Letter

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations including fraud that may have affected the Group and Council (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Group and Council’s financial statements
- Related to laws or regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group and Council’s business, its ability to continue in business, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others

In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements, including those related to the COVID-19 pandemic.

3. We have made available to you all minutes of the meetings of Group and Council and the Standards and General Purposes Committee held through the 1 April 2019 to the most recent meeting on the following date: 22 September 2020.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the 31 March 2020 end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From 1 April 2019 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note [X] to the financial statements all guarantees that we have given to third parties.

Management Rep Letter

E. Subsequent Events

1. There have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises Narrative Report and Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Going Concern

1. Note [X] to the financial statements discloses all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

H. Estimates

When we have identified following estimates as significant or higher risk:

- i. Pension Liability
- ii. Property, Plant & Equipment / Investment Properties - Valuation and Impairment
- iii. Provision for impairment of receivables
- iv. NDR Appeals Provision

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out the operations on behalf of the Group and Council.

3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic on 31 March 2020 and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

J. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst Council, subsidiary undertakings and associated undertakings.

Yours faithfully,

Director of Corporate Services (Chief Financial Officer)

Chair of the Standards and General Purposes Committee

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ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.



05 November 2020

London Borough of Merton
Merton Civic Centre
Morden,
Surrey
SM4 5DX
020 8545 3461

Suresh Patel
Associate Partner
Ernst & Young
1 More London Riverside
London
SE1 2AF

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of the London Borough of Merton (“the Group and Council”) for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of the London Borough of Merton as of 31 March 2020 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Group and Council that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and council financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because the difference in the valuation of Industrial Estates, which is accounted for as Property, Plant and Equipment (PPE), is simply a reflection of differences in professional judgement as between the Council's in-house valuers (whose judgement is supported by the District Valuer) and EY Real Estates (EYRE).

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and council financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Group and Council held through the year to the most recent meeting of the Standard and General Purposes Committee held on 5 November 2020.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 12 to the consolidated and council financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than as described in Note 33 to the consolidated and council financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

F. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Estimates

Valuation of Property, Plant and Equipment

Valuation of Pension Fund assets and liabilities

Accounting entries relating to Private Finance Initiative schemes

National-Non Domestic Rates Appeal Provision

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out the operations on behalf of the Group and Council.
3. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic, and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and council financial statements due to subsequent events, including due to the COVID-19 pandemic.

Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully

Caroline Holland, Director of Corporate Services

Cllr Peter McCabe, Chair of the Standards and General Purposes Committee

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Merton Pension Fund Audit results report

Year ended 31 March 2020

20 October 2020

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y'.

Building a better
working world



London Borough of Merton
Standards and General Purposes Committee

20 October 2020

Dear Committee members

We are pleased to attach our audit results report for the forthcoming meeting of the Standards and General Purposes Committee. This report summarises our audit conclusion in relation to the audit of Merton Pension Fund for 2019/20 and updates our preliminary Audit Results Report dated 27 August 2020. We will issue our final report soon after the Committee meeting on 5 November 2020.

Subject to concluding the outstanding matters listed in our report, we anticipate issuing an unqualified audit opinion on the financial statements in the form at Section 3 of this report. As set out on pages 5 to 7, as per our update to the Standards and General Purposes Committee in July 2020, the Covid-19 pandemic has impacted the statements and our audit opinion.

This report is intended solely for the use of the Standards and General Purposes Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement given the additional pressures they have faced responding to the pandemic and working remotely.

We welcome the opportunity to discuss the contents of this report with you at the Committee meeting on 5 November 2020.

Yours faithfully

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

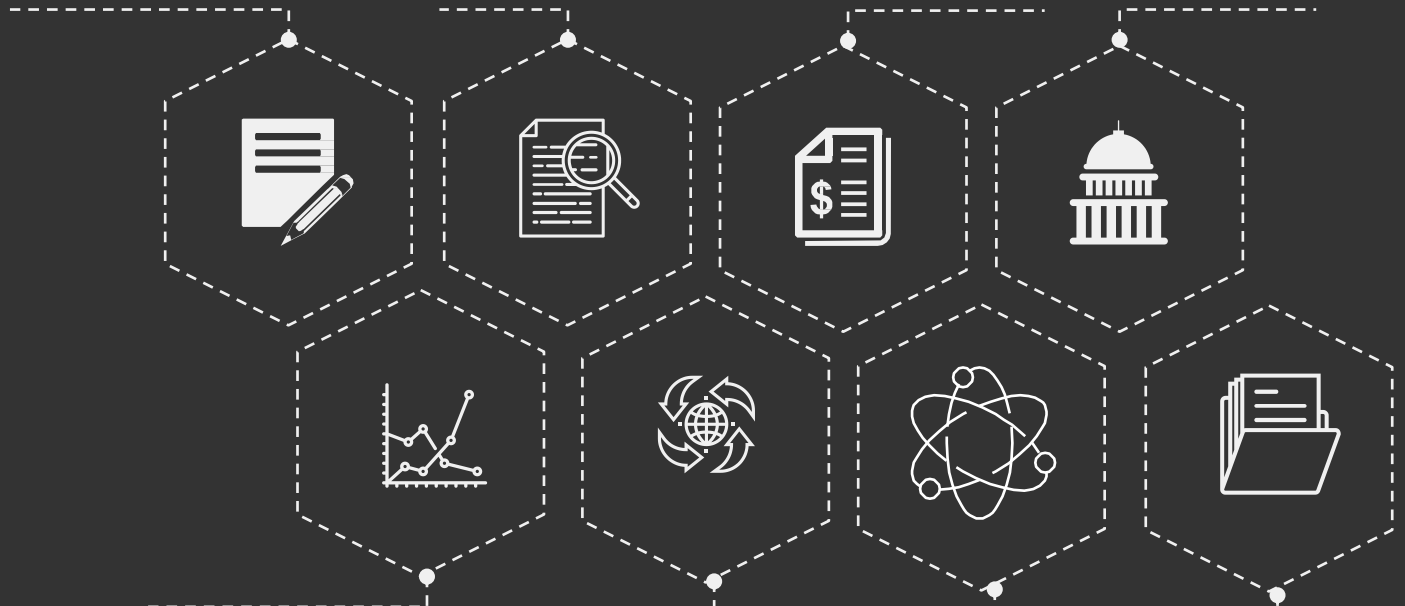
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05 Other reporting issues

06 Assessment of Control Environment

07 Independence

08 Appendices

Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary

Executive Summary

Scope update

In our audit planning report tabled at the 12 March 2020 Standards and General Purposes Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions which we reported to the Committee in July 2020:

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

Changes to our risk assessment as a result of Covid-19

► **Disclosures on Going Concern** - The pandemic has had a significant impact on the value of investments and as a result there was a need for the Fund to consider its financial plans for 2020/21 and the medium term. We determined that the unpredictability of the current environment gave rise to a risk that the Fund would not appropriately disclose the key factors relating to going concern, underpinned by management's assessment with particular reference to Covid-19 and the Fund's actual year end financial position and performance.

► **Events after the balance sheet date** - We identified an increased risk that further events after the balance sheet date concerning the Covid-19 pandemic would need to be disclosed, specifically for the Fund, changes to the value of investments after the initial lockdown announcement. The amount of detail required in the disclosure needs to reflect the specific circumstances of the Fund.

► **Changes in materiality** - We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment.

	Planning materiality	Performance materiality	Audit differences
	Our planning materiality represents 1% of the prior year's net assets, consistent year on year.	Performance materiality represents 75% of planning materiality and is the top of our range, consistent year on year.	We will report all uncorrected misstatements relating to the primary statements (net asset statement and fund account) greater than 5% of planning materiality.
Planned	£7.2m	£5.4m	£0.360m
Final	£6.9m	£5.2m	£0.345m



Executive Summary

Scope update (continued)

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Fund's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19.

The continued impact of the Covid-19 pandemic increases the risks to the material accuracy of financial statements and disclosures. To ensure we are providing the right assurances to the Fund and its stakeholders the firm has introduced a rigorous consultation process for all auditor reports to ensure that they include the appropriate narrative. This consultation process on the Fund's disclosures is now complete.

The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. We have set out the impact on our audit fee on page 24.

Status of the audit

We have substantially completed our audit of Merton Pension Fund's financial statements for the year 31 March 2020 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Consideration of post balance sheet events up to the date of issuing the opinion.
- Receipt and review of the management representation letter.

Audit differences

At the date of this report there are no unadjusted audit differences. The Fund has agreed to adjust for a small number of differences arising from our audit, largely relating to the classification of investment assets. We include further details in Section 4.

Executive Summary

Areas of audit focus

Our audit plan identified significant risks and areas of focus for our audit of the Authority's financial statements. We summarise below our latest findings.

Significant risk	Findings & conclusions
Misstatement due to Fraud or Error - Posting of investment journals	We have completed our testing and found no indications of management override of controls.
Risk of incorrect valuation and related accounting treatment in relation to the Fund's new currency hedge instrument	We have completed our testing, subject to review, and have nothing to report

Other area of audit focus	Findings & conclusions
Going concern	Note 2 of the draft accounts stated that they are prepared on a going concern basis but included no further disclosures. Following audit queries, the Fund prepared a going concern assessment and drafted an associated disclosure. We scrutinised the assessment, focusing on cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions. Based on the assessment and the Section 151 officer's response to our queries, we are satisfied that the Fund's disclosure adequately reflects the impact of the Covid-19 pandemic on its future finances. The Fund is currently 103% funded and although it has a relatively small operating cash flow shortfall as a result of its mature status, it can disinvest to ensure that it is able to remain liquid for a period of least 12 months from the date the financial statements are approved.
Post balance sheet events	Note 6 of the draft accounts stated that there were no events after the balance sheet date. Following audit queries, the Fund has considered the impact of the Covid-19 pandemic on the valuation of its investment assets after the 31 March 2020. The Fund has now updated Note 6 to reflect the movements in asset values and reference to its focus on long term investments. We are satisfied with the revised Note 6.

This report sets out our latest observations and conclusions on the above matters, and any others identified, in the "Areas of Audit Focus" section of this report. We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues; and
- You agree with the resolution of the issues; and there are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to your attention.



Executive Summary

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you. We have, however, identified one control weakness relating to the quality of data held on the pensions administration system which we consider in more detail in Section 6 of this report.

Other reporting issues

We have no other matters to report.

Independence

Please refer to Section 8 for our update on Independence. There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

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02 Areas of Audit Focus



Areas of Audit Focus

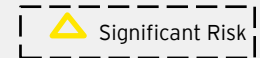
Significant risk

Risk of manipulation of Investment income and valuation

What is the risk?

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We assessed that the risk of manipulation of investment income and valuation through management override of controls was most likely to affect investment income and assets in the year, specifically through journal postings.



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What did we do and what judgements did we focus on?

- Tested journals at year-end to ensure there are no unexpected or unusual postings;
- Undertook a review of reconciliations to the fund manager and custodian reports and investigated any reconciling differences;
- Re-performed the detailed investment note using the reports we have acquired directly from the custodians or fund managers, including the agreement of investment additions and disposals in the year;
- Sought to obtain further independent support for the valuation of pooled year-end investments where this can be obtained;
- Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports; and
- Reviewed accounting estimates for evidence of management bias,

We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Pension Fund's normal course of business.



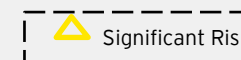
Areas of Audit Focus

Significant risk

Risk of incorrect valuation and related accounting treatment in relation to the Fund's new currency hedge instrument

What is the risk?

In December 2019 the Fund signed an agreement to enter into a US & Euro currency hedge. Based on our discussions with officers at the time we identified uncertainty over the valuation and accounting treatment of this new, unusual (relative to the fund's previous investment portfolios) and high value financial instrument which required the involvement of a third party to support management's valuation assertion and its accounting treatment in the 19/20 pension fund accounts.



What did we do and what judgements did we focus on?

Management needed to make judgements over the valuation of the instrument and its associated year end accounting treatment. We spent time in discussion with officers before the preparation of the accounts to understand the basis of the hedging instrument. However, at that stage officers were unclear of the full basis of valuation and accounting treatment. The draft accounts disclosed the instrument as 'overseas bonds'. However, on receipt of the year end valuation report for the £102m instrument we identified that it actually comprised of £25.8m cash (held by the fund manager), £69.8m fixed income equities (split £65.8m UK quoted and £4m overseas quoted) and £6.7m forward currency contract. Essentially, only the £6.7m classified as an level 3 investment. We used our derivative specialists to confirm the valuation of the £6.7m. The remaining investments of cash and quoted investments should be classified as level 1 investments and we were able to agree the valuation to quoted prices and confirmation with the fund manager of the cash held.

What are our conclusions?

The draft accounts incorrectly disclosed the classification of the investment. Officers have revised the accounts to reflect the appropriate accounting disclosure for the investment which comprises largely of quoted investments, cash held by the fund manager and a relatively smaller element which classifies as a forward currency contract.



Areas of Audit Focus



Going concern disclosure

There is presumption that the Fund will continue as a going concern. However, the current and future uncertainty presented by the Covid-19 pandemic increases the need for the Fund to undertake a going concern assessment to support its assertion. From an audit perspective, the auditor's report going concern concept is a 12-month outlook from the audit opinion date, rather than the balance sheet date. So, this year, for example, we have requested evidence of the going concern assessment up to and including around September / October 2021.

The draft accounts included a statement that the accounts had been prepared on a going concern basis. However, following audit enquiry the Fund carried out an assessment of the impact of the Covid-19 pandemic on its income, expenditure, investment assets, cashflow as well as considering the recent triennial valuation. We reviewed the assessment, focusing on the reasonableness of the financial impact assessment, cashflow and liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions. We also discussed with management the need to make specific disclosures in the 2019/20 statements.

The Fund's assessment focuses on the fact that the recent triennial valuation reported that it was 103% funded. The Fund's assessment also considered future cashflows and the potential impact of Covid-19. Although the Fund has a relatively small operating cash flow shortfall as a result of its mature status, it can disinvest to ensure that it is able to remain liquid for a period of least 12 months from the date the financial statements are approved. The Fund has used its assessment to derive an additional disclosure around going concern at Note 2 of the accounts.

We have now reviewed the new going concern disclosure and are satisfied that it adequately reflects the Fund's assessment and informs the reader of the impact of the pandemic on the Fund.



Post balance sheet events consideration and disclosure

The Covid-19 pandemic has had an ongoing impact on stock markets around the world. As a result, there is a need for the Fund to consider the current impact on investment asset values. The draft accounts at Note 6 stated that there were no post balance sheet events. Following audit enquiry, the Fund has now considered the ongoing impact of the pandemic on its asset values. The Fund has now included a revised Note 6 which we agree adequately reflects the non-adjusting movement in asset values since the 31 March 2020.



03 Draft Audit Report



Draft Audit Report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERTON PENSION FUND

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and the amount and disposition of the fund's assets and liabilities as at 31 March 2020; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Corporate Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Corporate Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Director of Corporate Services is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.



Draft Audit Report

Our opinion on the financial statements

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Director of Corporate Services

As explained more fully in the Statement of the Responsibilities, the Director of Corporate Services is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Corporate Services is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of Merton Pension Fund, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.



04 Audit Differences





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

There were no uncorrected misstatements.

As outlined earlier in the report, the Fund has included additional disclosure in respect of going concern at Note 2 and events after the reporting date at Note 6. In addition, the Fund has agreed to make the following changes arising from the audit.

Item	Change
Note 4.1 - Critical judgements in applying accounting policies	Disclosure updated to cross-refer to actuarial assumptions disclosed in Notes 18 and 19 of the accounts.
Note 5 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	Disclosure updated to reflect the valuation uncertainty and estimation approach for unquoted investments.
Note 14 - Investments	Change in total for Investments. Previously £690,156m should now be £684,822m due to latest information from Private Market investments (private debt and infrastructure investments).
Note 14.1 - Asset management arrangements	£150k relating to LCIV subscription should be included.
Note 14.2 - Analysis of investment assets and income	Reclassification of the currency hedge into its appropriate bond, derivative and cash classifications.
Note 14.3 - Reconciliation of movement in investments and derivatives	Change in market value: <ul style="list-style-type: none"> - Infrastructure from £2.367m to £0.787m. - Pooled property from £0.787m to -£0.537m.
Note 15 - Fair value - Basis of valuation	Splitting pooled properties between level 1 (£7.553m) and level 2 (£16.659m) .



05 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements. We are satisfied that the pension fund financial statements are consistent with the full annual statement of accounts of the London Borough of Merton for the year ended 31 March 2020.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We have had no reason to exercise these duties.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Fund’s financial reporting process. We have no matters to report.



06

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in internal control but have identified one issue which we wish to bring to your attention. As part of our IAS19 protocol work conducted on behalf of the London Borough of Merton we were required to test membership data submitted by the Fund to the Actuary that was used to inform the triennial valuation of the Fund at 31 March 2019. We randomly selected a sample of 25 entries from each of the 3 data extracts from the pensions administration system that were submitted to the actuary for this purposes, and sought to agree key data points to prime documentation. We could not fully agree 2 of the 75 entries to supporting records:

Page 89.
For 1 of the entries in the retired category both the retired fund member and spouse beneficiary had died and so should have been removed from the pensions administration system. Upon further investigation Merton Council has confirmed that no payments of benefit are actually being made to the deceased fund member.

For 1 of the entries in the retired category also relating to a beneficiary there was a small difference between the total pension payment in the data submitted to the actuary and evidence to support the actual amount paid.

While these findings do not directly impact our audit of the Pension Fund's 2019/20 financial statements it is important that accurate and supportable membership data is held on the pensions administration.

Recommendation

Review and where necessary improve the quality of Fund membership data held on the pensions administration system.



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07

Independence

Independence

Confirmation

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning report dated February 2020. We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Standards and General Purposes Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Committee on 22 September 2020.

We confirm we have not undertaken any non-audit work outside the NAO Code requirements in relation to our work.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table overleaf includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2020.

In our Audit Plan and subsequent reporting to the Standards and General Purposes Committee, we have communicated our proposal to increase the scale fee for 2019/20. This proposal is currently being considered by PSAA as part of their national consideration of EY's fee proposals. The table below does not reflect those proposals.

	Final fee 2019/20	Planned fee 2019/20	Final Fee 2018/19
	£	£	£
Scale Fee - Code work	16,170	16,170	16,170
Additional work and associated fees:			
New LCIV arrangements	-	-	2,000
New significant risk relating to US currency hedge (1)	2,250	1,000-5,000	-
Going concern and PBSE assessments and disclosures including EY consultations (2)	5,500	2,500-6,000	-
Work on the 2019 triennial valuation of the Fund (3)	9,000	5,000-9,000	-
Total indicative Pension Fund fee	32,920	TBC	18,170

Notes: These items are outside of the PSAA scale fee and will be subject to agreement with the Director of Corporate Services and then PSAA.

1. We reported in the Audit Plan that the new significant risk would necessitate an additional fee. In light of the actual valuation, our additional input was less than anticipated but has led to changes to the disclosure of the new investment.
2. We reported in the update to the Audit Plan that we would need to carry out additional work to review, assess and challenge the Authority's going concern assessment and associated disclosure. We also highlighted that to ensure that we are giving the right assurance to the Authority, EY have instigated a consultation process involving the Firm's Professional Practice Directorate. We will confirm the final fees associated with this additional work on completion of the audit.
3. We reported in the Audit Plan that as a result of the triennial valuation of the Fund we would be required to undertake additional testing of membership date. This work is in progress and we will quantify the final fee on completion.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
 - A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
 - A narrow list of permitted services where closely related to the audit and/or required by law or regulation
 - Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
 - Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
 - A requirement for the auditor to notify the Standards and General Purposes Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
 - A requirement to report to the Standards and General Purposes committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf







08 Appendices

Appendix A

Required communications with the Standards and General Purposes Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Standards and General Purposes Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - dated February 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - dated February 2020
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - dated October 2020

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Merton Pension Fund's ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report - dated October 2020
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Standards and General Purposes Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Standards and General Purposes Committee responsibility. 	Audit Results Report - dated October 2020

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit Results Report - October 2020
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit 	Audit Plan - dated February 2020 and Audit Results Report - October 2020

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Details of any contingent fee arrangements for non-audit services ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Results Report - October 2020

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit Results Report - October 2020
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report - October 2020
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - October 2020
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan - dated February 2020 and Audit Results Report - October 2020

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ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

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05 November 2020

London Borough of Merton
Merton Civic Centre
Morden,
Surrey
SM4 5DX
020 8545 3461

Suresh Patel
Ernst & Young
Associate Partner
1 More London Riverside
London
SE1 2AF

This letter of representations is provided in connection with your audit of the financial statements of Merton Pension Fund (“the Fund”) for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2019 to 31 March 2020 and of the amount and disposition of the Fund’s assets and liabilities as at 31 March 2020, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of the Fund’s financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records (See Note B)

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority

Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020 that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.
5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.
6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - Involving financial improprieties
 - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
 - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
 - Involving management, or employees who have significant roles in internal control, or others

- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. You have been informed of all changes to the Fund rules.
3. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the 2019/20 to the most recent meeting of the Pension Fund Investment Advisory Panel on 10 Sept 2020, and Standards and General Purposes Committee on 05 November 2020.
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.
7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
9. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
10. We have disclosed to you any cybersecurity breach that either occurred or that third parties (including regulatory agencies, law enforcement agencies and security

consultants) had brought to our attention during the period under audit that could potentially be material to the financial statements.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities relating to litigation and claims, both actual and contingent, and have disclosed in Note 24 to the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than as described in Note 6 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the London Borough of Merton Pension Fund Annual Report 2019-20.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

H. Derivative Financial Instruments

1. We confirm that all investments in derivative financial instruments have been made after due consideration by the members of the management of the Fund of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of the management of the Fund at the Fund's year end and the terms and conditions relating thereto.
2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

I. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

J. Actuarial valuation

1. The latest report of the actuary Barnett Waddingham as at 31 March 2019 and dated 27 March 2020 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

Yours faithfully,

Caroline Holland
Director of Corporate Services

Councilor Peter McCabe
Chair of the Standard and General Purposes Committee

Statements of Responsibilities

The Council's Responsibilities

The Council is required:

1. To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Corporate Services.
2. To manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
3. To approve the Statement of Accounts.

1.1 The Director of Corporate Services' Responsibilities

The Director of Corporate Services is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Corporate Services has:

1. Selected suitable accounting policies and then applied them consistently;
2. Made judgements and estimates that were reasonable and prudent;
3. Complied with the local authority Code of Practice.

The Director of Corporate Services has also:

1. Kept proper accounting records which were up to date;
2. Taken reasonable steps for the prevention and detection of fraud and other irregularities.

1.2 Certification of Responsible Finance Officer

I hereby certify that the Statement of Accounts give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2020.

Signed

C Holland
Director of Corporate Services
30 September 2020

1.3 Approval of Accounts by Standards and General Purposes Committee

I hereby certify that the Statement of Accounts has been approved by resolution of the Standards and General Purposes Committee of the London Borough of Merton in accordance with the Accounts and Audit (England) Regulations 2015 and the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

Signed

Peter McCabe

*Chairman Standards and General Purposes Committee
30 September 2020*

Further information about the accounts is available from:

Director of Corporate Services
8th Floor
Merton Civic Centre
London Road
MORDEN
Surrey
SM4 5DX

Or, alternatively, please ask for Stephen Bowsher on 020 8545 3531

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Committee: Standards and General Purposes

Date: 5 November 2020

Wards:

Subject: Whistleblowing Policy review

Lead officer: Caroline Holland- Director of Corporate Services

Lead member: Chair of Standards and General Purposes Committee

Contact officer: Margaret Culleton Head of Internal Audit

Margaret.culleton@merton.gov.uk

Recommendation:

The Committee comments upon and approves the revised Whistleblowing policy and comments on the Whistleblowing process.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The attached Whistleblowing policy has been reviewed and updated for approval by the Standards and General Purposes Committee. This policy forms part of the Councils Anti-Fraud and Anti-Corruption arrangements.
- 1.2 In May 1995 the Nolan Committee issued a report on the Standards in Public Life: Local Public Spending Bodies. This report made a number of recommendations, some sector specific and others more general in nature. The Nolan Committee recommended that Local Authorities should institute Codes of Practice on Whistleblowing, which would enable concerns to be raised confidentially inside and if necessary outside the organisation.

2 DETAILS

- 2.1 A Whistleblowing commission was established in February 2013 by the charity Protect to review the effectiveness of existing arrangements for workplace Whistleblowing and make recommendations for change.
- 2.2 They issued a report in November 2013 with recommendations to the secretary of state and a recommended Code of Practice. This code sets out practical guidance for the raising, handling, training and reviewing Whistleblowing arrangements.
- 2.3 An effective and positive whistleblowing culture has the following advantages:
 - Detects and deters wrongdoing;
 - Provides information to managers so they can make decisions and contain the risk;
 - Demonstrates to stakeholders that Merton is serious about good governance;

- Reduces the chance of anonymous or malicious leaks;
 - Reduces the chance of Legal claims against the Council; and
 - Clear whistleblowing arrangements are likely to help with a defence under the Bribery Act 2010.
- 2.4 CIPFA's guide on Delivering Good Governance, recommends the following is considered as part of its Annual Governance Statement
- Ensure that effective arrangements for Whistleblowing are in place to which officers, staff and all those contracting with or appointed by the authority have access. That a Whistleblowing policy exists and is reviewed on a regular basis. The policy is made available to members of the public, employees, partners and contractors.

The Public Interest Disclosure Act 1998

- 2.5 Employees who blow the whistle on wrongdoing at work are protected from harassment and victimisation under the Public Interest Disclosure Act 1998. This Act aims to promote greater openness in the workplace between employers and workers in dealing with wrongdoing that might arise.
- 2.6 Under the Act, workers are initially required to resolve these concerns with their employer. Employees are protected from victimisation if in the last resort they have to take their concerns to an outside body.
- 2.7 A disclosure to a manager or the employer will be protected if the whistleblower has an honest and reasonable suspicion that the malpractice has occurred, is occurring or is likely to occur. The whistleblower will also be protected if they make their disclosures to an external body as long as they honestly and reasonably believe that the information and any allegations are substantially true.

Confidentiality and Anonymous allegations

- 2.8 An important issue addressed in the context of investigating allegations and dealing with complaints from an informant is that of respecting the anonymity of the informant, where appropriate or where requested.
- 2.9 Nolan considered it appropriate that anyone should be able to whistleblow confidentially if they so wish. As long as their complaint appears to have been made in good faith, their wish for confidentiality should be respected. Without this guarantee there is a risk that matters of concern could escape investigation, as people with genuine concerns might be deterred from bringing these concerns to the attention of the Council.
- 2.10 This approach is further supported by decisions of the court. They have recognised in certain circumstances the identity of the persons who have made the complaints or given information to the public or other bodies should not be revealed (in the course of legal proceedings, for example). They recognise that disclosure could discourage others from making complaints or giving information to the proper authorities. It is important to note, however, that a cast

iron guarantee of confidentiality cannot be given to a whistleblower if a court or other tribunal directs otherwise.

3 Whistleblowing review

- 3.1 An Internal Audit review has been conducted across the 5 councils in the partnership (Merton, Sutton, Kingston, Richmond and Wandsworth). This has included a review of the Whistleblowing policy and the process followed when a concern is raised. The outcome of the review for Merton is detailed below.

Whistleblowing policy

- 3.2 Guidance from Cipfa 'Delivering Good Governance' recommends that Whistleblowing policies are reviewed regularly.
- 3.3 A review of Merton's Whistleblowing Policy has previously been undertaken on a regular basis, it was last reviewed in 2018. A review of the policy has been included in the wider review of the whistleblowing process during 2020/21, this has included checking the policy against best practice and other partnership Councils policies. The proposed changes to the policy are detailed below. (See Appendix A for revised policy).
- Section 6- The stages to follow when raising a concern has been made clearer, i.e. initial concern with your line manager.
 - Section 10 –This section details what to do if they have raised the concern but feel it haven't been resolved or the matter is too serious there are named officers to contact.
 - Section 11- details the process and contacts for referrals outside the Council.
 - The amendments above have removed the need to have an appeal process, which has been removed from the policy.

Process

- 3.4 The review of the process followed by the Council found that there is an effective process in place, since the last review, this has been further enhanced by:-
- Monthly whistleblowing meetings attended by the Monitoring Officer, Head of Internal Audit, Head of HR, Legal and the Head of the SWLFP to discuss each new allegation as well as progress of current cases.
 - Internal Audit have prepared a process flowchart (see Appendix B) to support the policy. This flowchart sets out the stages to follow from initial assessment, communication with the whistleblower at each stage of the process and consideration of action, including timescales.

Recording and investigation

3.5 A review of the monitoring, recording and investigation process in the Council found this to be effective. The Council has the following arrangements:-

- A Whistleblowing Register of all allegations, held by the Head of Internal Audit. This register records a summary of the original allegation, date received and the actions taken.
- Merton's Whistleblowing Register respects and reinforces confidentiality. No details of the whistleblower are held on the register, it only states whether the allegation is anonymous.
- The Whistleblowing Register is reviewed monthly at the review meetings mentioned above.
- Regular checks have been undertaken on settlement arrangements with employees names matched against the list of names held by Internal Audit on whistleblowers. No matches have previously been found. A check is currently being undertaken for recent cases. The new monthly meetings will assist is highlighting any potential matches at an earlier stage.

Communication.

3.6 The review looked at how the policy is communicated. This has found that the policy is available on:-

- the website and intranet. There is a dedicated page on the Councils website, called Whistleblowing, which provided a brief summary, contact details and a link to the Councils policy.
- Leaflets and posters have been made available to schools
- notice boards within the Councils Civic Centre

Training

3.7 The review looked at the arrangements in place to provide training to officers and managers in the Council.

- Training has been provided to officers in the Council, recent training has been attended by HR. Other specific training can be provided to managers by the audit and fraud partnership.
- On line fraud training is provided to all employees, this includes information on the Councils whistleblowing arrangements.

Reports to committee

3.8 The review included whether the number of cases and the outcome are reported to committee. At Merton, it was found that:-

- The number of Internal Corporate fraud cases are reported annually at Standards and General Purposes Committee in the Head of Internal

Audit Annual Report. The figures reported include all numbers logged on the whistleblowing register.

Details from the last 2 years previously reported and current details for 2020/21.

Corporate Internal Fraud cases and outcome

	2018/19	2019/20	2020/21 (to Oct)
Disciplinary (dismissed)	1	1	0
Resigned	0	2	2
Prosecutions in progress	1	2	3
No further action	5	3	7
In progress	7	10	6
Total	14	18	18

- 3.9 The review has found that Merton's Whistleblowing arrangements are robust, the policy has been reviewed and updated for Committee approval, the monitoring of cases has been enhanced with regular meetings and cases are reported to Committee. Communication of the revised policy will be included in the staff bulletin and the updated policy made available on the Councils website and Intranet.

4 Alternative options

- 4.1 None for the purposes of this report.

5 Consultation undertaken or proposed

- 5.1. Other Local Authorities' Whistleblowing Policies have been reviewed in the past for the purposes of updating Merton's Policy.
- 5.2. Human Resources and Legal Services were also consulted in respect of the policy review in earlier years.

6 TIMETABLE

This does not apply.

7 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 7.1. The costs of dealing with Whistleblowing allegations and the publication and promotion of the policy is usually met from within existing budgets.

8 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. These are contained within the report and reflect the requirements of the Public Interest Disclosure Act 1998 and the Bribery Act 2010.

9 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 9.1. Human Rights implications are considered in the conduct of all whistleblowing investigations. For example if directed surveillance is felt necessary this will be carried out in accordance with the Regulation of Investigatory Powers Act 2000.
- 9.2. In addition the Whistleblowing Policy provides a mechanism where concerns regarding the welfare of clients can be raised and therefore helps protect their Human Rights.
- 9.3 Whistleblowing investigations will take into consideration Equality and Diversity implications. Investigations may reveal weaknesses in financial management and other monitoring systems, e.g. ethnic monitoring. Ensuring action is then taken in respect of these weaknesses plays a role in ensuring that Council Resources are used to enable fair access to quality services.

10 CRIME AND DISORDER IMPLICATIONS

- 10.1. The Whistleblowing Policy allows for staff to come forward and report their concerns without the fear of reprisals in any form.

11 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 11.1. Each allegation is considered on a risk basis as to the amount of resources that should be employed in the investigation.
- 11.2. Some allegations involve Health and Safety matters and these are referred to the appropriate Council Section for investigation.

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

- Appendix A - Whistleblowing Policy
- Appendix B- Process flowchart

13 BACKGROUND PAPERS

- 13.1. Whistleblowing Policies and register

Whistleblowing

Policy and Procedure

Date of implementation: November 2020

London Borough of Merton

Whistleblowing Policy

1 Policy Statement

- 1.1 The London Borough of Merton is committed to achieving the highest possible standards of service, including honesty, openness and accountability, and recognises that employees have an important role to play in achieving this goal.
- 1.2 All of us at one time or another has concerns about what is happening at work. Usually these concerns are easily resolved. However, when you are troubled about something that involves a danger to the public or colleagues, misconduct or malpractice or wrongdoing which affects others, it can be difficult to know what to do.
- 1.3 You may be worried about raising such an issue, perhaps feeling it's none of your business or that it's only a suspicion. You may feel that raising the matter would be disloyal to colleagues, managers or to the Council. You may have said something but found that you have spoken to the wrong person or raised the issue in the wrong way and are not sure what, if anything, to do next.
- 1.4 The London Borough of Merton has introduced this policy to enable everyone to blow the whistle safely so that such issues are raised at an early stage and in the right way. We know from experience that to be successful we must all try to deal with issues on their merits. The Council welcomes your genuine concerns and is committed to dealing responsibly, openly and professionally with them. Without your help, we cannot deliver a safe service and protect the interests of the public, staff and the Council. If you are worried, we would rather you raised it when it is just a concern than to wait for proof.
- 1.5 The Whistleblowing Policy is for use if you have a concern about danger or illegality that has a public interest aspect to it, usually because it threatens others (e.g. customers, stakeholders or the public). A grievance or private complaint is, by contract, a dispute about your own employment position and has no additional public interest dimensions. If you are aggrieved about issues relating to your employment, such as your working environment or terms and conditions of employment, please use the Council's Grievance policy.

2 Purpose of the policy

- 2.1 The purpose is as follows:
 - To encourage you to feel confident in raising concerns.
 - To enable you to confidentially raise concerns within the Council environment.

- To ensure you receive a response to your concerns and if not satisfied you are aware of how to pursue them.
- To reassure you that you will be protected from reprisals or victimisation where you reasonably believe the disclosure to be made in the public interest.

This Whistleblowing procedure is primarily for concerns where the interests of others or of the Council are at risk.

3 Who is covered by this procedure

- 3.1 Council employees including schools, agency staff, trainees, apprentices, volunteers, consultants and interim managers, or any self-employed staff employed on council business.
- 3.2 The policy applies to contractors working for the Council and partner agencies. It also covers any suppliers and those providing services under a contract or in partnership with the Council in their own premises.

4 Definitions

- 4.1 The Council has a range of policies and procedures, which deal with standards of behaviour at work; for example, discipline, grievance, discrimination, harassment and bullying, and recruitment and selection. Staff are encouraged to use these procedures when appropriate.
- 4.2 This policy is a means to deal with serious or sensitive concerns about matters such as the following:
- Fraud or financial irregularity
 - Corruption, bribery or blackmail
 - Failure to comply with legal or regulatory duty or obligation.
 - Malpractice or abuse of a client including improper discrimination or relationships with clients
 - Disclosures related to miscarriages of justice.
 - Dangerous procedures risking Health and Safety, including risk to the public as well as other employees.
 - Damage to the environment.
 - Other unethical conduct, including deliberate concealment of information relating to the above
 - Action which is contrary to the code of conduct for employees or members.
 - The inappropriate use of the Council's standing orders and financial procedures.
 - Conduct which is a criminal offence or a breach of law.
- 4.3 The policy does NOT apply to the following:
- Relationships between employees, their managers and the Council for which grievance and other dispute procedures are more appropriate.
 - Concerns or complaints by members of the public to which the Corporate Complaints Procedure would apply

- Concerns or complaints about the behaviour of Members of the Council (Councillors) to which the Member Code of Conduct would apply.

5 What protection do you have?

- 5.1 The Public Interest Disclosure Act provides workers with protection from dismissal or other damage as a result of making a disclosure of information in the public interest about wrongdoing at work. Such disclosures are protected if they are done according to the Act's provisions. Disclosures may be made to the employer, prescribed regulatory bodies or on a wider basis to the Police. The Act's protection is strongest where workers raise matters with their employers.
- 5.2. The Councils are committed to adhering to this Act and to provisions contained within this Policy. If you raise a genuine concern in accordance with this Policy, you will not be at risk of losing your job or suffering any form of retribution as a result. The Councils will not tolerate any reprisal against an employee because he or she has raised a concern under the Code and will treat any such reprisal as a disciplinary matter.
- 5.3 Provided you are acting honestly; it does not matter if you are mistaken or if there is an innocent explanation for your concerns. You will not be asked to provide proof. Of course, this assurance is not extended to someone who maliciously raises a matter they know is untrue. Disciplinary action will be taken against employees who knowingly make false allegations.
- 5.4 Giving out information about third parties to whom the Councils owe a duty of confidence may not be protected under the Public Interest Disclosure Act. This may lead to disciplinary action. If you are in any doubt you should seek advice from your manager, union or legal.

Raising unfounded malicious concerns

- 5.5 You are encouraged to come forward in good faith with genuine concerns with the knowledge they will be taken seriously. If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. However, when it appears that there are clear grounds for suggesting that you may have acted frivolously, maliciously or vexatiously, this will be taken seriously and may constitute a disciplinary offence.

Harassment or Victimisation

- 5.6 The Council is committed to good practice and high standards and wants to be supportive of employees.
- 5.7 The Council recognises that the decision to report a concern can be a difficult one to make. If what you are saying is true, you should have nothing to fear because you will be doing your duty to your employer and those for whom you provide a service.

- 5.8 The Council will not tolerate any harassment or victimisation (including informal pressure) and will take appropriate action to protect you when you raise a concern.

6 What action should *you* take?

- 6.1 The London Borough of Merton encourages you to raise the matter internally in the first instance. This allows staff and those in positions of responsibility and authority the opportunity to right the wrong and give an explanation for the behaviour or activity.
- 6.2 Where you make a disclosure, you are encouraged to give details of your identity. Anonymous disclosures are more difficult to investigate.
- 6.3 As a first step, you should normally raise concerns with your line manager, Head of Service or Director. This depends, however, on the seriousness and sensitivity of the issues involved and who is thought to be involved in the malpractice. If the circumstances make contacting a line manager not appropriate, then you can use the Whistleblowing Hotline 020 8871 8383.
- 6.5 Concerns made in writing should set out the background and history of the concern, giving names, dates and places where possible and the reason why there are particular concerns about the situation. The earlier the concern is expressed, the easier it is for someone to take action.
- 6.6 If you need advice and guidance on how matters of concern may be pursued, this can be obtained from Departmental HR Managers, or the Shared Internal Audit service.
- 6.7 If you are not in a formal line management relationship because of your employment relationship, e.g., agency staff or contractors, you should first discuss your concerns with a relevant colleague or manager within the service.

7 How will the Council respond?

- 7.1 The individual who receives the information or allegation will assemble the information made available to them. The details of the allegation are then immediately passed on to the Head of Internal Audit in order that it can be included on the central Whistleblowing register.
- 7.2 An appropriate investigating officer is then appointed by the relevant service, dependent on the nature of the allegation. The investigating officer(s) will carry out a preliminary investigation. This will seek to establish the facts of the matter and assess whether the concern has foundation and can be resolved internally. The initial assessment may identify the need to involve third parties to provide further information, advice or assistance. This could involve for example members of staff, the Internal Audit service, external audit, legal or HR advisors, or the police. Concerns or allegations, which fall within the scope of specific procedures (e.g., child protection, Health and Safety or discrimination issues), will normally be referred for consideration under those procedures. It may be decided to employ an outside firm to undertake the

investigation or it may be passed to external audit to investigate, depending on the nature of the allegation.

- 7.3 Fraud allegations will be passed to the South West London Fraud Partnership (SWLFP) to carry out the investigation.
- 7.4 You will be informed within 4 weeks of receipt of the Whistleblowing, how and by whom the concerns will be handled and an estimate of how long the investigation will take and where no further action is proposed, reasons for this decision
- 7.5 Records will be kept of work undertaken and actions taken throughout the investigation. The investigating officer(s) will consider how best to report the findings and what corrective action needs to be taken. This may include some form of disciplinary action or third-party referral such as the police.
- 7.6 The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved, and the clarity of the information provided. If necessary, further information will be sought from you as part of the investigation process. If you are a Council employee, and the investigating officer has invited you to attend a meeting, you will have the right to be accompanied. This should be a representative of a recognised trade union, or a work colleague who is not involved in the area of work to which the concern relates.
- 7.7 The Council will take steps to minimise any difficulties that you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, the Council will advise on the procedure.
- 7.8 We will keep a confidential record of your concern. This will be held in accordance with relevant data protection legislation.
- 7.9 Whenever possible, we will give you feedback on the outcome of any investigation. Please note, however, that we may not be able to tell you about the precise actions we take where this would infringe a duty of confidence we owe to another person.

8 Confidentiality

- 8.1 Wherever possible the London Borough of Merton seeks to respect the confidentiality and anonymity of the Whistleblower and will as far as possible protect you from reprisals. The Council will do its best to protect your identity when you raise a concern and do not want your name disclosed. However, it must be appreciated that the investigation process may reveal the source of the information and a statement by you may be required as part of the evidence in criminal proceedings or Employment Tribunals.
- 8.2 The Council will endeavour to ensure your identity will not be disclosed to third parties without a court order.

- 8.3 Where the procedure allows a matter to be taken outside the Council, you should not disclose confidential information unless the information relates to the matter under investigation and until the internal procedures have been exhausted. No confidential information shall be disclosed externally in a frivolous or vexatious manner.

9 Support for Employees

- 9.1 It is recognised that raising concerns can be difficult and stressful. Advice and Support is available via an employee's line manager, Departmental Human Resources or Trade Union representative. It must be recognised that employees who are subject to investigation following concerns being raised will also be entitled to support from the same sources, although not from the same individuals.
- 9.2 The Council provides Employee Assistance Programme (EAP) for members of staff which can provide support including regarding employment issues, consumer rights. Contact details are a free 24 Hour Confidential Helpline: 0800 030 5182. Information can be found at <https://healthassuredeap.co.uk/>. The login is **Merton** and the password is **EAP**.
- 9.3 The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings the Council will arrange for you to receive advice about the procedure.
- 9.4 Help will be provided to you in order to minimise any difficulties which you may experience. This may include advice on giving evidence if needed. Meetings may, if necessary be arranged off-site with you and with you being represented, if you so wish.
- 9.5 If you believe that you have suffered a detriment for having raised a concern, you should report this.
- 9.6 If you are not satisfied with the action taken by the Council and feel its right to question the matter further may consider the following possible contact points:
- External Auditor
 - the employee's Trade Union
 - the Citizens Advice Bureau and / or law centre / firm
 - relevant professional bodies or regulatory organisations
 - the Local Government Ombudsman
 - the Information Commissioner
 - a relevant voluntary organisation
 - the Police and/ or Health and Safety Executive

10 How the matter can be taken further

- 10.1 If you have raised your concern, but feel this has not been resolved or you feel the matter is so serious or sensitive that you cannot discuss it with your line managers please contact one of the following: -

- **Chief Executive** 020 8545 3332
 - **Head of Internal Audit** 020 8545 3149
 - **Monitoring Officer** 020 8545 3338
 - **Interim Head of HR** 020 8545 3152
 - **Chair of the Standards and General Purposes Committee** (contact democratic services on 020 8545 3864)
-
- If your concerns involve potential fraud or criminal activities the Councils Fraud hotline 020 8871 8383 or email swlfp@richmondandswandsworth.gov.uk

10.2 You may prefer to raise the matter in person, by telephone or in written form marked private and confidential and addressed to one of the above named individuals. All matters will be treated in strict confidence and anonymity will be respected wherever possible

11 Referral outside the Council

11.1 In exceptional circumstances you may consider the matter too serious or sensitive to raise within the internal environment of the Council. In this instance, depending on the nature of the concern, the matter could be directed to the police or local MP (contact through directory enquiries or local telephone directory).

11.2 The Comptroller and Auditor General is a prescribed person, to whom external persons can make disclosures relating to “the proper conduct of public business, value for money, fraud and corruption in relation to the provision of public services”. Their Whistleblowing hotline **020 7798 7999**

11.3 The Act does not require the C&AG to investigate every disclosure s/he receives; their decision whether or not to investigate is based upon various criteria designed to ensure the most effective use of the resources at their disposal in safeguarding the public interest.

The Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London SW1W 9SP

11.4 The councils external auditor is Ernst & Young:- <http://ey.com>

Ernst & Young
1 More London Place
London SE1 2AF
Tel: 020 7951 2000

11.5 The Local Government Ombudsman can also be contacted, they will not however, take any action until the allegation has been dealt with internally first. They can be contacted at: - <http://www.lgo.org.uk/>

Telephone the LGO Advice Team on 0300 061 0614 or Text ‘call back’ to 0762 481 1595.

11.6 Further information may be obtained from the following:

Citizens Advice Bureau <https://www.citizensadvice.org.uk/about-us/contact-us/>
The Information Commissioner <http://www.ico.gov.uk/>
Health and Safety Executive <http://www.hse.gov.uk/>
Care Quality Commission <http://www.cqc.org.uk/contact-us/report-concern/report-concern-if-you-are-member-public>
Ofsted (Whistleblowing hotline) 0300 123 3155 whistleblowing@ofsted.gov.uk

12 Communication, Recording, Monitoring and Review of Whistleblowing

12.1 This policy will be communicated as appropriate and will be subject to regular monitoring and review.

12.2 The Monitoring Officer will maintain a Corporate Register containing all concerns that are brought to their attention. This register will include details of who raised the concern/s (if available), the department the concerns relate to, a brief summary of the concern/s, conclusion of the investigation, any action taken and any other relevant information. The Monitoring Officer will report the number of whistleblowing cases received and a summary of the outcome to the Audit Committee on an annual basis.

13 In Summary

DO

- Make an immediate note of your concerns
 - a) Note all relevant details, such as what was said in telephone or other conversations, the date, time and the names of the parties involved.
 - b) Note any documentary evidence that may exist to support your claim but do not interfere with this evidence.
- Report your concerns
 - a) to your line manager or
 - b) to those listed above in 10.1
- Deal with the matter quickly. Any delay could allow the problem to continue and escalate and evidence to disappear
- Think about risks and outcomes before you act
- Follow the guidance provided and contact the appropriate officer

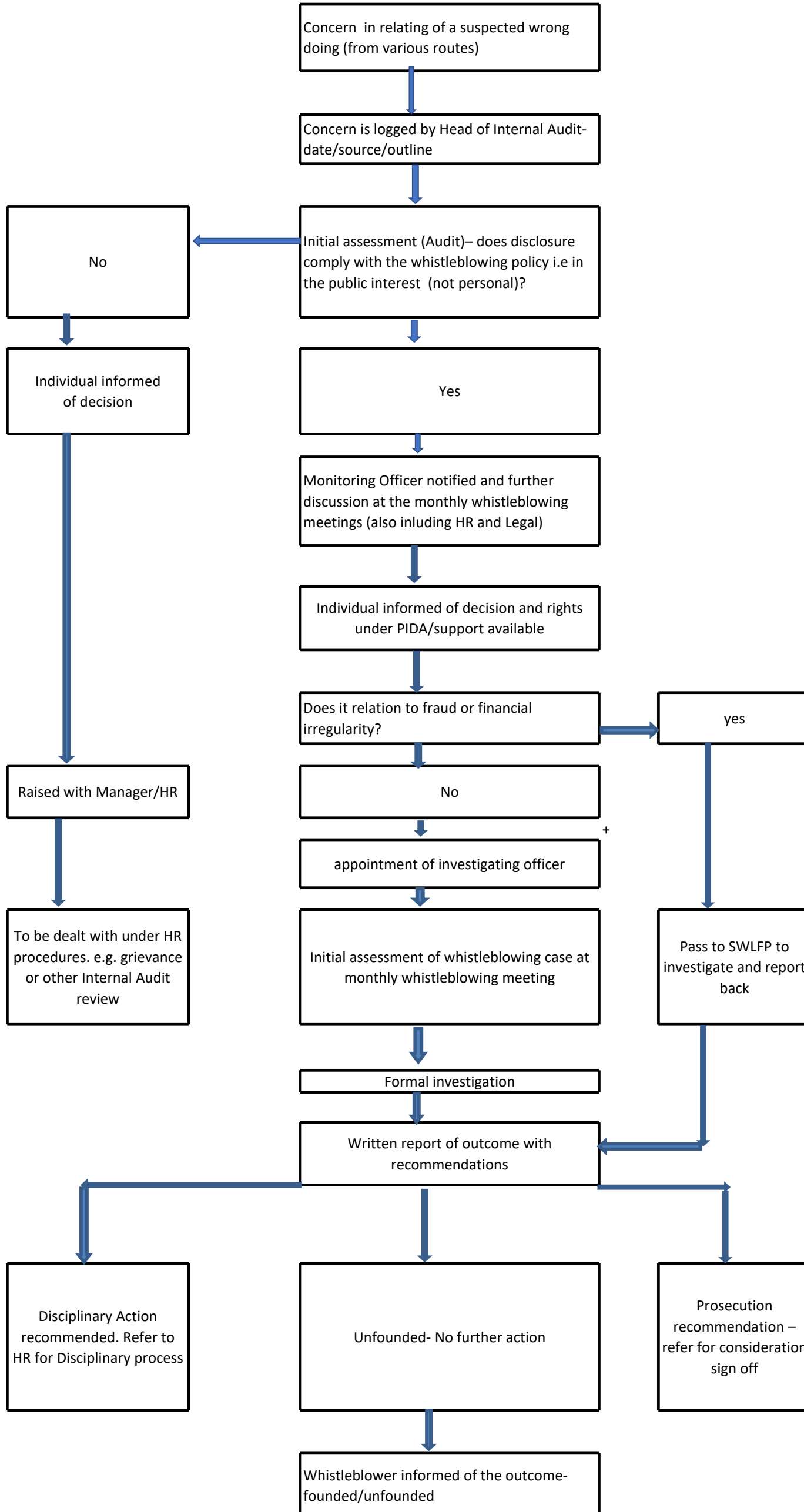
DON'T

- Do nothing and let it go unreported
- Be afraid of raising concerns
- Approach and accuse individuals directly
- Try and investigate the matter yourself
- Convey your suspicions to anyone except those of the proper authority as set out in our policy.
- Use the whistleblowing procedure to pursue a personal grievance

IF IN DOUBT – RAISE IT!

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Whistleblowing – Process Map



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Committee: Standards and General Purposes Committee

Date: 5 November 2020

Wards: All

Subject: Health and Wellbeing Board Terms of Reference

Lead officer: Dr Dagmar Zeuner, Director of Public Health

Lead member: Councillor Stephen Alambritis, Leader

Contact officer: Clarissa Larsen, Health and Wellbeing Board Partnership Manager

Recommendations:

- A. To agree the draft terms of reference for the Health and Wellbeing Board Community Subgroup to be reported to full Council in November.
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

To set out the proposed terms of reference for the Health and Wellbeing Board (HWBB) Community Subgroup for agreement.

2 BACKGROUND

In September 2020 Merton's statutory Health and Wellbeing Board agreed the attached Terms of Reference (ToR) for its Community Subgroup. The Subgroup was established in response to the Local Outbreak Control Plan (LOCP) that all local authorities were required to produce in June this year. A copy of Merton's Covid-19 Outbreak Control Plan is available [here](#).

3 DETAILS

- 3.1. The HWBB Community Subgroup met for the first time, in public, on 4 August 2020. The Subgroup is supporting the implementation of Merton's Covid-19 Outbreak Control Plan, delivering the 'member-led local governance board', suggested in Government guidance. It has oversight of communication and engagement with the general public, with a focus on protecting vulnerable communities.
- 3.2. In Merton, the Community Subgroup is also providing oversight of work on the impact of Covid-19 on vulnerable communities – those disproportionately impacted by the virus to date. This involves working with communities to gain insight to lived experience through on-going community dialogue; helping to inform and support access to testing, contact tracing and self-isolation as a means to protect from Covid transmission.
- 3.3. ToR for the Community Subgroup are attached as an appendix to this report for agreement.

4 ALTERNATIVE OPTIONS

The alternative option would be for the core statutory Merton Health and Wellbeing Board to take this role, but as the HWBB meets less frequently

and has a broader remit, it would be more difficult for partners to respond quickly to any new developments.

5 CONSULTATION UNDERTAKEN OR PROPOSED

The Health and Wellbeing Board was consulted on the proposal to create a Subgroup on 23 June 2020 and HWBB members are involved in the Subgroup, both directly and through their nominees.

A broad programme of engagement with community groups is taking place and will be reported to the HWBB and the Community Subgroup.

6 TIMETABLE

The Community Subgroup will initially meet for a fixed period up to April 2021.

7 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

N/A

8 LEGAL AND STATUTORY IMPLICATIONS

The Community Subgroup will report to the statutory Merton Health and Wellbeing Board. Wider accountability is set out in the attached documents.

9 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

The focus of the Community Subgroup is on those vulnerable community groups, that have to date been disproportionately impacted by Covid-19.

10 CRIME AND DISORDER IMPLICATIONS

N/A

11 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

N/A

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

- Appendix I - Health and Wellbeing Board Community Subgroup Draft Terms of Reference

BACKGROUND PAPERS

[Covid-19 Outbreak Control Plan](#) Merton Council, July 2020

Merton Health and Wellbeing Board

HWBB Community Sub-group

Terms of Reference

1. Purpose

The HWBB Community Sub-group will support the implementation of Merton's Local Outbreak Control Plan. Delivering the 'member-led local governance board', suggested in Government guidance, to communicate with the general public with a focus on protecting vulnerable communities.

In Merton, the Community Sub-group also has oversight of work on the impact of COVID-19 on vulnerable communities, involving insight to lived experience' and on-going community dialogue; helping to inform and support access to testing, contact tracing and self-isolation as a means to protect from Covid transmission..

2. HWBB Context

This Community Sub-group is an advisory, consultative forum and is accountable to, Merton Health and Wellbeing Board.

- Merton Health and Wellbeing Board (HWBB) is a statutory partnership providing overall vision, oversight and direction for health and wellbeing in Merton, including service provision and the wider determinants of health.
- It brings together local Councillors, GPs and community representatives, supported by officers, as system leaders to shape a healthy place and health and care services.

The Health and Social Care Act 2012 made Health and Wellbeing Boards statutory for all local authorities. The Act also permits the local authority to arrange for HWBBs to exercise 'any functions that are exercisable by the authority'.

3. Responsibilities

The Community Sub-group supports delivery of Merton's Local Outbreak Control Plan. Specific responsibilities are the oversight of:

- i. Communication and engagement with Merton residents on local outbreak control.
- ii. Support for vulnerable people, as required by the Local Outbreak Control Plan, to get help to self-isolate as one of the interventions to protect vulnerable communities.
- iii. Engagement with vulnerable communities through a rolling programme of voluntary sector led dialogues to gain insight to lived experience (including

BAME communities, older people and people with learning disabilities and autism, and involving children and young people).

- iv. Review health and wellbeing services (working closely with Merton Health and Care Together) to ensure a culturally appropriate offer, accessible to all, that meets the needs of diverse communities, to support access to services and promotion of Covid-fit and pre-habilitation.

4. Principles and Priorities

The priority of the Community Sub-group is to support and protect the health and wellbeing of Merton's most vulnerable communities, learning from people's lived experience. In doing so, the work of the group will adhere to Merton HWBB's agreed core principles of:

- Tackling health inequalities.
- Prevention and early intervention.
- Health in All Policies approach.
- Community engagement and empowerment.
- Experimenting and learning.
- Think Family.

5. Membership

The Community Sub-group, is member led. The Chair is the Chair of Merton Health and Wellbeing Board. The broader composition of the Sub-group is made up of members of the core HWBB and additional nominees with the right skills and community connections, sponsored by Board members.

HWBB Community Sub-group membership	HWBB member
Chair of Merton HWBB (Chair)	Y
Cabinet Member for Children's Services & Education	Y
Member of Health Scrutiny Panel	N
Member of the Conservative Group	Y
CCG Borough Committee Chair	Y
CCG East Merton Locality Lead	N
CCG Locality Executive Director Merton and Wandsworth	Y
CCG Comms & Engagement Lead	N
Young Inspector	N
Voluntary / Community sector representative	Y
Voluntary / Community sector representative	N
Healthwatch Merton representative	N
LBM Director of Public Health	Y

In addition to the formal membership, LBM and other officers will attend as needed including LBM's Head of Communications, Head of Strategic Commissioning (Public Health) and Health and Wellbeing Board Partnership Manager as regular attendees.

6. Accountability

The Community Sub-group, as an advisory and consultative forum, reports to Merton Health and Wellbeing Board. It can also report, if required, to LBM Corporate Management Team and will link closely to the Outbreak Control Officer Group, Merton Health and Care Together and other contacts involved in delivery of the Local Outbreak Control Plan.

Accountability is outlined in the chart in Appendix I

7. Operational Arrangements

Frequency of meetings

The Community Sub-group meets more frequently than the core HWBB in order to respond more quickly emerging issues. Meetings will alternate with the core HWBB, for a fixed period and additional meetings of the Sub-group can be arranged if needed, to respond to any significant developments.

Duration & setting of meetings

Meetings of the Community Sub-group last for 1 hour 30 minutes and will initially be held virtually, via Zoom.

Agenda and papers

Agendas are agreed with the Community Sub-group Chair in advance. Formal reports will be kept concise and to a minimum with a focus on key information in accessible written or slide format.

Agendas and any papers will be circulated beforehand wherever possible, no later than five working days in advance of the meeting, via the Merton Democratic Services web pages.

Transparency

Meetings (other than any informal workshops / seminars) will take place in public and formal minutes will be taken and posted on the Council's Democratic Services web pages.

Quorum

At least four members of the Community Sub-group must be in attendance including at least one member from each of the following constituent groups, before decisions can be taken:

- Council Members
- Council Officers
- Merton Clinical Commissioning Group
- Voluntary Sector

Code of conduct and conflict of interests

The obligation to register disclosable pecuniary interests applies to all Community Sub-group members who will be asked to declare any interests in matters under consideration and on a general basis declare any interests in the Register of Interests.

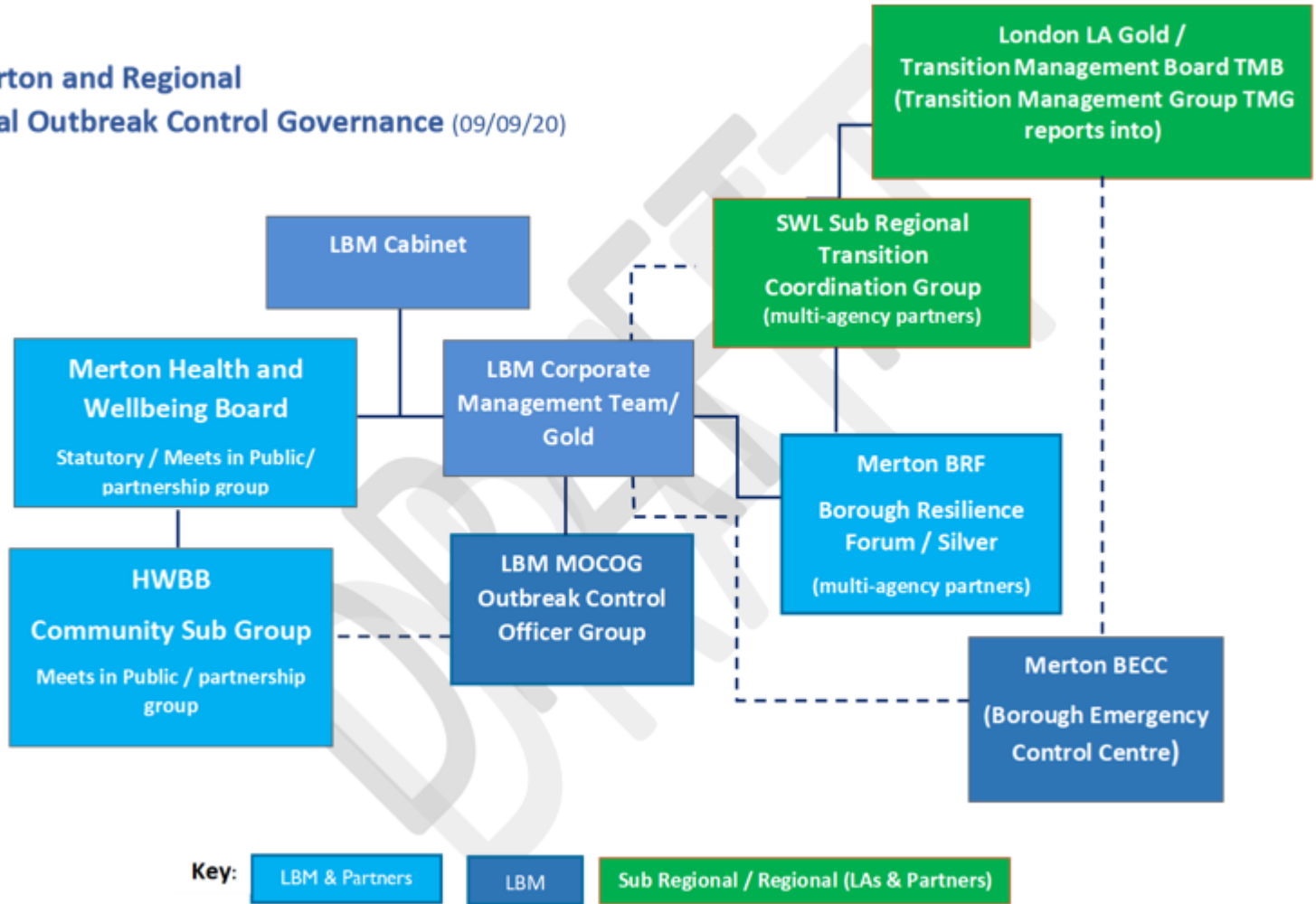
All members of the Board will be subject to the standards and behaviours set out in the Council's Code of Conduct.

Duration of Community Sub-group

The proposal is that the Community Sub-group is a task and finish group, has a fixed term and will be reviewed at the end of April 2021.

Appendix 1 – HWBB Community Sub-group Governance Chart

Merton and Regional
Local Outbreak Control Governance (09/09/20)



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Committee: Standards and General Purpose

Date: 5th November 2020

Wards: All

Subject: Gifts and Hospitality – Members and Officers

Lead officer: Louise Round Assistant Director of Corporate Governance, Managing Director of South London Legal Partnership and Monitoring Officer

Contact officer: Fabiola Hickson, 0208 545 4666, Fabiola.hickson@merton.gov.uk

Recommendations:

- A. That the Committee notes the report.
 - B. That members are reminded of their responsibility to complete declarations of gifts and hospitality including reasons for acceptance.
 - C. Managers remind staff about their responsibilities under the Employee's Code of Conduct to complete declarations, including reasons for acceptance.
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. The Council's Code of Conduct for Councillors incorporates the "Protocol on the offer, acceptance and declaration of the receipt of gifts and hospitality by elected and co-opted members". Members are required to ensure that gifts and hospitality offered to them are recorded in a register that the Council publishes on line. This report provides information on gifts and hospitality recorded by Members since the last consideration of the register on 7 November 2019.
- 1.2. The Employee's Code of Conduct governs the requirements on officers in relation to the offer and acceptance and declaration of gifts and hospitality. This report provides entries made to the Register of Gifts and Hospitality for officers since the last consideration of the register on 7 November 2019.

2 DETAILS

- 2.1. As regards members, the Council's requirements are set out in the "Protocol on the offer, acceptance and declaration of the receipt of gifts and hospitality by elected and co-opted members" which is attached at appendix 1 for ease of reference. The protocol provides that members must register every individual gift or item of hospitality received that is over £25 in value within 28 days of the date it was received. Even those offers of gifts or hospitality which were been declined should be registered. If all members, or a large number of them, received the same gift or are invited to the same event,

they must each make individual notifications.

- 2.2. Registering gifts or hospitality received under the Code does not automatically mean it is appropriate or sensible to accept them in the first place and the Protocol sets out a number of considerations to which members should have regard when considering whether to do so. For instance, particular care should be taken in relation to gifts and hospitality offered by current or potential contractors for the Council or which could be construed as an inducement or reward for anything which members may do in their capacity as a member.;

OFFICERS

- 2.3 The Code of Conduct for Employees requires that:

- all offers of gifts must be reported to managers;
- significant gifts (over £25) must be registered on the departmental register.
- acceptance of gifts should only occur in very limited circumstances and approved in advance by the manager;
- all offers of hospitality must be reported to managers;
- the hospitality (no minimum value) must be registered on the departmental register;
- there are limited circumstances where acceptance of hospitality may be acceptable
- hospitality received in the course of business meetings and at free training does not need to be registered, but managerial approval is required.

3 REVIEW OF THE REGISTERS

- 3.1. A list of entries made in the register for Members since the last review is attached at appendix 2 and the register for officers is attached at appendix 3.

MEMBERS

- 3.2. The registers show that 19 Councillors made declarations on 29 occasions.
- 3.3. The declarations can be summarised in the following categories:

- Events such as dinners to meet organisations and network – 4
- AELTC Wimbledon 2020 Commemorative towels– 16
- Sporting events – 1
- Mayors charity events – 4

- Borough events – 3
- Invitations to attend theatres and events of cultural organisations connected to the borough - 1

- 3.4. The review of the registers indicates that members are aware of their responsibilities. In the previous year’s review, declarations were received from 23 members on 54 occasions. This indicates that group offices and councillors understand their obligations.
- 3.5. The nature of the gifts and hospitality referred to is consistent with what may be expected for a Council and there do not appear to be any entries which are outside of what could be considered in the normal course of Council business and the various roles councillors have.
- 3.6. It is proposed that following this review a reminder of their obligations is cascaded to members and group officers to ensure the system continues to operate in a satisfactory way.

OFFICERS

- 3.7 The inspection by the Monitoring Officer of the register shows that the departmental registers continue to be maintained electronically in the adopted corporate manner in all departments and that the following notifications have taken place:

Chief Executive’s	(3) 1
Children Schools and Families	(3) 7
Community and Housing	(2) 0
Corporate Services	(2) 1
Environment & Regeneration	(4) 3

- 3.8 The previous register for the period 1 November 2018 to the 30th September 2019 contained 14 entries, which are displayed in the brackets above. For the current period from 1 November 2019 to 30 September 2020, there are 12 entries in the register.
- 3.9 Entries are no longer included on the register with regards tennis tickets from the AELTC allocated through the staff ballot. As a result of the championship being cancelled this year because of the Covid-19 pandemic, the Council did receive a donation of towels from the AELTC and these were distributed to a large number of staff. The Council received 5000 towels, of which 1000 were given to care homes. 2920 towels have been distributed to staff who were each given two towels meaning 1410 staff received them (although this number also includes some councillors). Rather than require the staff in receipt of the towels to make separate registrations, the report that went to CMT on the 13th October 2020 is being treated as a corporate declaration on behalf of all those staff who have received towels.

- 3.10 The declarations on the register are in accordance with requirements and comprise of entries where the gifts and hospitality accepted were for officers networking or representing the Council or, where low value gifts were received, from the public.
- 3.11 These continuing low figures may be a result of a genuine decline in gifts and hospitality being offered or it may be due to officers failing to enter these onto the register. In order to ensure that it is not the latter, managers should remind officers of their responsibilities under the Code of Conduct for Employees to complete declarations and to give reasons, if gifts and hospitality are accepted.
- 3.12 As can be seen above the highest number of entries is from CSF. Within those entries there appears to be a difference of approach when gifts are accepted, with some being retained, or shared among the teams, whereas in one instance, the gift was donated to the Mayor's charity, as has been the practice in E&R. The Code of Conduct does not require this but it may be worth the Department considering whether to adopt a consistent approach.
- 3.13 In previous reviews there have been entries under E&R in relation to CHAS 2013 Ltd, which is a council owned company operating in a commercial market. The absence of any entries relating to either of the Council owned companies may mean no offers of gifts or hospitality have been offered in the period covered by this review. However, it may be prudent for these companies to consider how they provide assurance to the Council that staff are considering whether to accept the receipt of gifts and hospitality.
-

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. None

5 TIMETABLE

- 5.1. The review of gifts and hospitality takes place on an annual basis.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. None

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. Members are required by the Code of Conduct to register offers of gifts, and hospitality. Failure to register may be a breach of the Code of Conduct.
- 7.2 The receipt or gift of any reward or advantage for an act or omission that suggests favour to any person in their official capacity may constitute a criminal offence under the Bribery Act 2010.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. There are no specific human rights or equalities issues arising from this report. The requirement to ensure that the Council is conducting its activities has proper regard to issues relating to human rights and equalities and fair treatment of all people is a significant component of ethical governance.

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. None

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. None

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

- Appendix 1- Protocol on the declaration of gifts and hospitality
- Appendix 2 – extract from the register of declarations of gifts and hospitality for Members
- Appendix 3- extract from register of declarations of gifts and hospitality for Officers

12 BACKGROUND PAPERS

- 12.1. None

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Protocol on the offer, acceptance and declaration of the receipt of gifts and hospitality by elected and co-opted members

Introduction

This protocol has been approved by the Standards Committee of the London Borough of Merton and sets out members' obligations to declare gifts and hospitality received in their capacity as members of the Council and to provide guidance on those obligations.

A breach of this protocol amounts to a breach of the Council's Code of Conduct and a complaint can be reported to the Monitoring Officer and dealt with in accordance with the Members' Complaints Procedure.

What are the rules?

- You must register *every* individual gift or item of hospitality received that is over £25 in value.
- Your registration must be made *within 28 days of the date you received it*, by completing and sending the attached form to the Council's Monitoring Officer (Louise Round, Managing Director, South London Legal Partnership).
- You must declare the *value* and details of the gift or hospitality received on the form, as well as whether the donor of the gift has or has had in the past or likely to have in the future, dealings with the Council and also if the gift or hospitality has been accepted the reason for that acceptance. The form must be signed by you *personally*; they should not be signed by support staff for you. Forms will be checked and returned if not completed properly.
- Even if all members, or a large number of them, received the same gift or were invited to the same event, they must each make *individual* notifications.
- Failure to comply with these rules is a breach of the Members' Code of Conduct.
- Breaches of the Code render members liable to a complaint being reported to the Monitoring Officer, who can decide whether there should be an investigation into the allegation.
- The press and public have the right to inspect your gift and hospitality declaration forms. The Register is also public via the Council's web site at www.merton.gov.uk. (follow link to 'Councillors' page). Councillors and officers may also gain access through the council's intranet. (You should have this in mind when completing declaration forms, as we cannot edit your comments.)

Should I accept gifts and hospitality?

Registering gifts or hospitality received under the Code does not automatically mean it is appropriate or sensible to accept them in the first place.

Particular care should be taken in relation to gifts and hospitality offered by current or potential contractors for the Council. In certain cases the acceptance of a gift or hospitality from these sources could constitute a criminal offence, even if declared. If there is any suspicion that any offer is intended as an inducement then the matter should be reported in accordance with established procedures.

The Bribery Act 2010, which came into force on 1 July 2011, creates offences of “bribing another person” (active bribery) and of “being bribed” (passive bribery). The offences consist of “promising, offering or giving” or “requesting, agreeing to receive or accepting an advantage (financial or otherwise)” in circumstances involving the improper performance of a relevant function or activity. In the context of the council the relevant function or activity means a public activity which a reasonable person would expect to be performed in good faith, impartially or in a particular way by a person performing it in a position of trust. There is a maximum penalty of 10 years imprisonment or an unlimited fine for these offences.

In considering whether to accept gifts or hospitality Members should have regard to the following general principles:

- Never accept a gift or hospitality as an inducement or reward for anything which you do as a Member;
- Only accept a gift if there is a commensurate benefit to the Council;
- Never accept a gift or hospitality which might be open to misinterpretation;
- Never accept a gift or hospitality which puts you under an improper obligation; and
- Never solicit a gift or hospitality.

Must I register all gifts and hospitality which I receive or am offered?

- You must register any gifts or hospitality worth over £25 that you receive in connection with your official duties as a Member.
- Where the value of any gift or hospitality is under £25 you may wish to declare receiving it.
- You should register any offer of gift and/or hospitality over £25 which you have declined, since this protects both your position and that of the Council.

Only gifts and hospitality offered to you in your official capacity must be registered. Gifts and hospitality offered to you in your private capacity, of whatever value, should not be registered at all. You do not need to register gifts and hospitality which are not related to your role as a Member.

However, you should always consider whether any gifts or hospitality could be seen as being connected with your public role as a Member.

What is the value of the gift/ hospitality?

You may have to estimate how much a gift or some hospitality is worth. The form requires you to give an estimate of the value. It is suggested that you take a common sense approach, and consider how much you reasonably think it would cost a member of the public to buy the gift, or provide the hospitality in question. If as a result you estimate that the value is greater than £25, then you should declare receipt.

Where hospitality is concerned, you can disregard catering on-costs and other overheads, e.g. staff and room hire. If the sandwiches or your meal, including drinks and alcohol, would cost £25 in a comparable establishment providing food of comparable quality, register it.

If you are not certain whether the value is under £25, the safest course is to register it and give an approximate value.

What about gifts of low value?

There is no requirement to declare gifts of a value of less than £25. However, in order to be transparent, if you receive a series of related gifts in connection with your role as a Member which are all under £25, but together total above £25, then you should register them if they are from the same person. If the small gifts received from different persons are connected in some way, it is *good practice* to register them.

How do I register gifts and hospitality I receive?

You must give the Group Office Managers (working on behalf of the Monitoring Officer) written details about the gifts and hospitality you are offered. The Standards Committee endorses the use of a standard form for this purpose, which is available on the Council's website.

The best advice is to get into the habit of registering things as soon as possible, and if in doubt, register receipt. The appropriate form is available on the Council's website..

Which organisation do I make declarations to?

As mentioned, anything received in your private capacity is not declarable. However, what is your "*official capacity*"? So far as the Council is concerned it is when you do any of the following -

- You conduct the Council's business; or
- You conduct the business of the office of Councillor; or
- You act as a formal representative of the Council on another body.

To deal with the issue of when things are received in different capacities or where there are overlapping roles:

- Only use the Council's gifts and hospitality registration declaration form for things received in your capacity as a Merton councillor, and send it to the Council's Monitoring Officer.
- If you receive things in another capacity, i.e. arising from holding another public office, register in accordance with whatever code is in place for that other body. If a particular body does not actually require you to register anything (e.g. a community association), then you do not need to do anything in respect of the receipt of a gift or hospitality directly attributed to your role within that organisation.
- If you cannot decide what capacity you received something in, e.g. you were invited as both a Councillor and a health trust member, provided you declare the gift/ hospitality *at least once* with the body that appears to be the most appropriate, you will have fulfilled your duties. The overriding purpose is public transparency.

What happens if I do not register a gift or hospitality?

Failure to notify the Monitoring Officer of the receipt of a gift or hospitality is a breach of this protocol and consequently also a breach of the Code of Conduct. An alleged breach of the Code can be the subject of a complaint to the Monitoring Officer which could result in the matter becoming the subject of the investigation.

Gifts which are more likely to be considered acceptable by the Standards Committee

Decisions on declarations must be made by individual members. The Standards Committee has however agreed that in appropriate circumstances members may choose to accept gifts and hospitality in the following circumstances:

- Civic hospitality provided by another authority;
- modest refreshments received in the ordinary course of duties as a member e.g. at formal meetings or when in contact with constituents;
- Tickets for sporting, cultural events which are sponsored or supported by the Council;
- Small gifts of low intrinsic value i.e. below £25 which are branded with the name of the company or organisation making the gift (e.g. diaries, calendars etc);
- Modest souvenir gifts with a value below £25 from another public body given on the occasion of a visit by or to that body;
- Hospitality received in the course of an external visit or meeting which has been authorised by the Council. In such cases the arrangements should be made by officers rather than the members who will be benefiting and hospitality should be commensurate with the nature of the visit; and
- Other unsolicited gifts where it is impracticable to return them or where refusal would in the circumstances cause offence. In such cases you may wish to pass the gift to the Mayor's charitable fund.

Receipt of gifts and hospitality of this type is still subject to the requirements of the protocol regarding the notification to the Monitoring Officer of gifts and hospitality of greater than £25 in value. The appropriateness of acceptance should always be considered beforehand. It should also be noted that the mere fact that a gift or hospitality does not have to be notified under the protocol does not necessarily mean that it is appropriate to accept it.

Guidance on particular gifts and hospitality

Tickets to events

The evidence of the Register indicates that the most common benefits accepted by Merton Councillors from time to time, are tickets to functions, notably theatrical performances in the Borough. If a Member considers it appropriate to accept such tickets, then the value must be assessed and if greater than £25 they should be declared as gifts.

All England Lawn Tennis Championships

Where, as in the case of the All England Lawn Tennis Championships, tickets are allocated by lottery and then purchased, the mere fact of payment should not necessarily mean that a notification should not be made under the Code. If participation in a lottery enables a member as a result of his or her office, the opportunity to purchase tickets which would not be available to the public at large then a benefit has been enjoyed by the member. The Standards Committee considers that even though the value of this benefit is difficult to quantify the interests of probity and transparency require the notification of such tickets whether purchased or not. A specific form with standardised wording is available on the Council's website for these circumstances.

Civic Ceremonial

The Standards Committee does not consider that the attendance of the Mayor, the Deputy Mayor or any other Councillor as an accredited representative of the Council needs to be notified to the Monitoring Officer under the Protocol. However should any personal gift be offered in such circumstances the approach to be adopted in relation to acceptance must be considered in accordance with this protocol and this guidance.

Ceremonial Gifts

Ceremonial gifts greater than £25 in value offered by visiting delegations from British or overseas public authorities may be accepted on the basis that the gift is made to the Council rather than the individual Councillor. Arrangements should be made for any such gifts which are received to be displayed or kept corporately.

Will the register be open to the public?

Yes, the register is available to the public in the same way as the register of disclosable pecuniary interests. It is open for inspection and also available on the internet and the Council's intranet.

The Monitoring Officer produces regular updates of declarations, which are reported to the Standards Committee once a year, and available for public inspection.

Further assistance

It is each Member's own individual responsibility to observe this protocol, but the Monitoring Officer and his staff will help where possible. If you have any questions at all please contact the Group Officer Managers, the Monitoring Officer or Deputy Monitoring Officer for advice and assistance.

Louise Round
Monitoring Officer
London Borough of Merton

Document Updated ~~26 February 2013~~
September 2020

Name	Details	Date	Value
Agatha Mary Akyigyina OBE	None		
Stephen Alambritis MBE	1x ticket for fundraising event for Mayor: performance of Calendar Girls at New Wimbledon Theatre.	02.10.19	Value unknown but in excess of £25.00
	Merton Business Awards dinner at All England Club. Offered by Future Merton as a co-sponsor.	26.10.19	Value £80
	Rendition of Land of Pope and Glory, Wimbledon Music Festival, Sacred Heart Church	23.11.19	not known but over £25 offered by Wimbledon Music Festival
	Reception followed by dinner at the Reform Club SW1 for Labour Business offered by Terrapin Communications	10.12.19	Value unknown but over £25 offered by Terrapin Communications
	Reception followed by lunch at the Ivy Restaurant WC2 offered by the Built Environment Communications Group (becg).	10.12.19	Value unknown but over £25 offered by Built Environment Communications Group (becg)
	Annual Award Event - Dinner at Lorenzo Restaurant Wimbledon as a guest. of Raiders Radio.	18.12.19	Value unknown but over £25
	AELTC Wimbledon cancelled Championships 2020 Commemorative Towels (12 Towels of a value of £35 each) delivered to the Leaders Office by Merton Council Press Department and offered as a goodwill gesture by AELTC offered by AELTC, Church Road, SW19	07.09.20	Value £420
Mark Allison	None		

Name	Details	Date	Value
Stan Anderson	AELTC Wimbledon 2020 Commemorative Towels (2 Towels of a value of £35 each) provided to Councillor as a goodwill gesture offered by All England Lawn Tennis Club, Church Road, SW19	11.08.20	Value £70
Laxmi Attawar	AELTC Wimbledon 2020 Commemorative Towels (2 Towels of a value of £35 each) provided to Councillor as a goodwill gesture offered by All England Lawn Tennis Club (AELTC), Church Road, Wimbledon, SW19 5AG ; Value £70 offered by All England Lawn Tennis Club, Church Road, SW19	19.08.20	£70.00
Eloise Bailey	None		
Thomas Barlow	None		
Nigel Benbow	None		
Hina Bokhari	None		
Kelly Braund	None		
Mike Brunt	None		
Adam Bush	AELTC Wimbledon 2020 Commemorative Towels (2 Towels of a value of £35 each) provided to Councillor as a goodwill gesture offered by All England Lawn Tennis club, Church Road, SW19	27.08.20	£70.00
Omar Bush	AELTC Wimbledon 2020 Commemorative Towels (2 Towels of a value of £35 each) provided to Councillor as a goodwill gesture offered by All	10.08.20	£70.00

Name	Details	Date	Value
	England Lawn Tennis Club, Church Road, SW19		
Ben Butler	None		
Tobin Byers			
Billy Christie	None		
David Chung			
Caroline Cooper-Marbiah	A ticket from the Lawn Tennis Association to attend the Nitto ATP Finals	13.11.19	Value £72.00
Pauline Cowper	None		
Stephen Crowe	None		
Marty Curtin	None		
David Dean	None		
John Dehaney	None		
Nick Draper	None		
Anthony Fairclough	None		
Edward Foley	Two tickets to performance of 'Cinderella' at the New Wimbledon Theatre offered by Ambassador Theatre Group. Estimated value 2x£37 = £74 offered by Ambassador Theatre Group	10.12.19	Value £74
	AELTC Wimbledon 2020 Commemorative Towels (2 Towels of a value of £35 each) provided to Councillor as a goodwill gesture offered by AELTC Church Road Wimbledon	07.02.20	£70.00

Name	Details	Date	Value
Brenda Fraser	None		
Jennifer Gould	None		
Edward Gretton	None		
Joan Henry	None		
Daniel Holden	AELTC Wimbledon 2020 Commemorative Towels (2 Towels of a value of £35 each) provided to Councillor as a goodwill gesture offered by All England Lawn Tennis Club (AELTC), Church Road, Wimbledon, SW19 5AG ;	05.08.20	Value £70
James Holmes	None		
Andrew Howard	AELTC Wimbledon 2020 Commemorative Towels (2 Towels of a value of £35 each) provided to Councillor as a goodwill gesture offered by All England Lawn Tennis Club, Church Road, SW19	25.08.20	Value £70.00
Janice Howard	AELTC Wimbledon 2020 Commemorative Towels (2 Towels of a value of £35 each) provided to Councillor as a goodwill gesture offered by All England Lawn Tennis Club, Church Road, SW19	25.08.20	Value £70.00
Natasha Irons	None		
Sally Kennedy	None		
Linda Kirby	AELTC Wimbledon 2020 Commemorative Towels (2 Towels of a value of £35 each) provided to Councillor as a goodwill	23.09.20	Value £70

Name	Details	Date	Value
	gesture offered by AELTC, Church Road, Wimbledon		
Paul Kohler	None		
Rebecca Lanning	None		
Najeeb Latif	None		
Edith Macauley MBE	AELTC Wimbledon 2020 Commemorative Towels (2 Towels of a value of £35 each) provided to Councillor as a goodwill gesture offered by AELTC, Church Road, SW19	31.07.20	£70.00
Russell Makin	None		
Peter McCabe	None		
Simon McGrath	None		
Nick McLean	AELTC Wimbledon 2020 Commemorative Towels (2 Towels of a value of £35 each) provided to Councillor as a goodwill gesture offered by AELTC, Church Road, SW19	18.08.20	£70.00
Oonagh Moulton	AELTC Wimbledon 2020 Commemorative Towels (2 Towels of a value of £35 each) provided to Councillor as a goodwill gesture offered by AELTC, Church Road, Wimbledon, SW19 5AE	25.08.20	£70.00
Aidan Mundy	None		
Hayley Ormrod	None		
Dennis Pearce	None		
Owen Pritchard	None		

Name	Details	Date	Value
Carl Quilliam	None		
David Simpson CBE	AELTC Wimbledon 2020 Commemorative Towels (2 Towels of a value of £35 each) provided to Councillor as a goodwill gesture offered by All England Lawn Tennis Club (AELTC), Church Road, Wimbledon, SW19 5AG ; Value £70 offered by All England Lawn Tennis Club, Church Road, SW19	12.08.20	£70.00
Marsie Skeete	None		
Peter Southgate	Two tickets for Mayor's charity performance of a pantomime at New Wimbledon Theatre offered by Ambassador Theatre Group. Estimated value £25x2 = £50	10.12.19	£50.00
Geraldine Stanford	None		
Eleanor Stringer	Pair of complimentary tickets to the Mayor's Charity and Press Night of 'Cinderella' at the New Wimbledon Theatre	10.12.19	The value unknown but in excess of £25. offered by New Wimbledon Theatre
	AELTC Wimbledon 2020 Commemorative Towels (2 Towels of a value of £35 each) provided to Councillor as a goodwill gesture offered by All England Lawn Tennis Club, Church Road, SW19	28.08.20	£70.00
Dave Ward	None		
	Dinner hosted by Pocket Living for Labour housing and regeneration leads	05.11.19	Value unknown but over £25

Appendix
Members Gifts and Hospitality
01.10.19 -30.09.20

Name	Details	Date	Value
Martin Whelton	Pair of complimentary tickets to Wimbledon International Music Festival with Philharmonia Orchestra at Trinity Church	24.11.19	Value unknown but over £25.
	Complimentary ticket to Mayor's Charity and Press night of 'Cinderella' at New Wimbledon Theatre	10.12.19	Value unknown but in excess of £25. offered by New Wimbledon Theatre
Dickie Wilkinson	None		
David Williams MBE JP	Receipt of 2 x 2020 Wimbledon Championships Souvenir Towels from the AELTC (NB The tournament was cancelled owing to the COVID-19 Pandemic). Value £70 (£35 each RRP) offered by All England Lawn Tennis & Croquet Club, Church Road, SW19	18.08.20	£70.00

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Appendix 3 to the report – Officers Gifts and Hospitality

Name	Department	Date offer received	Donor details	Gift details	Accepted (yes/no)	Reason for acceptance	Date declared	Date manager approved	Date record entered
Senior Officer	Children, Schools and Families	13/11/2019	LGA	Invitation to a private dinner on 20 November 2019	No		19/11/2019	20/11/2019	28/11/2019
Officer	Environment and Regen	15/11/2019	LBM	2 x tickets for the Mayor's pantomime night at New Wimbledon Theatre	No		28/11/2019	29/11/2019	05/12/2019
Senior Officer	Children, Schools and Families	20/11/2019	Penna	Dinner at NCAS conference	Yes	Opportunity to network. No current recruitment business	19/11/2019	20/11/2019	28/11/2019
Senior Officer	Corporate Services	26/11/2019	Impower	Chocolate advent calendar	Yes	Sent through post - small value	26/11/2019	26/11/2019	28/11/2019
Senior Officer	Chief Executive	10/12/2019	Mayor of Merton's charities	2 x complimentary tickets - Cinderella at Wimbledon Theatre - Mayor of Merton's charity and press night	Yes	Civic duty	19/11/19	21/11/2019	28/11/2019
Officer	Children, Schools and Families	14/12/2019	Parents	Gift card £30	Yes	Parents wanted to show their gratitude for supporting their daughter who has complex disabilities - to refuse would have offended them	15/12/2019	19/12/2019	22/01/2020
Officer	Children, Schools and Families	15/12/2019	Parents	£30 voucher for Waitrose	Yes	Parents wanted to show their gratitude for supporting their daughter who has complex disabilities - to refuse would have offended them	19/12/2019	19/12/2019	22/01/2020
Officer	Children, Schools and Families	23/12/2019	Abacus Mobility Limited	Chocolates for the team	Yes	Less than £25 in value	23/12/2019	24/12/2019	22/01/2020
Officer	Children, Schools and Families	23/12/2019	Cascade Cars Services Limited	Champagne and chocolates	Yes - would have caused offence to decline	Agreed to be donated to Mayor's charity	23/12/2019	24/12/2019	22/01/2020
Officer	Children, Schools and Families	23/12/2019	Care4care care	Gift voucher worth £30	Yes	Came by post 23/12/19	23/12/2019	23/12/2019	27/12/2019
Officer	Environment and Regen	24/12/2019	South East Leasehold	Food hamper	Yes	Donated to Mayor's charities	30/12/2019	06/01/2020	07/01/2020
Officer	Environment and Regen	07/02/2020	Elim Church	Bottle of champagne	Yes	Presented at an event and donated to the Mayor's charities	07/02/2020	10/02/2020	20/02/2020

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Standards and General Purposes Committee Forward work plan 2020-21

March

- External Audit Plans for Council and Pension Fund accounts
- External Audit Annual Letter
- Internal Audit Plan
- Internal Audit progress report
- Enforcement Agents Follow up Report (following LGSCO report in July 2020)
- Annual Complaints Report
- Update on RIPA authorisations
- Risk Management
- Amendments to the Constitution and Revisions to Contract Standing Orders
- Complaints against Members
- Temporary and Contract Staff Update
- Work programme

Add as required:

- Polling Places
- Constitutional amendments
- Review of members' interests
- Independent / co-opted members
- Reports on dispensations issued by Monitoring Officer
- Report on payment exceeding £1000 as a result of maladministration as directed by the LGO.

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