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Merton Council

Standards and General Purposes Committee Agenda

Membership

Councillors:

Peter McCabe (Chair)
Adam Bush (Vice-Chair)
Ben Butler
John Dehaney
Dickie Wilkinson
David Williams MBE JP
Hina Bokhari
Mary Curtin
Andrew Howard
Brenda Fraser
Nick Draper
Martin Whelton

Substitute Members:

Omar Bush
Nick McLean
Jenifer Gould
Edward Foley
Caroline Cooper-Marbiah
Edith Macauley MBE

Date: Thursday 11 March 2021

Time: 7.15 pm

Venue: This will be a virtual meeting and therefore not held in a physical location, in accordance with the Coronavirus Act 2020

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

For more information about the agenda and the decision making process contact democratic.services@merton.gov.uk or telephone 020 8545 3357

Press enquiries: communications@merton.gov.uk or telephone 020 8545 3181

Standards and General Purposes Committee Agenda

11 March 2021

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13	Exclusion of the Public To RESOLVE that the public are excluded from the meeting during consideration of the following reports on the grounds that it is exempt from disclosure for the reasons stated in the report.	
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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 5 NOVEMBER 2020

(7.15 pm - 8.19 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 Nick McLean,
Councillor Mary Curtin and Councillor Carl Quilliam

ALSO PRESENT Suresh Patel – EY
Simon Mathers – EY
Simon Luk – EY
Clive Douglas – Independent Person
Katy Willison – Independent Person
Caroline Holland (Director of Corporate Services), Margaret
Culleton (Head of Internal Audit), Steve Bowsher (Chief
Accountant), Amy Dumitrescu (Democratic Services Officer),
Farzana Karamat-Mughal (Democratic Services Officer
(Temporary)), Roger Kershaw (Assistant Director of Resources),
Louise Round (Managing Director, South London Legal
Partnership and Monitoring Officer) and Dr Dagmar Zeuner
(Director, Public Health)

1 APOLOGIES FOR ABSENCE (Agenda Item 1)

Apologies for absence were received from Councillor Pauline Cowper and Councillor Andrew Howard. Councillor Nick McLean attended as substitute.

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 22 September 2020 were agreed as a correct record.

4 AUDITED FINAL ACCOUNTS 2019/20 (Agenda Item 4)

The Director of Corporate Services introduced the report, advising that Merton was one of the first to have had their accounts audited by EY by the deadline that had been set.

The External Auditors gave an overview of the report, highlighting the changes since the previous report to committee in September 2020. It was noted that in relation to the DSG (Dedicated Schools Grant) the cumulative overspend had been correctly disclosed. A statutory instrument had been introduced by the MHCLG to allow cumulative DSG deficits to be accounted for as an unusable reserve and this would

be applied prospectively from 1 April 2020 and therefore had no impact on the 2019/20 accounts. A DSG recovery plan was in place.

Referring to the Pensions liabilities, assurances requested had now been received and the liabilities had been increased as a result.

On the value for money conclusion, an unqualified conclusion was proposed however it was noted that the DSG was an area that needed to be addressed.

The impact of Covid was not considered as this did not begin to impact until the end of March 2020.

In regards to fees, the three areas of additional work had now been included and the additional fees would be provided to the Director of Corporate Services.

In response to questions from members, it was confirmed that the DSG had been discussed at the Children and Young People Overview and Scrutiny Panel and an update on the current deficit would also be taken back to the panel.

In response to further questions, External Audit advised that in relation to the difference between EY's valuer and the Council's valuer and whether this would be an ongoing issue, it was considered that it might however it also may not if the valuers changed or the approach changed. In relation to the going concern disclosure, it was noted that this had been more extensive this year and might need to be going forward however further guidance was expected from Cipfa on this issue.

RESOLVED:

1. That the Committee, having scrutinised and approved the accounts at its meeting on 22nd September, approved 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. The Committee noted EY's Audit Results Report (Appendix 2) for the Pension Fund accounts under the International Standard on Auditing (ISA) 260.
3. The Committee noted EY's Audit Results Report (Appendix 1) for the Statement of Accounts under the ISA 260.
4. That the Chair signed the Statement of Responsibilities for the Statement of Accounts (Appendix 3).
5. That the Chair signed the Letters of Representation (Appendices 1 and 2) for the Statement of Accounts and Pension Fund Accounts.

5 WHISTLEBLOWING POLICY REVIEW (Agenda Item 5)

The Head of Internal Audit presented the report and updated policy, highlighting the changes that had been made to the policy. Online fraud training would be rolled out to all employees by the end of the year.

In response to member questions, officers advised that in relation to the increase in cases, a further report would be brought back to the March 2021 committee to give details on the reasons for these increases.

The Head of Internal Audit confirmed there was no appeals process, but there are external bodies that the Whistleblowing can contact, if they are dissatisfied with the Councils review. Independent Person Clive Douglas queried whether his own role could be extended to undertake these reviews.

RESOLVED:

The Committee commented upon and approved the revised Whistleblowing policy and commented on the Whistleblowing process.

6 HEALTH AND WELLBEING BOARD TERMS OF REFERENCE (Agenda Item 6)

The Director of Public Health presented the report detailing the proposed terms of reference for the Health and Wellbeing Board Sub-group. This sub-group is advisory and reports to the statutory Health and Wellbeing Board. The terms of reference had been agreed by the Health and Wellbeing Board.

In response to a question from Independent Person Katy Willison, the Director of Public Health would amend the terms of reference to clarify the frequency of meetings.

RESOLVED:

A. The Committee agreed the draft terms of reference for the Health and Wellbeing Board Community Subgroup to be reported to full Council in November.

7 ANNUAL GIFTS AND HOSPITALITY REPORT - MEMBERS AND OFFICERS (Agenda Item 7)

The Monitoring Officer presented the report, noting that all gifts and hospitality on both registers showed all appeared to be registered appropriately. There had been fewer declarations than in previous years, whilst the reason for this was unclear however all staff and members would be reminded of their responsibility to declare gifts and hospitality. There had been a blanket declaration inputted on behalf of the number of officers who had received towels donated by the All England Lawn Tennis Club following the cancelled Wimbledon 2020 tournament and a number of members had also declared receiving these.

RESOLVED:

A. That the Committee noted the report.

B. That members were reminded of their responsibility to complete declarations of gifts and hospitality including reasons for acceptance.

C. Managers will remind staff about their responsibilities under the Employee's Code of Conduct to complete declarations, including reasons for acceptance.

8 COMPLAINTS AGAINST MEMBERS (Agenda Item 8)

The Monitoring Officer advised the Committee that there had been no complaints which had gone to the investigation stage. There had been one complaint received regarding the content of some members' submissions on the Boundary Review, however the Monitoring Officer and one of the Independent Persons had taken the view that this complaint did not meet the threshold for investigation.

The Monitoring Officer advised there had been one further complaint received on the day of the meeting which would be assessed and brought to the next meeting if required.

9 WORK PROGRAMME (Agenda Item 9)

The Work Programme was noted and agreed.

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London Borough of Merton

Outline audit planning report

Year ending 31 March 2021

23 February 2021

23 February 2021



Dear Committee Members

London Borough of Merton, 2020/21 Outline Audit planning report

We are pleased to attach our outline audit planning report for the forthcoming meeting of the Standards and General Purposes Committee. The purpose of this report is to provide the with a basis to review our proposed audit approach and scope for the 2020/21 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's new 2020 Code of Audit Practice, the auditing standards and other professional requirements. It also aims to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our initial assessment of the key issues which drive the development of an effective audit for the London Borough of Merton. We have aligned our audit approach and scope with these. We have yet to complete our detailed audit planning and will report any changes to risks and areas of focus to the next Committee meeting.

This report is intended solely for the information and use of the Standards and General Purposes Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 11 March 2021 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

A handwritten signature in black ink, appearing to read 'S. Patel'.

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The 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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Standards and General Purposes Committee and management of the London Borough of Merton in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Standards and General Purposes Committee, and management of the London Borough of Merton those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Standards and General Purposes Committee, and management of the London Borough of Merton for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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Overview of our 2020/21 audit strategy



Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 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 would otherwise appear to be operating effectively.
Inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	Linking to our fraud risk identified above, we have determined that the way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements.
Valuation of Land and Buildings	Significant Risk	No change in risk or focus.	The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. As a result of our work last year we identified a judgemental error in the valuation of industrial property. As a result, and considering that valuers are likely to be only able to undertake desk-based reviews due to the continuing impact of Covid-19, the valuation of land and buildings remains a significant audit risk.
Implementation of a new payments system	Significant risk	New significant risk	The Council plans to implement a new payments system called Adelente in March 2021. The implementation of new system impacting material classes of transactions presents a significant risk to the preparation of materially accurate and complete financial statements.

Overview of our 2020/21 audit strategy

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Going concern disclosure	Inherent Risk	No change in risk or focus.	The financial landscape for the Council remains challenging and it will need to undertake a going concern assessment covering a period up to 12 months from the expected date of final authorisation. It will also need to make an appropriate disclosure in the financial statements. In addition, the revised auditing standard on going concern requires additional challenge from auditors on the assertions being made by management.
Private Finance Initiative (PFI)	Inherent Risk	No change in risk or focus.	The Council has a material PFI arrangement and the associated accounting is a complex area. We will review the accounting entries and disclosures in relation to PFI in detail in 2020/21, with a focus on any significant changes since the previous year.
Page 10 National Non-Domestic Rates (NNDR) Appeals Provision	Inherent Risk	New inherent risk	Statistics compiled by the Ministry for Housing, Communities and Local Government, reveal that councils are forecasting net additions to appeal provisions totalling £927m this financial year, and £1.2bn next year. The reason behind the forecast increase is that, due to the impact of Covid-19, businesses are likely to seek reductions based on a decrease in rental prices on which rateable values are based. In light of this we consider there to be a higher inherent risk of misstatement of the Council's NNDR appeals provision.
Accounting for Covid-19 related government grants	Inherent risk	New area of focus	The Council has received a significant level of government funding in relation to Covid-19. There is a need for the Council to ensure that it accounts for these grants appropriately, taking into account any associated restrictions and conditions.

Auditing accounting estimates

In addition to the above risks and areas of focus, a revised auditing standard has been issued in respect of the audit of accounting estimates. The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors now consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we may see the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area. The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required.

Overview of our 2020/21 audit strategy

Materiality

Planning
materiality

£9.8m

We have set materiality at £9.8 million for the group financial statements which represents 1.8% of the prior years gross revenue expenditure of the Council, and the prior year forecast GRE of CHAS 2013 Ltd and Merantun Development Ltd. Materiality for the single entity Council financial statements is £9.6 million. The use of 1.8% of gross revenue expenditure in line with the prior year and is our maximum threshold for local authorities reflecting the higher profile of local government financial resilience and financial reporting.

Performance
materiality

£7.3m

We have set performance materiality at £7.3 million for the group financial statements and £7.2m for the single entity Council financial statements. This represents 75% of materiality reflecting the lower level of errors we detected in the 2019/20 financial statements. We determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group. We consider the wholly owned subsidiary, CHAS 2013 Limited, to be a significant component with a performance materiality level of £1.5 million. We do not consider the financial activity for Merantun Development Limited in the period will be material to the Group.

Audit
differences

£488k

We will report all uncorrected misstatements relating to the group financial statements over £488,000. We will communicate other misstatements identified to the extent that they merit the attention of the Standards and General Purposes Committee.

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Audit scope

This Outline Audit Plan covers the work that we plan to perform to provide you with our audit opinion on the Council and Group financial statements for 2020/21. We are also required to report a commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 03, highlighting the changes included in the NAO's Code of Audit Practice 2020.

We will also review and report to the NAO, to the extent and in the form required by them, on the Whole of Government Accounts submission. We intend to take a substantive audit approach. When planning the audit we take into account key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes; Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council. Taking the above into account, and as articulated in this Outline Audit Plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response. The fees we have included in Section 08 reflect the work we need to undertake to address the risks we have currently identified. We will continuously review and update as necessary our understanding of your risks and discuss with management and the Standards and General Purposes Committee any significant changes.

Overview of our 2021 audit strategy

Value for money conclusion

One of the main changes in the NAO's 2020 Code is in relation to the value for money conclusion. We include details in Section 03 but in summary:

- ▶ We are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- ▶ Planning on VFM and the associated risk assessment is now focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- ▶ We will be required to provide a commentary on the Council's arrangements against three reporting criteria:
 - Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
 - Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
 - Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Page 12 Within the audit opinion we will still only report by exception where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

- ▶ The commentary on arrangements will be included in a new Auditor's Annual Report which we will be required to issue at a date to be determined by the NAO.

Timeline

At the time of drafting this Outline Audit Plan, MHCLG were consulting on changing the date for the Council to publish its draft accounts to 1 August 2021. However, MHCLG has not yet outlined how that change impacts the target date for the Council to publish its approved and audited accounts. In their response to the Redmond Review, MHCLG indicated that for 2020/21 that target date would be 30 September 2021.

In Section 07 we therefore include a provisional timeline for the audit but this will be subject to change depending on MHCLG's communications on target dates for publishing the accounts.

Fees

We remain in discussion with PSAA about our proposed increase to the scale fee which we consider to be appropriate to deliver a Code compliant audit. We include in Section 08, our current view of the fees required to carry out the 2020/21 audit. We will update the Committee on any determinations by PSAA on fees.



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02 Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error *

Page

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.

What will we do?

- ▶ Inquire of management about risks of fraud and the controls put in place to address those risks.
 - ▶ Understand the oversight given by those charged with governance of management's processes over fraud.
 - ▶ Consider of the effectiveness of management's controls designed to address the risk of fraud.
- Perform mandatory procedures regardless of specifically identified fraud risks, including:
- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
 - ▶ Assessing accounting estimates for evidence of management bias, and
 - ▶ Evaluating the business rationale for significant unusual transactions.

We will utilise our data analytics capabilities to assist with our work.

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that only those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.

Our response to significant risks

Inappropriate capitalisation of revenue expenditure*

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

▶ Revenue expenditure being inappropriately recognised as capital expenditure at the point is posted to the general ledger.

▶ Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating PPE additions and/or Revenue Expenditure Financed as Capital Under Statute (REFCUS) in the financial statements.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. In arriving at this conclusion we have considered the continuing pressure on the revenue budget and the financial value of its annual capital programme which is many times out materiality level.

This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

What will we do?

We will:

- ▶ Test PPE additions, and REFCUS if material, to ensure that the expenditure incurred and capitalised is clearly capital in nature or appropriate to be treated as REFCUS.
- ▶ Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

We will utilise our data analytics capabilities to assist with our work, including journal entry testing. We will assess journal entries more generally for evidence of management bias and evaluate for business rationale.



Audit risks

Our response to significant risks

Valuation of land and buildings

Financial statement impact

The net book value of other land and buildings in the 2019/20 audited accounts was £602 million.

What is the risk?

The fair value of land and buildings represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

In the last two years the Council has made improvements in its arrangements for supporting the production of materially accurate and complete valuations of its other land and buildings. However, as one of the largest accounting estimates on the balance sheet and one dependent on a high degree of subjectivity we have continued to associate a significant risk to the valuation of land & buildings in the 2020/21 audit.

What will we do?

We will disaggregate the Council's other land and buildings and adopt different testing strategies for specialised assets the Council values using DRC and non-specialist assets valued using EUV.

► For DRC we will confirm that the Council has used the methodology it revised in the prior year following our audit which include the work of our expert. We will also test a sample of valuations, challenging the Council 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 we will engage our own expert (EYRE) to enable us to audit a sample of valuations, challenging management on key assumptions and judgements.

Audit risks

Our response to significant risks

Implementation of a new payments system

Financial statement impact

The implementation of a new payments system affects the correct disclosure of cash and cash equivalents, and creditors in the statement of accounts.

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What is the risk?

The Council plans to implement a new payments system called Adelente during March 2021. The implementation of new system impacting a material class of financial transactions presents inherent risks to the preparation of materially accurate and complete financial statements.

What will we do?

In addition to carrying out our routine procedures on a key financial system (which includes documenting our understanding of the system, its processes and controls) we will also seek to understand the arrangements that the Council has put in place to ensure that payments continue to be accurately processed and recorded during the migration, and that accurate financial data is available from both the old and new systems to support production of the financial statements.

We will continue to review our response to this risk as our understanding of arrangements for migration between the old and new system develops.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2020 this totalled £284 million.

The information disclosed is based on the IAS 19 report issued to the Council 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.

Private Finance Initiative (PFI)

The Council 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.

What will we do?

We will:

- ▶ Liaise with the auditors of Merton Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the London Borough of Merton.
- ▶ Assess 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 National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

We will consider outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

We will review the accounting entries and disclosures in relation to PFI in detail in 2020/21, with a focus on any significant changes since the expert's follow-up review in the previous year. At the planning stage we not aware of any contractual changes to the Council's PFI arrangements and therefore do not anticipate any significant changes.

We will also undertake testing of in-year inputs to the accounting models and agree relevant entries in the financial statements to year-end output from the accounting model.

Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?

Going concern disclosure

There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 on the Council's day to day finances, its annual budget, its cashflow and its medium term financial strategy, there is a need for the Council to ensure its going concern assessment is thorough and appropriately comprehensive.

The Council is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.

What will we do?

We will meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Council's going concern assessment and its disclosure in the accounts by:

- Challenging management's identification of events or conditions impacting going concern.
- Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewing the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.
- Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.
- Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties.

We will discuss the detailed implications of the revised auditing standard with finance staff shortly and seek to agree with management to receive an early draft of the Council's going concern assessment in advance of the 2020/21 year-end audit in order to provide management with feedback on the adequacy and sufficiency of the proposed disclosures in relation to going concern.

Other areas of audit focus (continued)

What is the risk/area of focus?

Accounting for Covid-19 related grant funding

The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.

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National Non-Domestic Rates (NNDR) Appeals Provision

Statistics compiled by the Ministry for Housing, Communities and Local Government, reveal that councils are forecasting net additions to appeal provisions totalling £927m this financial year, and £1.2bn next year. The reason behind the forecast increase is that, due to the impact of Covid-19, businesses are likely to seek reductions based on a decrease in rental prices on which rateable values are based.

In light of this we consider there to be a higher inherent risk of misstatement of the Council's NNDR appeals provision.

What will we do?

We will consider the Council's judgement on material grants received in relation to whether it is acting as:

- An Agent, where it has determined that it is acting as an intermediary; or
- A Principal, where the Council has determined that it is acting on its own behalf.

We will encourage the finance team to provide its assessment of grant accounting well before it prepares the statements so that we can provide an early view on its proposed accounting treatment.

We will consider the Council's estimation of the NNDR appeals provision by performing the following:

- Review the assumptions made by the Council's NNDR appeals provision specialist Analyse Local;
- Assess the reasonableness of any local adjustments made by the Council on the NNDR appeals provision;

Other areas of audit focus (Continued)

What is the risk/area of focus?

Auditing accounting estimates

ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019.

This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors.

The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we expect the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area.

The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required, particularly in cases where an accounting estimate and related disclosures are higher on the spectrum of inherent risk. For example:

- 21
- We may place more emphasis on obtaining an understanding of the nature and extent of your estimation processes and key aspects of related policies and procedures. We will need to review whether controls over these processes have been adequately designed and implemented in a greater number of cases.
 - We may provide increased challenge of aspects of how you derive your accounting estimates. For example, as well as undertaking procedures to determine whether there is evidence which supports the judgments made by management, we may also consider whether there is evidence which could contradict them.
 - We may make more focussed requests for evidence or carry out more targeted procedures relating to components of accounting estimates. This might include the methods or models used, assumptions and data chosen or how disclosures (for instance on the level of uncertainty in an estimate) have been made, depending on our assessment of where the inherent risk lies.
 - You may wish to consider retaining experts to assist with related work. You may also consider documenting key judgements and decisions in anticipation of auditor requests, to facilitate more efficient and effective discussions with the audit team.
 - We may ask for new or changed management representations compared to prior years.



03

Value for Money Risks





Value for money

The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

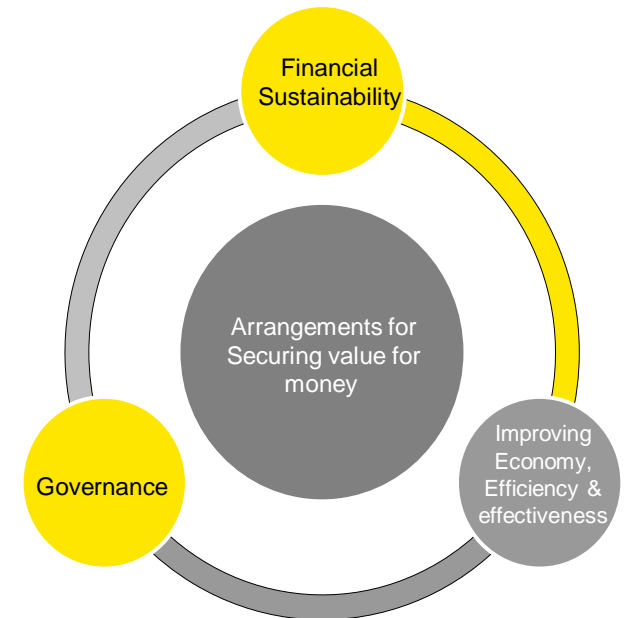
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailor's the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



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Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates (such as OfSTED) and other bodies and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to - or could reasonably be expected to lead to - unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves, or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.



Value for money

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the audit committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our views as to whether they have been implemented satisfactorily.

Status of our 2020/21 VFM planning

We have yet to commence our detailed VFM planning. However, one area of focus will be on the arrangements that the Council has in place in relation to financial sustainability in light of the impact of Covid-19 on the Council's finances.

At the 8 February 2021 Cabinet meeting the Financial Report 2020/21 for the period to 9 December 2020 highlighted that for the 2020/21 revenue budget, the Council was forecasting a net adverse variance at year-end of £4.3m. The report highlighted that in common with other London Boroughs the Council's services remain under pressure due to the need to support businesses and residents, and there has been a major reduction in the Council's income which is expected to continue. In addition, the report highlights the continued significant pressures on the Dedicated Schools Grant (DSG) which ended the 2019/20 year with a cumulative deficit of £12.7m and is now forecast to increase in 2020/21 to an estimated £27.6m.

We will update the next Committee meeting on the outcome of our VFM planning and our planned response to any identified risks of significant weaknesses in arrangements.



Value for Money procedures

What is the risk of significant weakness in arrangements?

At the 8 February 2021 Cabinet meeting the Financial Report 2020/21 for the period to 9 December 2020 highlighted that for the 2020/21 revenue budget, the Council was forecasting a net adverse variance at year-end of £4.3m. The report highlighted that in common with other London Boroughs the Council's services remain under pressure due to the need to support businesses and residents, and there has been a major reduction in the council's income which is expected to continue. In addition, the report highlights the continued significant pressures on the Dedicated Schools Grant (DSG) which ended the 2019/20 year with a cumulative deficit of £12.7m and is now forecast to increase in 2020/21 to an estimated £27.6m.

We consider all of the above to be relevant to the financial sustainability reporting criteria and we consider there to be a risk of a significant weakness in the Council's arrangements to plan and manage its resources to ensure it can continue to deliver its services.

What reporting criteria and arrangements does the risk affect?

Financial sustainability:

1. How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
2. How the Council plans to bridge its funding gaps and identifies achievable savings;
3. How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
4. How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and
5. How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

What will we do?

Our approach will focus on gaining an understanding of the Council's arrangements in relation to the 5 questions show left. We will do this through a combination of:

- Discussions with key officers.
- Review of key documents including financial reports, savings plans and forecasts.
- Challenging the assumptions that underpin financial plans.



04

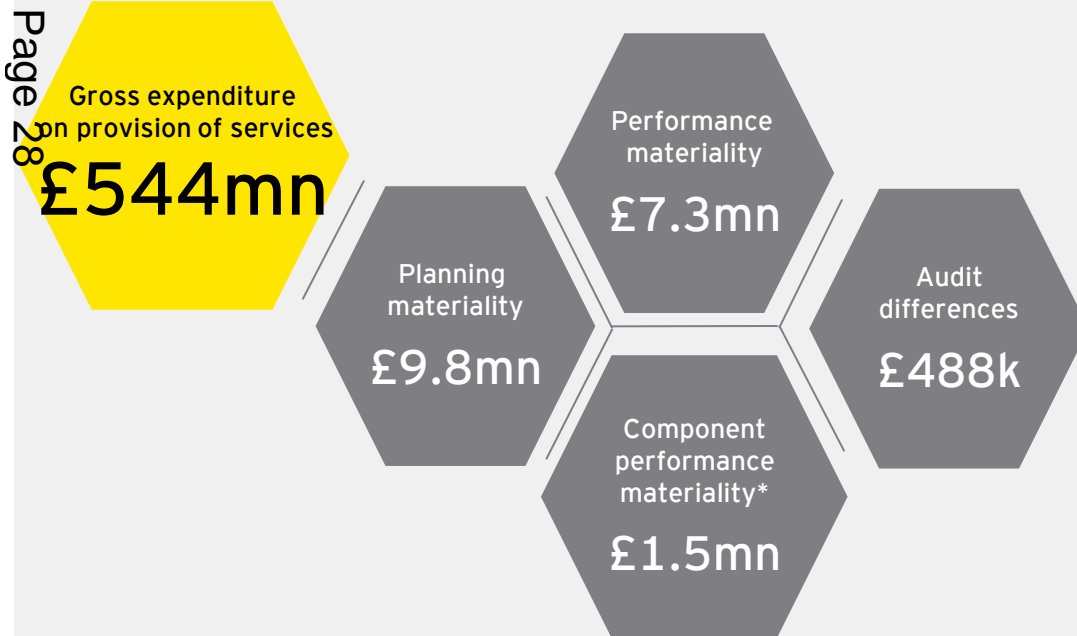
Audit materiality



Materiality

Materiality

For planning purposes, planning materiality for 2020/21 has been set at £9.8 million for the group financial statements. This represents 1.8% of the Council's prior year gross revenue expenditure (GRE) on provision of services, plus the 2019/20 forecast GRE of CHAS 2013 Limited and Merantun Development Limited. It will be reassessed throughout the audit process. We consider that gross expenditure on the provision of services is the area of biggest interest to the users of the Council's accounts.



We request that the Standards and General Purposes Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £7.3mn for the group financial statements which represents 75% of planning materiality. This reflects the relatively lower level of error detected in our 2019/20 financial statements audit.

Component performance materiality range - we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group. * Component performance materiality relates to CHAS 2013 Ltd only. At the planning stage we have assumed that Merantun Development Ltd is out of group scope as it is not quantitatively material.

Audit difference threshold - we propose that misstatements identified below this threshold of £488,000 are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Standards and General Purposes Committee, or are important from a qualitative perspective.



05

Scope of our audit



Scope of our audit

Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and, by exception, where we are not satisfied that the Council had established arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK). We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

As outlined in Section 03, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Scope of our audit

Audit Process overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2020/21 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

We will use our analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit

We will review internal audit plans and the results of their work. We will reflect on these when designing our overall audit approach and when developing our detailed testing strategy. We may also reflect relevant findings from their work in our reporting, where it raises issues that could have a material impact on the financial statements.

Scope of our audit

Group scoping

For 2020/21 the Council has determined that it should consolidate CHAS 2013 Ltd and Merantun Development Ltd to prepare group accounts. Our audit strategy for performing an audit of an entity components is risk based. We identify components as:

- 1. Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
- 2. Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

We have determined that CHAS 2013 Ltd is a significant component due to risk. We have also determined our approach will be to apply a specific scope to our work on CHAS 2013 Ltd based on the nature of the transactions between the Council and the company. We are the auditors of CHAS 2013 Ltd but will not undertake the audit until later in the year. We have also considered the Council's other wholly owned subsidiary, Merantun Development Limited, as part of our group scoping assessment but based on information available at the planning stage of the audit do not consider its financial activity in the period will be material to the Group.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below. We provide scope details for the component within Appendix D.

0	A	Full scope audits
1	B	Specific scope audits
0	C	Review scope audits
0	D	Specified procedures
0	E	Other procedures

Scope definitions

Full scope: where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit.

Specific scope: where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified Procedures: where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

Other procedures: Where we do not consider it material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.



06

Audit team



Audit team

Audit team structure:

Suresh Patel
Associate Partner

Simon Mathers
Senior Manager

Simon Luk
Senior

Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2020/21 audit.

We will continue to keep our audit approach under review to streamline it where possible.

EY Real
Estates (EYRE)

PwC (consulting
actuary) and EY
Actuaries

Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where specialists are expected to provide input for the current year audit are:

Area	Specialists
Pensions disclosure	EY Actuaries Barnett Waddingham - Actuary to Merton Pension Fund
Property, plant and equipment	The Council's own internal valuer is engaged by the Council for valuation of its PPE. EY Real Estates

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07 Audit timeline





Indicative Audit timeline

Indicative timetable of communication and planned deliverables

Indicative timeline

Below is an indicative timetable showing the key stages of the audit and the planned deliverables we have agreed to provide to you through the audit cycle in 2020/21. Please note that we will communicate any changes to this plan to officers and members as soon as we can. From time to time matters may arise that require immediate communication with the Standards and General Purposes Committee and we will discuss them with the Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

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Audit phase	Timetable	Standards and General Purposes Committee Meeting timetable	Deliverables
Initial Planning: Risk assessment and setting of scopes and walkthrough of key systems and processes	March 2021	Standards and General Purposes Committee Meeting	Outline audit plan
Completion of initial planning	March		
Interim audit testing and completion of walkthroughs	March		
Interim audit testing and completion of walkthroughs	April		
	May		
	June		
Year end audit Audit Completion procedures	July	Standards and General Purposes Committee Meeting	Updated Audit Plan
	August		
	September	Standards and General Purposes Committee Meeting	Audit Results Report
	October		Annual Auditor's Report including commentary on VFM



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08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Suresh Patel, your audit engagement partner, and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

When the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2020

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 ended 1 July 2020 and can be found here:

<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2020>



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2020/21 (£)	Final fee 2019/20 (£)
Scale Fee - Code work [note 1]	110,493	110,493
Additional fees: [note 2]		
- Additional work on PPE	5,000-15,000	14,250
- IFM significant risk	4,000-6,000	6,800
- Data migration to the new FAR	-	6,900
- Going concern assessment & disclosure	2,000-3,000	2,750
- EY internal consultation on audit report	2,000-5,000	5,600
- Revised auditing standard for estimates	TBC	-
- Accounting for C-19 related grants	TBC	-
- NNDR appeals provision	TBC	
- New payments system	TBC	-
Total audit	TBC	146,793
Non-audit services:		
Housing Benefits	TBC	TBC
Teachers' Pensions limited assurance	TBC	TBC
Total other non-audit services		TBC
Total fees		TBC

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion being unqualified;
- Appropriate quality of documentation is provided by the Council;
- The Council has an effective control environment;
- EY internal consultation on the audit report in line with 2019/20.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

All fees exclude VAT





Notes:

1. We are currently in discussion with PSAA nationally about an increase to the scale fee. For Merton we proposed an increase of £102,541. This is yet to be determined by PSAA.
2. 2019/20 additional fees agreed with management. This remains subject to approval by PSAA. Ranges for 2020/21 additional fees based on prior year experience where appropriate.


Appendix B



Required communications with the Standards and General Purposes Committee

We have detailed the communications that we must provide to the Standards and General Purposes Committee.






		 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	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Outline Audit Plan, March 2021 meeting of the Standards and General Purposes Committee.
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, September 2021 meeting of the Standards and General Purposes Committee.

Required communications with the Standards and General Purposes Committee (continued)

 Our Reporting to you



Required communications	 What is reported?	 When and where
Public Interest Entities	<p>For the audits of financial statements of public interest entities our written communications to the Audit Committee include:</p> <ul style="list-style-type: none"> ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-member firms or external specialists and confirmation of their independence ▶ The nature and frequency of communications ▶ A description of the scope and timing of the audit ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Actual or suspected non-compliance with laws and regulations identified relevant to the Audit Committee ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	<p>Outline Audit Plan, March 2021 meeting of the Standards and General Purposes Committee.</p> <p>and</p> <p>Audit Results Report, September 2021 meeting of the Standards and General Purposes Committee.</p>

Required communications with the Standards and General Purposes Committee (continued)

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Page 46  Misstatements	Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <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 	Audit Results Report, September 2021 meeting of the Standards and General Purposes Committee.
	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit Results Report, September 2021 meeting of the Standards and General Purposes Committee.
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit Results Report, September 2021 meeting of the Standards and General Purposes Committee.
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <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 entity 	Audit Results Report, September 2021 meeting of the Standards and General Purposes Committee.

Required communications with the General Purposes and Standards Committee (continued)



 Our Reporting to you

Required communications	 What is reported?	 When and where
<p>Independence</p>	<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>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the Council and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence and 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 ▶ 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 	<p>Outline Audit Plan, March 2021</p> <p>Audit results report, September 2021</p>

Appendix B

Required communications with the Standards and General Purposes Committee (continued)

Our Reporting to you

Required communications	 What is reported?	 When and where
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 	Audit Results Report, September 2021 meeting of the Standards and General Purposes Committee.
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ 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 Committee may be aware of 	Audit Results Report, September 2021 meeting of the Standards and General Purposes Committee.
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report, September 2021 meeting of the Standards and General Purposes Committee.
Representations	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Assurance Letter to be received shortly after year-end.
Material inconsistencies and misstatements	<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, September 2021 meeting of the Standards and General Purposes Committee.
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report, September 2021 meeting of the Standards and General Purposes Committee.

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and Maintaining auditor independence.

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Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the locations at which we conduct audit procedures to support the opinion given on the financial statements; and the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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Merton Pension Fund

Outline audit plan

Year ended 31 March 2021

23 February 2021



23 February 2021



Standards and General Purposes Committee

Dear Committee Members

Merton Pension Fund - Outline audit plan

We are pleased to attach our Outline Audit Plan which sets out how we intend to carry out our responsibilities as the auditor of the Merton Pension Fund (the 'Fund'). Its purpose is to provide the Standards and General Purposes (S&GP) Committee with a basis to review our proposed audit approach and scope for the 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This outline plan summarises our initial assessment of the key risks driving an effective audit for the Pension Fund, and outlines our planned audit strategy in response to them. We have yet to complete all our planning procedures and we will update the Committee if we identify any further risks during the year. This report is intended solely for the information and use of the S&GP Committee and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 11 March 2021 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The 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 the PSAA sets out additional requirements with which auditors must comply, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the S&GP Committee and management of Merton Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we can state to the Standards and General Purposes (S&GP) Committee, and management of Merton Pension Fund, those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the S&GP Committee and management of Merton Pension Fund for this report or for the opinions we have formed. It should not be provided to any third party without our prior written consent.



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01

Overview of our 2020/21 audit strategy



Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the S&GP Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks

Risk	Risk identified	Change from PY	Details
Misstatement due to Fraud or Error - Posting of investment journals	Fraud risk	No change in risk or focus	There is a risk that, due to fraud or error, investment journals posted into the general ledger are incorrect.

In addition to the above risk, there are two areas of audit focus.

Area of focus	Risk identified	Change from PY	Details
Page 55 Going concern disclosure	Inherent	No change in risk or focus	The financial landscape for the Fund's admitted and scheduled bodies remains challenging and as a result, the Fund will need to undertake a going concern assessment covering a period up to 12 months from the expected date of final authorisation. It will also need to make an appropriate disclosure in the financial statements. In addition, the revised auditing standard on going concern requires additional challenge from auditors on the assertions being made by management.
Valuation of private debt and infrastructure investments	Inherent	Potential new area of focus to be kept under ongoing review	The Fund holds a material value of private debt and infrastructure investments which are not publicly quoted, categorised as level 3 in the fair value hierarchy and inherently harder to value. Valuation of these assets may also be made more difficult because of the ongoing impact on markets of Covid-19. We will keep the need to consider this as an area of audit focus under ongoing review.

Materiality

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 greater than £0.345m. We will communicate other misstatements to the extent that they merit the attention of the Committee.
£6.9m	£5.2m	£0.345m

Overview of our 2020/21 audit strategy

Audit scope

This Outline Audit Plan covers the work that we plan to perform to provide you with audit opinion on whether the financial statements of Merton Pension Fund give a true and fair view of the financial position as at 31 March 2021 and of the income and expenditure for the year then ended.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and
- Management's views on all of the above.

This Outline Audit Plan covers the work that we plan to perform to provide you with audit opinion on whether the financial statements of Merton By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Pension Fund.

In addition to the above, we also perform procedures in relation to the IAS 19 report for London Borough of Merton. Our work specifically focuses on gaining assurance that the data submitted to the actuary agrees to the Pension Fund's systems.

Timeline

At the time of drafting this Outline Audit Plan, MHCLG were consulting on changing the date for the Council to publish its draft accounts to 1 August 2021. However, MHCLG has not yet outlined how that change impacts the target date for the Council to publish its approved and audited accounts. In their response to the Redmond Review, MHCLG indicated that for 2020/21 that target date would be 30 September 2021.

In Section 05 we therefore include a provisional timeline for the audit but this will be subject to change depending on MHCLG's communications on target dates for publishing the accounts.

Fees

We remain in discussion with PSAA about our proposed increase to the scale fee which we consider to be appropriate to deliver a Code compliant audit. We include in Section 07, our current view of the fees required to carry out the 2020/21 audit. We will update the Committee on any determinations by PSAA on fees.



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02 Audit risks



Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatement due to Fraud or Error - Posting of investment journals*

What is the risk?

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.

There is a specific risk that, due to fraud or error, investment journals posted into the general ledger are incorrect, which could result in a misstatement of year-end investment value and/or investment income.

What will we do?

Our approach will focus on testing the appropriateness of manual journal entries recorded in the general ledger related to investments and ensuring that:

- ▶ The amount is consistent with the fund manager/custodian report;
- ▶ Correct authorisations have been obtained;
- ▶ The transactions are in the normal course of business or, if they are outside of the normal course, the business rationale will be requested and assessed for reasonableness.

Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?

Going concern disclosure

There is a presumption that the Fund will continue as a going concern for the foreseeable future. However, the Fund is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 on its admitted and scheduled bodies and the continuing volatility in capital markets there is a need for the Fund to ensure its going concern assessment including its cashflow forecast is thorough and appropriately comprehensive.

The Fund is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.

Valuation of private debt and infrastructure investments

The Fund holds a material value of private debt and infrastructure assets (£53.4 million at 31 March 2020) which are categorised and disclosed as Level 3 in the fair value hierarchy. These assets are not publicly quoted and are inherently harder to value. Valuation of these assets may also be made more difficult because of the ongoing impact on markets of Covid-19.

What will we do?

We will meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Fund's going concern assessment and its disclosure in the accounts by:

- Challenging management's identification of events or conditions impacting going concern.
- Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewing the Fund's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.
- Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.
- Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties.

We will discuss the detailed implications of the revised auditing standard with finance staff shortly and seek to agree with management to receive an early draft of the Fund's going concern assessment in advance of the 2020/21 year-end audit in order to provide management with feedback on the adequacy and sufficiency of the proposed disclosures in relation to going concern.

We will need to consider the valuation approach taken by the Fund, relevant fund managers and the Fund's new custodian, Northern Trust, to gain assurance that investment values have been properly accounted for in the financial statements considering any ongoing impact of Covid-19 on year-end carrying values,

We will keep the need to consider this as an area of audit focus under ongoing review as our understanding of your valuation arrangements and process continues to develop.



03

Audit materiality



Materiality

Materiality

For planning purposes, we have set planning materiality for 2020/21 at £6.9m. This represents 1% of the Pension Fund's prior year net assets. We will reassess this throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.

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We request that the S&GP Committee confirm their understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at 75% of planning materiality, consistent year on year.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the fund account and net asset statement. This was calculated as 5% of planning materiality, which is consistent year on year.

Other uncorrected misstatements, such as reclassifications and misstatements in the disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the S&GP Committee, or are important from a qualitative perspective.



04

Scope of our audit



Scope of our audit

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Pension Fund's financial statements to the extent required by the relevant legislation and the requirements of the Code. We issue an audit report that covers:

Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland). We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error; Significant disclosures included in the financial statements; Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and Auditor independence.

Procedures required by the Code

Reviewing, and reporting on as appropriate, other information published with the financial statements.

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2020/21 we plan to follow a substantive approach to the audit, as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the S&GP Committee.

Internal audit:

We will meet regularly with the Head of Internal Audit, and review internal audit plans and the results of the team's work. We will reflect any findings in our audit plan, where they raise issues that could have an impact on the financial statements.



05 Audit timeline





Indicative Audit timeline

Indicative timetable of communication and planned deliverables

Indicative timeline

Below is an indicative timetable showing the key stages of the audit and the planned deliverables we have agreed to provide to you through the audit cycle in 2020/21. Please note that we will communicate any changes to this plan to officers and members as soon as we can. From time to time matters may arise that require immediate communication with the Standards and General Purposes Committee and we will discuss them with the Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

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Audit phase	Timetable	Standards and General Purposes Committee Meeting timetable	Deliverables
Initial Planning: Risk assessment and setting of scopes and walkthrough of key systems and processes	March 2021	Standards and General Purposes Committee Meeting	Outline audit plan
Completion of initial planning	March		
Interim audit testing and completion of walkthroughs	March		
Interim audit testing and completion of walkthroughs	April		
	May		
	June		
Year end audit Audit Completion procedures	July	Standards and General Purposes Committee Meeting	Updated Audit Plan
	August		
	September	Standards and General Purposes Committee Meeting	Audit Results Report
	October		



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06

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Suresh Patel, your audit engagement partner, and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

When the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2020

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 ended 1 July 2020 and can be found here:

<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2020>



07

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code, the financial reporting requirements set out in the Code of Practice on Local Fund Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2020/21	Final Fee 2019/20
	£	£
Scale Fee - Code work (1)	16,170	16,170
New significant risk relating to US currency hedge (2)	-	2,250
Going concern and PBSE assessments and disclosures including EY consultations (2)	2,000-6,000	5,500
IAS 19 work on the 2019 triennial valuation of the Fund (3)	5,500	9,000
Total indicative Pension Fund fee	TBC	32,920

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Pension Fund; and
- ▶ The Pension Fund has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Pension Fund in advance.




All fees exclude VAT

1. We remain in discussion with PSAA about increasing the scale fee to reflect the additional work auditors are required to do to meet regulatory requirements. In our view the scale fee for the Merton PF audit should be increased by £28,290.
2. The 2019/20 additional fees have been agreed with management but are subject to PSAA approval.
3. IAS19 work is annual to provide assurance to the auditor of the LB Merton. These additional fees are not subject to approval from PSAA and for 2019/20 (where there was additional work on the triennial data) we have agreed fees with management.





Appendix B

Required communications with the S&GP Committee






We have detailed the communications that we must provide to the Audit Committee.

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the S&GP 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	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Outline audit plan - February 2021
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view of the 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 which were discussed with management ▶ Written representations we have requested ▶ Expected modifications to the audit report ▶ Any other matters significant to the oversight of the financial reporting process 	Audit results report - September 2021






Required communications with the S&GP Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Page 73	Going concern	Audit results report - September 2021
	Financial statements	Audit results report - September 2021
Fraud		Audit results report - September 2021
Related parties		Audit results report - September 2021

Required communications with the S&GP Committee (continued)





		 Our Reporting to you
 Required communications	 What is reported?	  When and where
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>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the Council and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence and 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 ▶ Details of any inconsistencies between the Ethical Standard and the Council's policy for the provision of non-audit services, and any apparent breach ▶ 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 S&GP Committee should also be provided an opportunity to discuss matters affecting auditor independence 	<p>Outline audit plan - February 2021</p> <p>Audit results report - September 2021</p>

Required communications with the S&GP Committee (continued)

		 Our Reporting to you
 Required communications	 What is reported?	  When and where
Public Interest Entities	<p>For the audits of financial statements of public interest entities our written communications to the S&GP Committee include:</p> <ul style="list-style-type: none"> ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-member firms or external specialists and confirmation of their independence ▶ The nature and frequency of communications ▶ A description of the scope and timing of the audit ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Actual or suspected non-compliance with laws and regulations identified relevant to the S&GP Committee ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	<p>Outline audit plan - February 2021 Audit results report - September 2021</p>

Appendix B

Required communications with the S&GP Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
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 	Audit results report to be presented at the September 2021 S&GP Committee.
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Asking the S&GP Committee about possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that they may know about 	Audit results report to be presented at the September 2021 S&GP Committee.
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit results report to be presented at the September 2021 S&GP Committee
Representations	Written representations from management and/or those charged with governance	Audit results report to be presented at the September 2021 S&GP Committee.
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report to be presented at the September 2021 S&GP Committee.
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters which we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report to be presented at the September 2021 S&GP Committee.
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Outline audit plan to be presented at the March 2021 S&GP Committee; and Audit results report to be presented at the September 2021 S&GP Committee.

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council’s internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management’s use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board’s statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and Maintaining auditor independence.

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Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the locations at which we conduct audit procedures to support the opinion given on the financial statements; and the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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ED None

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Committee: Standards and General Purposes Committee

Date: 11 March 2021

Wards: All Wards

Subject: Internal Audit Progress report 2020/21

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:

To consider and comment on the Internal Audit Plan 2020/21 progress

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 In March 2020, the Standards and General Purposes Committee agreed to an Annual Audit Plan comprising a total of 765 chargeable days. This report summarises Internal Audit's progress in delivering the Annual Audit Plan up to February 2021.

2 Details

- 2.1 The Accounts and Audit Regulations 2015 require an adequate and effective internal audit of accounting records and the system of internal control in accordance with proper practices. This task has been delegated to the responsible finance officer under Section 151 of the Local Government Act 1972. At Merton, the role of the responsible finance officer is fulfilled by the Director of Corporate Services and the internal audit requirement is met through the South West London Audit Partnership (SWLAP), which Merton joined in October 2015.
- 2.2 Internal Audit follows the Public Sector Internal Audit Standards (PSIAS). These standards comprise the public sector interpretation of existing standards set by the Chartered Institute of Internal Auditors. As supplementary guidance, specific to the local government sector, an application note has been issued by CIPFA/IIA; this guidance establishes the requirement for interim reporting [of Internal Audit activity] during the year and the report is designed to meet that requirement.

3 Issues

- 3.1 The Audit Plan agreed in March 2020 included a contingency for advice and support to other services. Due to the pandemic we increased our contingency days to be able to respond to the situation, offering responsive advice and support to other services as it was needed. It also became clear that

engagement with audits in some areas would become difficult due to services prioritising their work on the Covid 19 response.

- 3.2 During the first quarter of the year (April - June) Internal Audit responded to ad hoc requests for advice and redeployed staff to essential services in Adult Social Services, as well as where possible, completing the previous year's audits. During the second quarter (July – September) we undertook a review of the Council's response to Covid 19, and for the remainder of the year we have recommenced an adjusted audit plan, as detailed below.

Covid 19 - Internal Audit reviews

- 3.3 In August 2020, we completed an advisory high-level review on the Council's Covid 19 response, which looked at governance, decision making and the financial arrangements in place. The financial areas reviewed included completion of financial returns to the Ministry of Housing, Communities & Local Government (MHCLG), arrangements for grants received, debt repayments, and adjustments to the procurement process, including supplier relief.
- 3.4 The review has been carried out across the five-borough partnership (Merton, Sutton, Kingston, Richmond and Wandsworth) with comparisons and recommendations. This review forms part of the Annual Governance assurance work as well as highlighting areas requiring more detailed audit testing.
- 3.5 The review found the Council had responded effectively to Covid 19. The governance arrangements in all the Councils quickly adapted to online committees and engagement with Members was managed well. Decision-making arrangements were swiftly put into place with Gold and Silver daily group meetings set up as well as a regional South West London Group.
- 3.6 Comparative analysis showed much of what the Council did was similar to or the same as its neighbouring boroughs helped by the close working relationships that officers have with their neighbouring colleagues.
- 3.7 During the emergency, decisions had to be made quickly by Councils and often these were made during Gold meetings or by individual officers. Some of these decisions were delegated decisions, some published as a key decision, or others approved by members. An area of good practice, is to keep a decision log, so that there is a clear record of when these decisions have been made, by who and when they need to be reviewed This will be helpful for the ongoing pandemic and future emergencies or changes in government advice or funding.
- 3.8 Following on from the main review, other Covid-related reviews were added to the Internal Audit Plan; -
- Procurement – Procurement Policy Notices (PPNs) (completed in August 2020)
 - Procurement PPNs (Completed in February 2021)
 - Rough sleepers (commissioning) - in progress
 - Infection Control grants - in progress
 - PPE equipment (commissioning) - in progress

- Community Testing grant – in progress

Other additional reviews added

We commissioned the audit firm Mazars to complete an IT Needs Assessment to identify the main IT risks for the Council, for inclusion in the Internal Audit Plan. This review included discussions with senior officers in IT. This has now been completed and the following audit was identified for this year’s audit plan:

- IT Cloud Services and Cyber Security - in progress

4 Internal Audit Progress

4.1 The table shown below summarises the planned and actual audit activity during the period in question.

2020/21 Audit Plan	Audits
Number of audits at final stage	23
Number of audits at draft stage	5
Number of audits in progress	13

4.2 Twenty audit assurance opinions have been issued since April 2020, categorised as follows:

- 1 (5%) **Full Assurance** audit opinion
- 14 (70%) **Substantial Assurance** audit opinions
- 5 (25 %) **Limited Assurance** audit opinions
- 0 (0%) **No Assurance** audit opinions.

147 audit recommendations were issued to management, of which:

- 19 (13%) were Priority 1
- 124 (85%) were Priority 2
- 4 (2%) were Priority 3

4.3 Appendix A includes details of the results of all individual audit assignments that were initiated during the period up to March 2021, including the draft audits and recommendations, which may be subject to change.

4.4 Each audit is given an opinion based on 4 levels of assurance depending on the conclusions reached and the evidence to support those conclusions. Members and management should note that the assurance level is an opinion of controls in operation at the time of the audit.

Levels of assurance	
Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.
Substantial Assurance	Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
Limited Assurance	There are significant weaknesses in key control areas, which put the system objectives at risk.
No Assurance	Control is weak, leaving the system open to material error or abuse.

PRIORITY OF RECOMMENDATIONS	
1	Major issues that we consider need to be brought to the attention of senior management.
2	Important issues which should be addressed by management in their areas of responsibility to avoid exposure to risk.
3	Minor issues where the risk is low. Action is advised to enhance control or improve operational efficiency.

4.5 In addition, each recommendation emanating from the audit review is given a priority rating of 1, 2 or 3 for implementation, with priority 1 being a high risk requiring immediate attention. All recommendations are followed up by Internal Audit to ensure that they have been implemented.

4.6 The year-end position on all work undertaken during 2020/21, including any third-party assurances, will be evaluated, and reported in June 2021 and used to determine the Head of Audit's annual opinion on the Council's internal control environment.

Limited Assurances

4.7 Since April 2020, there have been 5 limited assurance final reports. A summary of the main issues is detailed below.

Building Control (previously reported to committee)

Direct Payments

4.8 In order to receive a Direct Payment, service users need to enter into an agreement with the Council. The Direct Payment agreement is the contract between the Council and the service user and it lays out the terms and conditions of the direct payment, setting out the responsibilities that the Council and the service user have agreed to meet in order for the service user to receive

a direct payment. The Auditor was informed that the current agreement document (2010), required revision and was currently awaiting sign-off from Legal Services.

- 4.9 Sample audit testing of service user expenditure found that in Adult Services 60% of contracts were subject to financial monitoring but in Children Schools and Families there was no evidence of such monitoring
- 4.10 Sample testing of 20 (adult) service users required to make a contribution towards their care found that 5 made the correct contribution, but the remaining 15 had not made the required contribution.

No Recourse to Public Funds (NRPF) (C&H)

- 4.11 No Recourse to Public Funds applies to people who are 'subject to immigration control' and, as a result of this, have no entitlement to certain welfare benefits, homelessness assistance and an allocation of social housing through the council register. Local authorities have a duty to provide support to some categories of people who are subject to immigration controls and generally provide assistance under Section 21 of the Care Act 2014. This category includes people presenting as destitute, who is seeking provision of accommodation and support.
- 4.12 Our review established that senior management has acknowledged the increasing level of support for clients/families with NRPF as a key strategic risk.
- 4.13 The NRPF Connect database is a mechanism through which information about NRPF clients can be securely exchanged with the Home Office and updates can be obtained on pending immigration applications etc. When new clients present themselves, as part of the assessment process it is expected that the immigration status of the client is confirmed (either through documents provided or by creating a new case on the NRPF Connect database). A review of the NRPF Connect database established that immigration status updates had not been carried out as required.

Prepaid cards CSF

- 4.14 Prepaid cards operate in a similar way to normal credit and debit cards except that the cards are preloaded with funds by the Council, in line with the service users' care package/service agreement. In the Children's Social Care and Youth Inclusion division, in addition to service users being provided with prepaid cards, a number of teams also have "team" prepaid cards (either in the name of the team or a named officer). These cards are generally used as a means of dispensing cash payments (similar to petty cash) or making emergency payments.
- 4.15 Some teams have established localised guidance notes for the use of prepaid cards; however, no evidence was found of an overarching departmental policy on the use and management of prepaid cards. An internal audit review of prepaid cards undertaken in 2016 recommended the establishment of an overarching Departmental policy and procedure document to ensure that there

was a consistent approach across the Department for the use and management of prepaid cards. Although a draft document was shown to Internal Audit at the time of the 2016 audit, it appears that this document was never completed and approved.

- 4.16 A review of the IT system used to manage prepaid cards, found that a review of the access/permission logs of 70-current users, 14 were no longer employees of the Council. This included one leaver with a leaver's date on the Payroll System of 30 April 2018. There was also a lack of separation of duties within some of the processes. Several users were found to be able to order and register cards and upload funds to the cards without secondary checking.
- 4.17 Some of the cards had been assigned or registered in the name of the team rather than a named individual, or were in the name of a team manager but used by other team members, without a process in place to record the staff member tasked with responsibility of the card at any one time. These cards are used to withdraw petty cash from ATM machines, make emergency payments to client's bank accounts, and make online purchases for expenditure such as train tickets, birth certificates, contact activities, passports, and phone payments. Testing a sample of 40 clients found that 9 did not have a service agreement and receipts were only available for 15 of 26 of transactions where receipts should have been obtained.

Covid 19 procurement - Procurement Policy Notices (PPNs)

- 4.18 A audit review was carried out in August 2020 and received a Limited assurance. A follow up review was undertaken, in January 2021, on progress of the previous actions and any considered any subsequent updated guidance from government. The follow up audit received a Substantial assurance.
- 4.19 The Government issued Procurement Policy Notices (PPNs) to provide guidance to local authorities on their procurement arrangements in place during the pandemic. The Internal Audit review considered the Council's approach against the following guidance issued: -
- PPN01/20 – Allows for direct awards of contract for emergency situations and extensions to contacts
 - PPN02/20 - Supplier relief due to coronavirus (COVID 19) – covers up to June 2020. Any Contract Variation need to be included in a contract variation or change note and include a review or time-limit, which is the authority's decision when things return to normal.
 - PPN04/20 – Recovery and Transition from Covid-19 published in June 2020 is effective from 1st July to 31st October 2020 - this covers reviewing the supplier relief and continuing if appropriate (awarded in PPN02), paying suppliers as quickly as possible, and looks at transition plans to exit from supplier relief.
- 4.20 During the pandemic, the Procurement Board did not meet formally between April and June 2020, with documentation being considered by email communication. Consequently, minutes of Procurement Board meetings were not available for this period. **The follow up review found that since July 2020**

virtual meetings have been held, so this action has been closed.

- 4.21 Arrangements for Contract supplier relief (PPN02 and PPN04) were managed in the departments. Internal Audit were provided with information from some of the department but and there was no overall oversight of the total value of supplier relief awarded. **The follow up review in January 2021, found that a new process had been put in place in September 2020 to ensure there was oversight of supplier relief awarded. At the time of the follow up this process had not yet been completed.**
- 4.22 A template was provided by Legal Service, to the departments to use for contract variations, but it was found that variations provided by ASC for Domiciliary Care providers were made by email from the Contracts and Market Management Manager. **The follow up review found that this process has now been formalised.**
- 4.23 Recovery and transition plans (PPN04) were being considered but were not available. **The follow up review in January 2021, found that this action is in progress.**

Follow - up on Priority 1 actions

- 4.24 At the time of this report, there were 12 P1's due to be implemented. See Appendix B for details. The table below shows the audits where actions are outstanding or have not yet due to be implemented. These actions are in the process of being followed up.

Audit	P1's outstanding/still due
Service Tenancies	1
PCI compliance	3
Building Control	3
Prepaid cards	3
NRPF (C&H)	1
Contract Compliance	1
Total	12

Counter-Fraud and Investigations

- 4.25 The responsibility for managing the risk of fraud and its prevention and detection lies with management. However, Internal Audit's planned work includes evaluating controls for their effectiveness in mitigating the risk of fraud.

- 4.26 Counter-fraud work has been undertaken by the South West London Fraud Partnership (SWLFP) since April 2015. This falls across three categories, namely:
- Reactive investigations arising from external intelligence, management referrals or whistleblowing disclosures
 - Co-ordination and investigation work in line with the requirements of the National Fraud Initiative data matching exercise
 - Proactive counter-fraud work which includes data matching and online fraud awareness training.
- 4.27 A separate report is provided twice yearly by the SWLFP detailing the cases referred and the outcome of any investigations. During 2020/21 the SWLFP have provided support to the Business Rate team administering Covid 19 support applications for the Small Business Grant and the Retail, Hospitality and Leisure Grant schemes.
- 4.28 Any allegations of corporate fraud or corruption are brought to the attention of the Head of Internal Audit in the first instance. Whistleblowing concerns are also recorded by Internal Audit and the outcome reported annually to the Committee.
- 4.29 Any areas of potential internal control weaknesses identified during fraud investigations are considered for inclusion in the internal audit plan.

5 Alternative options

- 5.1 None for the purposes of this report.

5 Consultation undertaken or proposed

- 6.1 n/a

7 Timetable

- 7.1. None for the purposes of this report.

8 Financial, resource and property implications

- 8.1 The Council's budget includes provision for the audit plan.

9 Legal and statutory implications

- 9.1 This report sets out a framework for Internal Audit to provide a summary of internal audit work for 2020/2021. The Local Government Act 1972 and subsequent legislation sets out a duty for Merton and other Councils to make arrangements for the proper administration of their financial affairs. This report also complies with the requirement of the following:

- Local Government Act 1972

- Accounts and Audit Regulations 2015
- CIPFA/IIA: Public Sector Internal Audit Standards (PSIAS)
- CIPFA/IIA: Local Government Application Note for the UK PSIAS

The provision of an Internal Audit service is integral to the financial management at Merton and assists in the discharge of the Council's duties.

10. Human rights, equalities and community cohesion implications

10.1 n/a

11 Crime and disorder implications

11.1 n/a

12 Risk management and health and safety implications

12.1 n/a

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

Appendix A – Audit Assurances since April 2020

Appendix B - Summary of Priority One Recommendations

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Audit Assurance Opinions: 2020/21

AUDIT TITLE		Department	FINAL DATE	ASSURANCE LEVEL				RECOMMENDATIONS		
				FULL	SUBSTANTIAL	LIMITED	NO	Priority 1	Priority 2	Priority 3
1	Local Land charge income review	CS	9/4/20		Y				6	
2	MSJCB	CS	5/6/20	Accounts						
3	Building Control	E&R	4/8/20	-	-	Y	-	3	14	-
4	Troubled families grant-quarter 1	CSF	10/5/20	Sample check on grant return						
5	Building Control accounting concern	CS	15/5/20	Advisory						
6	Penalty Charge Notices	E&R	20/8/20	-	Y	-	-	-	2	-
7	Blue Badge grant return	CS	24/8/20	Grant check and sign off						
8	Duplicate payment checks	CS	20/5/20	Advisory						
9	Pensions Shared Service	CS	8/9/20	Y	-	-	-	-	-	-
10	Risk Management	CS	9/9/20	-	Y		-	-	2	-
11	No Recourse to Public Funds (CSF)	CSF	18/9/20	-	Y	-	-	-	2	-
12	Troubled families grant-quarter 2	CSF	18/9/20	Sample check on grant return						
13	Planning applications	ER	22/12/20		Y	-		-	8	-

14	Direct Payments	CH	23/10/20	-	-	Y	-	4	6	-
15	No Recourse to Public funds (CH)	CH	23/10/20	-	-	Y	-	2	2	-
16	Contract compliance	CS	10/12/20	-	Y		-	1	7	1
17	Covid 19 Procurement	All	12/10/20	-	-	Y	-	3	9	-
18	Covid 19 response	All	16/10/20	-	Y	-	-	-	13	-
19	Recruitment	CS	1/12/20	-	Y	-	-	1	9	-
20	Mayors accounts	CS	12/11/20	Accounts sign off						
21	Troubled families grant-quarter 3	CSF	1/12/20		Y			-	13	-
22	IT needs Assessment	CS	1/12/20	Advisory						
23	Prepaid cards	CSF	9/2/21			Y		5	6	
24	Role of the Operational Procurement Groups	All	Draft-12/2/21	-	Y	-	-	-	8	-
25	Whistleblowing Process Review	All	Draft	-	Y	-	-	-	1	-
26	Corporate Procurement follow up	All	Draft-9/2/21	-	Y	-	-	-	3	3
27	Procurement Cards	CS	Draft 15/2/21	-	Y	-	-	-	9	-
28	Payroll- Shared service review	CS	Draft		Y	-	-	-	4	-
29	CM2000 Home care monitoring	CH	In progress							
30	Cyber security	CS	In progress							
31	Mascot centre	All	In progress							
32	Community Testing grant	E&R	In progress							
33	Accounts Payable	CS	In progress							
34	Cash and Bank	CS	In progress							

35	Capital Programme	CS	In progress							
36	Pension arrangement	CS	In progress							
37	DBS	CS	In progress							
38	Rough Sleepers	CH	In progress							
39	Infection Control	CH	In progress							
40	Troubled families grant-quarter 4	CSF	booked							
41	Declaration of Interests-Officers	All	In progress							

	TOTALS			1 (5%)	14 (70%)	5 (25%)	0 (0%)	19 (13%)	124 (85%)	4 (2%)
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Appendix 2 – Summary of Priority One Recommendations

Audit Title	Assurance Level & Number of Issues
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Previous years priority 1 action's - only those outstanding

Service Tenancies	Limited Assurance - 15 P1's
PCI compliance	Limited Assurance

Total P1's Outstanding = 4

2020/21 - includes all Priority 1 action's issued this year

Building Control	Limited - 3 P1's
Direct Payments	Limited - 4 P1's
No Recourse to Public funds (CH)	Limited - 2 P1's
Contract compliance	Substantial - 1 P1
Corporate procurement-PPN's	Limited - 3 P1's
Recruitment	Substantial - 1 P1
Prepaid cards	Limited - 5 P1's

Total P1's Outstanding = 8

ndations

Summary of key issues raised. Progress on actions
--

standing

1 P1 outstanding - annual rent review -June 2021
--

3 P1's outstanding - due 31/3/21

is year

3 actions outstanding - due Jan/March and June 2021

all 4 P1's actioned and closed

1 P1 - actioned

1 P1 - outstanding due 31/03/2021
--

1 P1 outstanding - Scheme of Management - due 10/12/2020
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All P1's closed- A follow up audit was completed in Jan 2021 and all P1's closed or moved to P2 as in progress
--

P1 action closed

3 P1 outstanding - due 31/3/21

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Committee: Standards and General Purposes

Date: 11 March 2021

Wards:

Subject: Internal Audit Plan, Strategy and Charter 2021/22

Lead officer: Caroline Holland – Director of Corporate Services

Lead member: Peter McCabe -Chair of the Standards and General Purposes Committee

Forward Plan reference number: N/A

Contact officer: Margaret Culleton – Head of Internal Audit

Tel. 0208 545 3149

[Email: margaret.culleton@merton.gov.uk](mailto:margaret.culleton@merton.gov.uk)

Recommendation:

- A. That members review and comment upon the 2021/22 Draft Internal Audit Plan, Strategy and Charter.**
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. The Draft Internal Audit Plan, Strategy and Charter 2021/22 are included in Appendix 1.

2 DETAILS

- 2.1. A risk-based audit plan has been set based on the approach set out in the audit strategy (Annex 1). In preparing the plan, the Head of Audit has taken account of the adequacy and outcomes of the organisation's risk management, performance management and other assurance processes.
- 2.2 The Head of Audit provides copies of the draft plan to department directors and attends the departmental management teams where they may request audits to be added to provide assurance on their areas of risk. Comments are also obtained from their Heads of Services and key managers, departmental finance advisors.
- 2.3 The 2021/22 Audit Plan detailed in Appendix 1 may be subject to review during the year, due to changes in risk and priorities for the Council as result of COVID 19.

Information Technology audits

- 2.4 Where IT audits are of a specialist nature, they require the detailed technical knowledge and expertise of a skilled IT practitioner; the framework contract with Mazars is used. An IT needs Assessment was undertaken by Mazars in 2020/21 and audits identified for the 2021/22 audit plan.

Proactive Fraud Team

- 2.5 In 2021/22 a temporary Proactive team is being established across 4 of the 5 partnership Council, including Merton, to undertake analysis of vendor spend across the partnership, identifying areas at high risk of fraud and feeding this into a programme of deep dive end to end testing. This team will be in place for 2 years.
- 2.6 The service will be responsible for undertaking the following for each of the partners:
- Analysis of financial and other information as part of a robust assessment of risk, to identify possible fraud, error and/or mismanagement. This will include detailed analysis of vendor spend against contract registers and review of budgetary control information.
 - Targeted end to end testing on procurement activity directed by the risk assessment process (above). This will include ensuring that contract procedure rules and associated legislation have been followed at the point of commissioning, assessing the adequacy of the procurement process and decision to award to the chosen contractor, analysing and reconciling orders and invoice payments through to service delivery and/or receipt of goods.
 - Any fraud or error identified will be investigated by the proactive team in liaison with the South West London Fraud Partnership (SWLFP).
 - Provision of written reports making recommendations for action which may include improving controls/processes, taking disciplinary action against staff or seeking recompense from contractors/suppliers.

3 ALTERNATIVE OPTIONS

- 3.1. None for the purpose of this report.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. The draft Audit Plan has been sent to all Chief Officers who have consulted with their management teams. The Head of Audit attends Departmental Management Teams to discuss the audit coverage.

5 TIMETABLE

- 5.1. The Internal Audit Plan will be the basis of Internal Audit's programme of work

throughout the 2021/22 financial year. The timing of individual audits is considered in consultation with the Departments where possible.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. The audit plan is completed within the provision of existing resources. The Proactive Fraud team cost of £68,945 over 2 years is covered from reserves.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. The requirement to maintain an Internal Audit function is defined within legislation, some of which is outlined below:-
- a) Section 151 of the **Local Government Act 1972** requires each Local Authority to *make arrangements for the proper administration of their financial affairs and to ensure that one of their officers is made responsible for the administration of those affairs.*
 - b) The **Accounts and Audit Regulations 2015** 3 (a) relevant authority must ensure that it has a sound system of internal control which—
 - (a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and(c) includes effective arrangements for the management of risk.
- 5 (1) 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
- 7.2. The Director of Corporate Services is the designated officer responsible for ensuring compliance with these pieces of legislation. The purpose of the Internal Audit Plan, Strategy and Charter is to:
- a) Provide Elected Members with an assurance as to the adequacy of the Authority's financial systems and system of internal audit.
 - b) Provide Chief Officers assurance that the financial dealings within their departments meet the standard required.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. Effective and timely auditing and advice enables Departments, Voluntary Organisations and Schools to provide quality services to their clients. These client groups are often vulnerable members of the community, e.g. elderly people, disabled people, asylum seekers and members of staff and voluntary organisations. The audit service helps to identify weak financial management and sometimes reflects weaknesses in other operational systems such as

quality and ethnic monitoring. Audit, therefore, has a crucial role in ensuring that Council resources are used to enable a fair access to quality services.

9 CRIME AND DISORDER IMPLICATIONS

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

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. The Audit Plan has a risk assessment formula built into the processing. This takes such aspects as expenditure, income, and previous audit findings into account and calculates priorities and the frequency of the audit.

10.2. In addition to the audit risk assessment formula the Corporate Risk Register is consulted during the production of the Draft Plan.

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

- Appendix 1 - Merton's Draft Internal Audit Plan, Strategy and Charter 2021/22

12 BACKGROUND PAPERS

12.1. Papers held within the Internal Audit Service.

INTERNAL AUDIT PLAN, STRATEGY AND CHARTER 2021/22



Introduction

This document sets out the council's Internal Audit Plan, Strategy and Charter for the year 2021/22

The purpose of the Internal Audit Plan, Strategy and Charter is to:

- Ensure effective audit coverage and a mechanism to provide independent and objective overall assurance to Members, Director of Corporate Services and the Corporate Management Team (CMT);
- Optimise the use of audit resources available, given that they are limited;
- Add value and support senior management in providing effective control and identifying opportunities for improving value for money;
- Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations 2015

Internal Audits Role in the Risk, Internal Control and Assurance Framework

The Accounts and Audit Regulation 2015 require an annual review of the effectiveness of its system of internal control to be reported to the Standards and General Purposes committee for consideration. The system of internal control is broader than just the work of the internal audit section and includes the framework of assurance covering how the risks to the authority are identified with effective managed controls. Assurances are provided by a range of internal and external providers. The Head of Internal Audit will assess whether the overall framework of assurances is adequately designed and effectively operated through a plan of internal audit work.

In addition to the above, the Director of Corporate Services has a statutory duty under Section 151 of the Local Government Act 1972, to establish a clear framework for the proper administration of the local authority's affairs. To perform that duty the Section 151 Officer relies on, amongst other things the internal audit work for reviewing systems of internal control, financial management and other assurance processes.

The standards for 'proper practice' in relation to internal audit are laid down in Public Sector Internal Audit Standards. We continually ensure compliance with these professional standards and reflected in our Charter attached.

An overall assurance on the adequacy of internal controls within the Council is provided in the Annual Report and the Annual Governance Statement.

To give such an assurance, a balanced programme of Internal Audit review is constructed each year. This Audit Plan contains elements of all audit work assessed by a "Risk Based" approach. There are many elements to this including undertaking systems reviews, regularity audits (e.g. schools), contract and computer audit, and an Annual Review of major financial systems such as Council Tax, the General

Ledger and debtors/creditors systems.

To contribute to the Annual Governance Statement all Internal Audit reports give an audit assurance as follows:

- Full
- Substantial Assurance
- Limited Assurance
- No assurance

In addition, each recommendation is given a priority 1 (high), 2 (medium) or 3 (low). All recommendations are followed up by Internal Audit to ensure that they have been implemented.

Anti-Fraud and Corruption

The Internal Audit service will review areas of high fraud risk to recommend improvements in controls.

Related Documents

This document is one of a series that, together, constitute the policies of the authority in relation to anti-fraud and corruption. The other documents are:

- Anti-fraud and Corruption Strategy
- Anti-Money Laundering Policy
- Whistleblowing policy

Internal Audit's Role Providing Advice

Internal Audit can provide support and advice to managers, particularly regarding the interpretation and application of Council Policies and Procedures.

Internal Audit advice and recommendations are given without prejudice to the right of Internal Audit to review the relevant policies, procedures, and operations at a later date.

We provide advice, support, and training to schools. We provide a newsletter to schools and share best practice.

Protocol for Audit Reviews

For each audit review carried out, the responsible Head of Service/Assistant Director will be consulted in the scoping to ensure that the audit is appropriately focused on current key perceived risks and issues. A term of reference (Audit Brief) will be produced for each audit review and agreed to ensure the scope, objectives, approach, timetable are understood and agreed.

Draft internal audit reports will be issued for discussion with the appropriate levels of

management and normally set out in the terms of reference.

Final internal audit reports will be issued after the agreement of draft reports and contain completed management actions plans that will identify those responsible for implementation and timescales. The final reports will always be issued to the 'Lead Client' responsible for the area reviewed.

Implementation of Agreed Audit Recommendations

At the end of each audit review, an audit report will be produced containing agreed management actions to audit recommendations made. We will ensure these agreed actions to audit recommendations are fully implemented to ensure improvements to the council's control environment and value for money. We will follow-up on all audit recommendations. We will get confirmation from officers responsible for implementation that required actions have taken place.

Developing the Annual Audit Plan 2021/22

A key focus of the Audit Plan for 2021/22 is to provide assurance on the core processes. In setting the plan, discussions take place with a range of officers including Directors, Assistant Directors, to identify key risk areas, as well as reviewing the Councils risk registers and using professional knowledge of changes or potential areas of risk.

Further significant changes in processes and policies are likely during the coming year due to the continued Covid 19 pandemic, and legislative changes. Internal audit will continue to support this work and provide advice on the governance, risk management and control implications of the changes as well as undertaking audit reviews.

The Standard and General Purposes Committee will be kept informed of progress against the Annual Audit Plan and agree any significant changes during the year.

Lines of Defence

There are three lines of defence in place on controls in the council.

- 1st line of defence is the day-to-day operational controls.
- 2nd line of defence is functions (such as finance, HR and Procurement).
- 3rd third line of defence is independent inspection such as Internal Audit or other assurance providers.

Internal Audit audits will look to ensure that managers in the 1st and 2nd line defence have sound controls and monitoring in place and their management function is properly discharged. Given the limitations on internal audit resources there is an increasing need for more reliance to be place by the Councils 2nd line of defence and audit will increasingly need to provide assurance on the effectiveness of those functions especially as budget constraints impact on these areas.

Annual Audit Plan 2021/22

Appendix A shows the detailed Annual Audit Plan and provides a summary of each review under thematic areas.

Whilst a full year plan has been submitted to Standards and General Purposes Committee for approval, it must be recognised that the Covid-19 pandemic will continue to impact on the Council in the coming months and the work of the audit team will need to adapt where required.

Contingency has been provided for unplanned reactive work. This will be used to respond to emerging issues, risks and to have the capacity to respond to requests from senior managers. Timing of the audit review will be agreed with management during the planning process. There is however flexibility to respond for example to pressures on services audited and audit resource availability.

In addition to the Standards and General Purposes Committee receiving regular progress reports against the plan. The Head of Internal Audit will also attend Management Team meetings as required, to discuss audit coverage and outcomes.

Internal Audit Plan 2021/22

Corporate Services

Key Financial systems

Shared Payroll Audit	Key Financial system review
General Ledger	Key Financial system review
NNDR	Key Financial system review

IT Audits

IT governance policy and strategy	To review the IT Governance arrangements in place to identify, develop, implement, and manage the Information Communication and Technology (ICT) related policies, procedures, and strategy
Core infrastructure/IT skills gap	To review the Council's core IT infrastructure and application environment, consider the life cycle of hardware and software, replacement/procurement processes and suitability of the solution.
IT change management	To ensure that the IT Change Management process facilitates a consistent and authorised roll out of changes to IT infrastructure and systems/applications.

HR

Review of agency and interim staff	To review the Councils arrangements for employing interims and agency staff
Recruitment	To review the new recruitment system and processes including validation checks
Staff Inductions	To review the staff induction training (moved online) and compare to best practice

Other reviews

Debt Management	To review the Councils arrangements for managing debts including the use of enforcement action
Recharges to health	To review the joint arrangements with the CCG- to review invoicing and charging for joint funded clients

Annual accounts/grants

Mayors Account	Annual review and sign off
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Merton and Sutton Joint Cemetery Board	Annual review and sign off
Covid 19 post payment assurance reviews	Review as and when requested
Infection Control grants	To continue to review infection control grant to ensure expenditure in line with grant conditions
Contain Outbreak Management Fund	Review of supporting evidence
Further Grant sign off	Review as and when requested
Troubled families grant	To review a sample of submissions on a quarterly basis to ensure that that claims are clearly supported by evidence.

Continuous audits- quarterly

Duplicate Payment Testing	Quarterly testing on data
Procurement card testing	Quarterly testing on data

Cross cutting

Information Governance	To review the arrangements in place in the council and compliance with Data Protection.
Annual Governance	Advice and guidance on corporate governance issues including attendance at risk management group and preparing the AGS.
Use of Consultants	To review the arrangements in place for appointing consultants and adherence to these procedures.

Community and Housing

Adult Safeguarding	To review strategy, policies, training, roles, and responsibilities in relation to safeguarding
Adult Social Care Debt Management	To review councils' arrangements for managing social care debt
Block and Approved providers Contracts	To review the arrangement in place for awarding, monitoring and approved providers
CM2000	To review the processes and controls following additional contracts being added.

Children, Schools and Families

Commissioning arrangements for CSF child placements, short breaks and respite.	To review the commissioning arrangements in place, to ensure adherence to Contract Standing Orders.
Leaving care	This review will examine policy and procedures for commissioning living accommodation for Care Leavers, procedures for monitoring of commissioned contracts and for making payments to the providers
Safeguarding concerns	To review arrangements in place for when safeguarding concerns are raised.
Adoption, fostering and Special guardianship payments	Review of assessments and process for payments of adoption, fostering and special guardianship payments.
Schools Probity Audit	The school visits will cover areas of Leadership and Governance; Budget Management; Procurement; Income and Expenditure controls; Payroll and Personnel; Asset Management; and other key areas of schools' business.

Environment and Regeneration

Regulatory service review	To review the services within the shared Regulatory Services function.
Transport – fleet management	To review the arrangements in place for fleet management including commissioning
Greenwich Leisure Ltd	To review the contract monitoring arrangements in place and adjustments made during Covid 19.
Highway Contract	To review the monitoring arrangements in place to ensure compliance with Councils procedures and CSO's

Support

Consultancy and advice	Audit has an important role to play in advising management on an ad-hoc basis on a range of issues affecting services. This provision is used to offer advice and assistance throughout the year.
Committee and member support	Providing support including advice and reporting to Committee
Follow up audits	Follow up of audit actions carried out to ensure implementation of recommendations
Fraud Management and reactive work	Allocation of time for managing the fraud partnership. Updating whistleblowing and referring cases.

**INTERNAL AUDIT CHARTER and STRATEGY
2021-22**

This Charter and Strategy sets out the purpose, authority and responsibility of the Council's Internal Audit function, in accordance with the UK Public Sector Internal Audit Standards. It also sets out how the South West London Audit Partnership (SWLAP) will be developed and delivered in accordance with these standards.

The Charter and Strategy will be reviewed annually and presented to the Standards and General Purposes Committee for approval.

PURPOSE

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes".

In a local authority, internal audit provides independent and objective assurance to the organisation, its members, the senior management board (Directors Board in Wandsworth and Richmond's Shared Staffing Arrangement (SSA), Strategic Leadership Team at Kingston, Corporate Management Teams at Merton and Sutton), and in particular the Directors of Finance to help them discharge their responsibilities under s151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs. For AfC, internal audit provides assurance to its Strategic Leadership Team and Audit and Risk Committee.

In addition, the Accounts and Audit Regulations 2015, Regulation 6 (1), requires that:

"A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector Internal audit standards and guidance". Internal Audit proper practices is defined as compliance with the Public Sector Internal Audit Standards and the CIPFA application note.

Within an organisation, there are 3 lines of defence in place to effect controls. The first line of defence is the day to day operational controls, the second is the management controls (budget & performance monitoring, trend analysis) and the third is independent inspection, both internal & external.

Internal audit forms part of the third line of defence and provides assurance on the effectiveness of governance arrangements, risk management and internal controls, and this includes an assessment of the effectiveness of the first two lines of defence. Internal audit can place reliance on assurances provided by third parties, although depending on the source, this may require some independent validation.

MISSION

The Mission of the SWLAP is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight across the 5 Borough partnership.

AUTHORITY and ACCESS TO RECORDS

In carrying out their duties and responsibilities, Internal Audit shall be entitled to have full and unrestricted access to all of the Council's activities, records, assets, cash,

stores, property, personnel and information (both manual or computerised) which they consider to be necessary to properly fulfil its function. Internal audit may enter Council property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Council staff are expected to provide every possible assistance to facilitate the progress of audits.

Access rights also apply to other third parties / organisations as permitted through contract and partnering arrangements.

Internal audit has the authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

Internal audit will consider all requests from the external auditor for access to any information, files or working papers obtained or prepared during audit work that has been finalised, and which external audit need to discharge their responsibilities.

All records, documentation and information accessed in the course of undertaking internal audit activities shall be used solely for that purpose. All internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive in the course of their work. Any information shared will be shared in accordance with the Shared Service Data Sharing Protocol.

RESPONSIBILITY

The Head of Internal Audit is required to provide the Council, via the S151 officer and the Audit Committee, with an annual opinion on the adequacy and effectiveness of the internal control system for the whole council. To achieve this, the internal audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves processes and helps protect public resources
- To provide assurance that the Council's operations are being conducted in accordance with legislation, and relevant external and internal regulations, policies and procedures
- To provide assurance that significant risks to the Council's objectives are being managed
- To support management through the provision of advice and guidance on the overall control environment, and where new systems and / or procedures are implemented
- To provide independent assurance over the corporate governance arrangements in place across the Council
- To promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud. The corporate fraud function will be undertaken by the South West London Fraud Partnership (SWLFP) but will be overseen by the Head of Internal Audit (see Counter Fraud below).
- To undertake investigations where there is suspected fraud, bribery and corruption. This function will be undertaken by the SWLFP but will be overseen by the Head of Internal Audit.

These audit responsibilities are exercised with the aim of assisting the Council to deliver services in the most efficient and effective manner possible.

There are inherent limitations in any system of internal control and thus errors or irregularities may occur and not be detected by internal audit's work. When carrying out its work, internal audit will provide management with comments and report on breakdowns, failures or weaknesses of internal control systems together with recommendations for remedial action. However, internal audit cannot absolve line management of responsibility for internal controls.

Where appropriate, internal audit will undertake audit or consulting work for the benefit of the Council and / or organisations that are wholly owned by the Council (such as Achieving for Children). Where services are provided to bodies separate from the Council, this will be subject to approval by the Shared Service Board and will be provided under the terms of a Service Level Agreement (SLA).

Internal audit may also provide assurance to the Council on third party operations where this is provided for as part of the agreement or contract.

In some instances, internal audit may rely on assurances provided by other providers of assurance, but this will be dependent on the level of associated risk and some degree of independent verification may be required.

Counter Fraud

Internal Audit's planned work includes evaluating controls for their effectiveness in preventing or detecting fraud. Managing the risk of fraud is the responsibility of management however Internal Audit will consider the risks and exposures which may allow fraud or corruption to occur.

Fraud work is undertaken by the South West London Fraud Partnership which is a five Borough Shared Service led by the SSA. This service is overseen by the Shared Service Board which includes the Directors of Finance from each of the partners or their delegated representatives. Work will be undertaken in accordance with an agreed Fraud Plan which includes a mix of proactive and reactive fraud work in the following main areas:

- Housing tenancy
- Internal fraud
- Procurement
- Business Rates
- Council Tax Reduction
- Blue Badge
- Social Care
- Schools

REPORTING

The UK Public Sector Internal Audit Standards require the Head of Internal Audit to report directly to the top of the organisation and those charged with governance. This will be done as follows:

The Audit Charter will be agreed with the senior management team (Directors Board at the SSA, Corporate Management Teams at Sutton and Merton, and Strategic Leadership Team at Kingston)

The annual audit plan will be compiled by the Head of Internal Audit following discussions with senior managers at their Directorate Management Team (DMT) meetings and sign off by the senior management team (Directors Board at the SSA, Corporate Management Teams at Sutton and Merton, and Strategic Leadership Team at Kingston and AfC). It will then be considered by the Shared Service Board who will

agree the number of audit days to be commissioned each year, and the resource required to deliver this. This will then be reported to the Audit Committee for approval

- The internal audit budget is agreed each year by the Shared Service Board.
- Performance against the annual internal audit plan, together with any significant risk exposures and control issues arising, will be reported to the Shared Service Board on a quarterly basis. Progress reports will be made to Directorate Management Teams on a quarterly basis and to Audit Committee at least twice a year.
- Changes to the plan during the year will be reported to the Shared Service Board quarterly and where significant, to Audit Committee
- Any significant consultancy activity not already included in the risk-based plan and which might affect the level of assurance work undertaken will be reported to the Audit Committee
- The annual opinion report will be presented to Audit Committee annually
- Any instances of non-conformance with the Public Sector Internal Audit Standards will be reported to the Shared Service Board and Audit Committee and will be included in the Head of Internal Audit's annual report. Any significant failings will be included in the Annual Governance Statement
- Any external review of the internal audit function will be agreed by, and reported to the Shared Service Board and the Audit Committee

INDEPENDENCE

The Heads of Internal Audit have full and unrestricted access to the following (where relevant):

- The Director of Finance/Resources/Corporate Services/Corporate and Commercial (S151 officer)
- Chief Executive
- Chair of the Audit Committee (including AfC)
- The Council's Monitoring Officer
- The Council's General Counsel (RBK)
- The Chief Operating and Finance Officer and Director of Children's Services (AfC)
- All members of the senior management team (Directors Board at the SSA, Corporate Management teams at Sutton and Merton, and Strategic Leadership Team at Kingston and AfC)

The Head of the SWLAP is line managed by the Assistant Director of Resources (Financial Services) (SSA), who is responsible for carrying out the Head of Audit's annual appraisal. The Director of Corporate and Commercial and / or the Assistant Director Governance and Law, Kingston; Strategic Director of Resources (Sutton) and Managing Director - Legal Services (Merton), can participate in this appraisal review. The standards require that the Chief Executive, SSA, reviews, provides feedback and signs off this appraisal, also that the Chair of the Audit Committee must give feedback.

The Deputy Head of the SWLAP who also takes on a statutory Head of Internal Audit role is line managed by the Head of the SWLAP. As lead for Sutton and Merton, the Strategic Director – Resources (Sutton), Director of Corporate Services (Merton), Managing Director- Legal Services (Merton) and the Chairs of the Audit and Governance Committees (Sutton) and Standards and General Purposes Committee (Merton) can participate in this appraisal review.

The Assistant Director of Resources (Financial Services) is line managed by the Director of Resources and Assistant Chief Executive who will undertake the annual appraisal, and this will be signed off by the SSA's Chief Executive.

The Audit Manager who performs the statutory Head of Internal Audit role for AfC is line managed by the Head of the SWLAP who will undertake the annual appraisal and the Director of Finance and Resources for AfC can participate in this appraisal review.

All staff (including agency and contract staff) in the Internal Audit Partnership are required to make annual declarations of any potential conflicts of interest and adhere to confidentiality requirements. As far as resources permit, auditor rotation will be implemented to ensure auditors' objectivity is not impaired.

Internal audit must ensure that it is not involved in the design, installation and operation of controls so as to compromise its independence and objectivity. Internal Audit will however offer advice on the design of new internal controls in accordance with best practice. Where Internal Audit do provide consultancy services, any audit staff involved in this consulting activity will not be involved in the audit of that area for at least 12 months.

Internal Audit must remain independent of the activities that it audits to enable auditors to make impartial and effective professional judgements and recommendations. Within the SSA, the service does have operational responsibilities for Procurement and Pensions (these functions are overseen by the Assistant Director of Resources (Financial Services) in his role of Statutory Head of IA for Wandsworth) and for Risk Management and Insurance. Risk Management work is also undertaken across a number of the other partners. Since these roles may involve establishing and maintaining the control environment, these functions will be audited independently by Mazars. Internal auditors have no other operational responsibilities towards the systems and functions audited.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Head of Internal Audit has the freedom to report without fear or favour to all officers and Members, and particularly to those charged with governance.

Accountability for the response to the advice and recommendations of Internal Audit lies with management. Managers must either accept and implement the advice and recommendations, or formally reject them accepting responsibility and accountability for doing so.

EXTERNAL AUDITORS

The external auditors fulfill a statutory duty. Effective collaboration between internal and external audit will help ensure effective and efficient audit coverage and resolution of issues of mutual concern. Internal and external audit will meet periodically to discuss respective work plans and coverage, and potential issues arising from work completed.

DUE PROFESSIONAL CARE

The internal audit function will adhere to / comply with the following:

- Institute of Internal Auditor's International Code of Ethics
- Seven Principles of Public Life (Nolan Principles)
- UK Public Sector Internal Audit Standards
- All Council policies and procedures
- All legislation

All audit work is subject to in house quality control procedures whereby each audit review is subject to senior peer review. The audit service will be subject to an annual self-assessment to assess its compliance with the UK Public Sector Internal Audit Standards and an external review and assessment at least once every 5 years by a suitably qualified, independent assessor.

The Head of Internal Audit is required to hold a relevant professional qualification (CCAB or CMIIA) and be suitably experienced. All staff are required to maintain a programme of Continuous Professional development (CPD) to ensure auditors maintain and enhance their knowledge, skills, and audit competencies.

INTERNAL AUDIT STRATEGY

Internal Audit Objectives

Internal Audit will provide independent and objective assurance to the organisation, its Members, senior management and in particular to the Directors of Finance/Resources to support them in discharging their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

It is the Council's intention to provide a best practice, cost efficient internal audit service through the SWLAP which adds value to the partner organisation's it serves.

Internal Audit Remit

The internal audit service is an assurance function that primarily provides an independent and objective opinion on the degree to which the internal control environment supports and promotes the achievement of the Council's objectives. The work undertaken by Internal Audit is a key part of the Council's Annual Governance Statement (AGS) process and the annual audit opinion forms part of the AGS.

Under the direction of a suitably qualified and experienced Head of Internal Audit, Internal Audit will:

- Provide management and Members with an independent, objective assurance and consulting activity designed to add value and improve the Council's operations.
- Assist the Audit Committees to reinforce the importance of effective corporate governance and ensure internal control improvements are delivered.
- Drive organisational change to improve processes and service performance.
- Work with other internal stakeholders and customers to review and recommend improvements to internal control and governance arrangements in accordance with regulatory and statutory requirements.
- Work closely with other assurance providers to share information and provide a value for money assurance service and.
- Participate in local and national bodies and working groups to influence agendas and developments within the profession.

Internal Audit will ensure that it is not involved in the design, installation and operation of controls so as to compromise its independence and objectivity. Internal Audit will however offer advice on the design of new internal controls in accordance with best practice. This type of work is key for our service in ensuring that it works closely with the partner organisations to provide proactive advice and guidance. The ability to bring in knowledge and experience from our other partners is an important way for the service to add value.

Service delivery

The Internal Audit service will be delivered by the South West London Audit Partnership (SWLAP) which is the 5 borough shared internal audit service hosted by the SSA providing internal audit services to LB Wandsworth, LB Richmond, RB Kingston, LB Merton and LB Sutton. This relationship is governed in law through a formal Collaboration Agreement. The arrangement also includes the provision of Internal Audit to Achieving for Children (AfC), the community interest company created by LB Richmond and RB Kingston to provide their children's services.

The SWLAP is an in-house team with contract auditors or agency staff used as required to supplement the in house skills and experience. The SWLAP are part of the Croydon Framework contract with Mazars allowing the service to buy in additional audit resource and expertise. Resources can also be sourced through the CCAS framework.

One of the key objectives of the shared service is the provision of an efficient and cost-effective service to its partners. This is achieved through the review and standardization of audit methodology which takes on board best practice, ensuring staff are properly trained and developed, developing and delivering shared audits across more than one partner and reviewing and restructuring the service where needed to drive out cost savings. Key objectives and performance targets are included within the annual Service Plan.

Quarterly performance reports to the Shared Service Board will provide updates on any staffing changes, issues such as sickness absence levels and whether there is any surplus or shortfall in resources (significant issues will be reported to the Audit Committee at LB Wandsworth, Audit and Risk Committee at AfC, Audit and Governance Committee at LB Sutton, Audit, Standards and Statutory Accounts Committee at LB Richmond, Standards and General Purposes Committee at LB Merton and Audit, Governance and Standards Committee at RB Kingston).

The statutory Head of Internal Audit roles across the 5 Borough's will be undertaken by the Assistant Director of Resources (Financial Services), Head, Deputy Head and Audit Manager of the SWLAP. Unless amended and agreed by the Shared Service Board, the Head of the SWLAP will take the lead as the statutory Head of Internal Audit for LB Richmond and RB Kingston. The Deputy Head of the SWLAP will take the lead as statutory Head of Internal Audit for LB Merton and LB Sutton (and possibly RB Kingston). The Assistant Director of Resources (Financial Services) will take the lead as the statutory Head of Internal Audit for LB Wandsworth and the Audit Manager for the SWLAP will fulfill this role for AfC. All of these officers will support each other in the delivery of these roles.

The Corporate Fraud service will be delivered by the South West London Fraud Partnership, led by the SSA. This is a shared service which is overseen by the Shared Service Board.

Key Performance Targets

Key Performance Targets are established and monitored on a quarterly basis by the Shared Service Board. A Service Plan and Risk Register have also been established and are reported to and monitored by the Shared Service Board.

Bi-monthly reports on corporate fraud work undertaken by the SWLFP will be provided to the Head of Internal Audit and 6 monthly reports made to Audit Committee (Standards and General Purposes committee).

Audit Planning

The Head of Audit has responsibility for preparing a balanced internal audit plan, ensuring audit maintains its independence, ensuring independence and sufficient coverage to support the annual opinion.

Each year, an audit plan will be discussed and agreed by the respective Directors, Senior Leadership Teams and Audit Committees which will be based on the following :

- Issues identified in the Annual Governance Statement and Action Plan
- Discussions with the Council's Departmental Management teams (DMT).
- Discussions with Council's Corporate Management teams (CMT) if required
- Discussions with the Shared Service Board.
- Review of Corporate and Service Risk Registers/ Risk Returns
- Outputs from other assurance providers
- Outputs from previous audit or fraud assignments
- Requirements as agreed with External Audit

The Head of Internal Audit will ensure attendance at all DMT meetings as part of the annual planning process to ensure that management views and suggestions are taken into account when producing the audit plan. Key to ensuring that the service adds value is maintaining a dynamic audit plan which responds to changes in the organisation's risk profile. This is managed through quarterly reporting and attendance at DMT meetings during the year to discuss the audit plan and departmental risks.

The Internal Audit Plans are based on the following:

Governance Arrangements: Internal Audit have a key role in assessing the effectiveness of governance arrangements by comparison with principles contained in the CIPFA/SOLACE Governance Framework. A number of audits will support this assessment and will take account of any emerging governance arrangements.

Transformation: Considering the significant financial challenges facing the public sector and the all the council's ambitions, the annual audit plan will need to be flexible enough to respond to emerging issues and risks from change.

Risk Based Systems Audit: Audits of systems, processes or tasks where the internal controls are identified, evaluated and confirmed through a risk assessment process. The internal controls depending on the risk assessment are tested to confirm that they are operating correctly. The selection of work in this category is driven by the AGS, Corporate Risk Registers, Departments' own risk processes and will increasingly include work in areas where the Council services are delivered in partnership with other organisations.

Value for money: This is an integral part of our risk-based audit approach, in particular being alert to opportunities and reporting issues and agreed management actions

Key Financial Systems: The effectiveness of controls and management of risks within key financial systems remain a core part of our audit work. We continue to develop our audit approach to give greater assurance.

Probity Audit (schools and other establishments): Audit of a discrete unit. Compliance with legislation, regulation, policies, procedures or best practice is confirmed. For schools this includes assessment against the Schools Financial Value Standard.

Computer Audit: Information technology is fundamental to the delivery of all the council's services and is an area of rapid change. Due to this high risk, providing assurance on the adequacy of electronic systems and controls is a key part of our Annual audit plan.

Contract Audit: Changing approaches to procurement and contract management are a key part of delivering improved services. This also brings additional inherent risks that need to be managed. Audits of the procedures and processes for the letting and monitoring of contracts, including reviews of completed and current contracts.

Special Projects: Specific areas of Council business which may be subject to change through the development and implementation of new systems, or delivery models, where poor value for money or failing service standards have been identified or where there are new or significant risks will be targeted for review as part of the audit planning process.

Risk Management: Risk management support is provided to some of the partners to facilitate the review and implementation of risk management strategies and to take the lead in compiling the Annual Governance Statement. Where this function is provided by the SWLAP, an independent review is undertaken by the Internal Audit contractor under the Croydon Framework contract to ensure independence. This review will assess the risk management arrangements, including risk strategy, adequacy of strategic and operational risk registers and the extent to which it is embedded.

Partnerships: Councils are increasingly operating and delivering services jointly through partnerships. This brings risks and opportunities to councils and the delivery of services. We will review key partnerships.

Provision of advice and support: Increasingly Internal Audit are involved in providing advice and support on an ad hoc basis. This may involve the provision of general advice on risks and controls or more detailed work with specific business areas where there are significant changes to systems and processes or decisions which require independent due diligence. The Heads of Audit also sit on boards, such as Information governance boards and working groups, corporate governance and risk management.

Fraud, Corruption and Financial Irregularities: The SWLFP will investigate fraud and irregularity arising during the year and may work alongside officers from the SLWAP on cases particularly where there are significant control issues requiring audit and fraud input. The audit plan will also include a programme of pro-active fraud checks.

Follow up work: Follow up work on outstanding audit recommendations will be regularly undertaken. Progress will be reported to Audit Committee and where progress is unsatisfactory, or management fail to provide a satisfactory response to follow up requests this will be reported to the relevant Assistant Director, Director or Audit Committee where required.

It is recognised that additional work will continue to be undertaken where required to support the Council's Covid-19 response.

Policies and Procedures

All audit work will be undertaken in accordance with Council regulations and professional standards. There is an Audit Manual and Internal Audit Protocol which sets out the audit process for staff to adhere to, including quality control procedures.

Quality Assurance and Improvement Programme

The Head of the South West London Audit Partnership continuously reviews the quality and effectiveness of all aspects of the Internal Audit service. This includes:

- Establishing procedures that comply with the Public Sector Internal Audit Standards
- Maintaining a professional audit team with sufficient knowledge, skills and experience to carry out the Audit Plan. This includes undertaking appraisals and ensuring that training needs are identified and addressed
- Undertaking, reviewing and acting on client satisfaction surveys and feedback
- Reviewing audit methodology and benchmarking against best practice.
- Independent review of all audit assignments undertaken.

In line with the Public Sector Internal Audit Standards, Internal Audit has a quality and improvement programme in place. The results of the quality and assurance programme and progress against any improvement plans will be reported in the Annual reports to each Borough's Audit Committees.

1.1.

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Committee: Standards and General Purposes Committee**Date: 11th March 2021****Subject: Fraud Update**

Lead officer: Caroline Holland – Director of Corporate Services
Lead member: Chair of the GP Committee
Contact officer: Kevin Holland – Head of Shared Fraud Partnership
Tel.-020 8871 6451
kevin.holland@richmondandwandsworth.gov.uk

Recommendations:

- A. That members note the Fraud Progress report and comment on the matters arising from it.**

1. Introduction

- 1.1 One of the responsibilities of the Committee is to monitor the Council's arrangements to protect the Council from fraud and corruption, including the Anti-Fraud & Anti-Corruption Policy and the Whistle Blowing Policy.
- 1.2 This report is provided to the Committee to provide assurance over the arrangements for protecting the Council against fraud and corruption. Merton Council entered into a shared fraud investigation service, known as the South West London Fraud Partnership (SWLFP), with Kingston, Richmond, Sutton & Wandsworth Councils from 1 April 2015 to ensure that an effective fraud investigation and prevention service would be maintained following the transfer of benefit fraud investigation to the Department for Work and Pensions (DWP).
- 1.3 The bringing together of retained knowledge and expertise under a single team strengthens resilience for individual authorities, enabling a collaborative approach to fraud investigations and introduces the ability to undertake regional proactive counter fraud exercises. Individual partner authorities retain responsibility for ensuring that its affairs are managed in accordance with proper standards of financial conduct and for preventing and detecting fraud and corruption.
- 1.4 For 2020/21 the SWLFP investigation team comprises 14.5 posts, with a mixture of expertise from both within and outside local government. 12 officers hold relevant Accredited Counter Fraud Specialist qualifications. The SWLFP has the ability to deploy flexible resources with knowledge and experience to provide coverage across a range of counter-fraud activities.

- 1.5 Priority areas of coverage for individual partner Councils are agreed through consultation with the Shared Services Board and the Heads of Audit. The SWLFP continues to work closely with the Social Housing Providers in relation to concerns over tenancy fraud and abuse and facilitate the Social Housing Investigation Partnership (SHIP), a forum that is accessible to social housing providers who have property within at least one of the fraud partnership authorities. Partnership working provides a sound framework to help identify and respond to tenancy fraud and abuse resulting in the recovery of misused tenancies which can be assigned to those in genuine eligible need thus reducing the call upon temporary housing provided by local authorities.

2. Summary of Fraud Investigations and Performance Results

- 2.1 The Tables below summarise the fraud work undertaken, with Table 1 summarising progress, to the end of January 2021, against the key fraud performance targets. In total, 98 fraud cases have been worked on (41 new cases, with 57 cases c/f from 2019/20) as a result of either referrals received or concerns highlighted through pro-active fraud drives since April 2020.

Table 1: Performance against key objectives and targets 2020/21

Activity	Performance Indicator	Target	Actual (to 31/01/21)
Work with Housing Associations and Housing teams to establish and deliver a programme of proactive fraud checks including illegal subletting	Properties brought back into Housing Associations/ Council control following identification of fraud	9 properties	4 (a further 4 cases are with legal for recovery action but due to Covid court action has been delayed)
Develop joint working with Housing teams to proactively identify housing fraud	Housing applications withdrawn as a result of fraud work	20 applications withdrawn	1 (NFI output received late January, pro-active review exercise is underway)
Delivery of the Fraud Plan	100% of the Fraud Plan	90% of the Fraud Plan by 31 March * Adjusted to take account of additional resources provided in 2019/20, due to responsive work on internal fraud referrals.	62.63%

- 2.2 Tables 2 and 3 provide a breakdown of the fraud/abuse referrals that have been investigated and a summary of the value of fraud/overpayments and notional savings identified as a result of the fraud work undertaken, with comparisons to previous years.

Table 2: Summary of fraud referrals

	2020/21 to 31/01/20	2019/20	2018/19
Referral accepted in period for investigation by type:			
- Tenancy fraud/abuse	46	83	81
- Housing Applications	2	77	161
- Right to Buy	2	14	18
- Permit Fraud	4	7	12
- Internal- Employee	16	19	18
- External - CTR & SPD	5	4	12
- Other	23	21	13
Total referrals in period	98	225	315
Closed in period			
- Closed no fraud	36	65	56
- Closed with sanction	5	103	184
Referrals still under investigation	56	57	75

- 2.3 At the beginning of the year, Clarion the main social housing provider for Merton moved their offices and this combined with the effects of Covid resulted in a small breakdown in communication due to the fact that we were no longer attending their local office on a regular basis. Referrals from this social housing provider dropped off. Since October 2020 regular Microsoft Teams meetings have taken place in order to discuss cases, and recently we have seen a pick-up in referrals. Fraud awareness training has also been provided to teams within Clarion with a view to increasing quality referrals.
- 2.4 **Closed Investigations:** Appendix A provides a brief summary of the completed investigations into fraud and financial irregularity that have resulted in a sanctioned outcome. The variety of the type of referrals received reflects the effectiveness of the implementation of the Council's Anti-Fraud and Anti-Corruption Strategy and indicates a reasonable level of general fraud awareness by officers across all the Council's departments.
- 2.5 It should be noted that a number of investigations are currently ongoing or are awaiting prosecution. These will have a future impact on sanction and overpayment figures, in particular, the pace of work for recovering public sector housing has been effected by Covid 19 related measures that have resulted in a temporary stay on evictions whilst measures are in place that impact movement.

2.6 **Tenancy Fraud:** In addition to the 4 properties that have been recovered so far in 2020/21, Notices and legal action has commenced on a further 4 cases. However, evictions scheduled since the start of the Covid-19 pandemic have been cancelled and some Court cases deferred.

2.7 Discussion are being held legal to monitor and respond to the Covid 19 impact upon the on-going and future proposed possession action as the Civil and Criminal Court systems will have to address the backlog of cases and rationale for case prioritisation

Table 3: Summary of Overpayments and Notional savings

(* notional savings figures as per Audit Commission estimates)	2020/21 To 31/01/21 £	2019/20 £	2018/19 £
Social Housing (notional @ £93k per property recovered from 2020 previously £18k*)	372,000 (4 props) 26,423	234,000 (13 prop)	162,000 (9 prop)
Housing Applications Rejected (notional £3,240 from 2020 previously £6k per application cancelled)	3,240 (1 app)	450,000 (75 apps)	936,000 (156 apps)
Right to buy (notional @ £100k discount)	Nil	500,000 (5 apps)	800,000 (8 apps)
Blue Badges & Parking Permit (including notional @ £575 per case from 2020 previously £500)	Nil	500	1,000
Internal – Employee (notional £6k per case)	6,000 1 case	42,000 (7 cases)	Nil
Council Tax (identified overpayments and administrative penalties)	Nil	134	4,782
Other	10,000	10,000	36,000
Total actual and notional savings	417,663	1,236,634	1,939,782

3. Developments in Fraud Detection and Prevention

3.1 The fundamental challenge that public bodies face with fraud is that it is often a hidden crime with those committing it actively try to conceal it so we must be proactive in our efforts to seek it out.

3.2 **Business Support Grants:** As part of the Covid-19 response, the Council has processed approximately 2,000 payments totalling £25m in Government grants to qualifying businesses. To help ensure that only genuine applicants received these payments, joint working is in place with front line services undertaken for pre and post payment validation checks on the grant claims in order to ensure that the monies are being paid to the correct business owners.

3.3 Post payment data-matching validation checks have been completed and this returned 11 accounts which required enhanced checks into the validity of the claim and subsequent payment. This response/challenge percentage was below the national average and provides some assurance that the pre-payment validation checks were effective. Additional checks have now been conducted and all payments have been verified and valid.

3.4 **National Fraud Initiative (NFI):** The 2020/21 NFI exercise is now underway with data match output received late January 2021. Data is requested in accordance with Part 6 of the Local Audit and Accountability Act 2014 and for Merton Council this means the provision of the following datasets:

- Blue Badge Parking Permits
- Creditors History
- Creditors Standing
- Concessionary Travel Passes
- Council Tax Reduction Scheme
- Right to Buy
- Deferred Pensions
- Pensions Gratuities
- Pensions
- Payroll
- Resident Parking Permits
- Waiting Lists

3.5 **On-line Fraud Awareness Training:** An on-line fraud awareness training package, aligned to Merton’s policies and procedures, has been made available for all officers to increase awareness and understanding of how and to who suspicions of fraud or irregularity should be reported. With continual changes in staffing and staff roles regular reminders on fraud awareness helps support and robustly maintain the Council’s Anti-Fraud and Anti-Corruption Strategy and Culture.

4. Local Government Transparency Code.

4.1 Under the code the Council is required to publish the following data regarding its Fraud Investigation activity. Listed below are 2018/19 figures to 31st January 2021 (with 2019/20 comparative figures shown within brackets)

Accredited number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers		
	20/21 (to 31/01)	(19/20)
Prevention of Social Housing Fraud (Power to		

Require Information) (England) Regulations 2014	0	14
The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013	0	3
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud		
	Absolute	FTE
Fraud Investigation - SWLFP #	15 (15)	14.5 (14.5)
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists		
PINS trained Fraud Specialist	7 (6)	7.0 (6.0)
CIPFA Certificate in Investigative Practices	1 (2)	1.0 (2.0)
CIPFA Accredited Counter Fraud Specialist	4 (4)	4.0 (4.0)
Total amount spent by the authority on the investigation and prosecution of fraud		
	19/20	(19/20)
Fraud Investigation, awareness & prevention	£125.9k	£123.5k
Total number of fraud cases investigated.		
	(to 31/01)	
Housing/Tenancy related Investigations	48	160
Right to Buy	2	14
Permit Fraud Investigation	4	7
Other Investigations	<u>44</u>	<u>44</u>
TOTAL	98	225

- 4.2 To ensure that sufficient knowledge and capability for fraud investigation Merton Council entered into a partnership with four neighbouring boroughs, the SWLFP. The Council has access to the pool of trained fraud investigation officers' dependent upon the demands of any individual fraud referral. # Merton's funding contribution for 2020/21 equates to 2.0 FTE Investigators.

5. Conclusion

- 5.1 The use of technology and ongoing improvements to accessing key systems, intelligence sources and records for fraud detection and prevention means that

the fraud response capability has been able to manage and address the number of fraud referrals and promote fraud awareness.

- 5.2 Members should be assured that the systems are in place for the identification and investigation of allegations of fraud. The majority of referrals are received from in-house teams which is a good indication that a reasonable level of fraud awareness exists across all Council staff supported by the Council's Anti-Fraud and Anti-Corruption Strategy and culture.
- 5.3 The Council has made suitable provision for the investigation and prevention of fraud and corruption.

GLOSSARY

CIPFA	Chartered Institute of Public Finance and Accountancy
CTR	Council Tax Reduction
DWP	Department for Work and Pensions
FTE	Full Time Equivalent
NFI	National Fraud Initiative
PINS	Professionalism IN Security
SHIP	Social Housing Investigation Partnership
SPD	Single Person Discount
SWLFP	South West London Fraud Partnership

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FRAUD, CORRUPTION AND FINANCIAL IRREGULARITIES – RESULTS OF CASES CLOSED 01/04/20 to 31/01/21

Offence/irregularity, sanctions and redress	Key outstanding actions
<p><u>Housing Tenancy</u></p> <p>1. (5243) Subletting: Referral from Clarion alleging that the tenant had left the country while family members reside at the address. Investigation identified that the tenant was found to have been overseas since December 2018. Tenant is now aware of checks being undertaken and made an application to transfer the tenancy into the son's name, which was declined. Notices served and following court action, vacant possession of property secured.</p>	None
<p>2. (5690) Subletting - NFI match provided confirmation that a joint tenant had passed away. Investigation commenced which identified a subtenant at the property who provided a witness statement along with rent payment proof. The surviving tenant was served with notices and the property was recovered. Due to the level of rental income an Unlawful Profit Order requested and obtained with an award of £26,423.41.</p>	None
<p>3. (5761) False succession claim: Referral from Clarion that they suspected an application from the deceased tenant's son to succeed the property to be false. Investigation identified that the applicant had only returned to the UK 2 months prior to the tenant passing away, so did not meet the eligibility criteria for succession. Succession was denied and notices served. Following further legal action possession awarded and property recovered.</p>	None
<p>4. (6623) False Housing Application – Referral from L&Q as part of a wider investigation into false tenancy allocations. Investigation highlighted that normal succession procedures had been circumvented with the use of forged documents. It was established that the current occupants were unauthorised and further checks were conducted in order to prove that the individuals had no connection, in order to be able to claim tenancy succession, to the property prior to being given a tenancy. When challenged the unauthorised occupants then moved and vacant possession of the property was obtained.</p>	None

Offence/irregularity, sanctions and redress	Key outstanding actions
<p><u>Corporate Internal</u></p> <p>5. (6418) Secondary employment: Referral from Human Resources, officer suspected of working for another business whilst reporting to Merton as being unfit to work. Investigation confirmed that officer was registered with an agency and had been working for others whilst claiming to be unfit to work. Officer became aware of the investigation and resigned.</p>	<p>None</p>
<p><u>School Admissions</u></p> <p>6. (6417) False application: Referral from School Admissions Team who suspected that a family had given a false address on an application for a place at a particular school. Investigation confirmed that family did not reside at address used within the school admissions application, so application was refused.</p> <p>7. (7041) False application: Referral from School Admissions Team who suspected that a family had given a former address on an application for a place at a particular school. Investigation confirmed that family did not reside at address used and were now living within another borough, so application was refused.</p>	<p>None</p> <p>None</p>

Glossary

NFI National Fraud Initiative

Standards and General Purposes Committee

Date: 23 March 2021

Subject: Complaints & Member Enquiries 2019/20

Lead officer: Monica Butler, Complaints Team Manager

Lead member: Councillor Tobin Byers, Cabinet Member for Finance

Contact officer: Monica Butler, Complaints Team Manager x3573

Recommendations:

This report is for information only.

1. Executive summary

- 1.1 This report gives an overview of the performance of the council during 2019/20 in responding to complaints and member enquiries.
- 1.2 Complaints are recognised as a valuable tool in helping officers to understand the concerns of residents in the delivery of services and have an important role in both supporting the improvement of those services and holding services to account.
- 1.3 Previously, the number of complaints and member enquiries received by the council increased year on year, but this year there has been a decrease in both complaints and member enquiries, particularly in the area of Waste Services, which should be seen as a positive outcome of learning from previous complaints and the service review.

2. Details

- 2.1 Complaints, including Local Government and Social Care Ombudsman (LGSCO) enquiries and member enquiries are monitored by the Complaints team, who provide a single point of contact for complaints by phone, email or letter.
- 2.2 Performance for the number of complaints dealt with in time; the number of complaints escalated to Stage 2; and LGSCO enquiries answered in time, are corporate performance indicators.
- 2.3 The council's complaints response timescales (excluding social care complaints) are as follows:
 - Stage 1 within 20 working days; and
 - Stage 2 within 25 working days.

2.4 Social Care complaints are subject to statutory procedures. Adult Social Care (ASC) complaints have a one stage process with a response deadline of 25 working days, which can be extended to a maximum of 65 working days, see Appendix A for the Adult Social Care Complaints Annual Review . In Children’s Social Care, the timescales are below, see Appendix B for the Children’s Social Care Complaints Annual Review:

- Stage 1 within 10 (up to 20) working days;
- Stage 2 within 25 (up to 65) working days; and
- Stage 3 within 30 working days.

3. Complaints

3.1 The overall total number of complaints is 997 in 2019/20. This represents a 47% decrease for complaints received (Stage 1, 2 and policy, including social care complaints) from 1,894 in 2018/19. This significant decrease is largely attributable to the new waste services contract becoming embedded in addition to the Greenspaces changes.

	Stage 1	Stage 1 social care	Policy	Stage 2	Totals
Children, Schools and Families	52	11	0	12	75
Community and Housing	39	46	2	3	90
Corporate Services	134		8	13	155
Environment and Regeneration	587		38	52	677
Totals	812	57	48	80	997

3.2 A total of 80 complaints were escalated to Stage 2 across all departments in 2019/20. A 57% decrease on 2018/19 representing 10% of all Stage 1 complaints being escalated, against a target of no more than 9%. In 2018/19 there were many complaints being escalated due to the new Waste Services contract, these issues were mostly resolved.

Stage 2	2017/18	2018/19	2019/20	% change from 2018/19
Children, Schools & Families	7	9	12	+33%
Community & Housing	1	1	3	+200%
Corporate Services	15	22	13	-41%
Environment & Regeneration	67	152	52	-66%
Total	90	184	80	-57%

3.4 In 2019/20, 55 Stage 1 social care complaints were received.

Stage 1 Social Care	2017/18	2018/19	2019/20	% change from 2018/19
Children, Schools & Families	12	14	11	-21%
Community & Housing	30	47	46	-2%
Total	42	61	55	-10%

3.5 One Stage 2 Social Care complaint was received in 2019/20 and progressed to an independent investigation and was partially upheld. The complainants were awarded £100 for the time taken to complete the adjudication. No Stage 3 Social Care complaints were received.

3.6 The number of complaints responses provided in time (including social care and policy) for the council improved at both Stage 1 and Stage 2 in 2019/20 with a 38% increase in performance at Stage 1 and 17% increase in performance at Stage 2.

	% responses on time			
Stage 1 Complaints – see 3.1 for numbers received	2017/18	2018/19	2019/20	% change from 2018/19
Children, Schools & Families	57%	42%	40%	-2%
Community & Housing	56%	65%	74%	+9%
Corporate Services	89%	81%	80%	+1%
Environment & Regeneration	50%	43%	92%	+50%
Total	67%	47%	85%	+38%

	% responses on time			
Stage 2 Complaints – see 3.2 for numbers received	2017/18	2018/19	2019/20	% change from 2018/19
Children, Schools & Families	71%	33%	75%	+42%
Community & Housing	0%	100%	100%	0%
Corporate Services	53%	41%	69%	+-38%
Environment & Regeneration	57%	54%	100%	+46%
Total	86%	53%	70%	+17%

3.7 The percentage of complaints being upheld or partially upheld has decreased. The local offer of compensation at stage one and stage two totals £4,650 compared to £1,105 offered in 2018/19.

All Complaints	2017/18 Upheld	Part upheld	2018/19 Upheld	Part upheld	2019/20 Upheld	Part upheld
Children, Schools & Families	9%	30%	30%	54%	38%	42%
Community & Housing	18%	24%	26%	32%	24%	29%
Corporate Services	16%	18%	19%	19.3%	20%	27%
Environment & Regeneration	51%	11%	68%	16%	60%	15%
Total	30%*	10%*	58%	14%	48%	20%
Total cComplaints upheld or part upheld	59%*		72%		68%	

* CRM data so is not accurate

3.8 The services that customers complained about most frequently at Stage 1 are shown in the table below.

Service	2017/18	2018/19	2019/20
Waste (Refuse)	245	380	142
Waste (Wheelie Bins)	N/A	238*	43
Waste (Garden)	126	160	87
Waste (Recycling)	79	144	56
Revenues	61	98	52
Waste (Street Cleaning)	78	78	52
Waste (Food)	92	75	19
Waste (other)	54	60	42
Planning	39	41	31
Waste (bulky)	0	29*	10
Benefits	39	23	20
Parking & CCTV	29	26	43
Enforcement Agents	25	36	24

*Policy change this year

4. Compliments

4.1 Compliments received by departments and logged by the Complaints team have stayed static. Some teams receive compliments directly so unless they are forwarded on to the Complaints team they cannot be logged.

Compliments	2017/18	2018/19	2019/20
Children's Schools & Families	20	42	28
Community & Housing	27	103	105
Corporate Services	17	38	26
Environment & Regeneration	21	45	61
Total	85	222	220

5. Policy Complaints

- 5.1 Policy complaints are defined as ‘expressions of dissatisfaction with the council’s policy in a specific service area’, as opposed to dissatisfaction with or failure of a service to meet standards. Policy complaints are dealt with under Stage 1 of the complaints process with issues fed back to team managers so that they are made aware of the impact of their decisions. Policy complaints cannot be escalated without an appeal against the decision to log a complaint as a policy complaint. One request to escalate a policy complaint was received in 2019/20, it was not upheld. The policy was related to the decision to contract out Waste Services.
- 5.2 The Complaints team have worked to ensure that when a complaint is classed a policy complaint, that the service user is signposted to the relevant policy.
- 5.3 48 policy complaints were received in 2019/20. This is a 18% decrease from the 59 received in 2018/19.

Policy Complaints	2017/18	2018/19	2019/20
Children, Schools and Families	0	0	0
Community and Housing	0	0	2
Corporate Services	0	1	8
Environment and Regeneration	21	58	38
Total	21	59*	48

* 51 complaints in relation to the new waste policy

6. Local Government and Social Care Ombudsman (LGSCO) Enquiries

- 5.1 The Annual Review letter from the LGSCO published on the LGSCO website and the council’s website and local report is attached as Appendix C.
- 5.2 The LGSCO has published some trend analysis of complaints it has investigated on its website.
- 5.3 The table below shows the number of enquiries* received by the LGSCO by neighbouring authorities.

Authority Name	Total
London Borough of Bromley	148
London Borough of Croydon	201
London Borough of Merton	91
London Borough of Sutton	69
Royal Borough of Kingston upon Thames	60

*numbers may not be accurate due to the way in which the LGSCO / council records enquiries and some may not have ever been to the council.

7. Benchmarking

- 7.1 The Complaints team attend the London wide complaints forums considering best practice issues and it contributes to the London Complaints Managers Group, which works with the LGSCO and other agencies.
- 7.2 This group are developing benchmarking statistics across all services, which Merton have already contributed to. This information is not yet available as it was put on hold due to the pandemic but Merton remains committed to being part of the benchmarking.

8. Member and MP Enquiries

- 8.1 During 2019/20 3,618 Member and MP enquires were received, a 22% decrease from 2018/19. This is due to the decrease in Waste enquiries relating to the Waste Services contract.
- 8.2 Enquiries from the two Merton MPs make up around 56% of all enquiries. The figure is not a reflection of all member activity, as it does not include enquiries made by members directly to officers, which are dealt with as business as usual. Members are strongly encouraged to use the member enquiry service to ensure their enquiry is logged and performance can be reported and enable trends to be identified.

Department & Service Area with majority of enquiries	2017/18	2018/19	2019/20	% change from 2018/19
Children Schools & Families / Schools admissions & social work	128	190	158	-17%
Community and Housing / Housing Needs	849	1,104	973	-12%
Corporate Services / Revenues & Benefits	295	337	251	-26%
Environment & Regeneration / Traffic & Highways & Waste Services	1,677	2,983	2,236	-25%
Total	2,949	4,614	3,618	-22%

9. Service improvements and learning from complaints

- 9.1 As in previous years, there has been a continuing focus by the Complaints team on working with service managers to use complaints as a way of identifying concerns and prioritise service improvements.
- 9.2 Where there has been a theme or complaints that have common features, these often influence service changes in the future such as changes in

information available on our website, new policy documents or how cases are managed.

- 9.3 Where complaints investigations have identified issues that do not fall under the corporate or statutory complaints procedure i.e. professional against professional, these have been noted for inclusion into the complaints policy.
- 9.4 Where there has been an investigation by the LGSCO that has been upheld, there is now a requirement to satisfy remedies before the case can be closed. This has ranged from monitoring waste collections for several months, amending wording on our website to repaying incorrectly charged fees.
- 9.5 Weekly lists of overdue complaints is sent to all departmental management teams to maintain the profile of complaint handling by service managers. There is also regular attendance at the departmental management teams to discuss areas where performance needs to be addressed.
- 9.6 Members of the Complaints team attend service meetings on a regular basis to discuss particular complaints and how best to manage their progress, with a focus on informal resolution.

10. Next Steps

- 10.1 The Complaints Team Manager continues to work with the LGSCO to try to prevent complaints from escalating and reducing the number of cases where fault is found against the council by working to improve the investigation of the complaints and remedies offered.
- 10.2 There is an increased focus on responding to LGSCO enquiries promptly; ensuring all matters raised in the enquiry are addressed fully; trying to resolve the issues locally and any recommendations are implemented in line with the LGSCO timescales.
- 10.3 The LGSCO offers a number of training courses for service specific areas e.g. Planning and children's social care and also a more general course on effective complaint handling. There are two sessions planned for effective complaint handling in March and April 2021.
- 10.4 The Complaints team will be reviewing the upheld outcomes of complaints to ensure the actions are carried out.
- 10.5 The Complaints team has asked that they are informed of any planned changes to any services, so they can work with the service areas to develop standard responses in advance.
- 10.6 Managers have been reminded to send compliments to the Complaints team so they can be logged.
- 10.9 The biennial review of the Complaints Policy has been delayed but is planned for 2021/22.

11. Alternative options

- 11.1 Not provide a non-statutory complaints process. This would be contrary to the council's aspiration to provide customer focussed services.

12. Consultation undertaken or proposed

- 12.1 The Complaints Officers and the Corporate Management team were consulted on this report.

13. Timetable

- 13.1 The LGSCO annual letter was received on 22 July 2020. However, the LGSCO has commented that they are aware that local authorities have been responsible for many areas in dealing with the global pandemic and would not expect authorities to be able to react as they usually would in circulating comments.

14. Financial, resource and property implications

- 14.1 Payments awarded locally at stage one and two of the council's formal complaints process totalled £4,650.

Department	Stage 1	Stage 2
Community and Housing	£0	£0
Corporate Services	£300	£400
Children Schools & Families	£0	£3,700
Environment & Regeneration	£0	£250
Total	£300	£4,350

- 14.2 Payments made as a result of investigations by the LGSCO totalled £18,189. This included payments for lost provision, returning incorrect Enforcement agent fees. This is a significant increase on the payments made in 2018/19 of £1,105.

- 14.3 Compensation awarded to complainants as a result of upheld LGSCO investigations totalled £2,400 down from £4,475 in 2018/19.

Department	Payment	Compensation
Community and Housing	£5,000	£200
Corporate Services	£9,289	£700
Children Schools and Families	£3,900	£500
Environment & Regeneration	£0	£1000
Total	£18,189	£2,400

15. Legal and statutory implications

- 15.1 The council has a number of legal and statutory obligations in relation to Adults and Children's social care complaints.
- 15.2 There is no statutory requirement to publish this report, however the council chooses to publish to demonstrate transparency.

16. Human rights, equalities and community cohesion implications

- 16.1 It is important all those involved in dealing with complaints are mindful of ensuring a consistent approach with all complainants in line with Equalities principles.
- 16.2 All complaints where there has been an allegation of discrimination are reviewed the Equalities and Community Cohesion Officer. In 2019/20 there were 14 complaints alleging discrimination, a significant increase on 2018/19 of two. However, only two of these complaints were upheld because it was agreed that the council should have provided information in an adjusted format.

17. Risk management and health and safety implications

- 17.1 Poor complaint handling could be a reputational and financial risk to the council, especially with the increase in people using social media to raise awareness of issues.
- 17.2 There is a risk that the LGSCO will report against the council which means the report is published outlining the council's failures.

18. Appendices – the following documents are to be published with this report and form part of the report

- 18.1 A. Adult Social Care Complaints Annual Review
- 18.2 B. Children's Social Care Complaints Annual Review
- 18.3 C. LGSCO local report

19. Background Papers – the following documents have been relied on in drawing up this report but do not form part of the report

- 19.1 None

20. Report author

Name: Monica Butler

Tel: 020 8545 3573

Email: monica.butler@merton.gov.uk

Department: Community and Housing

Date: 11 March 2021

Subject: Adult Social Care Complaints Annual Review

1. Report & executive summary

- 1.1 It is a statutory requirement under the Local Authority Social Services and National Health Service Complaints (England) Regulations 2009, to produce an annual report about complaints made by, or on behalf of, people who receive support or services from Adult Social Care (ASC). This annual report also provides a mechanism by which the council can monitor the quality and effectiveness of services and of its complaints procedure.
- 1.2 Complaints are recognised as a valuable tool in helping officers to understand the concerns of residents in the delivery of services and have an important role in both supporting the improvement of those services and holding services to account.
- 1.3 This report provides an overview and analysis of all complaints received during the reporting period 1 April 2019 to 31 March 2020, including a summary of identified issues, examples of service improvement and details of future objectives for 2020/21. The report shows a slight decrease in the number of complaints received this year compared to previous years.
- 1.4 This report will be published on the council's website and also made available on request.

2. Details

- 2.1 Complaints, including Local Government and Social Care Ombudsman (LGSCO) complaints are monitored by the Complaints team. Performance for the number of complaints dealt with in time 2 and LGSCO complaints answered in time are corporate performance indicators.
- 2.2 In line with the regulations, the council has a one stage process for ASC complaints. The timescale for responding is a maximum of 25 working days, which can be extended to a maximum of 65 working days.
- 2.3 The council will provide advice and support and work with complainants and social care providers to find an effective and swift resolution to complaints.

3. Stage One Complaints received

3.1 The total number of stage one ASC complaints received was 46, a 2% decrease from the number received in 2018/19 of 47.

Stage 1	2017/18	2018/19	2019/20
Access and Assessment*	22	42	39
Commissioning	4	4	4
Direct Provision	0	1	1
Split between teams	4	0	2
Total	30	47	46

*Access & Assessment is the service's social work function

3.2 Complaints broken down by section are as follows, with 79% of all ASC complaints responded to in time against the target of 90%.

Team	% responded in time
Access and Assessment	72%
Commissioning	50%
Direct Provision	100%
Splits between teams	100%
Overall Total	79%

3.3 The types of complaints received are as follows:-

Team	Types of complaints
Access and Assessment	<ul style="list-style-type: none"> • Level of care / support • Level of service by Social Worker • Delays in responding / lack of contact • Financial Assessment Service • Lack of information • Safeguarding issues • Direct Payments
Commissioning	<ul style="list-style-type: none"> • Level of care. • Dealing with concerns • Incorrect invoices
Direct Provision	<ul style="list-style-type: none"> • Delay in resolving facilities issues

3.4 These can be put into the below themes:-

- **Policy and Decision** – usually relates to an outcome of an assessment or a service request that has not been agreed. In some cases not all information is considered i.e. disabilities.
- **Staff Attitude** – primarily around customer service issues including manner of communication, or where a worker said they would do something, but did not
- **Poor Quality** – mainly about the quality of reports and administration of case management
- **No Provision** – where a service was agreed but not provided
- **Level of Provision** – level of care / care package
- **Communication** – usually about calls, messages, emails, etc. not being responded to in a timely manner
- **Delay** – where a formal or informal deadline is set to provide a service; but is missed and provided much later
- **Provider Services** – level of care provided, dealing with concerns and incorrect invoices.

3.5 Of the 46 complaints received, 15 of these were upheld and 16 were partially upheld totalling 67% of all complaints received. This is a decrease of the previous year where 72% were partially upheld or upheld.

Team	Inconclusive	Upheld	Partially Upheld	Not Upheld	Total
Access and Assessment	1	10	14	14	39
Commissioning	0	3	1	0	4
Direct Provision	0	1	0	0	1
Split between teams	0	1	1	0	2
Total	1	15	16	14	46

3.6 Reasons why complaints were upheld or partially upheld are as follows:-

Access and Assessment

- Poor / delayed communication
- Poor record keeping
- Delay / confusion about referral pathways
- Delays in assessment
- Level of service provided by Social Worker
- Safeguarding process / reviews

Commissioning

- Issues with invoices
- Level of service from service providers

Outcomes

3.8 Where complaints are being upheld or partially upheld, there is a requirement that the response will state the outcome and what actions will be taken to rectify the matter. Examples of the remedies ASC have put in place are:-

- Apologies given and alternative Social Worker provided.
- Missing service given.
- Case review to establish what went wrong and to avoid a repeat.
- Improved case records and effective communication with family.
- Ensured correct process followed for safeguarding and formal meetings.
- Support plan and assessment reviewed and amended as necessary.
- Documentation forwarded in a timely manner and monitored.
- Reviewed processes and protocols to ensure consistency.
- Ensured interpreters involved from in initial stages of assessments
- Improved communication between organisations and with vulnerable people and their families.

4. Local Government and Social Care Ombudsman (LGSCO) Enquiries

4.1 The LGSCO contacted the council about nine different ASC complaints, 10 % of the total received by the council, a decrease of 25% from 2018/19.

4.2 The LGSCO may contact the council with a 'Final Decision' without investigation on cases that upon initial review are outside the LGSCO's jurisdiction.

4.3 Two out of three (66%) Final Decisions were 'Upheld' in some way, this shows us that we need to do more work on resolving complaints locally before they escalate.

4.4 Where fault has been found the council has worked to correct, remedy and change its procedures to ensure it does not happen again.

Ref.	In time	Decision	Remedy	Compensation
18 000 272	Yes	Upheld: maladministration, no injustice.	Provide an apology for the above faults and distress.	N/A
18 011 437	Yes	Upheld - fault for delay and failures of communication, this caused distress. Injustice for delays in providing suitable home.	Provide apologies for the faults and distress.	£3,000 & £2,000 in acknowledgement of the distress caused and the loss of non-monetary benefit. £200 in acknowledgment of the time and trouble caused.
18 014 142	Yes	Not upheld.		

5. Next steps

- 5.1 ASC staff to work closely with the Complaints Team in cases where o historical issues are raised repeatedly.
- 5.2 Ensure a more smooth transition for young adults from Children School & Families Services to Transition Services within ASC.
- 5.3 ASC staff to attend workshops on complaints handling / responses on council wide issues.
- 5.3 ASC service managers working to address the trend about concerns with the level of service provided by the Social Worker which are not considered acceptable to the service user or their carers/families.

6. Compliments

- 6.1 The total number of compliments received was 107, an increase of 5% from 2018/19.

Team	Number of compliments
Access and Assessment	86
Commissioning	2
Direct Provision	18
Splits between teams	1
Overall Total	107

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Department: Children, Schools and Families

Date: 11 March 2021

Subject: Children's Social Care Complaints Annual Review

Introduction

Background

Local authorities are legally required to establish complaints procedures to deal with complaints about their statutory social care functions. The Children Act 1989 covers the complaints procedure for children and young people. The Department for Skills and Education's guidance 'Getting the best from complaints' outlines what procedures local authorities must have in place.

Purpose

To review the complaints process over a 12 month period in order to provide the council with the means to keep itself informed about complaint trends and how effective the current complaints handling process is. The report includes statistical data and offers an analysis of what the complaints information means for the council.

This report covers the period between 1 April 2019 to 31 March 2020, including a summary of identified issues, examples of service improvement and details of future objectives for 2020/21.

1. Report & executive summary

- 1.1 Complaints are recognised as a valuable tool in helping officers to learn and understand the concerns of residents in the delivery of services and have an important role in both supporting the improvement of those services and holding services to account.
- 1.2 The report will be published on the council's website and made available on request.

2. Details

- 2.1 Complaints, including Local Government and Social Care Ombudsman (LGSCO) complaints are monitored by the Complaints team. Performance for the number of complaints dealt with in time, the number of complaints

escalated to Stage 2 and LGSCO complaints answered in time are corporate performance indicators.

- 2.2 There is both a statutory and non-statutory process in place for dealing with complaints that fall under Children’s Social Care teams.
- 2.3 The statutory procedure in place has a three stage process. Stage 1 is an investigation carried out by the relevant service manager within 10 working days (can be extended to 20 working days if needed). If the person complaining remains dissatisfied they can request a Stage 2 independent investigation. The council will appoint an Investigating Officer and Independent Person to undertake this investigation. If the complainant still remains unhappy with this, they can request a Stage 3 review panel, chaired by an independent Panel Chair.
- 2.4 The council’s corporate complaints procedure applies to all non-social care complaints.
- 2.5 The council will provide advice and support and work with complainants and council services to find an effective and swift resolution to complaints.

3. Stage One Complaints received

- 3.1 The total number of Stage 1 statutory and non-statutory Children Social Care complaints received in 2019/20 are below.

Stage 1 Statutory	2019/20	Upheld/ Partially Upheld	Responded to on time	% responded to on time
Looked after children (LAC) & Permanency & Care Leavers	7*	3	5	71%
Safeguarding & Care Planning	2	1	0	0%
14+ Team	1	0	0	0%
Total	10	4	5	50%

*one complaint from a young person

Stage 1 Non-Statutory	2019/20	Upheld/ Partially Upheld	Responded to on time	% responded to on time
LAC & Permanency & Care Leavers	4	4	2	50%
Safeguarding & Care Planning	3	2	1	33%
14+ Team	1	0	0	0%
MASH & Child protection (CP)	7	5	4	57%
Access To Resources & Children with disabilities (CWD)	2	1	2	100%
Quality Assurance	1	1	0	0%

Total	17	13	9	53%
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3.2 The types of complaints received are as follows:-

LAC, Permanency & Care Leavers

- Lack of actions from team / Social Worker.
- Delays in informing parents of actions and delays in getting minutes of meeting out.
- Support as a care leaver.

MASH & CP

- Dissatisfied MASH will not reopen case.
- Unhappy with content of correspondence.

Safeguarding & Care Planning

- Lack contact from Social Worker.

14+ Team

- Lack of communication
- Lack of contact from Social worker

These can be put into the below themes:-

- **Policy and Decision** – usually relates to an outcome of an assessment or a service request that has not been agreed with.
- **Staff Attitude** – primarily around customer service issues such as calls, messages, emails, etc. not being responded to in a timely manner, or where someone said they would do something; but did not.
- **Poor Quality** – mainly about the quality of reports, administration of case management or adherence to timescales.
- **No Provision** – where a service was agreed but not provided.
- **Level of Provision** – complaints about the level of care or support or support packages.

3.4 Reasons why complaints were upheld or partially upheld are as follows:-

- Correspondence / calls were not responded to either in good time or at all.
- Minutes not provided on time.
- Service not provided correctly, provision missing or not provided as it should be.

- Breakdown in relationship with Social Worker.
- Actions should have been proactive rather than reactive in order to try and prevent delays in provision of service.

Outcomes

3.5 Where complaints are being upheld or partially upheld, it is required that the response will state the outcome and what actions will be taken to rectify the matter. Examples of the remedies Children’s Social Care have put in place are as follows:-

- Discussion with the teams about the importance of responding to correspondence and returning calls.
- Terminology used by professionals is not always as clear for parents, this to be changed in future.
- Review support and advice offered.
- Support will be offered in a more timely matter.
- Meetings would not take place without notification.
- Minutes would be issued via email as well as hard copy to prevent delays.

4. Local Government and Social Care Ombudsman (LGSCO) Enquiries

4.1 In 2019/20, the LGSCO investigated two complaints relating to Children’s Social Care. These complaints are detailed in the LGSCO report.

5. Compliments

5.1 The following compliments were received for Children’s Social Care teams in 2019/20

Team	Number	Themes
Family and Adolescent	4	<p>Social workers have been supportive, interactions have been easy.</p> <p>Social workers speak positively of the family and have worked hard to have a relationship that has a positive impact on them as a whole.</p> <p>Social worker is a positive role model for the children of a family.</p>
Mash and Child Protection	4	<p>All compliments for social workers about how they have been supportive, consistent and ensured families knew what was happening.</p>

Permanency, Placements and Looked after Children	2	Thanks and comments about how social worker has been easy to access and responsive over the years. Peer on peer compliment about a sensitive placement.
Safeguarding	3	Praise and gratitude for how Social Worker assisted and managed cases. Peer on peer compliment about how their style and work has helped a family achieved best outcomes.
Social Work Intervention	2	Praise how officer handled a complex conference. Praise for how well a Child Protection Conference was handled especially given the many different strands that had to be considered.
Totals	15	

6. Next steps

- 6.1 Learning from complaints, needs to be more rigorous and evidenced in the response and in our revised procedures.
- 6.2 A refresh on the information available on how to complain on the council's website will be undertaken, to ensure it is accessible to all.
- 6.3 There is a new referral and chasing process in place for children's social care complaints to help to drive up response times.

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COMMITTEE: STANDARDS & GENERAL PURPOSES

Date:

Wards: All

Subject: Local Government and Social Ombudsman Report – Enforcement Agents

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Tobin Byers, Cabinet Member for Finance

Contact officer: David Kepler Head of Revenues and Benefits

Recommendations:

1. Standards & General Purposes Committee to consider the contents of this update report regarding the Enforcement Service following the Local Government and Social Care Ombudsman (LGSCO) decision and report.
 2. Standards & General Purposes Committee to advise if it requires a further update report on the service.
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. This report updates Standards & General Purposes Committee on the Enforcement Service. On 23 July 2020 the committee received a report following the LGSCO report and decision against the council regarding the enforcement service.

2 DETAILS

- 2.1. The initial report to Standards & General Purposes detailed:
 - The background of the service
 - Statistical information on debts collected and cases dealt with
 - Data on complaints
 - The LGSCO complaint and findings against the Council
 - The improvement action plan for the service – This has been updated, see Appendix 1
 - That enforcement work had been suspended due to the first national lockdown
- 2.2. During the lockdown the Enforcement Agents supported the shielding exercise in both Merton and Sutton and also supported foodbanks and voluntary sector in Merton.
- 2.3. Enforcement Agents also helped with the recent surge testing in Pollards Hill.
- 2.4. The administrative team were furloughed between June and October.
- 2.5. The Ministry of Justice enabled enforcement work to re-commence at the end of August 2020.

- 2.6. Plans to re-commence enforcement action in Merton and Sutton commenced in September. These were:
- Re-engagement letters sent to all debtors giving them 30 days-notice that enforcement action could re-commence
 - Risk assessments for the service and all individual staff
 - Training from external provider on re-engagement and safe enforcement action
 - New procedures for safe enforcement activity
 - Purchase of PPE
 - Progression of procurement of new body worn cameras
- 2.7. Enforcement activity recommenced on 6 October 2020 for parking enforcement work only. Enforcement Agents undertake socially distanced recovery action and are not allowed into properties. Removal of vehicles are only allowed in very exceptional circumstances and agreed by the Head of Service.
- 2.8. The Shared Service Board, with officers from Sutton and Merton, has held monthly meetings to monitor progress, agree the roll out of further enforcement work and review the service.
- 2.9. In November 2020 Merton agreed the recommencement of council tax collection, ahead of the pilot virtual court in December.
- 2.10. There have been six stage one complaints since recommencement of enforcement activity. There have been no stage two complaints. All complaints are investigated by the Enforcement Manager and reviewed by the Head of Revenues and Benefits.
- 2.11. The Head of Revenues and Benefits has undertaken a review of the service on behalf of the Shared Service Board. This identified a current reduction in workload due to the impact of the pandemic and also anticipates a continued reduction of workload for at least the next year.
- 2.12. In this financial year, Merton has so far only held one Liability Order Hearing at the Magistrates Court and Sutton have not had any. Before a council tax debt is passed to the enforcement team a liability order has to be obtained. This has impacted on the volume of work passed to the enforcement service.
- 2.13. The Court Service are currently not agreeing to the scheduling of future court hearings. Normally both Councils have a hearing every month.
- 2.14. The Council is unlikely to progress very many business rates debts to the Magistrates Court although at present the Court Service will not entertain Liability Order Hearings for business rates debts.
- 2.15. There was a 12% reduction in PCN's issued in Merton between July and October 2020 compared to the previous year and lockdowns further impact on the number issued.
- 2.16. It is estimated that there will be a 25% reduction in workload for a least one year and possibly longer.

- 2.17. The Shared Service Board has completed a consultation exercise on a restructure proposal to reduce the staffing levels and it is estimated this will be completed in April 2021. This will hopefully ensure that the in-house service is sustainable for the future.
- 2.18. The Shared Service Board will continue to monitor the service and will agree when the full range of enforcement activity can be re-commenced.

3 ALTERNATIVE OPTIONS

- 3.1. As previously reported an option would be to stop providing an in-house enforcement service and to use external contractors for all debts. The formal contract with LB Sutton for the shared service would need to be terminated and TUPE would apply if external contractors were procured. There is likely to be redundancy costs for staff not transferred if alternative employment was not found.
- 3.2. Using an external contractor is likely to attract costs, in cases where an Enforcement company has undertaken work and the council decides that they do not want enforcement action progressed it will be charged for fees already incurred. We also found that external contractors would often collect the fees and then pass the case back with the debt outstanding. (This was part of the reason the in-house service was introduced)

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. LB Sutton have previously been consulted with regarding the LGSCO complaint and report.
- 4.2. Sutton have two representatives on the Shared Service Board so are included in all decisions affecting the service. Although both Merton and Sutton will decide independently on the work they want undertaken or not.

5 TIMETABLE

- 5.1. None for the purpose of this report.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. As previously reported, the in-house Enforcement service collects a large amount of unpaid debt for both Merton and Sutton council. Collectively in the last full four financial years (2016/17 to 2019/20) over £18.4 million in debt has been collected.
- 6.2. The restructure of the service will see a reduction from 19 staff down to 13. This will help to reduce the direct and indirect costs of the service (salaries, van rental, IT licences etc).

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. Enforcement Agents are legislated by the Taking Control of Goods Act 2013.
- 7.2. Debtors have recourse to decisions made by Enforcement Agents through the courts.
- 7.3. Enforcement Agents are issued their certificate every two years by a Judge in the County Court.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. Whilst the council has to undertake all reasonable steps to collect unpaid debt owed it has to ensure that it is done in a fair and transparent manner and that all staff collecting debts are aware of the impact of debt on vulnerable clients.
- 8.2. The Taking Control of Goods Act details how Enforcement Agents should deal with vulnerable clients. All Enforcement Agents have received training on dealing with vulnerable clients and have all attended Dementia Awareness training.
- 8.3. In the current climate Enforcement Agents and office staff are encouraged to offer longer term payment arrangements to debtors.

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. None for the purpose of this report

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. Undertaking enforcement work can be challenging and at times the Enforcement Agents can face aggression and possible violence against them. In the past our Enforcement Agents have been assaulted and Police have been called to attend incidents.
- 10.2. All Enforcement Agents should wear Body Worn Camera's and Stab vests which have been supplied. The recent change of policy regarding Body Worn Camera's should now see the Enforcement Agents recording all visits and engagements with debtors. The procurement of new cameras has been completed and all Enforcement Agents now have the new cameras.
- 10.3. All Enforcement Agents carry an Ipad with case details, there is a Panic button on the system which if triggered sends text messages to office staff. All Enforcement Agents use council supplied vans which have GPS tracking, this enables the office staff to identify if an Enforcement Agent has not moved position for a given period of time which would result in a phone call to the Enforcement Agent to ensure everything is alright.
- 10.4. The van tracking enables the office staff to contact Enforcement Agents in close proximity to any potential incident so that support can be requested.

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

- 11.1. Appendix 1 – Updated Improvement Action Plan

12 BACKGROUND PAPERS

- Appendix 1 – Report to Standards and General Purposes Committee on 23 July 2020.
- 12.1.

Enforcement Service Improvement Plan

Action	Responsible	Date	Progress
Critically review case and identify issues to address	GS & DK	15 Oct 19	Completed - training provided, action plan drafted, new process on vehicles removed, review of policies and procedures required, HoS to review all complaints, EA spoken with
Devise policy for payment arrangements at all stages	GS	30 Oct 19	Completed
Review and devise procedure for removal and sale of vehicles – ensuring adequate audit trail of paperwork is in place	GS & SD	20 Sept 19	Completed- to include white board in office showing all removals, dates documents sent etc - Implemented
Review and devise procedure and policy for moving cases to Sale and Disposal stage	GS & DK	30 Oct 19	Completed - All EA's advised of procedure, and ongoing monitoring and checking undertaken – 1.11.19
Introduce office information board for all removals	GS	20 Sept 19	Implemented
Implement remote printers for enforcement agents	GS & SD	15 Nov 19	Completed - SRF raised and testing ongoing – 15.10.19 – Implemented 18.11.19
Implement scanning app on Ipads	SD	15 Nov 19	Implemented 18.11.19
Refresher training for all Enforcement Agents	DK	15 Oct 19	Completed - Undertaken 9 October 19 Further training on safe enforcement held in October 20
Training for office staff and complaints staff	DK	15 Oct 19	Completed - Undertaken 7 October 19
Arrange external health check of procedures and documentation	DK	15 Nov 19	Completed - Visit arranged for 28 Oct 19 – report received 19.11.19 –
Review policy for CCTV body worn camera's in conjunction with Parking Services	DK	31 Oct 19 30 April 21	Enforcement Policy reviewed and amended 30 September 19 – all EA's advised

			Further review with Parking services to be undertaken – EA's have been advised of expected use – revised completion date set
Decision on procurement of CCTV body worn camera's in conjunction with Parking Services	DK	31 March 20	Tender exercise underway – tender closing date 9 July 20. Procurement exercise completed in November 20 – all enforcement agents now using new cameras
Review and publish policy for body worn camera's	DK	18 Oct 19	Completed - Following training – policy reviewed decision regarding publication required – awaiting agreement from IG team. EA already advised must use them all the time
Issue updated instructions/guidance to Enforcement Agents on procedures/processes	GS	30 Nov 19	This has been ongoing but complete manual given to all EA's 2.12.19
Review all procedures and policies	GS & SD	30 Nov 19	Following health check – completed and manual given to EA's on 2.12.19
Review sample cases where vehicle has been sold	SD	31 Oct 19	Completed 20.11.19 and ongoing
Investigate and implement import of all documents and emails on to case management system	SD	31 Oct 19 31 Jan 20	EA's now using printers and scanning documents. Ipad requested for office to scan documents – Not been achieved due to technical issues
Implement new monitoring arrangements of all enforcement agents	GS, SD & DK	1 Nov 19	Commenced 1.11.19 – and ongoing
Review sample cases where vehicle clamped	SD	31 Oct 19	Completed – further reminder sent to all EA's regarding getting documents scanned/returned
All complaints to be reviewed by Enforcement manager and Head of Revenues and Benefits	GS & DK	20 Sept 19	Commenced

Apply for membership of CIVEA (Civil Enforcement Association)	DK	31 Jan 20 30 Oct 20	Not progressed yet – review required – revised completion date set – application not progressed
Review training requirements post Covid19	DK & GS	1 Sept 20	Completed - Training arranged for September 20
Review procedures post Covid19 incorporating new statutory requirements	GS	1 Sept 20	Completed - Issued prior to re-commencement of enforcement activity in October 20
Deliver training post Covid19	GS	1 Oct 20	Completed - Refresher training and safe enforcement training delivered September 20
Issue new procedures post Covid19 before re-commencement of enforcement work	GS	1 Oct 20	Completed - Issued prior to re-commencement of enforcement activity in October 20
Review service and staffing structure post Covid19 as requested by Shared Service Board	DK	1 May 21	Restructure being implemented due to workload reduction

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Committee: Standards and General Purposes

Date: 11 March 2021

Wards: All

Subject: Member Code of Conduct

Lead officer: Louise Round, Managing Director, South London Legal Partnership

Lead member: Councillor Tobin Byers

Contact officer: Louise Round: louise.round@merton.gov.uk

Recommendations:

- A. To recommend to Full Council that it adopt the revised Code of Conduct for Members attached as Appendix A with effect from 1 June 2021 and that the Monitoring Officer be authorised to make such consequential amendments to other parts of the constitution as she considers necessary;
 - B. To note that the Monitoring Officer will arrange training sessions for councillors on the requirement of the revised Code of Conduct;
 - C. To note that a further report will be brought to a later meeting of this Committee on setting out progress made by the Members' Constitution Review Working Group on other aspects of the Constitution.
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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. At its meeting in July 2020 the Committee established a member working group to carry out a review of the Council's constitution. Since that time a number of meetings of the working group have taken place and good progress has been made in a number of areas. The group is taking a wholesale approach to the review although it was agreed that its scope did not include considering whether to recommend a change in the governance arrangements from the current leader and executive (cabinet) model. However, given the need to ensure any changes are fully and consistently reflected in the revised version of the constitution, more time is required to produce an amended constitution for consideration by the Committee.
- 1.2. Accordingly, this report is confined to one aspect of the working group's consideration, namely to ask the Committee to consider whether to adopt a new code of conduct for councillors, based on the model code of conduct agreed by the Local Government Association (LGA), as amended following consideration by the working group to take account of local circumstances.

2 DETAILS

- 2.1. Following extensive consultation, the LGA published its long awaited model code of conduct in December last year. They embarked upon the exercise as a result of a recommendation from the Committee on Standards in Public Life. The report from that committee made a number of other

recommendations in relation to ethical standards in local government, including that consideration be given to strengthening the sanctions available to councils in cases where councillors are found to be in breach of a code of conduct. However, this would require primary legislation and there is no indication from the Government that this is likely to be forthcoming.

- 2.2. Merton's current code of conduct (Appendix B) is a very light touch document, comprising primarily of the Nolan Principles and having no specific requirements beyond behaving in a way consistent with those principles and with the Council's policies and procedure. The requirement under sections 30 and 31 of the Localism Act 2011 to declare interests and to refrain from taking part in decisions where the councillor has a disclosable pecuniary interest (DPI) as defined by the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2011, is contained in the addendum to the Code. The addendum does not set out the definition of DPIs or the other non-pecuniary interests which the Council has decided should be registered. Those other interests simply appear on the website on the councillor pages. Similarly, although councillors do register any gifts or hospitality offered to them, and this Committee receives an annual report on this issue, the requirement to do so is not referred to in the Code of Conduct itself.
- 2.3. The working group agreed that such a broad brush approach to a code of conduct is not helpful as there is a risk either that nothing amounts to a breach of the Code or conversely that nearly every minor issue could be interpreted as a breach of the Nolan Principles and therefore a breach of the Code. It is generally accepted that those principles provide context and can be an aid to interpretation, rather than amounting to obligations which are enforceable against individual councillors.
- 2.4. The current Code also contains nothing by way of guidance for councillors to support them to behave in accordance with it. By contrast, the LGA code helpfully sets out explanatory guidance under each obligation.
- 2.5. The working group, which included the Council's two independent persons, considered that although the LGA code was cumbersome in certain respects, broadly speaking it was a useful document and certainly represents an improvement on the current Code. The draft code attached as appendix A is substantially the same as the LGA code with some amendments for clarity's sake.
- 2.6. The Localism Act 2011 requires councils to adopt codes of conduct dealing with the conduct that is expected of members and co-opted members of the authority when they are acting in that capacity. There has been much debate about how to decide when a councillor is acting as an elected member as opposed to in their private capacity. It is not always easy to draw a clear line, especially when social media is being used, although the Council has already agreed social media guidance for councillors. The LGA code recommends the following wording which was agreed by the working group:

This Code of Conduct applies to you when:

- *you are acting in your capacity as a councillor and/or as a representative of your council;*
- *you are claiming to act as a councillor and/or as a representative of your council; or*
- *your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor*

2.7. Most of the provisions of the new Code are self-explanatory but the proposed requirements in relation to the declaration of interests at meetings are a bit more complex and can be summarised as follows:

2.7.1 As well as DPis, the proposed new Code defines “other registrable interests” as follows:

“You also have a registrable interest in any business of your authority where it relates to or is likely to affect:

a) any body to which you are nominated or appointed by your authority; or
b) any body of which you are in a position of general control or management and which:

- i) exercises functions of a public nature;
- ii) is directed to charitable purposes; or
- iii) has one of its principal purposes the influence of public opinion of policy (including any political party or trade union)”

2.7.2 Although not incorporated in the current code, the Council’s website indicates that the following interests are required to be registered and declared so the proposals above are slightly wider than the current position:

“trade union membership;

any position of management or control that the councillor holds in any third party organisation within the borough”

Interests at Meetings

2.7.3 If a matter being discussed at a meeting directly relates to a councillor’s DPI, this must be declared and the councillor must leave the room while the

matter is being discussed. * Failure to do so is a criminal offence.

*Note: the interests of a councillor's spouse or civil partner or person living with the councillor as their spouse or civil partner are treated as though they are the interests of the councillor him or herself.

- 2.7.4 If the matter *directly relates* to one of the councillor's other registrable interests as defined in the Code or otherwise directly relates to their financial interests or well-being, they must declare it but can only speak on the matter if members of the public are also allowed to speak on the matter. This is to ensure that a councillor is not in a worse position than an ordinary member of the public. The councillor cannot vote on the matter but does not need to leave the room while the matter is under consideration.
- 2.7.5 If the matter simply *affects* the councillor's other registrable interests, or financial interest or well-being, as opposed to being specifically about one of those things, or it directly relates to or affects a friend, relative or close associate, the ability of the councillor to take part in the discussion of the matter will depend on whether they (or their friend, relative or close associate) are affected more than other residents in the ward or borough, where it is a borough wide issue. If not, then the councillor can participate in the usual way. If they are, then the test of whether the councillor can take part depends on what used to be known as the "prejudicial interest" test. In other words, the councillor must consider whether "a reasonable member of the public knowing all the facts would believe that interest would affect [their] view of the wider public interest". If not, the councillor may speak and vote in the usual way. If so, they may speak if members of the public may also speak but cannot vote. This may appear quite complex but it attempts to distinguish between those cases where the impact on a member or those close to them is direct and obvious and those where the connection is more remote.
- 2.7.6 As is currently the case, if interests are sensitive, a councillor only needs to declare the existence of the interest and not the detail behind it. The Monitoring Officer has authority to grant dispensations in some circumstances to allow councillors to vote where this otherwise would not be possible. The most obvious example would be where so many members were disqualified from voting that it would not be possible to convene a quorate meeting of the relevant decision making body.
- 2.8. If Council agrees to adopt the new code of conduct, it will clearly be important to ensure that all councillors are familiar with its requirements. The Monitoring Officer will arrange training for councillors on the new provisions which will include a reminder of the process for dealing with complaints when they are made against councillors

Relationship with Other Protocols

2.9. The current Code of Conduct is contained in Part 5a of the constitution together with its addendum which partly deals with the requirement to declare interests. Although the existing Code of Conduct is relatively light on detail, over the past few years the Council has adopted number of protocols designed to supplement its provisions. These are:

2.9.1 Part 5b - The Code of Conduct for Employees

2.9.2 Part 5c - The Member/Officer Protocol

2.9.3 Part 5d - The Monitoring Officer Protocol

2.9.4 Part 5e - The Protocol on the Use of Council Resources and Facilities

2.9.5 Part 5f - The Planning Protocol

2.10. Parts 5b and 5d relate to solely to officers and are not affected by these proposals. It is intended that if Council agrees to adopt it, the proposed new code takes the place of Part 5a and its addendum and that Parts 5c, 5d and 5e remain in place as they provide additional guidance for members. They would not require substantive changes if the proposed Code is adopted although it may be necessary to make some consequential changes to ensure consistency of language.

3 CONSULTATION UNDERTAKEN OR PROPOSED

3.1. As stated above, the LGA model code has been subject to consultation at national level and the version being proposed for adoption has been agreed by a cross party working group of Merton councillors

4 TIMETABLE

4.1. If the Committee agrees to recommend the adoption of the proposed new code, it will be considered at the meeting of Full Council on 21 April and it is suggested that it come into effect on 1 June 2021 to allow time for all councillors to receive training on its implications.

5 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

5.1. None

6 LEGAL AND STATUTORY IMPLICATIONS

6.1. The legal implications are contained in the body of the report.

7 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

7.1. The proposed new code contains express provisions requiring members to treat people fairly and with respect and to refrain from bullying and discrimination. These specific requirements, if adopted, would be new and would be line with the Council's overall approach to qualities.

8 CRIME AND DISORDER IMPLICATIONS

8.1. None

9 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

9.1. None

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

- Appendix A – proposed new code of conduct
- Appendix B – Merton’s current code of conduct

11 BACKGROUND PAPERS

11.1.

APPENDIX A – SGP 11 MARCH 2021

MERTON COUNCIL CODE OF CONDUCT FOR MEMBERS*

*if the Council agrees to adopt this Code, the preamble referring to the LGA and introductory paragraphs will be deleted.

Local Government Association

Model Councillor Code of Conduct 2020

Joint statement

The role of councillor across all tiers of local government is a vital part of our country's system of democracy. It is important that as councillors we can be held accountable and all adopt the behaviours and responsibilities associated with the role. Our conduct as an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to. We also want individuals from a range of backgrounds and circumstances to be putting themselves forward to become councillors.

As councillors, we represent local residents, work to develop better services and deliver local change. The public have high expectations of us and entrust us to represent our local area; taking decisions fairly, openly, and transparently. We have both an individual and collective responsibility to meet these expectations by maintaining high standards and demonstrating good conduct, and by challenging behaviour which falls below expectations.

Importantly, we should be able to undertake our role as a councillor without being intimidated, abused, bullied or threatened by anyone, including the general public.

This Code has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government.

Introduction

The Local Government Association (LGA) has developed this Model Councillor Code of Conduct, in association with key partners and after extensive consultation with the sector, as part of its work on supporting all tiers of local government to continue to aspire to high standards of leadership and performance. It is a template for councils to adopt in whole and/or with local amendments.

All councils are required to have a local Councillor Code of Conduct.

Definitions

For the purposes of this Code of Conduct, a “councillor” means a member or co-opted member of a local authority or a directly elected mayor. A “co-opted member” is defined in the Localism Act 2011 Section 27(4) as “a person who is not a member of the authority but who

- a) is a member of any committee or sub-committee of the authority, or;
- b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority;

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee”.

Purpose of the Code of Conduct

The purpose of this Code of Conduct is to assist you, as a councillor, in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against you. It is also to protect you, the public, fellow councillors, local authority officers and the reputation of local government. It sets out general principles of conduct expected of all councillors and your specific obligations in relation to standards of conduct. The LGA encourages the use of support, training and mediation prior to action being taken using the Code. The fundamental aim of the Code is to create and maintain public confidence in the role of councillor and local government.

General principles of councillor conduct

Everyone in public office at all levels; all who serve the public or deliver public services, including ministers, civil servants, councillors and local authority officers; should uphold the [Seven Principles of Public Life](#), also known as the Nolan Principles.

Building on these principles, the following general principles have been developed specifically for the role of councillor.

In accordance with the public trust placed in councillors they should, on all occasions:

- act with integrity and honesty
- act lawfully
- treat all persons fairly and with respect; and
- lead by example and act in a way that secures public confidence in the role of councillor.

In undertaking their role councillors should:

- impartially exercise their responsibilities in the interests of the local community
- not improperly seek to confer an advantage, or disadvantage, on any person
- avoid conflicts of interest
- exercise reasonable care and diligence; and
- ensure that public resources are used prudently in accordance with the local authority's requirements and in the public interest.

Application of the Code of Conduct

This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of councillor or attend your first meeting as a co-opted member and continues to apply to you until you cease to be a councillor.

This Code of Conduct applies to you when:

- you are acting in your capacity as a councillor and/or as a representative of your council;
- you are claiming to act as a councillor and/or as a representative of your council; or
- your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor;

The Code applies to all forms of communication and interaction, including:

- at face-to-face meetings

- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communication
- in electronic and social media communication, posts, statements and comments.

Your Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from your Monitoring Officer on any matters that may relate to the Code of Conduct.

Standards of councillor conduct

This section sets out your obligations, which are the minimum standards of conduct required of you as a councillor. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken.

Guidance is included to help explain the reasons for the obligations and how they should be followed.

General Conduct

1. *Respect*

As a councillor:

1.1 I treat other councillors and members of the public with respect.

1.2 I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect for the role they play.

Respect means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor, you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a robust but civil manner. You should not, however, subject individuals, groups of people or organisations to personal attack.

In your contact with the public, you should treat them politely and courteously. Rude and offensive behaviour lowers the public's confidence in councillors.

In return, you have a right to expect respectful behaviour from the public. If members of the public are being abusive, intimidatory or threatening you are entitled to stop any conversation or interaction in person or online and report them to the local authority, the relevant social media provider or the police. This also applies to fellow councillors, where action could then be taken under the Councillor Code of Conduct,

and local authority employees, where concerns should be raised in line with the local authority's councillor-officer protocol.

2. *Bullying, harassment and discrimination* As

a councillor:

2.1 I do not bully any person.

2.2 I do not harass any person.

2.3 I promote equalities and do not discriminate unlawfully against any person.

The Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and may not always be obvious or noticed by others.

The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions. It can include repeated attempts to impose unwanted communications and contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The Equality Act 2010 places specific duties on local authorities. Councillors have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

3. *Impartiality of officers of the council*

As a councillor:

3.1 I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the local authority.

Officers work for the local authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. You can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written. However, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so

would prejudice their professional integrity.

The Council has agreed a Member/Officer protocol which supplements this Code of Conduct and should be read in conjunction with it.

4. Confidentiality and access to information

As a councillor:

4.1 I do not disclose information:

- a. given to me in confidence by anyone
- b. acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless
 - i. I have received the consent of a person authorised to give it; or
 - ii. I am required by law to do so; or
 - iii. the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or
 - iv. the disclosure is:
 1. reasonable and in the public interest; and
 2. made in good faith and in compliance with the reasonable requirements of the local authority; and
 3. I have consulted the Monitoring Officer prior to its release.

4.2 I do not improperly use knowledge gained solely as a result of my role as a councillor for the advancement of myself, my friends, my family members, my employer or my business interests.

4.3 I do not prevent anyone from getting information that they are entitled to by law.

Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public, except in certain legally defined circumstances. You should work on this basis, but there will be times when it is required by law that discussions, documents and other information relating to or held by the local authority must be treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing contract negotiations.

5. Disrepute

As a councillor:

5.1 I do not bring my role or local authority into disrepute.

As a councillor, you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than those of ordinary members of the public. You should be aware that your actions might have an adverse impact on you, other councillors and/or your local authority and may lower the public's confidence in your or your local authority's ability to discharge your/it's functions. For example, behaviour that is considered dishonest and/or deceitful can bring your local authority into disrepute.

You are able to hold the local authority and fellow councillors to account and are able to constructively challenge and express concern about decisions and processes undertaken by the council whilst continuing to adhere to other aspects of this Code of Conduct.

6. Use of position As a councillor:

6.1 I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.

Your position as a member of the local authority provides you with certain opportunities, responsibilities and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

7. Use of local authority resources and facilities

As a councillor:

7.1 I do not misuse council resources.

7.2 I will, when using the resources of the local or authorising their use by others:

- a. act in accordance with the local authority's requirements as set out in the Protocol On The Use of Council Resources and Facilities; and**
- b. ensure that such resources are not used for party political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the local authority or of the office to which I have been elected or appointed.**

You may be provided with resources and facilities by the local authority to assist you in carrying out your duties as a councillor.

Examples include:

- office support
- stationery
- equipment such as phones, and computers
- transport
- access and use of local authority buildings and rooms.

These are given to you to help you carry out your role as a councillor more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the local authority's own policies regarding their use.

8. Complying with the Code of Conduct

As a councillor:

8.1 I undertake Code of Conduct training provided by my local authority.

8.2 I cooperate with any Code of Conduct investigation and/or determination.

8.3 I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.

8.4 I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.

It is extremely important for you as a councillor to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermine public trust in the local authority or its governance. If you do not understand or are concerned about the local authority's processes in handling a complaint you should raise this with your Monitoring Officer.

Protecting your reputation and the reputation of the local authority

9. Interests

As a councillor:

9.1 I register and declare my interests in accordance with the law and the rules set out in Appendix A of this Code.

You need to register your interests so that the public, local authority employees and fellow councillors know which of your interests might give rise to a conflict of interest. The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable. You are personally responsible for deciding whether or not you should declare an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise. It is also important that the public know about any interest that might have to be declared by you or other councillors when making or taking part in decisions, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

You should note that failure to register or declare a disclosable pecuniary (i.e. financial) interest is a criminal offence under the Localism Act 2011.

Appendix B sets out the detailed provisions on registering and declaring interests. If in doubt, you should always seek advice from your Monitoring Officer.

The Council has adopted a Planning Protocol for Members which supplements this Code in relation to planning matters and should be read in conjunction with it.

10. Gifts and hospitality As a councillor:

10.1 I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the local authority or from persons who may apply to the local authority for any permission, licence or other significant advantage.

10.2 I register with the Monitoring Officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt.

10.3 I register with the Monitoring Officer any significant gift or hospitality that I have been offered but have declined to accept.

In order to protect your position and the reputation of the local authority, you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a councillor. The presumption should always be not to accept significant gifts or hospitality. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered where its estimated value exceeds (£25). In the interests of transparency and to protect yourself against allegations, you should also register those cases where you have been offered but declined such gifts or hospitality. However, you do not need to register gifts and hospitality which are not related to your role as a councillor, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a councillor. If you are unsure, do contact your Monitoring Officer for guidance.

Appendices

Appendix A

Registering interests

1. Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests and those of your partner which fall within the categories set out in Table 1 (Disclosable Pecuniary Interests).
2. You should also register details of your other interests which fall within the categories set out in Table 2 (Other Registerable Interests).
3. "Partner" means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.
4. You must ensure that your register of interests is kept up-to-date and notify the Monitoring Officer of any new interest, or of any change to a registered interest, within 28 days of becoming aware of it.
5. A 'sensitive interest' is as an interest which, if disclosed, could lead to you, or a person connected with you, being subject to violence or intimidation.
6. Where you have a 'sensitive interest' you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold details of the interest from the public register.

Declaring interests

7. Where a matter arises at a meeting which *directly relates* to one of your Disclosable Pecuniary Interests, you must declare the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest, just that you have an interest.
8. Where a matter arises at a meeting which *directly relates* to one of your Other Registerable Interests, you must declare the interest. You may speak on the matter

only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

Commented [LR1]: So we are suggesting that if the interest is not a DPI, you can stay in the room.

9. Where a matter arises at a meeting which *directly relates* to your financial interest or well-being or that of your partner (and is not a Disclosable Pecuniary Interest or Other Registrable Interest), you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise you must not take part in any discussion or vote on the matter. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

10. Where a matter arises at a meeting which:

- a. either *affects* your own financial interest or well-being; or
- b. *directly relates* to or *affects* a financial interest or well-being of a friend, relative, close associate

to a greater extent than it affects the financial interests or well-being of the majority of inhabitants of the borough or, where relevant, the ward affected by the decision, you must declare the interest. Having done so, you will still be able to participate in the consideration of matter unless paragraph 11 below applies.

11 Where you have declared an interest in accordance with paragraph 10 above in circumstances in which a reasonable member of the public knowing all the facts would believe that interest would affect your view of the wider public interest, you may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the [Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012](#).

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.

Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the

	councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council — (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land and Property	Any beneficial interest in land which is within the area of the council. 'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners (alone or jointly with another) a right to occupy or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer

Corporate tenancies	Any tenancy where (to the councillor's knowledge)— (a) the landlord is the council; and (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body where— (a) that body (to the councillor's knowledge) has a place of business or land in the area of the council; and (b) either— (i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/ her spouse or civil partner or the person with whom the councillor is living as if they were
	spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

* 'director' includes a member of the committee of management of an industrial and provident society.

* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registerable Interests

You also have a registrable interest in any business of your authority where it relates to or is likely to affect:

- a) any body to which you are nominated or appointed by your authority; or
- b) any body of which you are in a position of general control or management and which:

- (i) exercises functions of a public nature
- (ii) is directed to charitable purposes or
- (iii) has as one of its principal purposes the influence of public opinion or policy (including any political party or trade union)

Appendix B – The Seven Principles of Public Life

The principles are:

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Appendix C – the Committee on Standards in Public Life

The LGA has undertaken this review whilst the Government continues to consider the recommendations made by the Committee on Standards in Public Life in their report on [Local Government Ethical Standards](#). If the Government chooses to implement any of the recommendations, this could require a change to this Code.

The recommendations cover:

- Recommendations for changes to the Localism Act 2011 to clarify in law when the Code of Conduct applies
- The introduction of sanctions
- An appeals process through the Local Government Ombudsman
- Changes to the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012
- Updates to the Local Government Transparency Code
- Changes to the role and responsibilities of the Independent Person
- That the criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished

The Local Government Ethical Standards report also includes Best Practice recommendations. These are:

Best practice 1: Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

Best practice 2: Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation and prohibiting trivial or malicious allegations by councillors.

Best practice 3: Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.

Best practice 4: An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.

Best practice 5: Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

Best practice 6: Councils should publish a clear and straightforward public interest test against which allegations are filtered.

Best practice 7: Local authorities should have access to at least two Independent Persons.

Best practice 8: An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.

Best practice 9: Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.

Best practice 10: A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.

Best practice 11: Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council as a whole, rather than the clerk in all but exceptional circumstances.

Best practice 12: Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.

Best practice 13: A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.

Best practice 14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness and publish their board agendas and minutes and annual reports in an accessible place.

Best practice 15: Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.

The LGA has committed to reviewing the Code on an annual basis to ensure it is still fit for purpose.

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Part 5 – A Addendum

CODE OF CONDUCT – DECLARING INTERESTS

Registering and declaring pecuniary and non-pecuniary interests

You must, within 28 days of taking office as a member or co-opted member, notify your authority's monitoring officer of any disclosable pecuniary interest as defined by regulations made by the Secretary of State, where the pecuniary interest is yours, your spouse's or civil partner's, or is the pecuniary interest of somebody with whom you are living with as a husband or wife, or as if you were civil partners.

In addition, you must, within 28 days of taking office as a member or co-opted member, notify your authority's monitoring officer of any disclosable pecuniary or non-pecuniary interest which your authority has decided should be included in the register.

If an interest has not been entered onto the authority's register, then the member must disclose the interest to any meeting of the authority at which they are present, where they have a disclosable interest in any matter being considered and where the matter is not a 'sensitive interest'.¹

Following any disclosure of an interest not on the authority's register or the subject of pending notification, you must notify the monitoring officer of the interest within 28 days beginning with the date of disclosure.

Unless dispensation has been granted, you may not participate in any discussion of, vote on, or discharge any function related to any matter in which you have a pecuniary interest as defined by regulations made by the Secretary of State. Additionally, you must observe the restrictions your authority places on your involvement in matters where you have a pecuniary or non pecuniary interest as defined by your authority.

¹ A 'sensitive interest' is described in the Localism Act 2011 as a member or co-opted member of an authority having an interest, and the nature of the interest being such that the member or co-opted member, and the authority's monitoring officer, consider that disclosure of the details of the interest could lead to the member or co-opted member, or a person connected with the member or co-opted member, being subject to violence or intimidation.

Part 5 – A

CODE OF CONDUCT

1 Introduction

- 1.1 This code applies to elected councillors and statutory co-opted members of Merton Council.
- 1.2 As a member, or co-opted member of Merton Council, I have a responsibility to represent the community and work constructively with our staff and partner organisations to secure better social, economic and environmental outcomes for all.
- 1.3 In accordance with the Localism Act provisions, when acting in this capacity I am committed to behaving in a manner that is consistent with the following principles to achieve best value for our residents and maintain public confidence in this authority.
- 1.4 The Act further provides for registration and disclosure of interests and in Merton Council this will be done in accordance with guidance issued by the Standards Committee.

2 Principles

2.1 Selflessness

- Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

2.2 Integrity

- Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

2.3 Objectivity

- In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Constitution Part 5-A - Code of conduct

2.4 Accountability

- Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

2.5 Openness

- Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

2.6 Honesty

- Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

2.7 Leadership

- Holders of public office should promote and support these principles by leadership and example.

3 Commitment

- 3.1 I agree to behave in accordance with all our legal obligations, alongside any requirements contained within this authority's policies, protocols and procedures, including on the use of the Authority's resources.

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Committee: Standards and General Purposes

Date: 11 March 2021

Wards: All

Subject: Governance Issues

Lead officer: Louise Round

Lead member: Councillor Tobin Byers

Contact officer: Louise Round: louise.round@merton.gov.uk

Recommendations:

- A. To note the updates provided on whistleblowing, member complaints and the operation of RIPA; and
 - B. To establish a member working group to consider any nominations for awarding Freeperson of the Borough Status and to make recommendations to the July meeting of this Committee for onward submission to a special Council meeting.
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. This Committee traditionally considers a number of separate reports covering miscellaneous governance issues, including any complaints made against councillors, the operation of the Council's whistleblowing procedure and any activity taking place under the Regulation of Investigatory Powers Act 2000 (RIPA) The Chair has agreed on this occasion to combine those reports into this composite report.
- 1.2. Members will be aware that the Council has the power under section 249 of the Local Government act to admit "persons of distinction" as freemen or freewomen of the Borough. This report proposes a process for doing this over the course of the next committee cycle.

2 DETAILS

- 2.1. RIPA
 - 2.1.1 Members will recall that the Council's arrangements for carrying out surveillance in accordance with RIPA were subject to an inspection in January last year. Broadly speaking the Inspector was satisfied with those arrangements but made some recommendations which have now been complied with. These included updating the policy which was agreed by Committee in July 2020 and ensuring that authorising officers and those officers likely to make RIPA applications received sufficient training. Two new authorised officers have been appointed - the Assistant Director of Public Space Contract and Commissioning and the Head of Regulatory Services Partnership.

2.1.2 Training on RIPA was run jointly by the South West London Fraud Partnership and SLLP for relevant officers across all 5 partner councils on 13 January. In addition to this, bespoke training was delivered to the waste enforcement team on 23 February 2021.

2.1.3 No applications for directed surveillance have been made since the Committee last received a report on 20 July. There have been three applications have been made for the acquisition of communications data

2.2. Complaints against Members

2.2.1 Since the last meeting of this Committee on 5 November 2020, the Monitoring Officer has received two formal complaints about councillors from members of the public. One related to the activity of a ward councillor in seeking to garner support for a planning application and the other concerned the involvement of a councillor in a community support network. In both cases, in consultation with the Council's Independent Person, the Monitoring Officer took the view that the complaints should not proceed to formal investigation. In relation to the second complaint, the Monitoring Officer concluded that the activity complained of was not carried out by the councillor in their capacity as an elected member although in any event, had that been the case, the acts would not have amounted to a breach of the code of conduct for members. That was also the view in relation to the substance of the first complaint.

2.3. Whistleblowing

2.3.1 The Council's whistleblowing policy was reviewed at the last meeting of this Committee. The monthly review of the whistleblowing register by the Monitoring Officer, Head of Human Resources and officers from the fraud and audit teams has continued. There are currently 7 cases on the register, 3 of which were received in 19/20 and the other 4 in this financial year. This year's cases include two allegations of staff members carrying out external work while signed off sick or during Merton working hours. One relates to a social services client's financial affairs and the final one relates to the inappropriate authorisation of invoices. None seem to indicate any systemic failures requiring further investigation at this stage.

2.4. Freedom of the Borough

2.4.1 This Committee has previously agreed that the following process should be followed in order to award freedom of the borough status:

2.4.2 Nominations for persons or organisations to be granted Freedom of the Borough, may be made by any serving Member of the Council to the

Monitoring Officer on the appropriate form. The Member should first raise the matter for discussion within their political group.

- 2.4.3 Once a nomination is received, the Monitoring Officer will check that sufficient information has been provided on the form and will pass it to the Standards and General Purposes Committee for consideration.
- 2.4.4 The Standards and General Purposes Committee may establish a small working group to informally assess nominations and the likelihood of meeting the 2/3 criteria. The working group would report back to the Standards and General Purposes Committee in regard to any nominee who it believed would meet the criteria and achieve sufficient support at Council.
- 2.4.5 The Standards and General Purposes Committee shall report to Council and, should Council accept the nomination, a Special Meeting of Council would then be called to pass the resolution as required by Section 249 of the Local Government Act 1972.
- 2.4.6 The process is triggered by the Monitoring Officer writing to all members seeking the nominations and, subject to the Committee's views, the Monitoring Officer intends to do that. The Committee is being asked to establish a working group of members to consider any nominations received with a view to considering that group's recommendations at its meeting 22 July. If at that stage, any nominations are agreed, a special Council meeting would be arranged, probably in September. It is hoped that by that stage, it will be possible to hold a physical meeting.

3 ALTERNATIVE OPTIONS

- 3.1. Receiving regular updates on the matter which are the subject of this report is a good governance practice.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. In relation to conferring freedom of the borough status, all councillors will be invited to make nominations and the final decision will rest with full Council. There is no requirement for public consultation.

5 TIMETABLE

- 5.1. If the Committee agrees the proposals set out in this report, the aim would be to hold a special council to confer freedom of the borough status in late summer or early autumn, when it would be hoped that this could be an in person, rather than a virtual meeting.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. There are no significant implications although a modest amount of expenditure will be required to hold the special council referred to above.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. The power to confer freedom of the borough status is contained in section 249 of the Local Government Act 1972 and includes the ability to incur reasonable expenditure in connection with the same.

- 8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**
- 8.1. None
- 9 CRIME AND DISORDER IMPLICATIONS**
- 9.1. None
- 10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**
- 10.1. None

- 11 BACKGROUND PAPERS**
- 11.1. RIPA inspection report.

Standards and General Purposes Committee Forward work plan

July

- Annual Governance Statement
- Internal Audit Annual Report
- External Audit – Fee Letters for the Council and Pension Fund Accounts
- External Audit of the Council and Pension Fund Accounts
- Final Accounts
- Revisions to Contract Standing Orders

- Freedom of the Borough (recommendations from working group)

- Amendments to the Constitution

- Complaints against Members
- Work Programme

September

- Internal Audit progress report on annual audit plan
- Update on RIPA authorisations (March and September)
- Complaints against Members
- Recruitment of Independent Person

- Temporary and Contract Staff update
- Work programme

November

- External Audit Annual Letter
- Internal Audit progress report on annual audit plan
- Annual Gifts and Hospitality report (members)
- Annual Gifts and Hospitality report (officers)
- Annual Complaints report
- Risk management
- Appointment of Independent Person

- Complaints against Members
- Work programme

March

- External Audit Certification of Claims report
- External Audit progress report
- External Audit Plans for Council and Pension Fund accounts
- Internal Audit Plan
- Internal Audit progress report
- Update on RIPA authorisations (March and September)
- Temporary and Contract Staff update
- Complaints against Members
- 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.

Committee: Standards and General Purposes Committee

Date: January 2020

Subject: Report on the use of temporary workers and consultants

Lead officer: Liz Hammond, HR Lead

Lead member: Councillor Tobin Byers and Cabinet Member for Finance

Contact officer: Liz Hammond, HR Lead, 0208 545 3152

Recommendations:

- A. To note progress made to monitor and control the use of temporary workers and consultants
-

1. Purpose of report and executive summary

- 1.1. The Committee has received regular progress reports in relation to the number of interim appointments in the council and the mechanisms in place to monitor the use of such workers.

2. Details

- 2.1 The central monitoring database consists of all types of interim/temporary placement (over £30 pounds per hour).
- 2.2 The database is updated on a monthly basis and double-checked with departmental management teams (DMTs) for accuracy, with quarterly reports being reported to this committee.
- 2.3 As at the end of December 2020, the Council employed 196 interim/temporary workers at £30 per hour (or more) compared to 155 in December 19, which is an increase of 41 workers. Appendix 1 refers to the detail and composition of the interim workforce. Where possible, corporate contracts are used as they provide better value for the Council.
- 2.4 The committee on 30th July 2018 requested additional information for interims/temporary worker placements (as defined in para 2.1):
- the costs and numbers over a three year period
 - the number of temporary workers who have converted to permanent roles with the Council also know as 'temp to perm'.

- 2.5 The engaging of most interim workers is via Comensura or the LGRP, which is a London wide contract for interim appointments. Even within the aforesaid existing contracts the Council has sought to get the best 'price' and in doing so have attracted high quality interims at 10% of the mark-up price. There have been instances due to market supply issues, although very few, when the Council has not used either of these contracts and has had to go 'off contract'. There are robust processes in place to manage this process, which requires a business case and financial checks to ensure there is a budget to pay for the assignment, as well as sign off by the Director of Corporate Services.
- 2.6 The Council is currently exploring a framework agreement with a designated supplier for the provision of Professional services for project related work. Each project will be evaluated on an individual basis to determine its needs, establish key milestones and deliverables upon which payments will be made on successfully meeting these targets. Adopting this approach to managing projects would generate greater Value for Money and deliver on project objectives. It is recognised that this is a skill set that we do not have sufficient resources of in the organisation because of the technical skills required. We have met with Comensura and Matrix who both offer the Statement of Works service. We will be including this into the new Agency Tender in March 2021 as the current Agency Worker Contract is due to expire in December 2021.
- 2.7 The previously reported situation continues with by far the largest group of temporary workers being "on contract" agency and temporary staff appointed through the Council's corporate contract with Comensura for the supply of agency staff. Whilst there is an increase in the costs of interims via Comensura this represents a reduction in appointments, which are off contract or through LGRP. Interims are engaged with the involvement and oversight of the HR function by way of a database that supplies monthly spend and usage reports to Council managers, DMTs and the Corporate Management Team.
- 2.8 The Council has different delivery models to ensure services are able to realise efficiencies, become more resilient and effective by sharing services with other London Boroughs. In October 2016, the Legal shared services expanded to include Wandsworth and a year later Regulatory Services followed. As a result of the expansions a number of interims with pay rates over £30 per an hour transferred to Merton – the costs of these appointments are shared across the service and rechargeable to partner boroughs.
- 2.9 The Council introduced a temp to perm procedure to reduce the reliance on agency workers and allowed conversions from agency to permanent staff when certain conditions were met. One hundred and thirty four (134) agency workers have transferred to permanent employment from September 2017 to December 2020. From May 2020 to December 2020 we have transferred eighteen (18)
- 2.10 Within the services career pathways are being developed through the creation of apprenticeships schemes (where standards are available) and ensuring that that the apprenticeship levy is used to meet the development element.

2.11 The total spend for interim and temporary workers from 2017 to date are listed below: interims via Comensura Graph 1 and Table 1, LGRP and off contract Graph 2 and Table 2

Graph 1 – List totals for 17/18, 18/19, 19/20, 20/21 for interim and temporary workers – Comensura

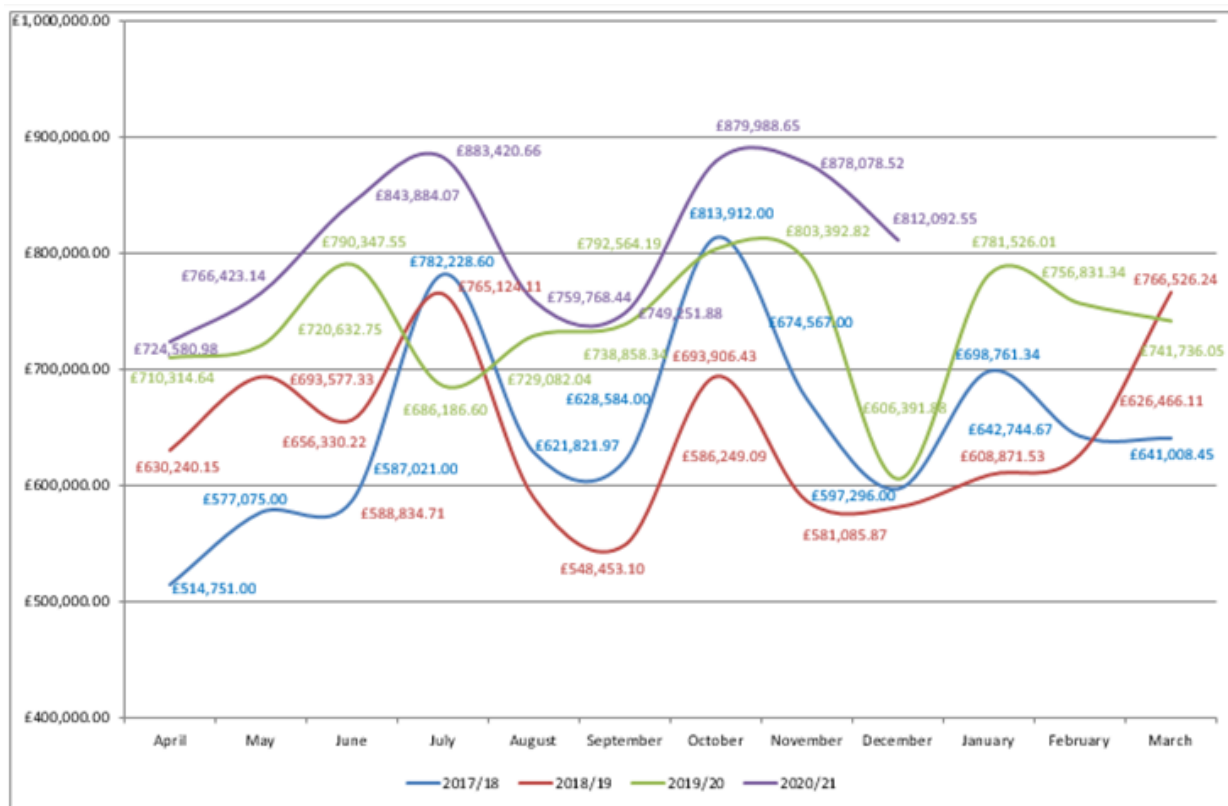


Table 1 - List totals for 17/18, 18/19, 19/20 and 20/21 for Interim and temporary workers – Comensura

	2017/18	2018/19	2019/20	2020/21
April	£514,751.00	£630,240.15	£710,314.64	£724,580.98
May	£577,075.00	£693,577.33	£720,632.75	£766,423.14
June	£587,021.00	£656,330.22	£790,347.55	£843,884.07
July	£782,228.60	£765,124.11	£686,186.60	£883,420.66
August	£628,584.00	£588,834.71	£729,082.04	£759,768.44
September	£621,821.97	£548,453.10	£738,858.34	£749,251.88
October	£813,912.00	£693,906.43	£803,392.82	£879,988.65
November	£674,567.00	£586,249.09	£792,564.19	£878,078.52
December	£597,296.00	£581,085.87	£606,391.88	£812,092.55
January	£698,761.34	£608,871.53	£781,526.01	
February	£642,744.67	£626,466.11	£756,831.34	
March	£641,008.45	£766,526.24	£741,736.05	
Total	£7,779,771.03	£7,745,664.88	£8,857,864.21	£7,297,488.89

Graph 2 - Total of LGRP and Off Contract assignments over £30 for each financial year

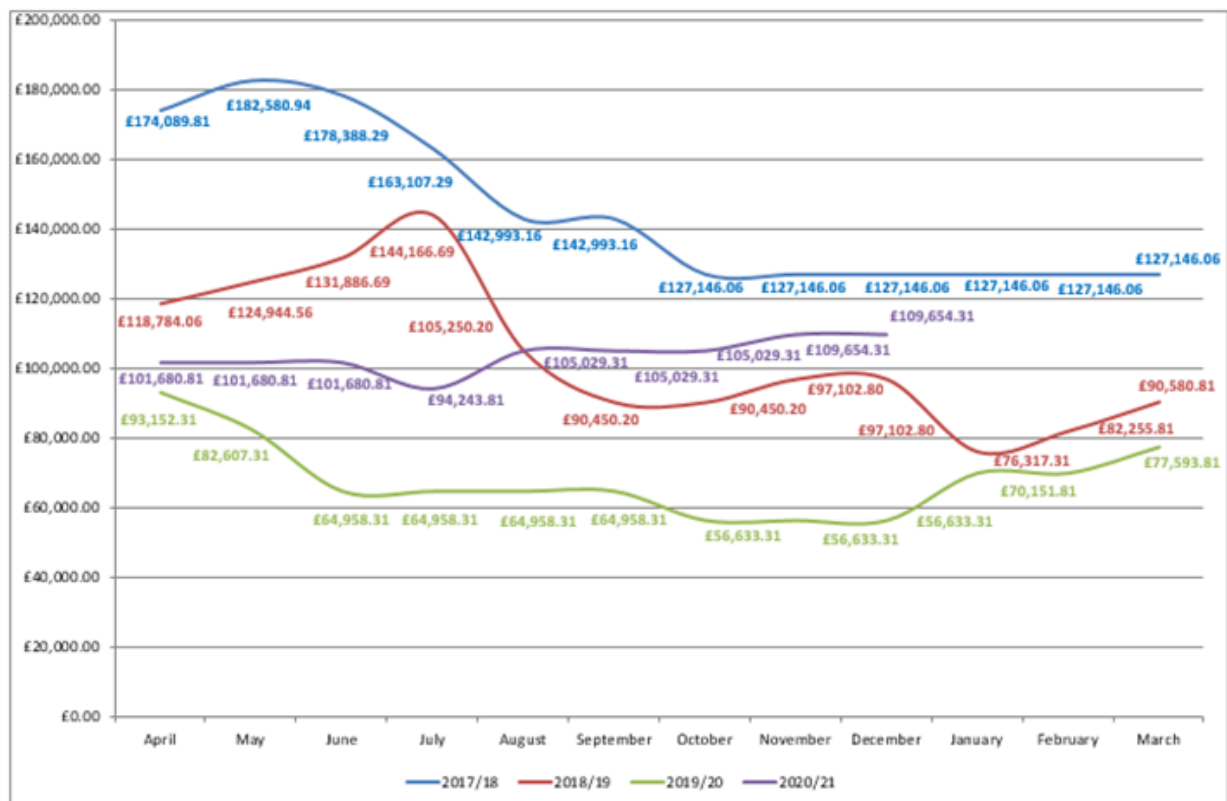


Table 2 - Total of LGRP and Off Contract assignments over £30 for each financial year

2017/18			
	LGRP	Off Contract	Total
Apr-17	£60,869.63	£113,220.19	£174,089.81
May-17	£80,368.26	£102,212.69	£182,580.94
Jun-17	£83,205.60	£95,182.69	£178,388.29
Jul-17	£67,924.60	£95,182.69	£163,107.29
Aug-17	£58,170.48	£84,822.69	£142,993.16
Sep-17	£58,170.48	£84,822.69	£142,993.16
Oct-17	£42,323.38	£84,822.69	£127,146.06
Nov-17	£42,323.38	£84,822.69	£127,146.06
Dec-17	£42,323.38	£84,822.69	£127,146.06
Jan-18	£42,323.38	£84,822.69	£127,146.06
Feb-18	£42,323.38	£84,822.69	£127,146.06
Mar-18	£42,323.38	£84,822.69	£127,146.06

2018/19			
	LGRP	Off Contract	Total
Apr-18	£33,961.38	£84,822.69	£118,784.06
May-18	£49,371.88	£75,572.69	£124,944.56
Jun-18	£56,314.00	£75,572.69	£131,886.69
Jul-18	£72,594.00	£75,572.69	£144,166.69
Aug-18	£71,950.20	£33,300.00	£105,250.20
Sep-18	£71,950.20	£18,500.00	£90,450.20
Oct-18	£71,950.20	£18,500.00	£90,450.20
Nov-18	£78,602.80	£18,500.00	£97,102.80
Dec-18	£78,602.80	£18,500.00	£97,102.80
Jan-19	£67,067.31	£9,250.00	£76,317.31
Feb-19	£73,005.81	£9,250.00	£82,255.81
Mar-19	£81,330.81	£9,250.00	£90,580.81

2019/20			
	LGRP	Off Contract	Total
Apr-19	£83,902.31	£9,250.00	£93,152.31
May-19	£75,577.31	£7,030.00	£82,607.31
Jun-19	£57,928.31	£7,030.00	£64,958.31
Jul-19	£57,928.31	£7,030.00	£64,958.31
Aug-19	£57,928.31	£7,030.00	£64,958.31
Sep-19	£57,928.31	£7,030.00	£64,958.31
Oct-19	£49,603.31	£7,030.00	£56,633.31
Nov-19	£49,603.31	£7,030.00	£56,633.31
Dec-19	£49,603.31	£7,030.00	£56,633.31
Jan-20	£63,121.81	£7,030.00	£70,151.81
Feb-20	£63,121.81	£7,030.00	£70,151.81
Mar-20	£70,563.81	£7,030.00	£77,593.81

2020/21			
	LGRP	Off Contract	Total
Apr-20	£94,650.81	£7,030.00	£101,680.81
May-20	£94,650.81	£7,030.00	£101,680.81
Jun-20	£94,650.81	£7,030.00	£101,680.81
Jul-20	£87,213.81	£7,030.00	£94,243.81
Aug-20	£97,999.31	£7,030.00	£105,029.31
Sep-20	£97,999.31	£7,030.00	£105,029.31
Oct-20	£97,999.31	£7,030.00	£105,029.31
Nov-20	£102,624.31	£7,030.00	£109,654.31
Dec-20	£102,624.31	£7,030.00	£109,654.31
Jan-21			
Feb-21			
Mar-21			

2.12 From May 2020 to December 2020 we have increased the number of staff paid £30 per hour and above (Graph 3 / Table 3) by 34, however only increased 1 via the LGRP contract and zero increase off contract. Merton are still keeping the costs as low as possible by using Comensura and the interim category. Due to covid-19 we saw an increase from April to December as Merton Council begin to implement Recovery Projects to be able to get the workforce back to work

Graph 3 - Total no. of interim workers over £30 in each financial year

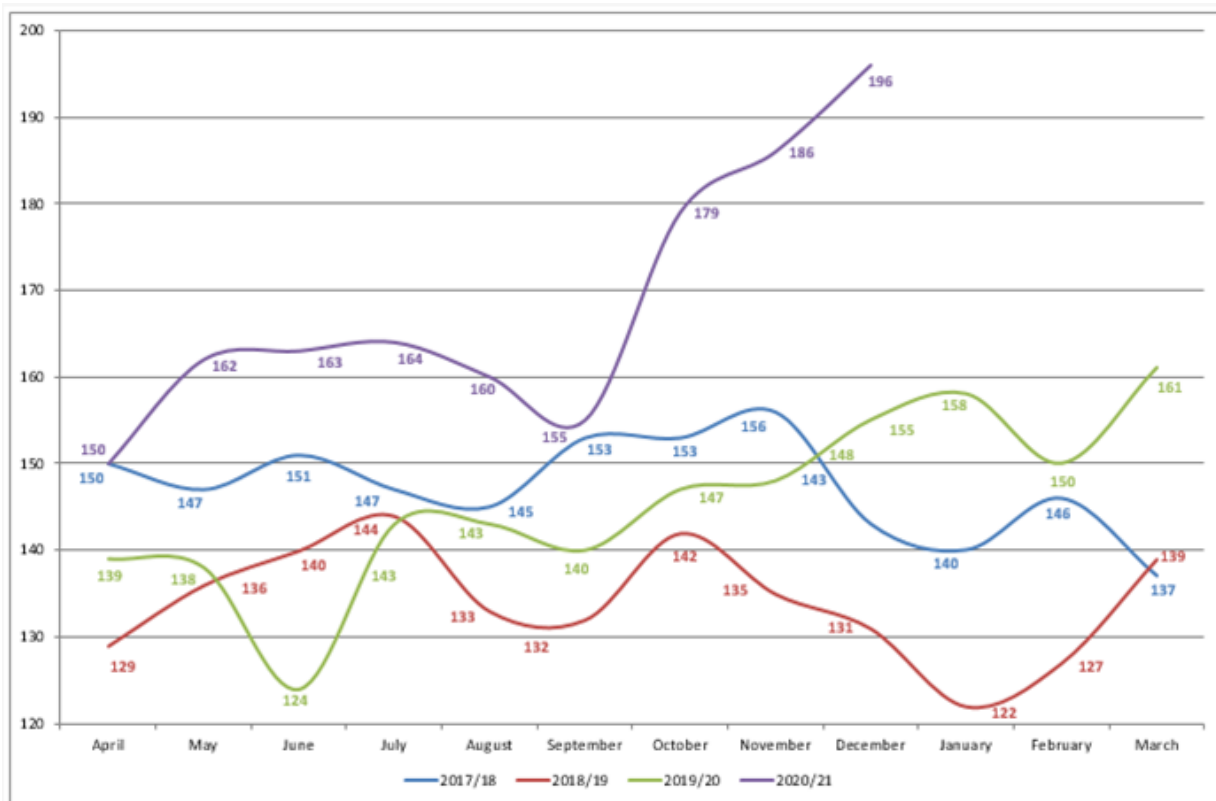


Table 3 - Total no. of interim workers over £30 in each financial year

Month	No. of workers over £30/hr			
	Comensura	LGRP	Off Contract	Total
Apr-17	124	8	18	150
May-17	123	8	16	147
Jun-17	128	7	16	151
Jul-17	126	5	16	147
Aug-17	124	5	16	145
Sep-17	131	6	16	153
Oct-17	132	5	16	153
Nov-17	135	5	16	156
Dec-17	122	5	16	143
Jan-18	120	4	16	140
Feb-18	127	4	15	146
Mar-18	118	4	15	137

Month	No. of workers over £30/hr			
	Comensura	LGRP	Off Contract	Total
Apr-18	112	2	15	129
May-18	119	3	14	136
Jun-18	122	4	14	140
Jul-18	129	5	10	144
Aug-18	117	7	9	133
Sep-18	120	7	5	132
Oct-18	130	7	5	142
Nov-18	122	8	5	135
Dec-18	118	8	5	131
Jan-19	112	6	4	122
Feb-19	115	7	5	127
Mar-19	127	8	4	139

Month	No. of workers over £30/hr			
	Comensura	LGRP	Off Contract	Total
Apr-19	127	7	5	139
May-19	128	7	3	138
Jun-19	118	5	1	124
Jul-19	137	5	1	143
Aug-19	137	5	1	143
Sep-19	134	5	1	140
Oct-19	141	5	1	147
Nov-19	142	5	1	148
Dec-19	149	5	1	155
Jan-20	149	8	1	158
Feb-20	141	8	1	150
Mar-20	151	9	1	161

Month	No. of workers over £30/hr			
	Comensura	LGRP	Off Contract	Total
Apr-20	140	9	1	150
May-20	152	9	1	162
Jun-20	153	9	1	163
Jul-20	155	8	1	164
Aug-20	150	9	1	160
Sep-20	145	9	1	155
Oct-20	169	9	1	179
Nov-20	175	10	1	186
Dec-20	185	10	1	196
Jan-21				
Feb-21				
Mar-21				

- 2.13 Directors have been invited to provide short overall summary comments on agency/consultant usage and action being taken in their area and these are:

Children, Schools and Families

CSF currently have 2 agency workers via Comensura, which have been here over 24 months

Positive action continues to be taken to reduce the CSF reliance on agency workers and agency costs continue to be relatively low for this service. CSF actively recruits to permanent roles, reducing the use and duration of agency workers. In particular, the use of consultants has decreased significantly.

In all but a few exceptions, the CSF agency workers and consultant are covering management and frontline posts discharging statutory functions which require a qualified social worker. To safely and effectively discharge the Council's statutory duties social worker's must have appropriate management supervision and manageable caseloads. This requires interim agency social worker cover for vacancies pending permanent recruitment.

Some additional temporary posts have been created to deal with the increased workload working with children in need and at risk. Because of the restrictions in place due to COVID 19, the work to support and discharge from support has been slowed significantly resulting in higher workloads. The impact of repeated lockdowns is also increasing the demand for this type of support.

The other agency workers are for specialist posts such as speech and language therapy which is also a statutory requirement as part of children's Education, Health and Care Plans. Because of growth funding applied to this area in the 2020/21 budget, we anticipate more permanent recruitment in this area, which should assist in reducing the reliance on agency workers in SEND services.

HR works closely with the social care leadership team to review vacancies and use of agency social workers. This financial year, we have been successful in transferring agency social workers and senior social work managers onto permanent contracts. Our involvement in regional programmes to offer student and newly qualified social workers training placements has continued providing a pipeline of newly qualified social workers seeking permanent contracts with Merton.

A contract with the national Guardian online for recruitment advertising is now in place to raise Merton's profile and awareness of social work opportunities. Retention packages continue as part of the recruitment strategy, to retain

existing permanent social workers and to provide continuity of service to some of our most vulnerable clients.

Community and Housing

C&H currently have 7 agency workers via Comensura, which have been here over 24 months

Due to the additional significant demands of responding to the pandemic, the department has had to take on additional temporary staff. These have been to ensure that vacant posts are filled so we are at full capacity as well as additional short term capacity to meet the significantly higher workload. The posts are mostly in Public Health and Adult Social Care. Where appropriate posts are funded front various COVID 19 grants.

C&H currently have 4 agency workers via Comensura, which have been here over 24 months. A number of initiatives have been implemented to focus on recruiting and retaining staff. We have implemented an apprenticeship scheme and offered enhanced training and development opportunities to attract and retain staff. We are working with the Teaching Partnership to get Assessed and supported year in employment (ASYE) social work applicants who can convert to permanent staff. We expect to significantly reduce our reliance on agency staff by October 2020. Two of the posts are in mental health which is a highly competitive labour market.

Corporate Services

CS currently have 11 agency workers via Comensura, which have been here over 24 months and 1 via LGRP

Of the 11 agency workers, 9 are lawyers in the Shared Legal Service (SLLP) paid for by the five participatory boroughs; mainly in the property and procurement team where we compete with the private sector. We have an ongoing recruitment campaign but still have limited success in attracting permanent staff. We are looking at further temp to perm within SLLP but there has also been an increase in short term demand within SLLP as there has been an increase in Children's social care cases and the Courts are not open to progress cases. For the FM Comensura agency worker, the work is demand based on the schools capital programme and the Business Systems Manager, the assignment is coming to an end shortly. For the LGRP interim, there have

been difficulties in recruiting to vacant post but we have now been successful and this assignment should also be coming to an end shortly.

There are two posts in HR who will be recruited to once a decision has been taken on the future HR Operating Model to be adopted and the structure review of the senior posts in Corporate Services. The HR Operating Model forms part of the Recovery and Modernising Merton programme.

Environment and Regeneration

E&R currently have 10 agency workers via Comensura, which have been here over 24 months, 1 consultant and 1 via LGRP

Numbers have not reduced as much as anticipated because of the impact of Covid 19. This reflects Government advice and support for staff on interim / agency contracts. We shall be reviewing all positions as we move out of Lockdown and into recovery

Others are providing specialist skills or are covering [often short term] externally funded roles including capital schemes. There are a number of professional areas where there is an extremely competitive market in which all London boroughs are struggling to recruit and retain permanent staff. This includes Traffic engineers, Planning officers and Building control surveyors where the emergence of a strong interim market as well as private sector competition [in building control particularly] has changed employment patterns and our ability to recruit and retain staff.

E&R DMT reviews this matter on a regular basis in order to manage risk including the financial impact.

- 2.14 There has been a reduction in the use of off contract appointments due to monitoring and the introduction of IR35 tax legislation in April 2017. IR35 is tax legislation designed to combat tax avoidance by workers supplying their services to clients via an intermediary, such as a limited company, but who would be an employee if the intermediary was not used.
- 2.15 The purpose of IR35 is to prevent contractors, consultants and freelancers from trading via their own limited company in order to pay less tax and national insurance contributions (NIC) than if they were employed directly by their end client or agency. This has only been rolled out to the Public sector; the rollout to the private has been scheduled for 1st April 2021.
- 2.16 HR monitors suppliers and contractors to ensure they are IR35 compliant and the IR35 process for off payroll workers was recently audited and received a substantial assurance.

2.17 At the last Standards and General Purposes Committee meeting where the temporary workforce was discussed the Committee requested information on our ability to attract and select BAME staff and the statistics for the last 3 quarters of this financial year are provided at Appendix 1.

3 Timetable

3.1 Regular monthly reports of all interim/temporary placements are sent to departments and suitable “challenge” meetings are held with DMTs on a monthly basis. Agency spend and number of agency staff forming part of the workforce are reported to CMT on a monthly basis as part of the HR Metrics.

3.2 We will endeavour to give the most up to date information we have available.

4 Financial, resource and property implications

4.1 The aim is to challenge hiring managers’ interim/temporary placements and reduce overall costs associated with interim workers where possible, noting that in many cases the Council has to cover statutory functions.

5 Legal and statutory implications

5.1 There are no specific legal implications arising from the report

6 Human rights, equalities and community cohesion implications

6.1 The amendments that have been made to the Council’s HR policies and processes will improve confidence in the Council’s HR recruitment procedure and the maintenance of the interim position database to provide the means to ensure compliance with Members’ requirements.

7 Crime and Disorder implications

7.1 None

8 Risk management and health and safety implications

8.1 These are detailed in the Ernst and Young report of 12 March 2014 and subsequent reports.

9 Appendices – the following documents are to be published with this report and form part of the report

9.1 None

10 Background papers

10.1 None

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Appendix 1

April to June 2020

Applications received

	BAME	White background	Prefer not to say
CSF	61%	34%	5%
C&H	57%	40%	3%
CS	71%	29%	0%
E&R	28%	62%	10%

Posts at MGA and above

	BAME	White background	Prefer not to say
	22%	61%	17%

Shortlisted

	BAME	White background	Prefer not to say
CSF	50%	49%	1%
C&H	58%	42%	0%
CS	57%	43%	0%
E&R	29%	65%	6%

Posts at MGA and above

	BAME	White background	Prefer not to say
	38%	62%	0%

Appointed

	BAME	White background	Prefer not to say
CSF	47%	50%	3%
C&H	68%	32%	0%
CS	71%	29%	0%
E&R	60%	40%	0%

Posts at MGA and above

	BAME	White background	Prefer not to say
	33%	67%	0%

July to September 2020

Applications received

	BAME	White background	Prefer not to say
CSF	56%	40%	4%
C&H	61%	34%	5%
CS	48%	49%	3%
E&R	37%	60%	3%

Posts at MGA and above

	BAME	White background	Prefer not to say
	55%	40%	5%

Shortlisted

	BAME	White background	Prefer not to say
CSF	36%	57%	7%
C&H	46%	46%	8%
CS	40%	56%	4%
E&R	15%	85%	0%

Posts at MGA and above

	BAME	White background	Prefer not to say
	56%	38%	6%

Appointed

	BAME	White background	Prefer not to say
CSF	33%	62%	5%
C&H	0%	100%	0%
CS	15%	85%	0%
E&R	0%	100%	0%

Posts at MGA and above

	BAME	White background	Prefer not to say
	50%	50%	0%

October to December 2020

Applications received

	BAME	White background	Prefer not to say
CSF	57%	40%	3%
C&H	63%	36%	1%
CS	47%	47%	6%
E&R	29%	71%	0%

Posts at MGA and above

	BAME	White background	Prefer not to say
	39%	61%	0%

Shortlisted

	BAME	White background	Prefer not to say
CSF	54%	45%	1%
C&H	36%	64%	0%
CS	25%	70%	5%
E&R	22%	78%	0%

Posts at MGA and above

	BAME	White background	Prefer not to say
	57%	43%	0%

Appointed

	BAME	White background	Prefer not to say
CSF	60%	20%	20%
C&H	50%	50%	0%
CS	40%	60%	0%
E&R	50%	50%	0%

Posts at MGA and above

	BAME	White background	Prefer not to say
	50%	50%	0%

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Committee: Standards and General Purposes Committee

Date: 11th March 2021

Subject: Progress Report on Risk Management

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: [Councillor Tobin Byers](#), **Cabinet Member for Finance**

Contact officer: Zoe Church, Head of Business Planning, 020 8545 3451

Recommendations:

- A. That the Standards and General Purposes Committee reviews the adequacy of the risk management framework and the associated control environment
 - B. To consider the Key Strategic Risks and Issues faced by the council, and determine whether these are being actively managed
 - C. To consider the Covid Risks and Issues faced by the council, and determine whether these are being actively managed
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide a progress report on risk management within Merton, including details of the Key Strategic Risks (KSRs) faced by the council.
- 1.2 The risk management strategy was approved by Cabinet on 22nd February 2021 and approved by Council on 3rd March 2021 as part of the 2021/25 Business Plan.

The current Risk Management Strategy is at Appendix I.
- 1.3 All departments review their risks each quarter at their respective DMTs, followed by a review of all risks by the Corporate Risk Management Group (CRMG). The final report in the quarterly cycle is presented to CMT to review the risks that are on the Key Strategic Risk Register (KSRR); these are significant risks, which may have a strategic impact on the council as a whole.
- 1.4 The report also summarises the approach taken to monitoring COVID 19
- 1.5 Strategic oversight is provided annually by Cabinet, and the Standards and General Purposes Committee.

2 DETAILS

- 2.1. Our risk management strategy emphasises the benefits and importance of having effective risk management and provides a concise and structured approach for managing our risks.

It includes clear guidance for defining the likelihood and impact of risks, in order to ensure a consistency in risk scores across the council. Our risks are scored using a Red, Amber or Green status, with scores ranging from one (Green) to a maximum of 24 (Red)

The strategy also includes the process for identifying and raising new risks, the removing of risks from our registers and for escalating any risks, which might affect the Council as a whole, onto the KSRR.

Guidance in relation to financial risk management, particularly in the context of budget setting and monitoring, is detailed in the strategy.

- 2.2. Departmental risks are reviewed quarterly by the relevant risk champions and DMTs, to ensure that they have been assessed accurately and in a manner consistent with risk assessment across the organisation and that effective Control Actions to mitigate the risk are in place and updated.
- 2.3. CRMG meets quarterly, within two weeks of the DMT risk review meetings, and subjects the departmental risk registers, the KSRR and risk registers for Pensions, Merton & Sutton Joint Cemetery Board and CHAS, to a thorough scrutiny and challenge.

This includes reducing or increasing risk scores, where applicable and ensuring that Control Actions are effective and current. CRMG also agrees the removal of any existing risks once they are no longer deemed to be a risk and the introduction of any new risks.

- 2.4. After each CRMG meeting details of all our Key Strategic Risks, including proposed amendments such as increased or reduced scores and the addition of new or deletion of risks, are reported to CMT. Any urgent decisions regarding KSRs outside of this quarterly cycle can be can be escalated to CMT via the monthly finance and performance report.
- 2.5. In accordance with the risk reporting cycle, the most recent quarterly review of departmental risks was undertaken by DMTs during December 2020, following which all risks were scrutinised at CRMG on 13th January 2021.

A report on Quarter Three status of the KSRR was subsequently presented to CMT 2nd February 2021.

2.6. There are currently 14 Key Strategic Risks and 5 Key Strategic Issues on the KSRR.

- A Risk is defined as an event which might occur in the future
- An Issue is something which is happening now.

Of these Risks and Issues seven are scored as red:

- One red Issue is scored at 20 - Likelihood High (5) / Impact Very Serious (4)
 - CSF04/ KSR55 Demographic Changes
- Two red risks are scored at 18 - Likelihood Very High (6) / Impact Serious (3)
 - RE02 / KSR49 Corporate Business Plan & balanced budget
 - RE16 / KSR61 Annual Savings Programme
- Three red risks/ issues are scored at 16 - Likelihood Significant (4) / Impact Very Serious (4)
 - ER154 / KSR 82 Bishopsford Road Bridge
 - CSF05 / KSR34 Insufficient School Places
 - CSF06 / KSR56 CSF Funding & Statutory Services
- One red risk is scored at 15 - Likelihood High (5) / Impact Serious (3)
 - IT24 / KSR21 Public Contract Regulations/Contract Standing Orders

2.7. The latest KSRR, containing full details of all strategic risks and issues together with their associated Control Actions, can be found at Appendix II.

2.8. CRMG also reviews the level of insurance claims against the council on a quarterly basis. Cross-departmental efforts are discussed to try to resolve any identified issues.

2.9. An Internal Audit Report into Risk Management compared risk management practices between Kingston, Sutton and Merton and concluded that Merton's practices and systems provided substantial assurance.

2.10. This report was produced just before the advent of Covid 19 and since this time considerable officer time has been utilised maintaining an accurate Covid Risk Register. Review and response to the above recommendations have been put on hold until Spring 2021.

2.11. The quarterly review of the departmental risk registers was undertaken throughout December 2020, and the results scrutinised by CRMG in early January 2021 and included in the 2021/25 Business Plan for approval by Cabinet and Council.

- 2.12. Cabinet is responsible for agreeing the risk management strategy on an annual basis. The Standards and General Purposes Committee provides an annual independent oversight of the adequacy of the risk management framework and the associated control environment; and must be satisfied that the council's strategic risks are being actively managed.
- 2.13. The risk management strategy is included within the dedicated risk management pages on the Merton Hub, and informs and underpins all risk management processes. This includes a wide range of areas, including project management, procurement and savings delivery. The risk management pages on the intranet have been reviewed and all information is up to date. All departmental risk registers and the KSRR are published on the Merton Hub intranet, along with guidance and information to assist officers who are responsible for managing and monitoring risks.
- 2.14. All internal audit report recommendations are reviewed by the departmental risk champions to ensure all relevant risk issues are addressed, supporting the internal control process.
- 2.15. Since March 2020 the Authority has maintained a separate risk register to monitor the impact of Covid 19, this register has been updated fortnightly and reviewed by DMTs and CMT regularly. Given the pace of change caused by Covid 19 it has been necessary to monitor and respond to risks more frequently than those identified as part of normal activity. This register has provided key service level information to inform decision making. This register is attached as Appendix III (Exempt).

3 ALTERNATIVE OPTIONS

- 3.1. Not applicable.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. CRMG contributed to consultations for the revision of the Risk Management Strategy which is attached at Appendix I.

5 TIMETABLE

- 5.1. Not applicable.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. Merton, along with all other local authorities are facing continued financial pressure from impact of Covid 19, BREXIT, reductions in central government funding and increased demand from vulnerable people and children. The harsh reality of this situation is that more and more local authorities are now showing signs of financial stress such as overspending on services coupled with depleting reserves.
- 6.2. Merton closely monitors its financial position providing regular updates to CMT, Cabinet, Scrutiny and Council.

7 LEGAL AND STATUTORY IMPLICATIONS

7.1. Risk management is a requirement of regulation 4(a) (iii) of the Accounts and Audit Regulations 2015.

Responses to FOI and other statutory enquiries relating to the Council's risks are based upon the published Key Strategic Risk Register within the Council's annual Business Plan. Should departmental risk registers form the subject of FOIs, these will be redacted as and where appropriate.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

There is one specific Key Strategic Issue around equalities that is contained within the body of the report.

9 CRIME AND DISORDER IMPLICATIONS

9.1. There are no Key Strategic Risks which focus on specific crime and disorder implications.

10 HEALTH AND SAFETY IMPLICATIONS

10.1. There is one specific Key Strategic Risk with Health and Safety implications that is contained within the body of the report.

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

- Appendix I – Risk Management Strategy (January 2019)
- Appendix II - Key Strategic Risk Register (Status as at Q3, 2021)
- Appendix III – Covid 19 Risk Register (Exempt under Section 100(A)(4) of the Local Government Act 1972 on the grounds that it is likely that exempt information, as defined in paragraph 3 of Part I of Schedule 12A to the Act, would be disclosed and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.)

12 BACKGROUND PAPERS

12.1. Relevant papers held within the Resources Division

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London Borough of Merton

Risk Management Strategy

Revised January 2020

Merton's policy is to manage our risks by identifying, assessing and controlling them, with the aim of eliminating or reducing them to acceptable levels whilst being mindful that some risks will always exist and will never be eliminated.

The council recognises its responsibility to risk management by supporting a structured, systematic and focussed approach to risk management through the approval of our risk management strategy.

The effective management of risk is at the core of our approach to delivering cost effective and efficient services as well as sound corporate governance and is a continuous and evolving process, running through our strategies and service delivery arrangements. As risk is very much concerned with our objectives, the management of it will be closely linked to the creation of our strategic, service, project and partnership objectives and plans.

Our risk management process will be continuous and will support internal and external change. The risk management process will be fully integrated with the normal business management processes across the authority.

Merton's aims and objectives in relation to risk management are to:

- Establish and maintain a robust framework and procedures for the identification, analysis, assessment and management of risk, including reporting and recording.
- Minimise the council's exposure to unacceptable levels of risk, minimise injury, damage, loss and inconvenience to staff, residents and service users.
- Integrate risk management into the day to day activities of staff and the culture of the organisation, raising awareness of the importance and need for risk management.
- Assign clear roles and responsibilities for councillors and officers responsible for risk management
- Ensure consistent application of our methodology across all of our activities, including partnerships and projects.
- Effectively manage the total cost of risk.

We will achieve this by:

- Having a clear and concise risk management strategy which underpins our approach and responsibilities to risk
- Incorporating risk management into business planning, project management and service delivery
- Monitoring risk on a regular basis through the Corporate Risk Management Group (CRMG)
- Reporting on risk on a regular basis to the Corporate Management Team (CMT), Cabinet and Standards and General Purposes Committee

Risk Management Strategy

The process of identifying and evaluating risks is known as risk assessment. By understanding the risks we face, we are better able to actively recognise where uncertainty surrounding events or outcomes exists, and identify measures which can be taken to protect the council, its staff, residents, customers and assets from these risks.

This strategy provides a structured approach to identifying emerging risks as well as assessing and managing current risks. It also incorporates a process for regularly reviewing and updating identified risks.

This strategy will be reviewed on an annual basis, and updated where required.

What is risk?

Risk is the threat that an event or action may adversely affect an organisation's ability to achieve its objectives and successfully execute its strategies. A risk can be a threat, obstacle, barrier, concern, problem or event that may prevent us fulfilling our objectives.

Our risk management processes also include the assessment of Issues. Issues are current problems, questions, outstanding items, tasks or a request that exists in the immediate present. There is a strong element of fact surrounding it. An issue becomes a risk when the issue cannot be addressed and could continue or get worse.

Definition of Risk Management

Organisations exist to achieve their ambitions, aims and objectives. Risk Management is the process by which organisations methodically address and identify the risks that may prevent them from achieving these ambitions, aims and objectives. The intention is to achieve sustained benefit within each of their activities, and across the portfolio of all their activities.

Ultimately, risk management is about creating a better understanding of the most important problems facing organisations.

Risk is also implicit in the decisions all organisations take; how those decisions are taken will affect how successful they are in achieving their objectives. Decision making is, in turn, an integral part of the day to day existence and is particularly significant in times of change. Risk management therefore is a key component in the management of change and helps to support effective decision making.

We endeavour to identify all risks facing the council and to monitor, manage and mitigate (where possible) all those risks which are deemed to be high (scored Amber or Red). Risks are monitored via Departmental Risk Registers, and key crosscutting risks to the council are also placed on the Key Strategic Risk Register (KSRR).

The benefits of risk management

In addition to the business and service benefits of our approach, we are required to undertake risk management because it forms part of the Annual Governance Statement. We must, therefore, demonstrate that we have a systematic strategy, framework and process for managing risk.

However, the council recognises that the benefits of risk management far outweigh the requirement to undertake the activity and such benefits include:

- Stronger ability to achieve our ambitions, aims and objectives as key risks are managed.
- Better decision making as we are more aware of risk.
- Ability to take advantage of opportunities because we understand the risks attached to them.
- Better governance and the ability to demonstrate it to our stakeholders.
- Reduction in failure, loss, damage and injury caused by risk
- Improvement in our ability to adapt to change
- Improvement in our corporate governance
- Compliance with statutory and regulatory requirements

Organisational awareness of risk and risk management

Ensuring that there is a strong organisational awareness of risk management will be achieved through training sessions, reviews, departmental meetings, briefings and staff bulletins which will take place on a regular basis. Each department has an assigned Risk Champion who will offer guidance to staff where required. The [risk management intranet page](#) will be regularly reviewed and staff will be signposted to the information they need to pro-actively identify and manage risk i.e. the Risk Management Toolkit and other guidance.

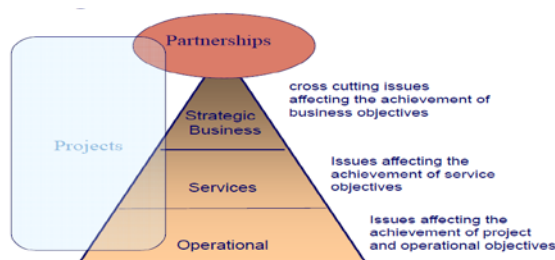
Risk Appetite

The council recognises that its risk appetite to achieve the corporate priorities identified within its business plan could be described in general as an “informed and cautious” approach. Where significant risk arises, we will take effective control action to reduce these risks to an acceptable level.

It is also recognised that a higher level of risk may need to be accepted, for example to support innovation in service delivery. To offset this there are areas where the council will maintain a very cautious approach for example in matters of compliance with the law, and public confidence in the council, supporting the overall “informed and cautious” position on risk.

How does risk management integrate with other policies?

Risk management links closely with Health and Safety, Business Continuity, Emergency Planning and Insurance; by ensuring close links we can enhance our resilience. Generally, a single issue or risk will fall into only one of these categories; however some may fall into two or more. As Business Continuity is a way of mitigating risk, its link with risk management is key to ensuring the continuous delivery of services which are important to the community.



Risk management in projects

Risk management is a key part of the ongoing management of projects and partnerships and is clearly defined in [Merton's Approach to Projects \(MAP\)](#).

Risk management in partnerships

The council is involved in a wide range of partnerships to achieve our ambitions, aims and objectives. It is vital we assess the risks to achievement within our key partnerships, and ensure that they are monitored regularly.

Our methodology for assessing and monitoring risks has been adopted by our key partnerships in order to ensure consistent scoring, and effective integration into our risk management system.

Financial Risk Management

Local government has faced unprecedented financial challenges in recent years that are likely to remain well into the next decade. The harsh financial economy faced by local authorities has led Central Government and the public sector accounting body CIPFA to start to consider how best to minimise the chance of further Section 114 notices being released and providing early warnings of authorities being unable to balance their budgets. Within Merton the following activity is already undertaken:

Budget Setting

- Financial pressures caused by demographic pressures in Special Educational Needs, Placements and Adult Social Care have been monitored closely – ongoing demands have received some additional funding
- Financial modelling within the Medium Term Financial Strategy and Capital has been developed
- Horizon spotting is used to improve response times to changes in Central Government funding.
- Financial Risk thresholds have been reviewed and adjusted appropriately

Budget Monitoring:

- All budgets are monitored monthly, and reviewed with outturn, current spend and commitments
- Monthly review of progress on delivery of savings with management action
- Monitoring resources are targeted at high risk areas

Year End Accounting

- Reviewing closing issues to minimise the chance of the issues occurring again
- A greater emphasis on quality control of working papers
- More emphasis on reconciliation work within the financial year.

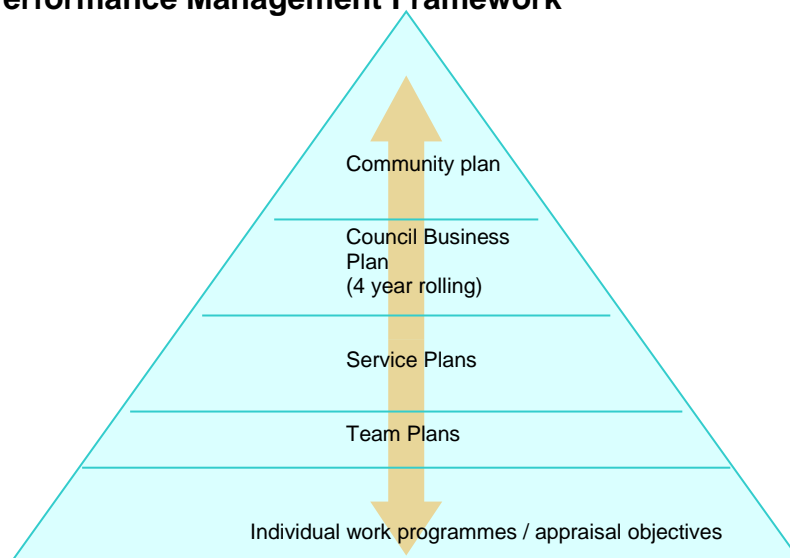
There is also a financial impact element to the authorities risk matrix which has been recently reviewed and simplified. Officers will continue to review activity and adopt best practice etc. where appropriate.

Corporate approach to risk management

In order to formalise and structure risk management, it is recognised there is an obvious and clear link with the business planning process and therefore risk management sits within the Business Planning team.

The overall council Business Plan, incorporating the individual service plans, sets out what a team, division, department, or the council as a whole, want to achieve within a specific time frame, as shown below.

Merton Performance Management Framework



- CMT is ultimately accountable for delivering the council’s Business Plan therefore they are responsible for monitoring and reviewing the KSRR.
- DMTs are responsible for their own services’ risk registers.
- Divisions or teams are responsible for their own risk registers, if applicable.

It is important that risks identified and assessed at an operational level can be escalated to a departmental or corporate level. However, because a risk may have a great impact on a team it does not necessarily follow that it may have the same impact on the department, or the organisation as a whole.

Ultimately, it is the respective management team which decides if a risk is an appropriate inclusion on its risk register.

Scoring Risk

When determining a score for service level risks, definitions of likelihood and impact of risk should be used in conjunction with the matrix below. Therefore, if the likelihood of a risk is 4, significant, (occurs or likely to occur more than 25%, and up to 50% of the time) and the impact is 3, serious, (service provision - service suspended short term) – then the risk rating will be 12 (4x3) which is amber.

Definition of the Likelihood of Risk

Classification	Definition
6 - Very High	Occurs or likely to occur more than 90% of the time
5 - High	Occurs or likely to occur over 50% of the time
4 - Significant	Occurs or likely to occur over a 25% of the time
3 - Possible	Occurs or likely to occur less than a 25% of the time
2 - Low	Occurs or likely to occur less than 5% of the time
1 - Almost Impossible	Occurs or likely to occur less than 1% of the time

Definition of the Impact of Risk

Categories	1 - Marginal	2 – Moderate	3 - Serious	4 - Very serious
Financial Impact – FI	£100k - £500k per annum	£500k - £1m per annum	£1m - £5m per annum	Over £5m per annum
Service Provision - SP	Reduced service	Significant reduction	Service suspended short term	Service suspended long term / statutory duties not delivered
Health and Safety - HS	Broken bones / illness	Major illness / threat not life threatening	Loss of life / major illness	Major loss of life / large scale illness (pandemic)
Objectives - O	Objectives of one service area not met	Departmental objectives not met	Corporate objectives not met	Statutory objectives not met
Reputation - R	Adverse local media lead story short term	Adverse local media story long term. Adverse national publicity short term.	Adverse national publicity longer term	Remembered for years

Risk Matrix

Likelihood	6	6	12	18	24	Likelihood 6. Very high 5. High 4. Significant 3. Possible 2. Low 1. Almost impossible	Impact 4. Very Serious 3. Serious 2. Moderate 1. Marginal
	5	5	10	15	20		
	4	4	8	12	16		
	3	3	6	9	12		
	2	2	4	6	8		
	1	1	2	3	4		
	1	2	3	4			

Reporting and escalating risks

All risks on individual service risk registers are reviewed at Departmental Managers Team (DMT) meetings with particular attention given to red or increasing amber risks.

Risks are also checked for any cross cutting implications. If the risk is high scoring and/or could have an impact across the organisation, then it must be included in Key Strategic Risk Register, which contains risks which could have a detrimental impact across the whole organisation should they occur.

Monitoring and Managing

During the year, new risks will arise that have not previously been considered and there may be changes to existing risks. Therefore the risk registers need to be regularly managed, with risk owners re-assessing their risks, re-scoring them if appropriate, and providing sufficient narrative in respect of the Control Measures they have in place (ie the actions which they are taking to mitigate against the risk). The reviews of risk registers should be managed by exception. The reporting cycle as detailed below, takes place during April, July, October and January.

1 st week	2 nd week	4 th week
DMT – review operational service risks and propose KSRs as per the definitions of likelihood and impact for crosscutting risks	Corporate Risk Management Group (CRMG) – review service risks and proposed KSRs	CMT – identify and review KSRs

All risks are reviewed according to the quarterly cycle shown above, with a particular focus upon red risks, and also upon amber risks which have increased their risk score since the previous quarterly review.

Removal of any risks from the registers must be approved by DMTs and CRMG prior to being presented to CMT. CRMG will only approve removal of a risk if it is scored green for a minimum of two consecutive reporting cycles (i.e. two quarters). There are otherwise no rigid guidelines for dropping risks from the registers because clear parameters are not always possible. A decision is sometimes taken to keep a low-scoring risk in view on the basis that its status might change over a short period, or so those with an assurance role can be confident mitigation against a risk can be sustained.

A flowchart showing how service, departmental, corporate and partnership risks are escalated and reported is shown on the final page of this Strategy.

Roles, Responsibilities and Governance

Councillors

Elected councillors are responsible for governing the delivery of services to the local community. Councillors have a responsibility to understand the key risks the council faces and will be made aware of how these risks are being managed through the annual business planning process. All Councillors will have a responsibility to consider the risks associated with the decisions they undertake and will be informed of these risks in the plans and reports submitted to them.

Chief Executive and CMT

The Chief Executive and CMT are ultimately accountable in ensuring that risk management is fully embedded in the council's business planning and monitoring processes as well as having overall accountability and responsibility for leading the delivery of the council's Risk Management Strategy and Framework. CMT will take a leading role in the risk management process, ensuring that risk management is communicated, understood and implemented by Councillors, managers and staff. CMT will also play an important role in establishing a supportive culture.

CMT will submit an annual report on risk to the Standards and General Purposes Committee and Cabinet.

Directors

Each Director is accountable for proper monitoring of their departmental risk register, action plans and the embedding of risk management into the business planning process of their directorate. They will need to be actively involved in the risk management process within their department and CMT, including nominating an appropriate Risk Champion for their department. Directors are also accountable and responsible for leading the delivery of the council's Risk Management Framework in their respective Directorate.

Section 151 Officer / Internal Audit

The Section 151 officer and Internal Audit will be responsible for carrying out independent reviews of the risk management strategy and processes. They will provide assurance and give an independent and objective opinion to the council on the adequacy of its risk management strategy, control procedures and governance.

An annual Audit Plan, based on a reasonable evaluation of risk, will be carried out and an annual assurance statement will be provided to the council based upon work undertaken in the previous year. The Section 151 officer will chair the CRMG group.

Risk Champions

Risk champions will work with their Director, Heads of Service, Managers and Team Leaders to ensure the RM Strategy and Framework is embedded in the Directorate and departmental planning, performance, project and partnership management, offering support and challenge. They will also represent their directorate at CRMG meetings.

Risk Champions will ensure that risks are identified, assessed and scored correctly by the Risk Owners, offering advice and guidance where appropriate. They will also challenge risk scores where they do not appear to be reasonable, or where they contradict the Control Measures narrative or the corporate Risk Scoring Guidance.

All Risk Champions will receive appropriate training to ensure that they can perform their role effectively. Training needs will be regularly evaluated.

Service Managers

Managers have a responsibility not only for the risks for which they are the risk owner, but are also accountable for those risks, within their service, which are owned / managed by others.

They are required to maintain an awareness of risk and ensure that any risks they identify are captured by the risk management process, understanding and responding to the key risks which could significantly impact on the achievement of their service and/or team objectives. Managers should encourage staff to be open about risk so that appropriate mitigation actions and control measures can be agreed.

Risk Owners

Risk owners are responsible for identifying and implementing appropriate actions which will mitigate against risks they own and reduce these risks to an level acceptable to the organisation. They are required to regularly review the effectiveness of their control measures and provide a formal update to DMTs and CRMG on a quarterly basis as part of the risk review cycle.

Individual Employees

Individual employees need to have an understanding of risks and consider risk management as part of their everyday activities, identifying risks deriving from their everyday work, processes and environment. Risks which could impact on service delivery, the achievement of objectives, or their own or others' wellbeing must be identified and actively managed, with mitigating actions in place where appropriate.

Business Planning team

The business planning team is responsible for ensuring that risk management is embedded throughout the council, as well facilitating and supporting the risk management process and supporting risk owners.

The team will ensure risk management documentation and intranet pages remain up to date and relevant, as well as updating the KSRR with emerging risks, new risks and updating existing risks.

In addition the Business Planning team will ensure risk is part of the annual service planning process, facilitate the CRMG meetings, and submit strategic updates and reports on risk management to CMT, Cabinet, Audit and Assurance Committee etc. as required.

Corporate Risk Management Group

The Corporate Risk Management Group will provide strategic direction and leadership to ensure our risk strategy is maintained and updated and that risks are appropriately identified and managed within the organisation. It will provide a forum for the detailed discussion and monitoring of organisational risks for the benefit of the council, its staff and the wider community.

CRMG will strive to ensure that the risk management framework is embedded within the council's overall strategic and operational policies, practices and processes in a consistent and standardised manner.

In addition it will provide assurance that all risk systems and processes are operating effectively to minimise the Council's overall exposure to risk. The headline departmental risks and planned mitigation activity reported by each department will be discussed by CRMG on a quarterly basis. CRMG will then report its conclusions and recommendations for discussion at CMT.

Cabinet

Cabinet will receive reports on the risk management strategy to determine whether corporate risks are being actively managed. They are responsible for agreeing the strategy on an annual basis, or when significant changes are made, and to report to full Council on the adequacy of the risk management framework.

Standards and General Purposes Committee

To provide an independent oversight of the adequacy of the risk management framework and the associated control environment. The committee will receive an annual review of internal controls and be satisfied it properly reflects the risk environment and any actions required to improve it. Reports will also be provided regarding the KSRR in order that the committee can determine whether strategic risks are being actively managed.

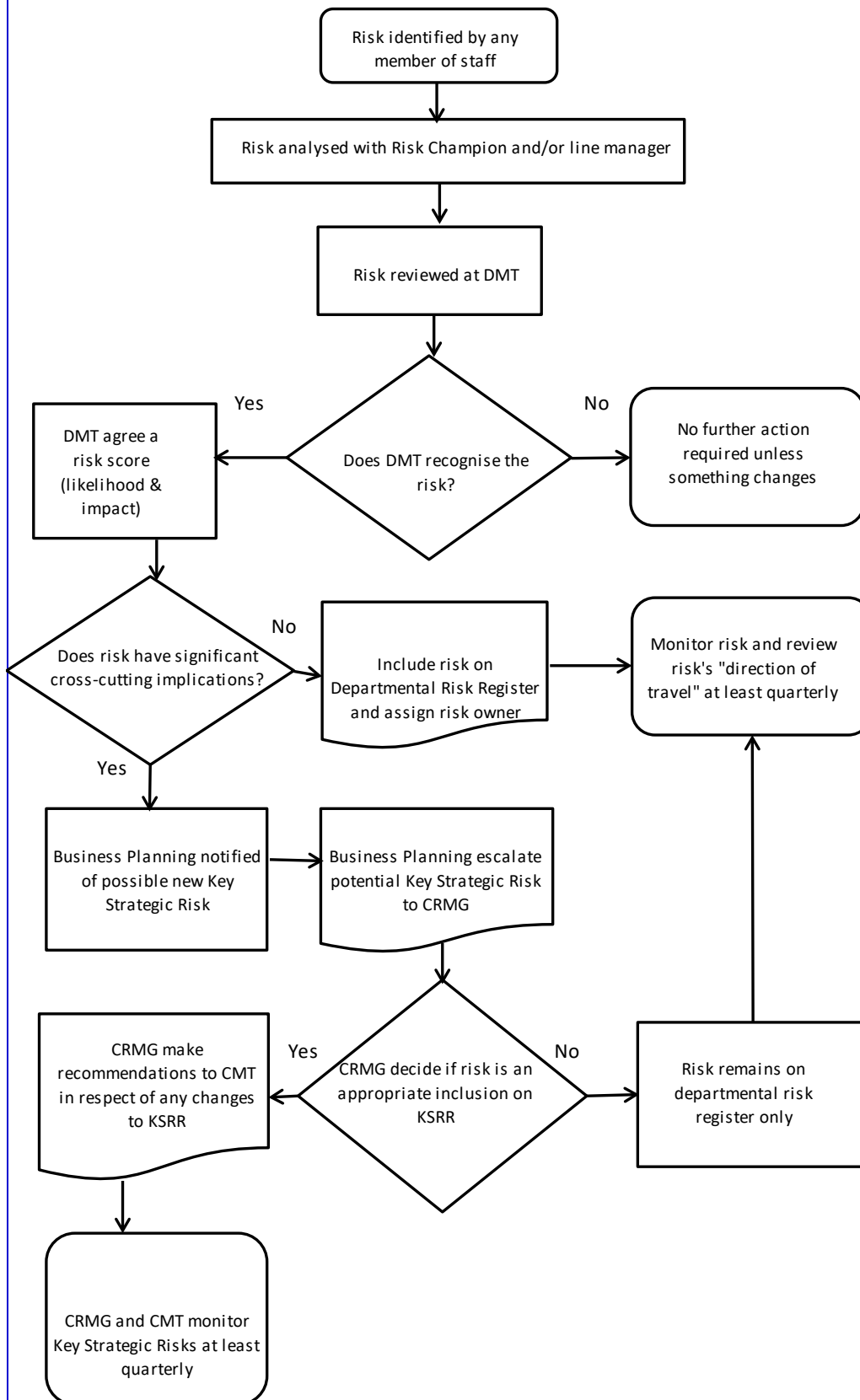
On an annual basis, the committee will review and recommend the adoption of the risk management strategy to cabinet, or if significant changes are identified, to request a revision.

Risk management in committee reports

When a report is submitted to a committee the author is required to complete a section on Risk Management and Health and Safety Implications. The committee should be informed of any significant risks involved in taking a recommended course of action, or if it decides not to follow the recommended course of action. The risk assessment should follow the corporate risk management procedures and be scored using the risk matrix. The report should also give details of any control measures (either proposed or existing) to manage any significant risks identified. Where appropriate, reference should be made to any existing risk(s).

Report authors are advised to consult with the Business Planning team or their departmental Risk Champion, for further advice and to propose any risks to be considered for inclusion in the departmental or KSRR.

London Borough of Merton Risk Management Process



Risk Register ~ Key Strategic Risks ~ Quarter 2 2020

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided												
John Morgan	ASC06 / KSR78 Legal challenge ASC Placements	Key Strategic Risk	Some of our Adult Social Care placements might result in legal challenges	C19 has changed the provider market in Merton. We are working with our providers to understand the impact for Merton.	- increased costs of placements - increased staff time - additional legal costs - damage to reputation - Increase in complaints	R		<table border="1"> <tr> <td>9</td> <td></td> <td>30-Sep-2020</td> </tr> <tr> <td>9</td> <td></td> <td>22-Jun-2020</td> </tr> <tr> <td>9</td> <td></td> <td>20-Apr-2020</td> </tr> <tr> <td>9</td> <td></td> <td>17-Dec-2019</td> </tr> </table>	9		30-Sep-2020	9		22-Jun-2020	9		20-Apr-2020	9		17-Dec-2019	See Below	22 Jun 2020
9		30-Sep-2020																				
9		22-Jun-2020																				
9		20-Apr-2020																				
9		17-Dec-2019																				
<p>We are targeting the market to fill the gap in complex placements- we try to utilise homes within the borough but at times due to the lack of availability of suitable placements within Merton or south west London we have to look further.</p> <p>All decisions regarding eligibility, appropriateness and sufficiency of support are taken through the ASC outcomes forum.</p> <p>The review of the learning disability 'offer' within the Strategy and Improvement programme will review market capacity and shape the market to meet the needs of residents and residents coming through transitions. This will include reviewing the cost model and fee structures. We continue to assess a cross section of placements to assess value for money.</p> <p>COVID 19 has altered the market position in Merton and we are working with providers to understand the impact and how we will proceed.</p>																						

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided												
Lorraine Henry	ASC21 / KSR77 Increase in number of DoLS and Community DoL as we transition to Liberty Safeguards in 2022	Key Strategic Risk	ASC21 / KSR77 Increase in number of DoLS and Community DoL as we transition to Liberty Safeguards in April 2022	- A court ruling in 2014 known as 'Cheshire West' widened the criteria for people that can be subject to a DoLS or Community DoLS (CDoLS) - The Government has not made any additional resources available and in April 2022 DoLS will be replaced by Liberty Safeguards and we are awaiting the guidance on this. Due to COVID 19 the transition to Liberty Safeguards has been extended to Apr 2022.	- Existing backlog of assessments awaiting completion - Cost pressure in relation to DoLS assessments which need to be undertaken - Potential of legal challenge if DoLS authorisation requests are not completed	FI		<table border="1"> <tr> <td>9</td> <td></td> <td>28-Sep-2020</td> </tr> <tr> <td>9</td> <td></td> <td>26-Jun-2020</td> </tr> <tr> <td>9</td> <td></td> <td>20-Apr-2020</td> </tr> <tr> <td>9</td> <td></td> <td>10-Dec-2019</td> </tr> </table>	9		28-Sep-2020	9		26-Jun-2020	9		20-Apr-2020	9		10-Dec-2019	See Below	30 Sep 2020
9		28-Sep-2020																				
9		26-Jun-2020																				
9		20-Apr-2020																				
9		10-Dec-2019																				
<p>Following a paper to DMT/ CMT in 2018 a robust system is now in place to manage current Dols and historic cases. This is being monitored at DMT level.</p> <p>The backlog has reduced from 500 (going back over 3 years) in Sept 17 to 186 in September 2020 with all cases in this financial year.</p> <p>We are now completing desk top reviews during covid -19. And will resume full assessments once central government lifts lock down visits to care homes.</p> <p>Liberty protection safeguards has been delayed until at the earliest April 2022</p> <p>Community DoL- A system is in place to screen and prioritise Community DoL and this will also be reported to DMT.</p> <p>-Training has been delivered, and a RAG system is being developed to identify clients that pose the most risk to the Local Authority.</p> <p>All Merton BIA's & Managers have been spoken with, to ensure DOLS are completed in a timely way and a plan in place to increase independent BIA capacity.</p>																						

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Kris Witherington	CPI39 / KSR74 Inadequate consultation	Key Strategic Risk	We may fail to adequately consult over changes to Council services and policies, and/or the design and implementation of projects (formerly CS17/KSR74)	<ul style="list-style-type: none"> - inadequate consultation - not meeting expected standards - insufficient training 	<ul style="list-style-type: none"> - increasingly robust scrutiny and challenge - possibility of Judicial Reviews 	R, FI		8 17-Sep-2020	See Below	17 Sep 2020
								8 17-Jun-2020		
								8 09-Mar-2020		
								8 02-Dec-2019		

The standards expected for consultation are described in the Community Engagement Strategy ("Get Involved"). All Council consultations should be listed on the Council's online consultation database, having been approved by the Consultation and Community Engagement Team. Support for services is available including training around the need for consultation, design, and legal obligations. Advice is also available on how to adjust consultation plans to take into account the impact of COVID-19 on traditional activities like public meetings.

As part of the response to the Internal and Peer reviews additional guidance on consultation in relation to budget setting and service changes is being developed.

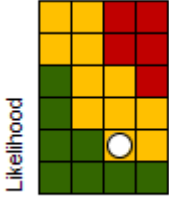




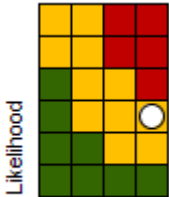




Rachael Wardell	CSF01 / KSR35 Safeguarding children	Key Strategic Risk	We may fail to adequately safeguard children	Because of: <ul style="list-style-type: none"> - Less effective inter-agency working - Changing expectations & updated regulatory framework - Ongoing budget pressures across all agencies - Increase in demand due to Covid-19, and a related reduction in through-put. 	Resulting in: <ul style="list-style-type: none"> - Child protection & safeguarding consequences including possible child death or serious harm. - increasing costs of "high cost" interventions - undermining of the Merton Model 	R		12 21-Oct-2020	See Below	21 Oct 2020
								16 26-Jun-2020		
								16 16-Apr-2020		
								16 23-Dec-2019		

New Partnership arrangements have been implemented. This ensures ongoing rigor in conversations with partner agencies and third sector to improve understanding and responsibility of safeguarding.

A chair and independent scrutineer assumed office in April 2020 and have provided further rigor to existing partnership arrangements.

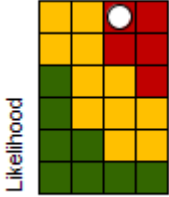




We have recently re-organised our Early Help offer. To support implementation, interim staffing arrangements have been put in place. As part of wider changes to our Early Help services and approach, we are reviewing the family well being model (thresholds document) with partners.

CSC&YI forecast for potential additional resource requirements up to £350k. These now need to be activated

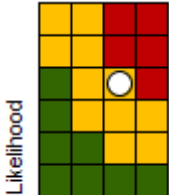




Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Charles Baker; John Bosley	ER112 / KSR73 Waste disposal budget (Viridor)	Key Strategic Risk	We may be unable to meet financial budget for waste disposal	<ul style="list-style-type: none"> - Waste may not be adequately disposed of - Delays in moving over to ERF - Increase in waste forecasted - Reduction in recycling - Insufficient budget to cover disposal costs 	<ul style="list-style-type: none"> - increased costs for waste disposal - operational difficulties - performance may be affected (more landfill, less recycling and more missed bins) - political and reputational impact 	FI/R/O		6  29-Sep-2020	See Below	29 Sep 2020
								6  24-Jun-2020		
								6  19-Feb-2020		
								6  11-Dec-2019		
Waste volumes are reviewed monthly and financial implications of areas of growth assessed and budget forecast amended accordingly. .										
Paul McGarry; James McGinlay	ER118 / KSR75 Crossrail 2	Key Strategic Risk	We may fail to minimise the negative impact of Crossrail2 on the Council's income and/or commercial activity in Wimbledon Town Centre and Weir Road	- inadequate preparation and planning on our part	<ul style="list-style-type: none"> - financial impact on council and services - economic impact on Wimbledon Town Centre and the borough (potential loss of businesses and jobs) - Council reputation 	FI		12  29-Sep-2020	See Below	29 Sep 2020
								12  24-Jun-2020		
								12  20-Mar-2020		
								12  11-Dec-2019		
This is on hold awaiting Government decisions.										

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Charles Baker; John Bosley	ER132 / KSR 81 Waste services contractor	Key Strategic Risk	Veolia may fail to deliver the street cleaning and/or waste collection services to the standard required by their contract	- insufficient capacity (Veolia) - disputed areas of responsibility - financial impact of recycling market changes which adversely affect Veolia - lack of ICT integration and real time information - poor management by Veolia	- reputational damage to the Council - negative environmental impacts - negative public health impacts	R		12 29-Sep-2020 12 24-Jun-2020 15 20-Mar-2020 15 11-Dec-2019	See Below	29 Sep 2020
Regular schedule contract meetings are in place for both operational and strategic work streams. Regular reports are tabled for Scrutiny to review current performance standards being achieved by the service provider.										
Overall level of performance is improving in a sustainable manner.										
Page 231 Paul McGarry	ER154 / KSR 82 Bishopsford Road Bridge	Key Strategic Risk	Structural risk to the damaged bridge structure and Financial risk re. repair or replacement of the bridge	1.Continued adverse weather. 2.Another flood event 3.TBC, if the current bridge cannot be saved. 4.TBC. whether fault is the flood, a contractor liability or employer liability. 5.Lack of comms or visible action on-site. 6.Ongoing disruption to motorists and public transport users.	1. Flood risk to properties 2.Structural risk to the damaged bridge structure 3.Financial risk re. repair or replacement of the bridge 4.Litigation – risk of contractual disputes. 5.Reputational risk on LBM 6.Traffic & Transport and safety of pedestrians on the remaining footbridge.	FI, R		16 21-Oct-2020 16 24-Jun-2020 16 20-Mar-2020 16 19-Dec-2019	See Below	21 Oct 2020
The contractor has been improved and is working with our Planning department on the plans for the Bridge. The plans will have to be approved and when they are work on the bridge is hoping to commence early 2021.										
The risk rating will stay the same until the work begins.										

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Caroline Holland; Mark Humphries	IT24 / KSR21 Public Contract Regulations/Contract Standing Orders	Key Strategic Risk	We might breach Public Contract Regulations 2015 and Contract Standing Orders (previously risk RE03)	<ul style="list-style-type: none"> - incorrect procurement (despite this being a tightly regulated area of council activity) - Lack of staff awareness - insufficient training and guidance 	<ul style="list-style-type: none"> - procurement exercises impacting on strategy and time - adverse budget and service implications if not carried out correctly - legal challenges - slower identification, capture and delivery of savings - reputational risk. 	R		15 30-Sep-2020	See Below	02 Dec 2019
								15 09-Jun-2020		
								15 01-Apr-2020		
								6 06-Mar-2020		
A review and update of Contract Standing Orders is currently being undertaken, and the drive to improve compliance with legislative requirements is being further supported through the introduction of specialist procurement training for those individuals who are responsible for procurement as part of their normal duties.										
Page 202 The Church; Caroline Holland	RE02 / KSR49 Corporate Business Plan & balanced budget	Key Strategic Risk	We may fail to develop a corporate Business Plan & set a balanced budget for 19/23 & beyond	<ul style="list-style-type: none"> - Reduction in Government Grant - challenges of making accurate projections of Business Rate Retention due to lack of clarity over future of London Pilot Pool 	<ul style="list-style-type: none"> - negative impact on service provision - damage to council reputation - negative impact on staff morale - dissatisfaction of internal & external customers 	FI		18 17-Sep-2020	See Below	17 Sep 2020
								18 07-Jul-2020		
								15 17-Jun-2020		
								15 11-Mar-2020		
<p>The MTFS has been rolled forward a year and updated for the 2019/20 outturn position. MTFS gap updated incorporating median level assumptions for DSG deficit, growth, income loss and savings unachieved due to Covid-19.</p> <p>Cabinet (7 Sept.'20) agreed savings targets for 2021-25 based on the updated MTFS</p> <p>The COVID-19 crisis is only partly played out and when final resolution will be reached is impossible to predict at the current time. There is also uncertainty arising from the implications of Brexit which are unknown but could have a significant impact.</p> <p>The Spending Review 2020 will be delayed and this will delay</p> <p>Central Government funding announcements and indications of Council Tax referendum principles making financial planning difficult</p>										

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Caroline Holland; Bindi Lakhani	RE16 / KSR61 Annual Savings Programme	Key Strategic Issue	Failure to deliver savings of £12.074m which have been agreed for the financial year 2020/21	We are unable to achieve planned savings due to the impact of Covid-19	<ul style="list-style-type: none"> - adverse impact on the authority's ability to balance its budget in the medium to long term - gap is larger than the contingency - we are required to reinstate reserves 	FI		18  17-Sep-2020	See Below	17 Sep 2020
								18  04-Sep-2020		
								18  07-Jul-2020		
								15  10-Mar-2020		

The monthly monitoring report is forecasting a shortfall in savings in 20/21 of £6.67million (55%). The majority of this is due to Covid-19. Delivery of savings continues to be carefully monitored and reported as they are critical to balance the budget.

Page 233 Corporate Management Team	RE24 / KSR80 Impact of Brexit	Key Strategic Risk	We might be unable to respond effectively to the changes brought about by Brexit	<ul style="list-style-type: none"> - A challenging withdrawal process - Changes to procurement frameworks - Other regulatory/statutory changes - Loss of regional aid funding - Changing eligibility of EU nationals to live &/or work in UK - potential impact on staff recruitment and retention - security of supplier network - short to medium term impact on LBM's pension investments - community cohesion 	<ul style="list-style-type: none"> - Financial uncertainty - Impact on local economy, investment & growth - Employment & skills gaps - Strain on resources - Impact on services esp. social care - Difficulty complying with statutory requirements - inability to capitalise on post-Brexit opportunities <p>The risk profile assumes a Brexit deal. If no deal, the risk profile will significantly increase as a consequence of the uncertainty created.</p>	FI, SP, O		12  17-Sep-2020	See Below	17 Sep 2020
								12  09-Jun-2020		
								12  20-Feb-2020		
								12  16-Dec-2019		

Officers closely monitor developments on the Brexit negotiations and the potential impact for the council, citizens and businesses. This includes reviewing the Technical Notices, guidance from the LGA and other sector related assessments of possible implications. A session has been held with Collective DMT to identify risks. This has been reviewed by CMT and a task group of officers from across the council meets regularly to monitor developments and how the Council responds.

Cabinet considered the implications of Brexit at their November 2018 meeting and the Overview and Scrutiny Commission are reviewing the implications for citizens. One outcome of the Cabinet meeting was to establish a corporate task group headed by the CS Director to review the implications of Brexit in detail and direct appropriate actions as required.

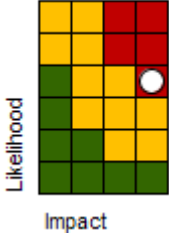




Risk Register ~ Key Strategic Issues ~ Quarter 2 2020

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
John Dimmer; Rachael Wardell	CPI41 / KSR53 Equalities duties	Key Strategic Risk	We may be in breach of Equalities legislation regarding new policy development, designing services and decision making (formerly RE11)	- insufficient evidence to demonstrate how equalities implications have been considered	- reputational impact for council - risk of judicial review & litigation - negative impact on service users - loss of savings.	R		12 17-Sep-2020	See Below	17 Sep 2020
								12 16-Jun-2020		
								12 10-Mar-2020		
								12 12-Dec-2019		
<p>The key concerns still relate to service changes as a result of budget reductions. We continue to need to reduce or reconfigure services which could impact on vulnerable people. We have updated the equalities guidance to managers and a manager's bulletin was sent out in December stressing the importance of conducting good EAs to accompany report recommendations.</p> <p>COVID 19 has disproportionately impacted on some Protected Characteristics, such as Age, Disability and Race and we are working with Public Health and BAME Voice to commission qualitative research which will make recommendations to inform our activity/services going forward</p>										

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Rachael Wardell	CSF04 / KSR55 Demographic changes	Key Strategic Issue	We may fail to respond adequately to increasing children's social care demands	Due to changing borough demographics including: - an increase in the total population in the borough - a particular increase in families with young children - a change in the mix of the population with respect to ethnicity, disability & deprivation - an increase in children with special educational needs and disabilities. Growth in demand taking place in context of pressures on budgets - specifically savings targets of £2.8m for 19/20.	This will lead to: - Additional demand for services for children with special educational needs & disabilities - pressure for growth in children's social care & child protection interventions - increasing level of support for families with no recourse to public funds. - Budget pressures	SP		12 21-Oct-2020	See Below	21 Oct 2020
								12 26-Jun-2020		
								12 28-Apr-2020		
								15 23-Dec-2019		

Supporting the SENDIS Team to manage increasing demand for SEN Support and EHCP

Continued focus on preventative services

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Jane McSherry	CSF05 / KSR34 Insufficient school places	Key Strategic Issue	Risk that there are insufficient special school places in the borough to meet need.	This is because: - EHCP numbers are increasing significantly and we are reaching the limits on our in-borough capacity in ARPs and special schools	Insufficient special school places provided will result in: - inability to meet statutory duty to children with additional needs through local provision and more children needing to travel out of borough for their education - increased costs in independent sector special school places - increase transport costs to placements outside the borough - increased scrutiny - reputational damage	R		16  21-Oct-2020	See Below	21 Oct 2020
								16  29-Jun-2020		
								16  16-Apr-2020		
								16  23-Dec-2019		
<p>Expansion of places at Cricket Green School completed spring 2020; expansion of Melrose School in process of being implemented.</p> <p>Implementation of further proposal for new ASD provision delayed due to Covid. Also considering further Additional Resourced Provision</p> <p>We are working to ensure that as many children's needs are met effectively at SEND support with the aim of preventing escalation of need.</p> <p>Through peer challenge process we are identifying alternative strategies to assist reducing demand for statutory assessments.</p>										

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Children, Schools & Families	CSF06 / KSR56 CSF funding & statutory services	Key Strategic Issue	CSF funding changes, budget savings & resource management may impact on our ability to provide statutory services, and this is exacerbated by the overspend on the DSG.	<p>Causes include:</p> <ul style="list-style-type: none"> - Right sizing of budgets has not taken place. - Savings for 20/21 have not yet been found. - Move to national funding formula for DSG and implications for overspends - continued uncertainty regarding changes to funding regimes & external grants - concurrent additional statutory duties - demographic pressures - the impact of maintained schools becoming academies - Insufficient funding for new burdens: C&F Act; NRPF; Leaving Care and housing for care leavers. - Requirement to make significant savings over the next 3-4 years - Need to balance competing & increasing demands at a time of contracting resources & extensive change. - High needs funding is not keeping track with demand and changes to rules on DSG overspend increase potential impact. 	<p>Leading to:</p> <ul style="list-style-type: none"> - DSG overspend would impact on council general fund budget - Negative impact on our ability to provide statutory services - undermining of the Merton Model, causing additional spend pressures in targeted services. - Low staff morale - Difficulties in managing the impact of the Workforce Management Strategy - Time & effort required to manage change & meet expectations of members & central government may lead to failures in the management of ongoing operational work - High Needs Block national funding formula allocated £5.5m through the funding floor factor for 2018/19 which means that Merton will not receive the required growth as EHCP numbers increase 	FI		16 21-Oct-2020	See Below	21 Oct 2020
								16 29-Jun-2020		
								16 28-Apr-2020		
								24 23-Dec-2019		
Additional burdens reported on monthly and demographic pressures identified. Feeds into the MTFs, TOM, Service Planning work and relevant strategies to deliver the required savings without adversely impacting on performance. Early help and prevention a key theme of our TOM coupled with our continued focus on our statutory services. Right sizing of budgets to enable unfunded service demands to be met.										

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Current DSG recovery plan shows that position cannot be recovered within 3 years.										
Through peer challenge process we are identifying alternative strategies to assist reducing demand for statutory assessments										
Rachael Wardell	CSF09 / KSR62 Intervention/ prevention commissioning	Key Strategic Issue	We may fail to re-commission appropriate intervention and prevention services	Due to: - reduction in contracting with local third sector - change in delivery reports of CSF	Resulting in: - Destabilisation of the Local Strategic Partnership & Children's Trust Board partnership arrangements - reduced service delivery - an increase in reactive, rather than pro-active, services - adverse reputational impact - political impact	R		12 21-Oct-2020 12 26-Jun-2020 12 16-Apr-2020 12 23-Dec-2019	See Below	21 Oct 2020
all re-commissioning activity is currently underway as a result of Covid. Impact of delay to be monitored.										
The integration of existing council services as part of the review of Early Help in Merton will enable us to commission more effectively.										