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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 4 November 2021

Time: 7.15 pm

Venue: Council Chamber, Civic Offices, London Road, Morden, SM4 5DX

This is a public meeting and attendance by the public is encouraged and welcomed. For more information about the agenda please contact democratic.services@merton.gov.uk or telephone 0208 545 3357.

All Press contacts: communications@merton.gov.uk, 020 8545 3181

Standards and General Purposes Committee Agenda

4 November 2021

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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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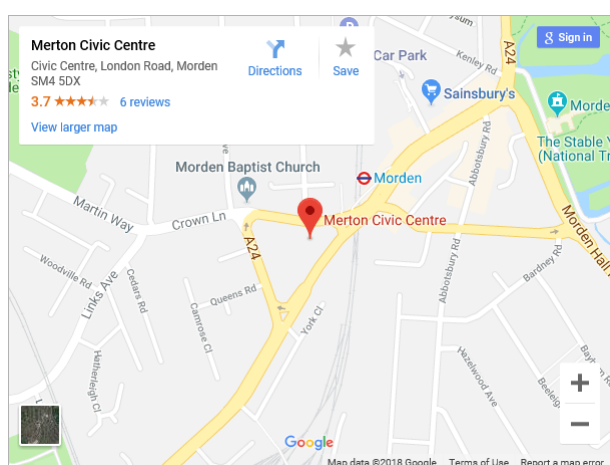
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Agenda Item 3

STANDARDS AND GENERAL PURPOSES COMMITTEE 21 SEPTEMBER 2021

(7.15 pm - 8.16 pm)

PRESENT Councillor Peter McCabe (in the Chair), Councillor Adam Bush, Councillor John Dehaney, Councillor Dickie Wilkinson, Councillor David Williams, Councillor Hina Bokhari, Councillor Mary Curtin, Councillor Andrew Howard, Councillor Brenda Fraser and Councillor Martin Whelton and Councillor Caroline Cooper-Marbiah

ALSO PRESENT Caroline Holland (Director, Corporate Services), Louise Round (Managing Director, South London Legal Partnership), Roger Kershaw (Assistant Director, Resources), Helen Martin (Deputy Chief Accountant), David Keppler (Head of Revenues and Benefits), Nemashe Sivayogan (Treasury and Pensions Manager), Amy Dumitrescu (Democracy Services Manager).

ATTENDING REMOTELY Elizabeth Jackson (External Audit), Ian Young (External Audit).

1 APOLOGIES FOR ABSENCE (Agenda Item 1)

Apologies were received from Clive Douglas and Katy Willison. Apologies were received from Councillor Draper. Councillor Cooper-Marbiah 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 March were agreed as a correct record.

4 FINAL ACCOUNTS (Agenda Item 4)

The Assistant Director, Resources, Reported that targets were achieved by 6 July, with intent to sign off by 30 September. EY have issued 2 results reports: main body accounts and pension fund. Adjustments made due to COVID grants due to whether we acted as principle or an agent for the treatment of those accounts. There are three issues emerging – ISA540 validating the process that the actuaries use in our pension fund; audit differences, our National non-domestic rates and section 106 grants for planning applications, should they be treated as capital grant in advance or a reserve – there is a technical discussion around where to allocate the money within the account

Ernst and Young reported that ISA540 revised accounting estimates is a national issue affecting all audit firms, , noting that work is ongoing and EY are in correspondence with National Audit Office. There is a risk to the audit opinion being signed by 30 September, depending on ruling from FRC. Work is continuing on this. The Property Plant and Equipment valuations report is being chased and expected shortly. Other items are normal audit business. There were changes to scope from the plan presented in March which has been updated for receipt of draft financial statements. There are two changes to audit risk and focus, first around new cash receipt system original classed as significant risk, no longer applies. Second around PFI scheme for schools - the area of focus with higher inherent risk. Work is being done on the financial statement, no changes to input and it is a detailed model and so can rely on work already done.

Under Significant Risk and Fraud Risks, EY reported that there are no weaknesses in control, no issues identified.

With regard to the pension fund, EY reported that changes in materiality value of NET asset statement increased to £9 million. Work on unrecorded liabilities and benefits has been completed. There is a national issue around Prudential and additional voluntary contributions.

There were no issues found with posting of Investment journals.

External Audit proposed an unqualified opinion for both sets of accounts will be issued this year.

In response to member questions the Assistant Director, Resources confirmed that COVID meant that some services were underspent as not needed, however we were now seeing an increase in service take up.

Section 31 grant income, compensates the council, it had to go into holding reserves to fund future payments through the retention scheme. We received a lot of covid funding late in the year and put them in reserves, so the timing of receipt of the funds swelled the reserves before they were applied for the purposes intended. The impact of COVID was still with us and flowing through income streams and business rates, council tax and welfare payments, so reserves come into play and allow the council to meet its commitments.

The Director, Corporate Services informed the committee that it could be seen from the monitoring report that we received grants in four tranches, so over the summer there had been concerns about funding, however the grant had now been received and therefore the uncertainty had reduced. It was noted that the cost of Covid-19 would need to continue to be monitored into future years.

EY had looked at the financial state of the council. NAO updated the way we do the Value for Money work, detailed risk assessment completed, no significant risks, Governance, Improving Economy Efficiency and Effectiveness and Financial Stability. No concerns raised, satisfied that the audit opinion can be issued, short to medium term Financial Stability is satisfactory.

External Audit advised that there had been an enhanced risk Assessment, identifying which properties and which areas that we think are more susceptible to valuation risk and fluctuations, difficult to do in the last year, testing and how we look at that, challenge of what management have assessed and the how they have assessed the value of the property, more discussion between EY and the council valuers on what they have based this on. Increased levels of documentation about how we have the discussion and review the data had also been put into place.

RESOLVED

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

5 UPDATE ON RIPA AUTHORISATIONS (Agenda Item 5)

The Monitoring Officer confirmed that there had been no requests in the last year, with the exception of one request for non RIPA activity in relation to age restricted sales

In response to Councillor questions, the Monitoring Officer informed the Committee that this had been standard for the last couple of years. Work continued to ensure that there isn't activity that should be authorised but isn't and work with departments was ongoing to ensure officers understand when they should seek authorisation. There is a pro forma attached to the revised policy which sets out the criteria.

RESOLVED

A. That members noted the purposes for which investigations have been authorised under the Regulation of Investigatory Powers Act (RIPA) 2000.

6 RECRUITMENT OF AN INDEPENDENT PERSON (Agenda Item 6)

The Monitoring Office informed the Committee that Clive Douglas' office expires in February 2022. The report sought permission to advertise the position, however it was noted that should Mr Douglas wish to extend for a further term of three years, this would not be required. A further report would be brought to the next meeting.

RESOLVED

1. That the Standards and General Purposes Committee agreed that an interview panel comprising one councillor from each political group should be appointed to interview and to recommend to Council the appointment of one Independent Person to serve for a period of three years

7 COMPLAINTS AGAINST MEMBERS (Agenda Item 7)

The Monitoring Officer reported that no formal complaints had been received since the last meeting. One complaint had been received and was at the preliminary stage and if required this would be reported on at the next meeting.

8 WORK PROGRAMME (Agenda Item 8)

The work programme was noted and agreed.

9 EXCLUSION OF THE PUBLIC (Agenda Item 9)

RESOLVED: That the public were excluded from the meeting during consideration of item 9 on the grounds that they were exempt from disclosure for the reasons stated in the reports.

10 TEMPORARY AND CONTRACT STAFF UPDATE (Agenda Item 10)

The Head of HR presented the report, noting that the use of contract and agency staff across departments continued to be challenged and monitored.

The Committee reviewed the report and RESOLVED:

A. That members noted progress made to monitor and control the use of temporary workers and consultants

Committee: Standards and General Purposes

Date: 04 November 2021

Agenda item:

Wards: All

Subject: Audited Final Accounts 2020/21 – Update position on Final Audit

Lead officer: Caroline Holland, Director of Corporate Services

Lead Member: Cllr Tobin Byers – Cabinet Member for Finance

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

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

Recommendations:

1. To receive a verbal update from EY on the current position relating to the audit for year ended 31st March 2021.
2. To note EY's updated Audit Results Report (Appendix 2) for the Pension Fund accounts under the International Standard on Auditing (ISA) 260.
3. To note EY's updated Audit Results Report (Appendix 1) for the Statement of Accounts under the ISA 260.
4. That the Chair is authorised to sign the Letters of Representation (Appendices 1 and 2) for the Statement of Accounts and Pension Fund Accounts.

1 Purpose of report and executive summary

- 1.1. This report presents the updated position on the external audit of the Statement of Accounts for the year ended 31st March 2021 for noting by Standards and General Purposes Committee in accordance with the statutory requirements contained in the Accounts and Audit Regulations 2015 and the ISA 260.
- 1.2. Appendices 1 and 2 contain Ernst & Young's (EY's) Updated Audit Results Report on the main accounts and FINAL Audit Results Report for the Pension Fund, including two Letters of Representation, one for the main accounts and one for the Pension Fund.

2 Details

- 2.1. **Accounts and Audit Regulations:** These specify the timetable for producing and approving the Council's accounts. The committee of members were required to approve the Statement of Accounts by the 30th September 2021. The accounts had to be signed and dated by the Chairman of that committee and then published on the Council's website. That requirement was met and the Statement was approved at the meeting on 21st September.
- 2.2. Audit Delay Notice - The external audit of the draft statement of accounts for the year ended 31 March 2021 was not completed by 30th September. That related to two audit requirements that EY could not complete due to their internal delays.
- The ISA540 (accounting estimates and disclosures) requirement and
 - EY's real estate valuation team continuing their work on the Council's Property plant and Equipment valuations.
- 2.3. This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015 (legislation.gov.uk website). Therefore, we were not able to publish our audited 2020/21 final statement of accounts in line with deadline of 30th September 2021, and an Audit Delay Notice, together with a letter of explanation from EY, was published on our website.
- 2.4. Updated Audit Results Reports: Ernst & Young has now issued its Updated Audit Results Report (ARR), for LBM and a Final Audit Report for the Pension Fund. The changes from the draft audit results reports presented to Members on 21 September are shown in italics in the reports. These amendments to the ARR are as follows:
- 2.5. Pension Liability and Asset Valuation: A new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. The results of the exercise undertaken by EY showed the actuarial estimate to be reasonable and no material adjustments were required.
- 2.6. Non Domestic Rates and Council Tax Debtors: When undertaking the testing of council tax and NNDR Debtors EY identified unreconciled differences between the Civica system and the general ledger. Whilst the balances were not considered to be material, council tax £0.9m and NDR £1.4m, these differences had increased in 2020/21. A full reconciliation will be undertaken to resolve these differences as recommended by the auditor.
- 2.7. Audit differences – accounts adjusted: There are no further changes to the audit adjustments as presented at the 21 September committee.
- 2.8. Audit difference-accounts not unadjusted: There is one unadjusted extrapolated difference of £3.9m. relating to the treatment of s.106 money in the balance sheet. We have not corrected that difference identified and brought to our attention by the auditor because we consider the difference

on the treatment of S106 grants to be immaterial to the reader of the financial statements as it represents a balance sheet classification difference only.

- 2.9. Non Domestic Rates Provision EY have reviewed the information provided by us on the calculation of the NDR Appeals Provision, previously included on the draft ARR as an un-adjusted difference, and are now satisfied with our calculation and no further adjustment is required.
- 2.10. Letters of Representation: ISA 580, covering Management Representation, requires that the auditor be provided with written representation from management with appropriate responsibilities and knowledge of the financial statements. This applies to the main accounts and the Pension Fund Accounts.
- 2.11. ISA 260 requires that those charged with governance should sign agreement to the Letter of Representation. After the Committee has discussed and agreed the Letters of Representation, they have to be signed by the Chief Financial Officer. The Chair of the Committee is then required to sign agreement to the Letters of Representation. Copies of the letters to be signed for the main accounts and the Pension Fund accounts are included in Appendices 1 & 2.

3 Alternative options

- 3.1. None for the purposes of this report.

4 Whole of Government Accounts (WGA)

- 4.1. The Whole of Government Accounts (WGA) process consolidates the audited accounts of around 4,000 organisations across the public sector in order to produce a comprehensive picture of the financial position of the UK public sector. WGA is based on International Financial Reporting Standards (IFRS) and is independently audited.
- 4.2. As an organisation within the WGA boundary, the Council is required each year to complete a WGA return in order that HM Treasury can produce the consolidated WGA accounts. Central government had advised a delay in the return timetable for 20/21 and the current time for collecting the data is expected to be December 2021. EY provide an assurance statement to the National Audit Office in respect of the WGA return as part of their audit work and they had expected to provide this statement in November or December but this will now be delayed.

5 Audit of Council's subsidiary companies

- 5.1. The Council has two wholly-owned subsidiaries, CHAS2013 Ltd and Merantun. CHAS2013 Ltd was audited by Ernst & Young from the week beginning 20th September 2021. The audit for Merantun commenced week beginning 11th October 2021. It is not expected that this work will have any material impact on the Council's accounts.

6 Finance, resource and property implications

- 6.1. The expected cost of the audit is £110,500 excluding the cost of non-audit services (the audit of the Housing Benefits grant claim and the Teachers Pensions return).
- 6.2. However, this figure does not include the proposed increase in the scale fee which has been submitted to Public Sector Audit Appointments (PSAA) for consideration. Nor does it include other additional items for which a final fee has still to be determined.
- 6.3. Further details are contained in page 37 of the ARR.

7 Legal and statutory implications

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

8 Human rights, equalities and community cohesion implications

- 8.1. None for the purposes of this report.

9 Crime and disorder implications

- 9.1. None for the purposes of this report.

10 Risk management and health and safety implications

- 10.1. None for the purposes of this report.

Appendices

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

- Appendix 1: Updated EY Audit Results Report dated 25 October 21 and Letter of Representation – Statement of Accounts
- Appendix 2: FINAL EY Audit Results Report and Letter of Representation - Pension Fund Accounts

Background Papers

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

- Statement of Accounts 2020/21
- Working papers for the accounting entries
- Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- CIPFA - technical bulletins

London Borough of Merton Updated audit results report

Year ended 31 March 2021

25 October 2021

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

Building a better
working world



25 October 2021



Private and Confidential

London Borough of Merton
Standards and General Purposes Committee
Civic Centre
Morden
SM4 5DX

Dear Committee Members
2021 Updated Audit Results Report

We are pleased to attach our updated audit results report, summarising the status of our audit of the London Borough of Merton (the Authority) for the forthcoming meeting of the Standards and General Purposes Committee. We will update the Committee at its meeting scheduled for 4 November 2021 on further progress to that date and explain the remaining steps to enable us to issue our audit report. Updated matters in this report are included in italics for clarity of the changes since the 25 September 2021.

The audit is designed to express an opinion on the 2021 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the Authority's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

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

We welcome the opportunity to discuss the contents of this report with you at the Standards and General Purposes Committee meeting on 4 November 2021.

Yours faithfully

E. Jackson.

Elizabeth Jackson
Associate Partner
For and on behalf of Ernst & Young LLP
Encl



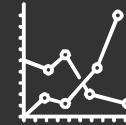
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06 Other Reporting Issues

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09 Appendices

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.



01

Executive Summary

Executive Summary

Scope update

In our audit planning report presented to the Standards and General Purposes Committee meeting on 11 March 2021, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following updates:

Changes in materiality

We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment

Materiality	Group (£m)		Authority (£m)	
	Outline Audit Plan	Final	Outline Audit Plan	Final
Planning Materiality	£9.8m	£10.0m	£9.6m	£9.9m
Performance Materiality	£7.3m	£7.5m	£7.2m	£7.4m
Audit Differences	£0.5m	£0.5m	£0.5m	£0.5m

Changes to audit risks and areas of focus

Description	Detail of changes to our scope
In our outline audit plan we identified the implementation of Adelente as a significant risk to our audit of the financial statements.	<p>The Adelente system is a cash receipts only system which went live at the Authority on 29 March 2021. The total value of transactions in the financial year were below our performance materiality and we could agree the cash receipts recorded by the Authority back to third party bank confirmations and our review of bank reconciliations.</p> <p>Given the nature, timing and value of transactions processed through the system in 2020/21 we no longer consider the implementation of Adelente as a significant risk to our audit of the financial statements.</p>
<p>The Authority has a material Private Finance Initiative (PFI) arrangement in relation to schools.</p> <p>In our outline audit plan we highlighted the PFI as an area of higher inherent risk.</p>	<p>A detailed review of the PFI arrangements was undertaken by our internal expert in 2016-17 and followed-up in 2017-18, 2018-19 and 2019-20.</p> <p>Our review of the PFI model highlighted that there had been no changes to either the inputs or the model in 2020/21 and as such we reclassified this as a lower risk estimate.</p> <p>Our work on PFI confirmed that:</p> <ul style="list-style-type: none"> • Outputs from the models were correctly reflected by the relevant accounting entries and disclosures in the financial statements. • PFI assets were correctly accounted for and disclosed.



Executive Summary

Scope update

Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

Information Produced by the Entity (IPE):

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

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

Changes to reporting timescales

As a result of Covid-19, new regulations, the Accounts and Audit (Amendment) Regulations 2021 No 263, have been published and came into force on 31 March 2021. This announced a change to publication date for final, approved financial statements from 31 July to 30 September 2021 for all relevant authorities.

Status of the audit

As at 25 October 2021 our audit work in respect of the Authority's opinion remains in progress. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- Final completion of our work on the valuation of land and buildings
- Final review of key working papers
- Update of our subsequent events procedures to the date of our opinion
- Final check of the updated financial statements and narrative report after completion of all outstanding procedures
- Receipt of a signed letter of management representation
- Whole of Government Accounts: We have yet to receive the NAO instructions on this for 2020/21 and this is currently expected in December 2021 at the earliest.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion, a current draft of which is included in Section 03.



Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority 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 Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

Status of the audit – Value for Money

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In the audit planning report presented to the Standards and General Purposes Committee in March 2021, we reported that we were yet to complete our value for money (VFM) risk assessment. We subsequently completed our planning risk assessment and did not identify any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness. As a result, we have completed our planned VFM procedures. We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report. There are no issues arising that impact on the auditor opinion report.



Executive Summary

Audit differences

Our audit has identified one unadjusted difference which we are required to report.

Capital Grants (S106 grants)

The CIPFA Code and accompanying guidance notes specify the treatment of Capital grants, specifically in relation to S106 contributions. Section 2.3 of the code on Government and Non-Government Grants and the associated guidance notes state that each agreement should be reviewed individually to determine the appropriate accounting treatment. The same section further states that the grant or contribution should be recognised immediately if there are no conditions outstanding and gives further guidance to describe the difference between a restriction and a condition.

We tested a sample of S106 agreements and with reference to the guidance detailed above determined which grants contained a condition and should be treated as a capital grant receipt in advance and those which contained restrictions and should be transferred to the capital grants unapplied reserve. Our testing highlighted a number of agreements that had been accounted for as a Capital grant receipts in advance where there were no conditions present and as such should be transferred to the capital grants unapplied reserve. The authority has made an adjustment of £1.8m as a result of the factual misstatement. Additionally there is an unadjusted extrapolated difference of £3.9m.

There were no misstatements greater than £9.9m (our materiality level) which have been corrected by management.

A small number of other non material amendments were made to disclosures appearing in the financial statements as a result of our work.

Executive Summary

Other reporting issues

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

We have not yet been able to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance will be available in December 2021. Therefore the 2020/21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020/21 will necessarily follow any changes HMT make to the DCT and process.

We have no other matters to report.

Areas of audit focus

In our audit planning report we identified a number of key areas of focus for our audit of the financial report of London Borough of Merton. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error	<p>As at 25 October 2021 our planned work in this area is complete.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override; instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Authority's normal course of business.</p>
Inappropriate capitalisation of revenue expenditure	<p>Our sample testing of additions to Property Plant and Equipment and REFCUS:</p> <ul style="list-style-type: none"> • Found costs had been correctly classified as capital and included at the correct value. • Did not identify any revenue items that were incorrectly classified as capital. <p>Our review of judgements taken by management found them to be reasonable.</p>
Significant Risk	Findings & Conclusions
Valuation of Land and Buildings	<p>Our work in this area remains in progress as at 25 October 2021. Further details are set out in Section 2 of this report.</p>

Executive Summary

Areas of audit focus (continued)

Area of audit focus / Inherent risk	Findings & Conclusions
Going Concern	<p>Management produced a going concern assessment. This was supported by cash flow forecasts through to March 2023. We reviewed the cashflow for reasonableness and the assumptions that underpinned them. We also reviewed and further challenged the going concern disclosure made by the Authority, checking for consistency with our knowledge of the Authority and the accounts.</p> <p>We are satisfied that it is an adequate reflection of management’s assessment that it remains appropriate to prepare the financial statements on a going concern basis.</p>
National Non-Domestic Rates (NNDR) Appeals Provision	<p>Our work in this area is complete.</p> <p>The Authority has reviewed the figures provided by Analyse Local and made a local adjustment to reduce the value of the threats list by £5.8m, representing 50% of that suggested by Analyse Local.</p> <p>To evidence the reason for the reduction in provision the Authority has reviewed the top 25 properties by rateable value and identified that 50% of those threats would be unsuccessful. We have substantiated these explanations and as there is coverage across a number of property subclasses can take comfort that this is representative of the remaining population and conclude the local adjustment is reasonable.</p>
Accounting for Covid-19 related government grants	<p>Based on our work we are satisfied that the accounting treatment adopted for Covid-19 related government grants accorded with the Authority’s assessment of whether it was acting as agent or principal, the underlying conditions of the grant and whether those conditions had been met.</p> <p>Our testing highlighted adjustments of £2.7m where the Authority had accounted for Covid-19 grants acting as agent but were in fact acting as principal.</p>
Pension Liability and Asset Valuation	<p>Our work in this area is complete. There were two low value adjustments to the valuation of fund liabilities on Merton Pension Fund due to a late adjustment to the valuation of level 3 investments. As these netted off no adjustment was required to the Authority’s financial statements.</p>

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Control observations

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

We have not identified any significant control deficiencies as part of the audit process, but we have identified one deficiency that we wish to draw to your attention in relation to the council tax and NNDR debtors reconciliation to the general ledger.

Independence

Please refer to Section 08 for our update on Independence.



02 Areas of Audit Focus



Areas of Audit Focus

Fraud risks

Misstatements due to fraud or error

What is the risk?

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

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

We identify and respond to this fraud risk on every audit engagement.

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

We:

- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Gained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.

We also performed mandatory procedures which we are required to undertake regardless of specifically identified fraud risks. We:

- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Assessed accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk relating to the revaluation of PPE, IP & surplus assets and pension liability and asset valuation.
- Evaluated the business rationale for significant unusual transactions.

We utilised our data analytics capabilities to assist with our work.

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

What are our findings & conclusions?

As at 25 October 2021 our testing in this area is complete.

Based on our work completed to date we have not identified any:

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



Fraud risks (continued)

Inappropriate capitalisation of revenue expenditure

What is the risk and potential impact on the financial statements?

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

- Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- 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 REFCUS in the financial statements.

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

We:

- Tested additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- Considered the need to test REFCUS to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources. However, we note that expenditure capitalised as REFCUS was well below our performance materiality level so there was no requirement to undertake any detailed testing.
- Sought 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.

In testing the capitalised expenditure we focused on the following judgements:

- We sought to gain assurance the capitalised spend clearly enhanced or extended the useful life of assets rather than simply repairing or maintaining the assets on which it was incurred.
- We sought to gain comfort that any development or other related costs that were capitalised were reasonable to capitalise i.e. the costs incurred were directly attributable to bringing the asset into operational use.

We sought to utilise our data analytics capabilities to assist with our work, including journal entry testing.



Fraud risks (continued)

What are our findings & conclusions?

Our sample testing of additions to PPE:

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

Our review of judgements taken by management found that:

- Where relevant the capitalised spend clearly enhanced or extended the useful life of assets rather than simply repairing or maintaining the assets on which it was incurred.
 - Other capitalised costs were directly attributable to bringing assets into operational use.
- Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure to capital codes.



Significant risk

Valuation of Land and Buildings

What is the risk and potential impact on the financial statements?

The fair value of land and buildings represents a significant balance in the Authority'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 Authority 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.

If land and buildings are incorrectly valued this could have the impact of understating or overstating the carrying value of assets and income and expenditure by a material amount.



Areas of Audit Focus

Significant risk

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

We:

- Considered the work performed by the Authority's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample tested key asset information used by the valuer in performing its valuation (e.g. floor plans to support valuations based on price per square metre) and challenged the key assumptions used by the valuer.
- Tested accounting entries have been correctly processed in the financial statements.
- Ensured that appropriate disclosure had been made in the accounts concerning the possibility of 'material uncertainty'.
- Commissioned EY Real Estates (EYRE), our internal specialists on asset valuations, to consider the valuation approach in more detail for a sample of assets. Sampling focussed on:
 - Assets more susceptible to the market volatility brought about by C-19. We consider this relates to assets carried at either fair value or EUV
 - Asset categories where errors were noted in the prior year.
 - Other significant classes of assets, for example schools, where we have no prior year knowledge of the approach of the new external valuer and there had been significant changes in the carrying value of assets from the prior year.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements

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What are our findings & conclusions?

As at 25 October 2021 our work in this area remains in progress.

We have received the report from EYRE and are undertaking the work to follow up on the queries they have raised as some of the assets are outside of the acceptable valuation range determined by them as our auditor expert. We are also considering the impact of the report on the testing undertaken by the local audit team and performing additional procedures to ensure we are satisfied with the assumptions used in the valuation of the assets.



Areas of Audit Focus

Area of audit focus

Going Concern (Inherent Risk)

What is the risk?

There is a presumption that the Authority will continue as a going concern for the foreseeable future. However, the Authority 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 there was a need for the Authority to ensure its going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive.

The Authority was also 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 did we do and what judgements did we focus on?

We:

- Challenged management's identification of events or conditions impacting going concern.
- Tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewed the Authority's cashflow forecast covering the foreseeable future to ensure that it has sufficient liquidity to continue to operate as a going concern, including an assessment of any underlying need to borrow.
- Undertook a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, in drawing our conclusions on going concern.
- Challenged the disclosure made in the accounts in respect of going concern and any material uncertainties.

What are our findings & conclusions?

Management produced a going concern assessment. This was supported by cash flow forecasts through to March 2023. We reviewed the cashflow for reasonableness and the assumptions that underpinned them.

We also reviewed and further challenged the going concern disclosure made by the Authority, checking for consistency with our knowledge of the Authority and the accounts.

We are satisfied that it is an adequate reflection of management's assessment that it remains appropriate to prepare the financial statements on a going concern basis.



Areas of Audit Focus

Area of audit focus

National Non-Domestic Rates (NNDR)
Appeals Provision
(Inherent risk)

What is the risk?

Statistics compiled by the Ministry for Housing, Communities and Local Government, reveal that authorities 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 Authority's NNDR appeals provision.

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

We considered the Authority's estimation of the NNDR appeals provision by

- Reviewing the assumptions made by the Authority's NNDR appeals provision specialist Analyse Local; and
- Assessed the reasonableness of any local adjustments made by the Authority on the NNDR appeals provision

What are our findings & conclusions?

As at 25 October 2021 our planned work in this area is complete.

The collection fund contains a provision of £16.4m for the estimated cost of appeals against NNDR charges which may be settled in future years. The provision consists of £5.9m of threats, £6.6m of challenges from the 2017 appeals list and £3.9m from the 2010 appeals list, The Authority's share of this provision is £4.9m (30%).

We have assessed managements expert and reviewed the inputs they have used in formulating the provision and have no issues to report.

Further to this the Authority has reviewed the figures provided by Analyse Local and made a local adjustment to reduce the value of the threats list by £5.8m, representing 50% of that suggested by Analyse Local.

We challenged management as to the basis of this reduction and to evidence the reason for the reduction in provision the Authority has reviewed the top 25 properties by rateable value and identified that 50% of those threats would be unsuccessful. We have substantiated these explanations and as there is coverage across a number of property subclasses can take comfort that this is representative of the remaining population and therefore the reduction in provision is reasonable.



Areas of Audit Focus

Area of audit focus

Accounting for Covid-19 related government grants (Inherent risk)

What is the risk?

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

We considered the Authority's judgement on material grants received in relation to whether it is acting as:

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

We sought to determine whether conditions were attached to the grant funding received and whether those conditions were met or not.

Considering the outcome of the above we considered the appropriateness of the accounting treatment for the grants, in particular whether the grants were correctly classified, and whether associated disclosure were also accurate.

What are our findings & conclusions?

Based on our work we are satisfied that the accounting treatment adopted for Covid-19 related government grants accorded with the Authority's assessment of whether it was acting as agent or principal, the underlying conditions of the grant and whether those conditions had been met.

Our testing highlighted adjustments of £2.7m where the Authority had accounted for Covid-19 grants acting as agent but were in fact acting as principal. Following our identification of errors in the classification of the grants as agent/principal, the Authority undertook a detailed review of all Covid-19 grants to confirm whether the judgements made when preparing the accounts were accurate. We carried out additional testing of the Authority's work and this gave us the assurance that the total adjustment was reasonable.



Areas of Audit Focus

Area of audit focus

Pension Liability and Asset Valuation
(Inherent risk)

What is the risk?

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

The Authority's pension liability is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2021 this totalled £340m in the draft financial statements.

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

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.

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

We:

- Liaised with the auditors of Merton Pension Fund, to obtain assurances over the information supplied to the actuary in relation to 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 Authority's financial statements in relation to IAS19.

We also considered outturn information available at the time we undertook our work after production of the Authority's draft financial statements, for example the year-end actual valuation of pension fund assets. We used this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments were required.

What are our findings & conclusions?

As at 25 October 2021 our planned work in this area is now complete.

We previously reported that an issue had arisen across all local government audits that needed to be resolved prior to us being able to fully conclude our work. This was in relation to the impact of the revised auditing standard on accounting estimates. We planned to take an audit approach to this estimate based on procedures to evaluate management's process. The revised standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, were able to access the detailed models of the actuaries in order to evidence these requirements. We therefore modified our planned approach and undertook alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. The results of this exercise showed the actuarial estimate to be reasonable.

There were two low value adjustments to the valuation of fund liabilities on Merton Pension Fund due to a late adjustment to the valuation of level 3 investments. As these netted off no adjustment was required to the Authority's financial statements.



03 Audit Report



Audit Report

Draft audit report

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

Our opinion on the financial statements

Opinion

We have audited the financial statements of the London Borough of Merton for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement and the related notes 1 to 43,
- Collection Fund and the related notes 1 to 6

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of the London Borough of Merton and Group as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Corporate Services use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern until March 2023.

Our responsibilities and the responsibilities of the Director of Corporate Services with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.



Audit Report

Draft audit report

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

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts 2020/21. The Director of Corporate Services is responsible for the other information contained within the Statement of Accounts 2020/21.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects



Audit Report

Draft audit report

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

Our opinion on the financial statements

Responsibility of the Director of Corporate Services

As explained more fully in the Statement of the Director of Corporate Services' Responsibilities set out on page 188, the Director of Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Director of Corporate Services is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so. The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992,
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.



Audit Report

Draft audit report

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

Our opinion on the financial statements

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how the London Borough of Merton is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations.

Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified the inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

- To address our fraud risk of management override of controls, we tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; assessed accounting estimates for evidence of management bias; and evaluated the business rationale for significant unusual transactions.

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



Audit Report

Draft audit report

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

Our opinion on the financial statements

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the London Borough of Merton had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the London Borough of Merton put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our work on value for money arrangements.

Use of our report

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



04 Audit Differences





Audit Differences

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

Summary of adjusted and uncorrected differences

Our audit testing identified one unadjusted difference which is explained below.

The CIPFA Code and accompanying guidance notes specify the treatment of Capital grants, specifically in relation to S106 contributions. Section 2.3 of the code on Government and Non-Government Grants and the associated guidance notes state that each agreement should be reviewed individually to determine the appropriate accounting treatment. The same section further states that the grant or contribution should be recognised immediately if there are no conditions outstanding and gives further guidance to describe the difference between a restriction and a condition.

We tested a sample of S106 agreements and with reference to the guidance detailed above determined which grants contained a condition and should be treated as a capital grant receipt in advance and those which contained restrictions and should be transferred to the capital grants unapplied reserve. Our testing highlighted a number of agreements that had been accounted for as a Capital grant receipts in advance where there were no conditions present and as such should be transferred to the capital grants unapplied reserve. The authority has made an adjustment of £1.8m as a result of the factual misstatement. We undertook additional sample testing to determine the maximum potential difference in the 2020/21 accounts. This testing determined that there is an unadjusted extrapolated difference of £3.9m.

We will seek management representation for this unadjusted difference.

There were no misstatements greater than £9.9m which have been corrected by management.

A small number of other non material amendments were made to disclosures appearing in the financial statements as a result of our work.



05

Value for Money



Value for money

The Authority's responsibilities for value for money (VFM)

The Authority 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 Authority 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 Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the Cipfa code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

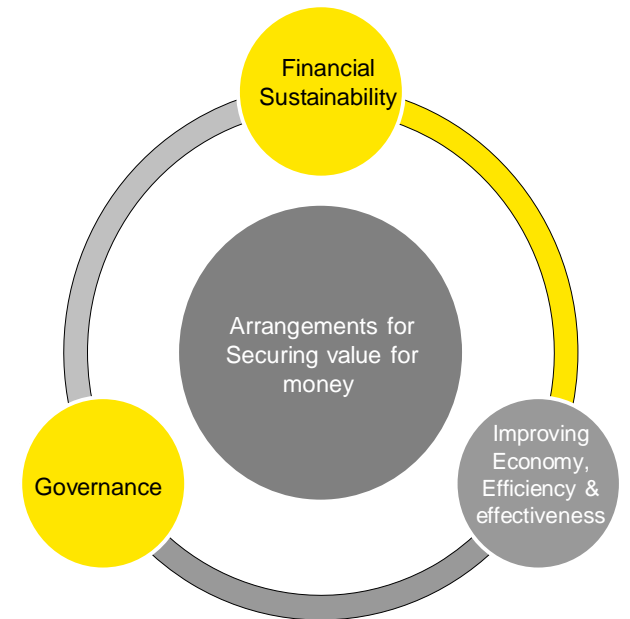
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Risk assessment

In the outline Audit Planning Report presented to the Standards and General Purposes Committee in March 2021, we reported that we were yet to complete our value for money (VFM) risk assessment. We subsequently completed our planning risk assessment and did not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness. As a result, we have completed our planned VFM procedures.

We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report. There are no issues arising that impact on our audit opinion.





06 Other reporting issues

Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited financial statements. We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no matters to report as a result of this work.

We have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the NAO.

We have not yet been able to perform the procedures required by the NAO on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance is expected to be available in December 2021.

Therefore the 2020/21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020/21 will necessarily follow any changes HMT make to the DCT and process.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We have no matters to report.

Other reporting issues

Other matters

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

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

We have nothing to report.



07

Assessment of Control Environment

Assessment of Control Environment

Assessment of Control Environment

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed and we considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely.

As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware, but wish to draw the following issue to your attention.

Council Tax and NNDR Debtors

When undertaking the testing of council tax and NNDR Debtors we identified unreconciled differences between the Civica system and the general ledger. Whilst the balances were not material, council tax £0.9m and NNDR £1.4m, these differences have increased in 2020/21 and we would expect a full reconciliation to be undertaken routinely throughout the year.

Recommendation

The Authority should investigate the underlying reason and fully reconcile the debtor differences between Civica and the general ledger.



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8 Independence

Relationships, services and related threats and safeguards

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

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table below sets out a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute.

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

Page	Final proposed fee 2020/21	Planned fee 2020/21	Final Fee 2019/20
	£	£	£
45	£110,493	£110,493	£110,493
Scale Fee – Code work Planned 2019/20 recurrent fee variation reflecting the underlying level of additional risk at the Authority yet to be agreed by the Authority or PSAA (See Note 1)	£102,541	£102,541	£102,541
Revised Proposed Scale Fee	£213,034	£213,034	£213,034
Risk based fee variations (see Note 2)	TBC	TBC	£36,300
Code of Audit Practice 2020 and updated auditing and accounting standards 2020/21 (see note 3)	£14,400	-	-
Total Fees	TBC	TBC	£249,334

Note 1 - In order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we undertook additional work at a fee of £102,541 to deliver the audit in 2019/20 which reoccurred in 2020/21 and we expect to reoccur in subsequent years. This additional fee has not been agreed with the Authority and is yet to be approved by PSAA.

Note 2 - The 2019/20 risk based fees have been agreed with the Director of Corporate Services but are yet to be fully approved by PSAA. We are yet to fully quantify 2020/21 risk based fee variations and agree them with the Authority. We will provide an update in due course.

Note 3 - The impact on audit fees of the new requirements in the Code of Audit Practice 2020 and new or updated auditing and accounting standards for 2020/21 audits as set out in the Additional information for 2020/21 audit fees issued by PSAA in August 2021. This paper sets out agreed fee ranges for the new requirements. For London Borough of Merton we determined this to be £10,000 for VFM and £4,400 in relation to the new estimates standard ISA540. This does not cover the additional work in relation to additional pensions assurance which was identified in September 2021.

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 end 30 June 2020:

[EY UK Transparency Report 2020 | EY UK](#)



9

Appendices

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded

Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework





Page 18 There were no significant changes to our audit approach apart from the additional work we were required to undertake to address the requirements of the new auditing standard on accounting estimates. This primarily impacted out audit procedures on:

- The revaluation of land and buildings classified as Property, Plant and Equipment (PPE), Investment Property (IP) and Surplus Assets.
- Pension liability and asset valuation.





Appendix B

Required communications with the Standards and General Purposes Committee

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

			 Our Reporting to you
Required communications	 What is reported?	  When and where	
Terms of engagement	Confirmation by the Standards and General Purposes Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies	
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	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 (updated November 2021)	

Appendix B

		 Our Reporting to you
Required communications	 What is reported?	  When and where
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 • Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Standards and General Purposes Committee responsibility. 	Audit Results Report, September 2021 meeting of the Standards and General Purposes Committee (updated November 2021)
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 (updated November 2021)
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <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 	Outline Audit Plan, March 2021 meeting of the Standards and General Purposes Committee Audit Results Report, September 2021 meeting of the Standards and General Purposes Committee (updated November 2021)

Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty related to going concern • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The appropriateness of related disclosures in the financial statements 	Audit Results Report, September 2021 meeting of the Standards and General Purposes Committee (updated November 2021)
Misstatements	<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 • Material misstatements corrected by management 	Audit Results Report, September 2021 meeting of the Standards and General Purposes Committee (updated November 2021)
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit Results Report, September 2021 meeting of the Standards and General Purposes Committee (updated November 2021)
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 (updated November 2021)
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit Results Report, September 2021 meeting of the Standards and General Purposes Committee (updated November 2021)

Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	Audit Results Report, September 2021 meeting of the Standards and General Purposes Committee (updated November 2021)
Group Audits	<ul style="list-style-type: none"> An overview of the type of work to be performed on the financial information of the components An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	<p>Outline Audit Plan, March 2021 meeting of the Standards and General Purposes Committee</p> <p>Audit Results Report, September 2021 meeting of the Standards and General Purposes Committee (updated November 2021)</p>
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit Results Report, September 2021 meeting of the Standards and General Purposes Committee (updated November 2021)
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report, September 2021 meeting of the Standards and General Purposes Committee (updated November 2021)
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 (updated November 2021)

Management representation letter

Management Rep Letter

Ernst & Young LLP
400 Capability Green
Luton
LU1 3LU
United Kingdom

This letter of representations is provided in connection with your audit of the financial statements of the London Borough of Merton ("the Group and Authority) for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Authority financial statements give a true and fair view of the Group and Authority financial position of London Borough of Merton as of 31 March 2021 and of its income and expenditure and its cash flows for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We acknowledge, as members of management of the Group and Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Group and Authority, we believe that the Group and Authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and Authority financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because

Management representation letter

Management Rep Letter

a. We consider the extrapolated difference on the treatment of S106 grants to be immaterial to the reader of the financial statements as this represents a balance sheet classification difference only.

6. We confirm the Group and Authority does not have securities (debt or equity) listed on a recognized exchange.

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

1. We acknowledge that we are responsible for determining that the Group and Authority's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

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

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

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

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Authority's financial statements;

- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Authority's activities, its ability to continue to operate, or to avoid material penalties;

- involving management, or employees who have significant roles in internal controls, or others; or

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

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

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

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

3. We have made available to you all minutes of the meetings of the Group, and Authority committees, including the Standards and general Purposes Committee held through the year to the most recent meeting on 21 September 2021.

Management representation letter

Management Rep Letter

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

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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

7. From the date of our last management representation letter dated 5 November 2020 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

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

E. Going Concern

1. Note 42 to the financial statements discloses all the matters of which we are aware that are relevant to the Group and Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than described in Note 42 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to year end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information included in the Statement of Accounts 2020/21, other than the financial statements and our auditor's report thereon.
2. We confirm that the content contained within the other information is consistent with the financial statements.

Management representation letter

Management Rep Letter

H. Estimates

a. Valuation of Property, Plant and Equipment

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

2. We confirm that the significant judgments made in making the valuation of assets have taken into account all relevant information and the effects of the COVID-19 pandemic on asset valuations of which we are aware.

3. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuations.

4. We confirm that the disclosures made in the consolidated and Authority financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic on the valuations, are complete and are reasonable in the context of the applicable financial reporting framework.

5. We confirm that appropriate specialized skills or expertise has been applied in making the valuations.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and Authority financial statements.

b. Retirement benefits

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

c. National non-domestic rates appeals provision

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21

2. We confirm that the disclosures made in the consolidated and Authority financial statements with respect to the accounting estimate are complete, including the effects of the COVID-19 pandemic and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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Merton Pension Fund Final Audit results report

Year ended 31 March 2021

25 October 2021

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Private and Confidential

25 October 2021

London Borough of Merton
Standards and General Purposes Committee
Civic Centre
Morden
SM4 5DX

Dear Committee Members
2021 Final Audit Results Report

We are pleased to attach our updated audit results report for the forthcoming meeting of the Standards and General Purposes Committee. This report summarises our audit conclusion in relation to the audit of Merton Pension Fund for 2020/21.

Subject to concluding the outstanding matters listed in our report, we anticipate issuing an unqualified audit opinion on the financial statements in the form at Section 3 of this report.

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

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

We welcome the opportunity to discuss the contents of this report with you at the Committee meeting on 4 November 2021.

Yours faithfully

E. Jackson.

Elizabeth Jackson
Associate Partner
For and on behalf of Ernst & Young LLP
Encl

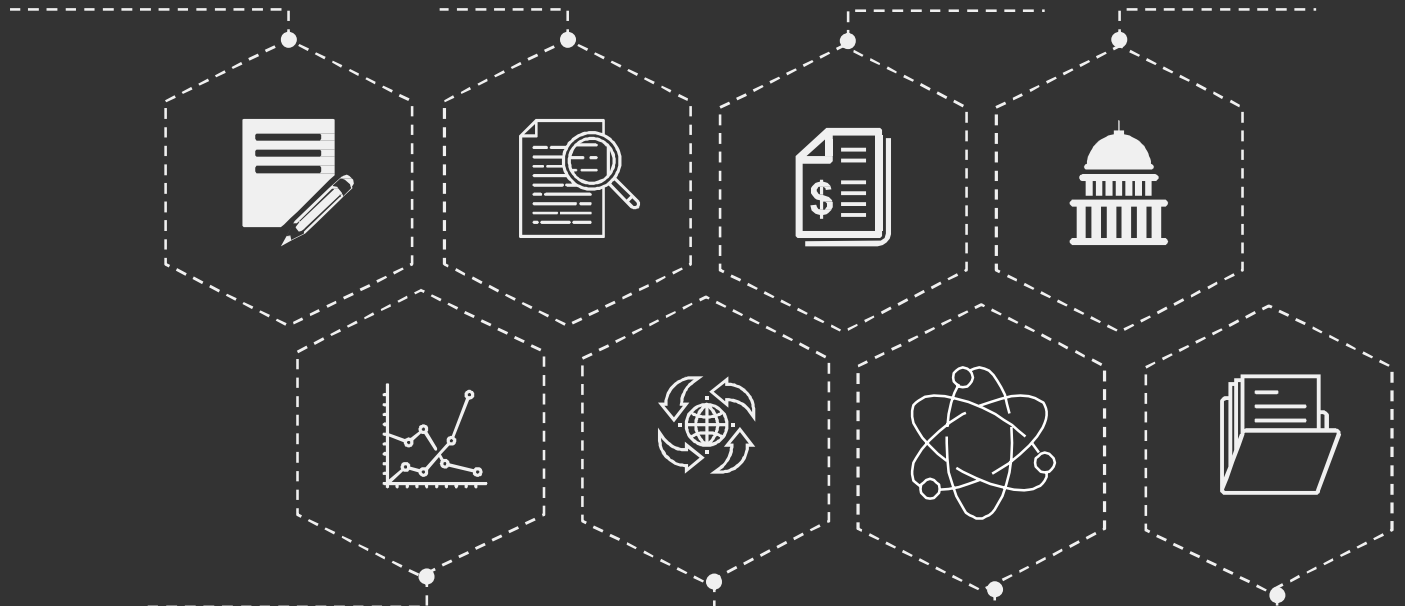
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities 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 Pension Fund 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 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 Standards and General Purposes Committee and management of the London Borough 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.



01 Executive Summary

Executive Summary

Scope update

In our audit planning report tabled at the 11 March 2021 Standards and General Purposes Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan with the following updates:

Auditing accounting estimates

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. In addition to the valuation of level 3 investments, which we have treated as areas of audit focus in our approach, we also consider IAS 26 disclosures as a higher inherent risk estimate. We do not consider this to be an area of audit focus as entries in the Fund's financial statements are disclosure only and have no impact on the Fund's primary statements of account.

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2021 No. 263, have been published and came into force on 31 March 2021. This announced a change to publication date for final, audited accounts from 31 July to 30 September 2021 for all relevant authorities.

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

	Planning materiality	Performance materiality	Audit differences
	Our planning materiality represents 1% of the prior year's net assets, consistent year on year.	Performance materiality represents 75% of planning materiality and is the top of our range, consistent year on year.	We will report all uncorrected misstatements relating to the primary statements (net asset statement and fund account) greater than 5% of planning materiality.
Planned	£6.9m	£5.2m	£0.345m
Final	£9.0m	£6.8m	£0.450m



Executive Summary

Scope update (continued)

Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but resulted in the following impact on our audit strategy were as follows:

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

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

Status of the audit

Our audit work in respect of the Fund opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Agreement of all final amendments to the financial statements and annual report
- Update of our subsequent events procedures to the date of our opinion
- Receipt of a signed letter of management representation

Subject to the satisfactory completion of these procedures and receipt of authorised financial statements we are proposing an unqualified opinion - see Section 3

Audit differences

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

Executive Summary

Areas of audit focus

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

Significant risk	Findings & conclusions
Misstatement due to Fraud or Error - Posting of investment journals	We have completed our testing and found no indications of management override of controls.
Other area of audit focus	Findings & conclusions
Going concern	<p>We have completed our work, including review of the disclosure and challenge and testing of management's assessment and supporting cash flow forecast.</p> <p>We are satisfied that it is an adequate reflection of management's assessment that it remains appropriate to prepare the financial statements on a going concern basis.</p>
Valuation of private debt and infrastructure investments	<p>We undertook additional procedures, as described more fully in Section 2 of this report, to gain material assurance over the year-end valuation of the Fund's private debt and infrastructure investments which are disclosed as level 3 in the fair value hierarchy and therefore inherently more difficult to value.</p> <p>There was a late adjustment to the valuations of Level 3 investment assets resulting in a £1.4m understatement of the fund. Management have subsequently amended this.</p>

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

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

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



Executive Summary

Control observations

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

Other reporting issues

We have no other matters to report.

Independence

Please refer to Section 7 for our update on Independence.

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

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

We identify and respond to this fraud risk on every audit engagement.

We have considered where this risk manifests and we consider this to be in the manipulation of Investment income and valuation of assets (see slide 11).

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What did we do?

- To address this risk we confirm that we have performed the following procedures:
- We inquired of management about risks of fraud and the controls put in place to address those risks;
 - We obtained an understanding the oversight given by those charged with governance of management's processes over fraud;
 - We considered the effectiveness of management's controls designed to address the risk of fraud;
 - We performed mandatory procedures regardless of specifically identified fraud risks, including:
 - testing of journal entries and other adjustments in the preparation of the financial statements;
 - reviewing accounting estimates for evidence of management bias; and
 - evaluating the business rationale for significant unusual transactions.
 - We utilised our data analytics capabilities to assist with our work, including journal entry testing; and
 - We assessed journal entries for evidence of management bias and evaluate for business rationale.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Fund's normal course of business.



Areas of Audit Focus

Significant risk

Risk of manipulation of Investment income and valuation

What is the risk?

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

What judgements are we focused on?

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

What did we do?

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

What are our conclusions?

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

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Areas of Audit Focus

Area of audit focus

Valuation of private debt and infrastructure investments

What is the risk?

We consider the valuation of Level 3 investments to be of a higher degree of inherent risk due to the unobservable inputs making up the valuations. This involves a high degree of estimation from the fund manager as audited accounts supporting the valuation are only produced up to Quarter 3 of the financial year.

What judgements are we focused?

The Fund's private debt and infrastructure investments are categorised as being at level 3 in the fair value hierarchy. This is due to the uncertainty associated with the valuation of such investments and the absence of a liquid market, meaning that the valuations are not based on observable inputs. As a result of this we undertook additional procedures to gain assurance over the carrying value of these investments disclosed in the financial statements. We set our detailed audit approach and findings on the following page.

What are our conclusions?

We have noted that management made a late adjustment to the financial statements to increase the value of Level 3 investments by £1.4m.

This was to ensure the financial statements agreed to updated information received from Private market investments.

No other issues noted.



Areas of Audit Focus

Area of audit focus



Valuation of level 3 investments - further details on procedures/work performed

We:

- Triangulated the valuation reports from the fund managers and custodians to the entries in the financial statements.
- Obtained audited financial statements supporting the investments, controls assurance reports and bridging letters for the controls reports to year end.
- Considered the work performed by the fund managers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Challenged the key assumptions used by the fund managers in valuations and considered further whether specialist support is needed to support our work in this area. We concluded no such further support was necessary.
- Tested accounting entries had been correctly processed in the financial statements.

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Audited financial statements supporting valuations were only available to 31 December 2020. We evaluated those financial statements to gain assurance that:

- The audit report was not qualified or otherwise modified.
- The audit report did not contain material uncertainties in respect of going concern and that there were no other matters emphasised that would impact valuation.
- The audit report was issued by a reputable auditor.

We also evaluated controls assurance reports to gain assurance they were not qualified and there were no specific control failures that could impact the valuation of investments.

To gain assurance over the valuation of level 3 investments at the Net Asset Statement date of 31 March 2021, we:

- Agreed the net asset value of private debt and infrastructure investments to underpinning audited financial statements as at 31 December. We then adjusted the 31 December 2020 valuation for known calls and puts in the final quarter of the year assuming they occurred at the start of the quarter.
- Used available quarter 3 to 4 indices relevant to the type of investment to create a high/low range of movements for quarter 4 and applied that to the valuation derived for each investment. We confirmed that the range established was not greater than our performance materiality.
- We compared the valuation in the financial statements to the range established to gain assurance investments values in the financial statements were not materially outside the expected range.



Areas of Audit Focus

Area of audit focus

Going concern

What is the risk?

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 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 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.

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

We:

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

What are our conclusions?

We are satisfied with management's assessment that it is appropriate for the financial statements to be prepared on a going concern basis which is reasonable and supported by evidence, including a cashflow forecast, for the foreseeable future.

We are also satisfied that the disclosure in the financial statements meets the requirements of the revised auditing standard.



03 Audit Report



Audit Report

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

Our opinion on the financial statements

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2021 and the amount and disposition of the fund's assets and liabilities as at 31 March 2021, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Corporate Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Corporate Services with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

- The other information comprises the information included in the London Borough of Merton Statement of Accounts 2020/21, other than the financial statements and our auditor's report thereon. The Director of Corporate Services is responsible for the other information contained within the Statement of Accounts 2020/21.
- Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.



Audit Report

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

Our opinion on the financial statements

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

Responsibility of the Director of Corporate Services

As explained more fully in the Statement of the Director of Corporate Services Responsibilities set out on page 188, the Director of Corporate Services is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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



Audit Report

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

Our opinion on the financial statements

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.

We understood how the London Borough of Merton Pension Fund is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of minutes, review of policies and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and opportunities for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures we identified the manipulation of investment income and valuation to be our fraud risk.

To address our fraud risk we tested the consistency of the investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements. We also undertook a review of reconciliations to the fund manager and custodian reports and assessed journal entries for evidence of management bias and evaluated for business rationale using specific criteria we considered to be relevant to the risk. We evaluated significant transactions and estimates for evidence of management bias.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business.

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



Audit Report

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

Our opinion on the financial statements

Use of our report

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



04 Audit Differences





Audit Differences

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

Summary of adjusted and uncorrected differences

There were no audit differences greater than £6.8m which have been corrected by management or other specific misstatements identified during the course of our audit which we wish to draw to your attention.

Two lower value audit differences above relating to amendments to valuation of investment assets, and a number of disclosure amendments were made as a result of our work.

There were no uncorrected audit differences.



05 Other reporting issues

Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the London Borough of Merton Pension Fund Annual report and the audited Financial Statements 2020/21 included within the London Borough of Merton Financial Statements 2020/21.

We are satisfied that the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of the London Borough of Merton for the year ended 31 March 2021.

Our work in this area is ongoing.

Other powers and duties

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

Other matters

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



06

Assessment of Control Environment



Assessment of Control Environment

Financial controls

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

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

We have not identified any significant deficiencies in internal control.



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07

Independence

Relationships, services and related threats and safeguards

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

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table below sets out a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute.

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

	Planned fee 20/21	Final Fee 2019/20
	£	£
Scale Fee - Code work (1)	16,170	16,170
Significant risk relating to US currency hedge	-	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	TBC	32,920

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 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.

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 end 30 June 2020:

[EY UK Transparency Report 2020 | EY UK](#)



08 Appendices

Audit approach update

We summarise below our approach to the audit of the net asset statement and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:




- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded

Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

There were no significant changes to our audit approach, but we did undertake more granular procedures to gain assurance over the valuation of both level 3 investments and the IAS 26 disclosure of the actuarial present value of promised retirement benefits disclosed as a note to the accounts.

Appendix B

Summary of communications

Date 	Nature 	Summary 
March 2021	Meeting	Agreement of the significant risks, planned scope, timing of the audit and indicative audit plan with the Director of Corporate Services.
September 2021	Meeting	Discussion regarding the key findings from our audit of the financial statements and agreement of the audit results report with the Assistant Director of Resources.
Throughout the year	Meetings, calls and emails.	The Associate Partner and Senior Manager has been in regular contact with the Director of Corporate Services and the in respect of the Fund's risks, accounts closedown and the audit approach.
Throughout the year	Meetings, calls and emails.	<p>The Associate Partner has met the Director of Corporate Services on an ad hoc basis throughout the year to discuss key audit findings and reporting up to the date of issue of this report.</p> <p>Additionally two meetings were held to facilitate the handover of the engagement to the new Associate Partner and Senior Manager.</p>
All Standards and General Purposes Committee meetings held in the year	Committee attendance	<p>The Associate Partner and/or Senior Manager have attended those meetings of the Standards and General Purposes Committee held throughout the financial year and to the date of issue of this report.</p> <p>Specific reports issued and communications with the Committee are detailed in Appendix C.</p>




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In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Appendix C

Required communications with the Standards and General Purposes Committee

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

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Standards and General Purposes Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan – dated February 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan – dated February 2021
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report – dated September 2021



Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Merton Pension Fund’s ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	Audit Results Report – September 2021
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the Standards and General Purposes Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial 	Audit Results Report – September 2021 and up to date of our report.
Fraud	<ul style="list-style-type: none"> • Enquiries of the Standards and General Purposes Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Pension Fund • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Fund, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Standards and General Purposes Committee responsibility. 	Audit Results Report – September 2021

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Fund’s related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Pension Fund 	Audit Results Report – September 2021
Independence	<p>Communication of all significant facts and matters that bear on EY’s, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors’ objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit 	Audit Plan – dated February 2021 and Audit Results Report – September 2021

Appendix C

Required communications	 What is reported?	 When and where
	<ul style="list-style-type: none"> • Details of any inconsistencies between the Ethical Standard and the Fund's policy for the provision of non-audit services, and any apparent breach of that policy • Details of any contingent fee arrangements for non-audit services • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit. 	Audit Results Report - September 2021

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit Results Report – September 2021
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report – September 2021
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor’s report 	Audit Results Report – September 2021
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Plan – dated February 2021 and Audit Results Report – September 2021

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Draft management representation letter

Management Rep Letter

This letter of representations is provided in connection with your audit of the financial statements of the London Borough of Merton Pension Fund (“the Fund”) for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2020 to 31 March 2021 and of the amount and disposition of the Fund’s assets and liabilities as at 31 March 2021, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and are free of material misstatements, including omissions. We have approved the financial statements.

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

5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible for determining that the Fund’s activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

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

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

4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.

Draft management representation letter

Management Rep Letter

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5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.

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

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund’s financial statements
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

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

2. You have been informed of all changes to the Fund rules.

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

4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund held throughout 2020/21 to the most recent meeting.

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

6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.

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

8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

9. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Draft management representation letter

Management Rep Letter

10. From the date of our last management representation letter at 5 November 2020 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

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

E. Going Concern

1. Note 2.1 to the financial statements discloses all the matters of which we are aware that are relevant to the Company's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

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

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the London Borough of Merton Pension Fund Annual Report 2020-21.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Independence

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

I. Derivative Financial Instruments

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

Draft management representation letter

Management Rep Letter

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

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

K. Actuarial valuation

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

L. Use of the Work of a Specialist

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

M. Valuation of Fair Value Hierarchy Level 3 Investment Assets Estimate

1. We confirm that the significant judgments made in making the fair value hierarchy level 3 investment asset valuation estimate have taken into account all relevant information and the effects of the COVID-19 pandemic on the valuation of fair value hierarchy level 3 investment assets of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the fair value hierarchy level 3 investment asset valuation estimate.

3. We confirm that the significant assumptions used in making the fair value hierarchy level 3 investment asset estimate appropriately reflect our intent and ability to carry out the valuation on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic on the valuation of fair value hierarchy level 3 investment assets, are complete and are reasonable in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

5. We confirm that appropriate specialised skills or expertise has been applied in making the valuation of fair value hierarchy level 3 investment asset estimate.

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

N. Estimation of IAS26 present value of promised retirement benefits

1. We confirm that the significant judgments made in making the IAS26 estimate have taken into account all relevant information and the effects of the COVID-19 pandemic on the present value of promised retirement benefits of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the IAS26 estimate.

3. We confirm that the significant assumptions used in making the IAS 26 estimate appropriately reflect our intent and ability to carry out the valuation on behalf of the entity.

Caroline Holland, Director of Corporate Services

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

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Committee: Standards and General Purposes Committee

Date: 4 November 2021

Wards: All Wards

Subject: Internal Audit Progress report 2021/22

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 progress of the Internal Audit Plan 2021/22

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 In March 2021, 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 September 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 Internal Audit Progress

- 3.1 The agreed deliverable audit days is 765 days, based upon the original audit plan which included 42 pieces of work. The table shown below summarises the progress of audit activity since April 2021.

2021/22 Audit Plan	Audits
Number of final audits	20
Number of audits at draft stage	5
Number of audits in progress	9
Audits - quarter 3	5
Audits– quarter 4	3
Total	42

3.2 Twenty-one audit assurance opinions have been issued since April 2021, categorised as follows:

- 1 (5%) **Full Assurance** audit opinion
- 17 (81%) **Substantial Assurance** audit opinions
- 3 (14%) **Limited Assurance** audit opinions
- 0 (0%) **No Assurance** audit opinions.

106 audit recommendations were issued to management, of which:

- 7 (7%) were Priority 1
- 82 (77%) were Priority 2
- 17 (16%) were Priority 3

3.3 The originally agreed audit plan may change as areas of higher risk are identified, or requirements to complete an investigation on an area of concern. Scheduled audit may then be moved to next year's audit plan.

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

3.5 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.

3.6 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.

3.7 The year-end position on all work undertaken during 2021/22, including any third-party assurances, will be evaluated, and reported in July 2022 and used to determine the Head of Audit's annual opinion on the Council's internal control environment.

Advisory reviews

3.8 Internal Audit undertake advisory reviews as well as signing off grant claims and accounts. To date the following accounts and grant returns have been reviewed and signed off by the Head of Internal Audit.

- Merton and Sutton Joint Cemetery account
- Mayors accounts
- Compliance and Enforcement grant

3.9 The work currently undertaken as advisory reviews are: -

- Departmental schemes of managements – advisory report issued.

- Financial procedures and Financial Regulations – advisory work and input for an on-going review, being undertaken by Finance.
- Co-ordinate the Councils Annual Governance Statement (input from all areas of the Council, self-assessments from Directors and Assistance Directors on the Internal Control's and Governance arrangements in place in their areas of responsibility)
- Attendance at the Corporate Risk Management Group
- Lead on the Whistleblowing Monitoring group (Head of Audit, Monitoring Officer, Head of HR and Legal). Co-ordinator of whistleblowing register.
- Other ad-hoc advice on all potential fraud concerns and weaknesses in internal control. Anti-fraud policies review and update.

Limited Assurance reviews

3.10 Since April 2021, we have issued three Limited assurance report, which were reported to the July 2021 Standards and General Purposes Committee. There have been no Limited audit assurance reports finalised since we last reported, and no audits completed where a Priority 1 recommendation was raised.

An update is provided below on progress of outstanding Priority 1 audit actions, on previously issued limited assurance reports.

Progress of Priority 1 audit actions

3.11 We currently have thirteen Priority 1 actions outstanding, with seven actions for audits completed prior to 2021/22 and six actions for reports issued since April 2021. An update on progress of all outstanding Priority 1 actions is detailed below.

Limited Assurance reports issued prior to 2021/2, with outstanding Priority 1 audit actions.

Audit	Final report date	Number of Priority 1 recommendations	No of P1's outstanding
Building Control	5/8/20	3	3
No Recourse to Public funds (Community and Housing)	23/10/20	2	1
PCI compliance	20/12/19	3	3

Limited Assurance reports issued in 2021/22, with outstanding Priority 1 audit actions.

Audit	Final Report Date	No of P1 recommendations	No of P1's outstanding
Disclosure Barring Service checks	28/5/21	2	2
Care Management System (CM2000)	16/6/21	4	4

Update on the outstanding Priority 1 audit actions

3.12 Building Control (previously reported to September 2020 and July 2021 Committee).

Agreed Action	Management Response (Oct 21)	Target date
The building control surveyor should not be the same officer involved in agreeing the invoices, undertaking site inspections, reviewing the applications for approval, updating the M3 system and issuing the completion certificate. The lack of separation of duties in the work undertaken by building control surveyors should be reviewed and an appropriate separation in approval processes or a peer review process introduced.	A review of the Building Control team was undertaken by LABC earlier in the year. This contains a significant number of recommendations which need to be reviewed and where possible implemented. Currently, the BC Team Leader post is vacant, although temporarily covered on a casual basis. Until this post is filled and the structure of the team reviewed and strengthened, it will not be possible to comply with this recommendation.	31/3/22
The Charges Regulation require local authorities to publish a financial statement relating to the Building Regulations Chargeable and non-chargeable Accounts not more than six months after the end of the financial year to which the statement relates. This statement must be approved by the section 151 Officer. It is expected that the charging system will provide a more accurate and fairer charge based on the actual cost of providing the service, reducing the potential overcharge and large surpluses. Also, lead to greater and more effective completion between Councils and private sectors competitors. The Building Control Service have not completed or published Building Control financial statements.	This has not been complied with due to staff turnover. Meetings are to be held with the new Service Financial Adviser for Corporate Services and Environment & Regeneration and the interim B&DC Manager to resolve this as soon as possible	31/12/21

As instructed in the Charges Regulations, the financial statements should be completed and signed by the Section 151 officer within 6 months of the end of the financial year		
<p>A full review of the processes and procedures relating to the BC52: Request for inspection fee form should be undertaken in order to ensure that this is effective and robust.</p> <p>The possibility of running a report from M3 of all BC52 forms printed, and all outstanding fees held in M3 should be investigated in order to aid the reconciliation of income.</p> <p>A full system reconciliation should be established and undertaken regularly to ensure that the BC52 requests for inspection fees have been recorded correctly on M3, submitted to finance for payment and payment subsequently received on E5.</p>	<p>This has been partially complied with and outstanding fees recovered. However, to fully undertake all of this requirement, it is necessary to ensure that the Team Leader post is filled and the team reviewed and strengthened, in line with the outcomes of the LABC report.</p>	31/3/22

3.13 No Recourse to Public funds (Community and Housing) (reported to March and July 2021 committee)

Agreed Action	Management Response	Target Date
<p>Social Workers must be reminded of the need to create a new case on the NRPF Connect database and to obtain updates from the Home Office on client's immigration status whilst the client remains in receipt of NRPF support. A review of the NRPF Connect database must also be carried out to ensure that all clients in receipt of support are registered on the NRPF Connect database.</p>	<p>Information Project Manager will lead on update of the Mosaic system to ensure the system captures NRPF so that we can actively monitor this, and we shall have a regular report on this.</p> <p>Additional checks will be built into mosaic so that we can cross reference cases with the home office</p> <p>Delays in government guidance</p>	1/12/21

3.14 PCI compliance

Agreed Actions	Management Response (Oct 21)	Target date
An approve charter for the PCI DSS compliance programme should be put in place by management to include a	Adelante has replaced Civica ICON. Adelante is PCI compliant to level1, this is	31/12/21

<p>communication structure that ensures executive / senior managements are accountable for and aware of any compliance impacting risks on an ongoing basis.</p> <p>This should also include sets of metrics that summarises the performance of implemented security controls and compliance programme that can be reported to Senior Management monthly.</p>	<p>attested by Barclaycard and Adelante as a host. The PRISM scan for the LBM network is due to complete in late October 2021, PRISM are tied up with LBMIT. The target date for the Adelante SCAN is November/December 2021.</p>	
<p>Management should review the findings within the report produced by Prism Infosec and instigate a remediation project immediately.</p> <p>Following that, a second security review should be undertaken to assess the effectiveness of any controls that have been implemented.</p>	<p>Adelante is PCI compliant to level1, this is attested by Barclaycard and Adelante as a host. The PRISM scan for the LBM network is due to complete in late October 2021, PRISM are tied up with LBMIT. The target date for the Adelante SCAN is November/December 2021.</p>	31/12/21
<p>Quarterly PCI scanning should be conducted by an Approved Scanning Vendor (ASV) to ensure that internal and external vulnerabilities are timely identified, and remedial actions are timely taken.</p>	<p>Adelante is PCI compliant to level1, this is attested by Barclaycard and Adelante as a host.</p> <p>The PRISM scan for the LBM network is due to complete in late October 2021, PRISM are tied up with LBMIT.</p> <p>The target date for the Adelante SCAN is November/December 2021.</p>	31/12/21

3.15 DBS (previously reported to July 2021 Committee)

Agreed Action	Management Response	Target date
<p>The following escalation process must be considered: -</p> <ul style="list-style-type: none"> • Email reminder must be sent to employees, their managers and ID checker three months before their DBS is due to expire if a renewal application has not been submitted (as per the current procedure). • Two months before the expiry date if the employee has still not submitted a renewal DBS application, the case must be escalated to their line manager. • One month before the expiry date if the employee has still not submitted a DBS 	<p>Joint response from Kingston and Merton:</p> <ul style="list-style-type: none"> • Kingston to automate process to e-mail line managers and staff member requiring the renewal check. Renewal reminder sent straight from iTrent at 90, 60 and 30 days before expiration. • Merton to go through School structures to ensure reporting lines are correct. • Kingston to update iTrent with a list of Schools Business 	1/12/21

<p>renewal application, the case must be escalated to the relevant Head or Service or Assistant Director</p> <p>Management information should be prepared showing the number of renewals outstanding and the age of these renewals; this report should be included with the HR regular reports to DMT.</p> <p>The agreed escalation process and the requirement to obtain a DBS renewal every three years should be documented.</p>	<p>Support Managers so the report goes directly to the applicant and the BSM rather than the line Manager.</p> <p><u>Updated comments Oct 2021.</u> The automation of renewal reminders has not been completed and will require a revised timeline of December 2021. We have amended the reporting lines for Schools so that the Schools Business Manager is the point of contact. Kingston have updated iTrent accordingly</p>	
<p>The Service Level Agreement in place since May 2016 should be reviewed in order to ensure that the DBS service provided to LB Merton is accurately reflected in the agreement.</p> <p>Where discrepancies are found, the agreement should be varied in accordance with the terms. (paragraph 15.1.1)</p> <p>A process must be put in place to ensure management information, as stipulated in the shared service agreement, is provided.</p>	<p><u>Updated Comments October 2021:</u></p> <p>Reports for DBS checks carried out for Merton can be run by Merton HR on the Action HR portal. Kingston has arranged access for the key individuals and gave an overview of how this is done.</p> <p>Training with a member of the Kingston Payroll team is yet to be arranged by Merton as the person who can deliver training is currently on Jury Service until 15 November (revised timeline Dec 21).</p> <p>Kingston have provided a report on the number of DBS checks carried out by the team</p> <p>Due to sickness Kingston have not yet managed to speak to Action HR regarding Customer satisfaction levels, new providers for Schools annually but this is likely to done annually in April each year so it won't be until April 22 that these will be produced.</p> <p>It has been decided to delay a report to CMT on Options for DBS in order to provide Kingston time to rectify issues and improve their service</p>	1/4/22

	offering (revised timeline of April 22)	
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3.15 CM2000 Home Care Monitoring (previously reported to July 2021 Committee)

Agreed Action	Management Response	Target date
Legal services should be contacted as soon as possible, with a view to correcting the error identified in the contract documentation.	Agreed and will be completed as part of work to ensure contracts are signed and sealed.	31/10/21
<p>The LBM guidance on sealing contracts advises that for services relating to vulnerable adults, consideration should be given to having a deed, even if the value of the contract is lower than £250,000.</p> <p>Legal services should be contacted for advice regarding the signing and sealing of the contracts.</p>	Agreed.	31/10/21
Whilst it is acknowledged that the use of CM may not be financially viable for all domiciliary care providers a review of current providers not using CM should be carried out as soon as possible. The review should consider the viability of each provider being required to use CM to record and monitor the care provided for LBM clients. Where the use of CM is found to be viable, the use of the system should be introduced as soon as possible.	Agreed and in progress. C&H DMT have agreed the methodology for identifying which providers CM should be rolled out to and a project plan is in place.	31/12/21
<p>Whilst it is acknowledged that there may be occasions when a care worker may not be able to use an opted in clients landline phone, the contract states: -</p> <p>“All and part-manually entered visit duration on opted-in customers will be subject to a 5% recharge of the total cost of those visits submitted.”</p> <p>To ensure compliance with the contract, the penalties for noncompliance as stated in the contract should be invoked.</p> <p>The possibility of the authority achieving significant savings in the event of contract compliance should also be considered.</p>	Partially agreed, as we need to balance our approach to invoking the 5% recharge with our wider market sustainability responsibilities, particularly in the context of the Pandemic. As part of the work to implement the new version of Finance Manager, and to roll out the CM solution to a wider group of Lot 4 & 5 providers we will document a clear set of business rules relating to the recharge and the steps to be taken prior to invoking this requirement.	31/12/21

4 Counter-Fraud and Investigations

- 4.1 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.
- 4.2 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.
- 4.3 A separate report is provided twice yearly by the SWLFP detailing the cases referred and the outcome of any investigations. The current caseload of the fraud partnership is detailed below.

Investigation Caseloads

- 4.4 Since April 2021, there have been 62 investigation cases closed with an action, as detailed below.
- **Tenancy fraud (4)** Three properties recovered due to subletting and one due to a false succession.
 - **Housing Applications Rejected: (55)** housing applications identified from the National Fraud Initiative, as no longer requiring housing have been removed from the waiting list..
 - **Permit fraud (1)** Investigation into the misuse of a child's blue badge, resulted in a warning and case has been closed
 - **Employee Fraud (1)** Agency employee dismissed as duplicate employment.
 - **Other (1)** Schools application denied as applicant gave an incorrect address to try and secure a school placement. Checks conducted showed that applicant was linked to an alternative address. Application dismissed.
- 4.5 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.
- 4.6 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.

6 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 2021/2022. 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 2021

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Audit Assurance Opinions: 2021/22

AUDIT TITLE	Department	FINAL DATE	ASSURANCE LEVEL				RECOMMENDATIONS			
			FULL	SUBSTANTIAL	LIMITED	NO	Priority 1	Priority 2	Priority 3	
1	Compliance and Enforcement grant	E&R	7/5/21	Y	-	-	-	-	-	-
2	Role of the Operational Procurement Groups	All	13/5/21	-	Y	-	-	-	8	-
3	Mascot Centre	C&H	19/5/21		Y				12	1
4	Cash and Bank	CS	19/5/21		Y				5	1
5	Disclosure Barring Service	CS	27/5/21			Y		2	3	2
6	Payroll (joint audit with LBS and RBK)	CS	28/5/21		Y				4	
7	MSJCB	ER	8/6/21	Accounts sign off						
8	Corporate Procurement follow up	CS	17/6/21		Y				3	3
9	CM2000 Home care monitoring	CH	17/6/21			Y		4	13	
10	Cyber Security	CS	24/6/21			Y			8	8
11	Troubled families grant-quarter 1	CSF	30/6/21		Y					
12	Duplicate payment checks- quarter 1	CS	30/6/21		Y					
13	Accounts Payable	CS	10/9/21		Y				3	
14	Declaration of Interests & Gifts & Hospitality-Officers	CS	10/9/21		Y				7	

15	Annual Governance review	all	28/9/21		Y				5	
16	Departmental Schemes of Management	all	30/9/21		Y				1	
17	Troubled families grant-quarter 2	CSF	30/9/21		Y					
18	Duplicate payments – quarter 3	CS	30/9/21		Y					
19	Mayor's account	CS	1/10/21		Y					
20	Capital Programme	CS	18/10/21		Y		-		2	2
21	Adult Social Care debt	CH	Draft		Y				5	
22	Transport Fleet Management	ER	Draft		Y		1		3	
23	Pension administration (Joint audit with Wandsworth Council)	CS	Draft (tbc)							
24	Parking Enforcement	ER	Draft (tbc)							
25	Adoption, Fostering and Special Guardianship payments	CSF	Draft (tbc)							
26	Infection Control Payments	CH	In progress							
27	Children Placements-short breaks Commissioning	CSF	In progress							
28	ICT Change Management	CS	In progress							
29	Accounts Payable -Bank Mandates	CS	In progress							
30	Covid 19 recovery (grants)	CS	In progress							
31	Adelante (cash receipting system) post implementation	CS	In progress							
32	Petty Cash Imprests	CS	In progress							
33	Merton Abbey Primary School	CSF	In progress							
34	Planning applications	ER	In progress							

35	Gorringe Primary school	CSF	Booked Nov 2021							
36	Business Rates	CS	Booked Nov 2021							
37	Adult Safeguarding	CH	Booked Nov 2021							
38	St Marks Primary School	CSF	Booked Nov 2021							
39	BeDifferent Federation	CSF	Booked Dec 2021							
40	ICT Governance policy and Strategy	CS	Booked for Jan 2022							
41	ICT Core Infrastructure – IT Skills gap	CS	Booked for Jan 2022							
42	Direct payments	CH	Tbc							

TOTALS				1 (5%)	17 (81%)	3 (14%)	0 (0%)	7 (7%)	82 (77%)	17 (16%)
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Committee: Standards and General Purposes Committee

Date: 4 November 2021

Subject: Review of Arrangements for in-person Council and Committee Meetings

Lead officer: Andrew Robertson, Head of Democracy and Electoral Services, 0208 545 3409

Lead member: Councillor Tobin Byers, Cabinet Member for Finance

Contact officer: Amy Dumitrescu, Interim Democracy Services Manager, 0208 545 3357

Recommendations:

- A. That the Standards and General Purposes Committee discuss and review the current arrangements for in-person Council and Committee meetings
 - B. That the Standards and General Purposes Committee recommend to Full Council the retention of the current measures for a further period of 6 months (subject to any amendments the Committee may agree at this meeting)
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. As a result of the expiry of the emergency legislation enabling council and committee meetings to be held virtually, Council was required to facilitate the return of in person meetings at the Civic Offices. These meetings therefore resumed as of 21 June 2021.
- 1.2. A number of meetings have taken place in person since this date. At the meeting of the Standards and General Purposes Committee on 28 June where arrangements were agreed, the Committee requested that a review of these measures take place after six months. All measures would be subject to any other regulations/guidance applicable at the time.

2 PROPOSALS

- 3.1 The following are therefore proposed:
- 3.2 **All Council and Committee meetings will be continue to be held in the Council Chamber:**

The Council Chamber is the largest available room within the Civic Offices and is the only room in the Civic Centre which can facilitate the livestreaming of meetings. It is therefore proposed that all meetings continue to be held within the Chamber.

3.3 **Full Council**

- 3.3.1 The usual attendance of Full Council is approximately 80 persons plus members of the public. It is still currently not possible for this to be accommodated safely within the Council Chamber if facilitating some form of social distancing.
- 3.3.2 Two meetings of Full Council have taken place since June 2021 – the July 2021 meeting took place with 29 members in attendance and the remaining members participating remotely via Zoom. The September 2021 meeting took place with 55 members in the Chamber and 3 participating via Zoom. This included seating a number of members within the Public Gallery and using a roving microphone when speaking.
- 3.3.3 It is currently proposed that approach of arranging the layout of meetings to accommodate councillors using the public gallery continues for the remaining meetings of the 2021/22 municipal year, whilst being reviewed prior to each Council meeting. In the event that social distancing could be reduced, members could return to all being seated within the main Chamber area, with the public gallery returning entirely to public use. This may be particularly beneficial for any potential councillor candidates wanting to attend meetings prior to the May 2022 election.
- 3.3.4 If this approach were adopted, members who did not attend the meeting in person would continue be able to participate by Zoom. This is discussed further in paragraph 3.11.2 below. However, their attendance would not count towards the quorum or towards their attendance for the purposes of section 85 of the Local Government Act 1972 (“the six month rule”), and they would not be able to vote on any item or move or second amendments. Should the Covid-19 situation deteriorate, it would be open to groups to discuss whether consensus could be reached on any further arrangements for those who were unable to attend due to Covid-19 related reasons.
- 3.4 **Licensing Sub-Committees:**
- Licensing Sub Committees would continue to be held virtually as these meetings are constituted under the Licensing Act 2003.
- 3.5 **Planning Applications Committee:**
- Planning Applications Committee would continue to be held in person, whilst allowing for remote contributions by the public and applicants.
- 3.6 **Scrutiny:**
- Scrutiny would continue to be held in person in the Council Chamber.
- 3.7 **Consultative committees and community forums**
- Consultative Committees and Community Forums would continue be held virtually during the Winter period. Community Forums may benefit from a hybrid approach going forward if this can be facilitated in the current external venues from the Spring/Summer 2022 depending on the levels of Covid19 infections at the time.

3.8 Meetings not precluded from meeting virtually such as Leaders Strategy Group, Joint Consultative Committee and Joint Cemetery Boards, would continue to meet virtually.

3.9 Meetings will continue to be livestreamed

3.9.1 Members agreed at the previous meeting of Standards and General Purposes Committee that meetings should continue to be livestreamed. It is recommended that this continue indefinitely unless a specific decision is taken in future to curtail this practice.

3.10 Continue to retain remote attendance for some attendees

3.10.1 Due to the reduced capacity of the Council Chamber when social distancing measures are in place, it is proposed that officers presenting reports, attending to observe or otherwise not specifically required to be present in the room continue to attend remotely where possible, with the exception of Directors and the Chief Executive who will attend in person.

3.10.2 Members of the public would be encouraged to continue to view meetings online and to attend remotely to speak or to ask questions; however, limited facilities will continue to be made available for those members of the public who wished to attend in person as legally required. Meetings would therefore continue to need to retain a small number of public gallery seating for members of the public to attend.

3.11 Members attending Remotely

3.11.1 It is proposed that members who wish to attend the meeting to observe but who are not on the committee are able to continue to attend remotely, including those who wish to speak on a specific item. However, it should be noted that although their attendance would be recorded in the minutes it would not count towards the six month rule.

3.11.2 Consideration could also be given to allowing councillors who are members of the committee in question to attend remotely in certain circumstances, provided there were sufficient numbers physically present for the meeting to be quorate. They could ask questions and participate in discussions but would not be able to vote and, as above, could not count their attendance for the purposes of the six-month rule. This would not apply to the chair of any meeting. This option has been used by a number of members during the last six months and it is therefore recommended that this approach continue. At its meeting on 7 July Full Council agreed some additional standing orders to allow such attendance but they did not specifically refer to meetings of full Council. Those standing orders are attached as Appendix A. Should the Committee choose to recommend that this practice should continue for a further six months then it is also recommended that the relevant standing order is amended to include reference to council meetings. . It is

suggested that participation in this way should include the right to ask questions under rule 12 of the Council procedure Rules. The proposed change is shown as a tracked changes on Appendix A.

3.11.3 Although such attendance would not count formally as attendance, a note is made within the minutes of such meetings, indicating that a member had participated remotely and a similar indication is also included on the attendance details on the website.

3.12 Meetings with large attendee numbers

3.12.1 Meetings such as the Planning Applications Committee which attracted a large number of attendees for a particular item may pose a health and safety issue under the current guidelines. In person attendance would therefore need to be limited and a ticketing system could be setup for these purposes. In addition, for Planning Applications Committee, attendees could be held in a socially distanced waiting area outside the Council Chamber whilst other items were being considered and each group brought in only for their specific item. This approach has been used in the past for other large meetings. Attendees would continue to be encouraged to participate remotely where possible.

3.13.2 All current measures will be regularly reviewed depending on the Government guidance applicable at the time of the meeting.

3.13 Risk Mitigations in place for all meetings

- Hand sanitiser and cleaning wipes would continue to be provided
- The Chamber and Committee Rooms would be ventilated.
- Masks are recommended during meetings unless attendees are exempt or are speaking.
- Attendees would be asked to take a lateral flow test before attending the meeting.
- Water is now provided at the entrance to the Council Chamber with attendees collecting their own water to reduce transmission risk. Attendees would continue to bring their own pens and copies of papers. Name plates would continue to not be provided to reduce transmission risk.
- The Council Chamber will be cleaned daily and all touchpoints as well as microphones will be cleaned each afternoon. In the event of a longer meeting (ie Planning Committee) Democratic Services staff are able to wipe down touchpoints, door handles etc whilst councillors have a mid-meeting break.

3.14 The suggested protocol is attached at Appendix B of the report.

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1 The measures were previously agreed by the Standards and General Purposes Committee and the Full Council.

4.2 TIMETABLE

4.2.1 The agreed options and protocol would be implemented immediately.

4.3 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

4.3.1 Zoom licence and host costs would continue to allow for livestreaming and remote access.

4.4 LEGAL AND STATUTORY IMPLICATIONS

4.4.1 As stated above, the flexibility of meetings regulations which allowed virtual meetings to take place have expired and therefore in order for decisions to be taken lawfully at meetings, there must a physical quorum and the ability for members of the public to attend in person should they choose.

4.4.2 A number of councils are seeking solutions to allow continued remote attendance and participation by councillors even though such attendance would not count toward the calculation of a quorum or attendance records for the purposes of section 85 of the Local Government Act 1972. As they would in effect not be in attendance, they also cannot vote.

4.4.3 There is no express legislative provision allowing councillors to participate remotely in their capacity as councillor and there may be some risk of challenge on the basis that people not present at the meeting in accordance with the 1972 Act requirements should not be able to participate in debates on matters. However, as the Council's constitution allows councillors who are not members of bodies to attend and speak at their meetings, as well as members of the public, it would seem illogical to deny that opportunity to members of those bodies. Therefore, although the law has not been tested in this respect here would seem to be little risk in allowing this, particularly while Covid restrictions remain in place.

4.4.4 It would be prudent to keep the matter under review in light of Government guidance and the evolving position nationally.

4.5 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

4.5.1 None for the purposes of this report

4.6 CRIME AND DISORDER IMPLICATIONS

4.6.1 None for the purposes of this report

4.7 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 4.7.1 A risk assessment has been produced on the return to in person meetings with input from both Health and Safety and Public Health.

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

- 4.8.1 Appendix A - Extract from Council Procedure Rules agreed at Full Council on 7 July 2021
- 4.8.2 Appendix B – Current protocol for public Council and Committee meetings

4.9 BACKGROUND PAPERS

- 4.10.1 None for the purposes of this report

21 REMOTE ATTENDANCE

- 21.1 The Council has the ability to allow remote participation in its meetings by virtual means via Zoom or other similar technology and in respect of such attendance the following provisions apply to meetings where the relevant facilities exist.
- 21.2 Members of the public, wishing to speak or ask a question at any meeting shall be offered the opportunity of doing so remotely;
- 21.3 Representatives of partner bodies, including those giving evidence at the Overview and Scrutiny Commission or any of its panels may do so remotely
- 21.5 Any member appointed to a Committee or Sub-Committee, with the exception of its chair may participate in a formal meeting of that body remotely, but their presence would not amount to attendance at that meeting for the purposes of ascertaining whether the meeting of that body is quorate- and they shall not be entitled to vote on any matter under consideration.
- 21.6 A member may participate in a meeting of full Council remotely and shall have the right to ask questions pursuant to Rule 12. Such participation would not amount to attendance at that meeting for the purposes of ascertaining whether the meeting is quorate and they shall not be entitled to vote on any matter under consideration.
- 21.7 A member who is entitled to attend a meeting of a committee, subcommittee or Cabinet but who is not a member of that body, may do so attend remotely.
- 21.8 Remote attendance by a member at a meeting under paragraph 21.5 or 21.6 above, shall not count as attendance for the purposes of S.85 of the Local Government Act 1972 (the 'six-month' attendance rule);
- 21.9 Paragraph 21.5 of this standing order does not apply to the Planning Applications Committee or the Licensing Committee or any of its subcommittees.

London Borough of Merton
Guidance on attending meetings of the Council and Committees
during Covid-19 Restrictions

This guidance applies to all Council and Committee meetings held in public.

1. All meetings will be held within the Council Chamber where social distancing can be observed. The dates and times of meetings can be found on the Council's website.
2. Do not attend any meetings in person if you are experiencing Covid-19 symptoms: a high temperature, a new, continuous cough or a loss/change to your sense of smell or taste.
3. Attendees are requested to take a lateral flow test (LFT) 24-48 hours prior to attending a meeting. Lateral flow tests should be registered on the NHS app. If you have a positive LFT result, you should not come to the meeting. Please note that you are still requested to take a LFT even if you have been double vaccinated.
4. Whilst attendance at the meetings is permitted, members of the public and those not directly involved within decision-making are encouraged to continue to view meetings online via the Council's Youtube channel or to participate remotely via Zoom.
5. Hand sanitizing solution will be available at the entrance/exit of the Chamber and all attendees are requested to use this on their way in and out of the meeting.
6. Cleaning wipes will also be made available for use.
7. Windows will be kept open at all times to ensure ventilation. The number of windows open will be minimised during winter months and/or during extreme weather.
8. The Council Chamber will be cleaned before and after each meeting.
9. You will be requested to wear a mask (unless you are exempt) at all times whilst in the Council Chamber except when you are speaking during the meeting itself.
10. Please arrange to arrive into the meeting room no more than 15 minutes prior to the start of the meeting and leave promptly once it has finished to minimise contact.
11. Please socially distance from all others who are not a part of your household at all times. Depending on the capacity of the meeting, seats will be appropriately marked to indicate which seats cannot be used.
12. Water will be provided but please help yourself as you enter the room.
13. Enter and exit the meeting room via the one-way system

You can collect up to 2 boxes of 7 rapid tests to use twice a week at home from:

- [Merton libraries](#)
- Pharmacies: [find a pharmacy where you can collect rapid tests](#)
- NHS Test and Trace sites: [find a test site where you can collect rapid tests](#)

- Home delivery: If you can't use the other options, you can [order a box of tests online](#) or by calling 119

If testing at home, you will need to [register the results online](#) or by calling 119.

We recommend that you have a supervised test before you start testing yourself at home. [How to book a lateral flow test](#)

These measures will regularly be reviewed and updated depending on Government Guidance.

For any queries relating to this guidance please contact:

Democratic Services

Democratic.services@merton.gov.uk

0208 545 3357

Committee: Standards and General Purposes Committee

Date: 4 November 2021

Wards: All

Subject: Review of Polling Districts and Polling Places

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Tobin Byers

Contact officer: Andrew Robertson, Head of Electoral Services

Recommendations:

1. That the Standards and General Purposes Committee agrees the designation of polling districts and polling places set out in Acting Returning Officers Submission attached as Appendix A.
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The Local Government Boundary Commission for England has recently undertaken an Electoral Review of the London Borough of Merton ward arrangements. As a result of the review, there have been alterations to the current ward boundaries which require changes to the polling districts within them. Therefore, Merton is required to undertake a review of its polling districts and also the location of polling places/stations to reflect the changes to the ward boundaries. The changes to the Wards and Polling Districts will come into force at the Local Council Elections on 5 May 2022 and will be in use at both national and local elections The Committee is requested to consider the proposals and to recommend a decision by the full Council.

2 DETAILS

- 2.1 **Context** ; the Electoral Registration and Administration Act 2013 required each local authority to complete a review of the parliamentary polling districts and polling places within its area every 5 years beginning from the last review which was conducted during a period of 16 months beginning on 1st October 2013. The first compulsory review by Merton after this date was carried in 2014 and the next compulsory review in 2019. The current review is required to ensure that the council has correct and accessible polling arrangements for the 2022 elections.
- 2.2 **Timing**; The outcome of the review is being reported to Standards and General Purposes Committee and then full Council in November 2021 for decision to enable the Electoral Registration Officer to make any alterations necessary to the register of electors in good time to prepare for the May 2022 elections.
- 2.3 **Review process**; the current review was begun when a public notice was issued on 28 July 2021. This invited all Councillors, MP's and residents to

comment on the Acting Returning Officer's draft proposals. Persons or bodies making representations were asked to suggest alternative options if they did not concur with the draft proposals. Details of the existing arrangements including maps were available either on the council's website or on request from Electoral Services. The consultation closed on Monday 13 September 2021. Details of any representations received are included in the ARO submission, and will also be available on request from the Electoral Services Office.

- 2.4 **Definitions;** a ***polling district*** is a geographical area created by the sub-division of a UK parliamentary constituency for the purposes of a UK Parliamentary election. A ***polling place*** is the building or area in which polling stations are selected by the (Acting) Returning Officer. A polling place within a polling district must be designated so that polling stations are within easy reach of all electors from across the polling district. A ***polling station*** is the room or area within the polling place where voting takes place. Unlike polling districts and polling places which are fixed by the council, polling stations are chosen by the relevant Returning Officer.
- 2.5 **Scope;** polling districts and polling places for other elections are not automatically part of the compulsory review. However, as polling districts and polling places for other elections are based on UK Parliamentary polling arrangements, the requirements of any other elections held within the area have been taken into consideration.
- 2.6. **Legislative requirements;** local authorities must comply with the following legislative requirements regarding the designation of polling districts and polling places:
- the council must seek to ensure that all electors have such reasonable facilities for voting as are practicable in the circumstances;
 - the council must seek to ensure that so far as is reasonable and practicable every polling place is accessible to electors who are disabled;
 - the council must designate a polling place for each polling district, unless the size or other circumstances of a polling district are such that the situation of the polling stations does not materially affect the convenience of the electors
 - the polling place must be an area in the district, unless special circumstances make it desirable to designate an area wholly or partly outside the district (for example, if no accessible polling place can be identified in the district)
 - the polling place must be small enough to indicate to electors in different parts of the district how they will be able to reach the polling station
- 2.7 **Guidance;** other guidelines are recognised good practice, but may not always be possible:

- natural, well-defined boundaries are preferred;
- all properties in a minor road or estate should be in the same polling district (unless the ward or constituency boundary makes this impossible);
- there should be an even spread of polling places;
- the polling district should be the 'catchment area' for the polling place and no elector should have to pass another polling place to get to their own;
- the polling places that voters are familiar with are not changed unless there is a strong need to do so.
- no polling station should be allocated more than 2,500 electors. This excludes postal voters and those not eligible to vote. Where a polling district has been allocated more than 2,500 electors, the electorate is split between two polling stations in the same venue. This is known as a double polling station.

2.8 Use of schools as polling places: The Acting Returning Officer notes that the use of schools as Polling Places can cause significant disruption to pupils, teachers and parents. During this review the Acting Returning Officer has attempted, where possible, to find alternative venues to schools that are used as polling stations that are required to close on polling day.

3 ALTERNATIVE OPTIONS

Although outside of the compulsory period, there was no alternative to carrying out this review, as polling districts and the location of polling places/stations must reflect the changes to the ward boundaries applied by the Local Government Boundary Commission.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. To allow electors and others to submit views as easily as possible a consultation was posted on the council's website in late July and all consultees were encouraged to submit views directly to Electoral Services. The consultation was open until 13 September. Responses relating to polling districts and polling places are set out in the appendix.
- 4.2. At the beginning of the process in early July the MPs for Mitcham & Morden and Wimbledon, agents for the political parties, and all members of the council were formally advised that the review was taking place and invited to submit views. Views received from members of the council are set out in the appendix. No other views have been received from the political sphere.
- 4.3. In conducting such a review it is particularly important to consult those who have experience of assessing access for persons with different disabilities. Details of the ARO's proposals have therefore been sent to Merton Centre for

Independent Living (MCiL), Merton Mencap, Merton Vision and Carers Support Merton to engage these organisations in the review. All organisations were asked to circulate information to constituent bodies and members via their newsletters and to encourage them to participate in the review. No responses have been received.

5 TIMETABLE

- 5.1 The revised register of electors to be published on either 4 January or 1 February will be amended to reflect any changes to polling districts. A further review must be completed within a period of 16 months beginning on 1st October 2024.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1 Current electoral registration budgets are covering the costs of this review. It is estimated that the proposals will add around £3,000 extra to the cost of the local election in 2022 (and every four years thereafter, assuming no by-elections). This will consist of additional accommodation costs, caused mainly as a result of taking polling stations out of schools. This will be funded by the budget built in to the MTFs for local elections in the relevant years.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1 The Council has a duty under the Representation of the People Act 1983 (RPA 1983) to divide its area into polling districts for parliamentary elections, to designate a polling place for each polling district, and to keep these under review. The Local Authorities (Functions and Responsibilities) (England) Regulations 2000¹ list section 18 of the RPA1983 as one of the functions that are not to be the responsibility of an authority's executive. The Council has delegated the discharge of functions relating to elections to the Standards and General Purposes Committee.
- 7.2 The statutory requirements on the conduct of the review, and on any challenge, are set out in sections 18A to 18E and Schedule A1 of RPA 1983, as amended. Following the completion of a review, the Council must publish all correspondence, representations and minutes of meetings in connection with the review, and the details of the designation of polling districts and polling places as a result of the review (RPA 1983, Schedule A1), and the Review of Polling Districts and Polling Places (Parliamentary Elections) Regulations 2006².
- 7.3 The Electoral Registration Officer is required to make the necessary adaptations to their registers of electors and to publish a notice stating that the adaptations to polling districts have been made (RPA, section 18A).

¹ SI 2000/2853

² SI 2006/2965

- 7.4 Following the conclusion of a review certain persons have the right to make representations in writing to the Electoral Commission who may if they find that the review did not meet the reasonable requirements of the electors or did not take sufficient account of disability issues direct the council to make alterations to the polling places.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1 Under section 149 of the Equality Act 2010 it is the duty of a public authority in the exercise of its functions to have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
 - Advance equality of opportunity between people who share a protected characteristic and those who do not;
 - Foster good relations between people who share a protected characteristic and those who do not.

Having due regard for advancing equality involves:

- Removing or minimising disadvantages suffered by people due to their protected characteristics;
 - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people;
 - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
- 8.2 In providing services and access to them the Council is required by law to make reasonable adjustments in order to avoid discriminating against disabled persons. When considering what adjustments should be considered as reasonable the council is required to have regard to the relevant code of practice. The following are some of the factors to be taken into account when considering what is reasonable:
- Whether taking any particular steps would be effective in overcoming the substantial disadvantage that disabled people face in accessing the services in question;
 - The extent to which it is practicable for the service provider to take the steps;
 - The financial and other costs of making the adjustment;
 - The extent of any disruption which taking the steps would cause;
 - The extent of the service provider's financial and other resources;
 - The amount of any resources already spent on making adjustments; and
 - The availability of financial and other assistance.
- 8.3 The right to free elections forms part of Article 3 of Protocol 1 of the Human Rights Act 1998. Any resident is entitled to vote, if qualified by age and nationality, and if not subject to any other legal incapacity.
- 8.4 As indicated above, the principles have been followed of seeking to ensure that all electors have such reasonable facilities for voting as are practicable in the

circumstances, and seeking to ensure that so far as is reasonable and practicable every polling place is accessible to electors who are disabled. There is a commitment to ensure that all polling places are accessible.

- 8.5 The aim of enhancing community cohesion and engagement would be expected to be achieved by the principles in 8.1 and 8.2 through promoting democratic engagement by seeking to make voting in person as easy as possible for residents of all communities.

9 CRIME AND DISORDER IMPLICATIONS

- 9.1 Integrity plans are maintained for elections. These involve working closely with Merton Police on operational matters, together with liaising with the Metropolitan Police Service officer specifically delegated with responsibility for potential election offences.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1 The authority must complete the review by the end of January 2021. Any challenge to the Electoral Commission would impact on the arrangements being made for the local council elections in May 2022.
- 10.2 In reviewing polling places, the reasonable facilities for staff at polling stations during elections have been considered. The physical fabric of possible polling places has also been considered to reflect the need for members of the public to visit their polling station.

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

- 11.1 ARO submission

12 BACKGROUND PAPERS

- 12.1 None

Committee: Standards and General Purposes Committee

Date: 4 November 2021

Subject: Appointment of Independent Person

Lead officer: Louise Round, Monitoring Officer

Lead member: Councillor Peter McCabe, Chair, Standards and General Purposes Committee

Contact officer: Amy Dumitrescu, Democracy Services Manager, 0208 545 3357

Recommendations:

- A. That Standards and General Purposes Committee recommends to Council to appoint Clive Douglas for a further three year period as an Independent Person for the purposes of Chapter 7 of the Localism Act. The Independent Person will be invited to attend meetings of the Standards and General Purposes Committee in that capacity.
- B. That the appointment is made for a period of three years from 8 February 2022.
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. This report seeks the committee's approval of the appointment of one Independent Person which we are required to appoint under Chapter 7 of the 2011 Localism Act.

2 DETAILS

- 2.1. Independent Persons are appointed for a maximum of two terms of three years. Clive Douglas was appointed as an Independent Person in February 2019, with his term due to end on 7 February 2022.
- 2.2. At the last meeting of the Standards and General Purposes Committee on 21 September 2021, the committee agreed that in the event that Mr Douglas wished to remain as an Independent Person for a further term of three years, a report to this effect would be brought back to the next meeting of the Committee.
- 2.3. Following confirmation from Mr Douglas in discussion with the Monitoring Officer that he wishes to serve for a further term, the recommendation is to approve this appointment for another three years and not go through any further external recruitment process.
- 2.4. The functions of the Independent Person, set out in the Council's constitution are:
- The Independent Person must be consulted and views taken into account before the authority takes a decision on any allegation it has decided to investigate;
 - The Independent Person may be consulted by the authority in circumstances where the authority is not taking a decision whether to investigate the allegation;

- The Independent Person may be consulted by a member of the authority against whom an allegation has been made.

2.5. The Independent Person will also be invited to attend meetings of the Standards and General Purposes Committee in that capacity.

3 ALTERNATIVE OPTIONS

3.1. The Council must appoint at least one Independent Person.

3.2. The Committee could agree to go to an external recruitment process.

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1. None.

5 TIMETABLE

5.1. The appointment, if agreed, would be made by Council in November 2021 and will take effect on 8 February 2022 when the current term ends for a period of three years.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1. Independent Persons are paid £100 per meeting. The recommendations in this report will not lead to any increase in the overall budget for allowances.

7 LEGAL AND STATUTORY IMPLICATIONS

7.1. See body of the report.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. None specific to this report.

9 CRIME AND DISORDER IMPLICATIONS

9.1. None specific to this report.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. None.

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

11.1. None.

12 BACKGROUND PAPERS

12.1. None.

Committee: Standards and General Purposes Committee

Date: 4 November 2021

Agenda item:

Subject: Local Government Act 1972, Section 85 (1): Approval of Absence

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

Lead member: Councillor Mark Allison, Leader of the Council

Contact officer: Amy Dumitrescu, Democracy Services Manager

Recommendations:

That, in the event that Councillor Marsie Skeete is unable to attend a meeting of the authority before 4 May 2022, approval is given to that absence on the grounds of her of ill-health.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1. This report asks the Committee to acknowledge the possibility of Councillor Marsie Skeete's non-attendance at meetings of Merton Council for the between now and 4 May 2022 and to approve the absence for reason of ill-health.

2 DETAILS

2.1. Due to ill-health Councillor Marsie Skeete has not to date been able to attend a meeting of the authority since 7 September 2021 when she chaired a virtual meeting of the Joint Consultative Committee. . Councillor Skeete is also a member of the Cabinet and last attended a meeting of Cabinet on 12 July 2021.

2.2. Under section 85 of the Local Government Act 1972, if a councillor does not attend any relevant meeting for a period of six months, they automatically cease to be a member of the Council unless before the expiry of that period, the authority has approve the reason for that absence. Where a councillor is also a member of the executive (Cabinet), there is also a requirement to attend a meeting of the Cabinet within that period.

2.3. Because of the nature of her health difficulties (she is currently awaiting a transplant), it is not possible at this stage to say whether Councillor Skeete will be able to attend any meetings in person between now and the end of this municipal year (especially bearing in mind the fact there are no scheduled meetings, apart from of the Planning Applications Committee following the publication of the notice of election on or around 28 March next year). Elsewhere on this agenda is a report dealing with a proposals to continue the remote participation of members in meetings and if that is agreed it is likely that Councillor Skeete will attend some meetings virtually. However, such attendance will not count for the purposes of section 85 now that the regulations allowing for virtual meetings have lapsed.

- 2.4. Accordingly, it would be prudent to agree that Councillor Skeete's illness will be an authorised reason for non-attendance at future meetings should she be unable to attend in person.

3 ALTERNATIVE OPTIONS

- 3.1. It is the responsibility of the Council to consider this matter and agree the reason for absence.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. None for the purpose of this report.

5 TIMETABLE

- 5.1. Approving a reason for absence must be given before the expiry of any six months period of nonattendance which is why this recommendation is being made at this stage.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. None for the purpose of this report.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. Sections 85(1) and 2A of the Local Government Act 1972 (LGA) prescribes:

“(1).....if a member of a local authority fails throughout a period of six consecutive months from the date of his last attendance to attend any meeting of the authority, he shall, unless the failure was due to some reason approved by the authority before the expiry of that period, cease to be a member of the authority.”

(2A).....if a member of a local authority which are operating executive arrangements, who is also a member of the executive of that local authority, fails throughout a period of six consecutive months from the date of his last attendance to attend any meeting of the executive, he shall, unless the failure was due to some reason approved by the local authority before the expiry of that period, cease to be a member of the local authority.

- 7.2. The power to approve a reason for failure to attend a meeting (which in effect allows a councillor a leave of absence) is not one which is required by law to be reserved to full Council. The terms of reference of this Committee include the power *“to determine all other matters which are non-executive functions and which are not otherwise reserved to Council are not within the terms of reference of any other committee and which are not delegated to an officer”*. This is sufficiently wide to allow this Committee to agree the recommendations without reference to full Council.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. It is understood that Councillor Skeete has been apprised of the position as detailed in this report.

9 CRIME AND DISORDER IMPLICATIONS

9.1. None for the purpose of this report.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. None for the purpose of this report.

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

- None

12 BACKGROUND PAPERS - NONE

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Committee: Standards and General Purposes

Date: 4th November 2021

Wards: All

Subject: Gifts and Hospitality – Members and Officers

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

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

Recommendations:

- A. That the Committee notes the report;
 - B. That members are reminded of their responsibility to complete declarations of gifts and hospitality including reasons for acceptance;
 - C. To agree that there is no need for members to register the annual offer of tickets for the pantomime at Wimbledon Theatre (although they should continue to register the acceptance of such an offer) or where they are afforded an opportunity to participate in a ballot for paid for tickets for the Wimbledon Tennis Championships: and
 - D. Managers remind staff about their responsibilities under the Employee's Code of Conduct to complete declarations, including reasons for acceptance.
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. The Council's Code of Conduct for Councillors incorporates the "Protocol on the offer, acceptance and declaration of the receipt of gifts and hospitality by elected and co-opted members". Members are required to ensure that gifts and hospitality offered to them are recorded in a register that the Council publishes on line. This report provides information on gifts and hospitality recorded by Members since the last consideration of the register on 5 November 2020.
- 1.2. The Employee's Code of Conduct governs the requirements on officers in relation to the offer and acceptance and declaration of gifts and hospitality. This report provides entries made to the Register of Gifts and Hospitality for officers since the last consideration of the register on 5 November 2020. The new code of conduct came into force on 30 September so for the majority of the period covered, the requirements were governed by the protocol referred to below. The essential requirements remain the same.

2 DETAILS

- 2.1. As regards members, the Council's requirements are set out in the "Protocol on the offer, acceptance and declaration of the receipt of gifts and hospitality by elected and co-opted members" which is attached at appendix 1 for ease of reference. The protocol provides that members must register every individual gift or item of hospitality received that is over £25 in value within 8 days of the date it was received. Even those offers of gifts or hospitality which were been declined should be registered. If all members, or a large number of them, received the same gift or are invited to the same event, they must each make individual notifications. However, The essential requirements remain the same.
- 2.2 During the course of the training run for members on the new Code, it was suggested by some councillors that it should not be necessary to register the offer of tickets to the pantomime at Wimbledon Theatre as this is extended to all councillors and this would seem a sensible suggestion. The same applies to the ability for the opportunity given to councillors to enter a limited ballot for Wimbledon tickets as, should they be fortunate enough to win, they pay full price for the tickets. Inmi order to preserve transparency, a note to this effect will be included on the relevant part of the website.
- 2.3. Registering gifts or hospitality received under the Code does not automatically mean it is appropriate or sensible to accept them in the first place and the Protocol sets out a number of considerations to which members should have regard when considering whether to do so. For instance, particular care should be taken in relation to gifts and hospitality offered by current or potential contractors for the Council or which could be construed as an inducement or reward for anything which members may do in their capacity as a member.;

OFFICERS

2.3 The Code of Conduct for Employees requires that:

- all offers of gifts must be reported to managers;
- significant gifts (over £25) must be registered on the departmental register.
- acceptance of gifts should only occur in very limited circumstances and approved in advance by the manager;
- all offers of hospitality must be reported to managers;
- the hospitality (no minimum value) must be registered on the departmental register;
- there are limited circumstances where acceptance of hospitality may be acceptable

- hospitality received in the course of business meetings and at free training does not need to be registered, but managerial approval is required.

3 REVIEW OF THE REGISTERS

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

MEMBERS

- 3.2. The registers show that 15 Councillors made declarations on 32 occasions.
- 3.3. The review of the registers indicates that members are aware of their responsibilities. In the previous year's review, declarations were received from 19 members on 29 occasions. This indicates that group offices and councillors understand their obligations.
- 3.4. The nature of the gifts and hospitality referred to is consistent with what may be expected for a Council and there do not appear to be any entries which are outside of what could be considered in the normal course of Council business and the various roles councillors have.
- 3.5. It is proposed that following this review a reminder of their obligations is cascaded to members and group officers to ensure the system continues to operate in a satisfactory way.

OFFICERS

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

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

- 3.7 The previous register for the period 1 November 2019 to the 30th September 2020 contained 12 entries, which are displayed in the brackets above. For the current period from 1 November 2020 to 30 September 2021, there are 6 entries in the register.
- 3.8 Entries are no longer included on the register with regards tennis tickets from the AELTC allocated through the staff ballot.

3.9 The declarations on the register are in accordance with requirements and comprise of entries where the gifts and hospitality accepted were for officers networking or representing the Council or, where low value gifts were received, from the public.

3.10 These continuing low figures may be a result of a genuine decline in gifts and hospitality being offered or it may be due to officers failing to enter these onto the register. In order to ensure that it is not the latter, managers should remind officers of their responsibilities under the Code of Conduct for Employees to complete declarations and to give reasons, if gifts and hospitality are accepted.

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1. None

5 TIMETABLE

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

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1. None

7 LEGAL AND STATUTORY IMPLICATIONS

7.1. Members are required by the Code of Conduct to register offers of gifts, and hospitality. Failure to register may be a breach of the Code of Conduct.

7.2 The receipt or gift of any reward or advantage for an act or omission that suggests favour to any person in their official capacity may constitute a criminal offence under the Bribery Act 2010.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

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

9 CRIME AND DISORDER IMPLICATIONS

9.1. None

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. None

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

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

12 BACKGROUND PAPERS

12.1. None

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

Introduction

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

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

What are the rules?

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

Should I accept gifts and hospitality?

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

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

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

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

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

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

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

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

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

What is the value of the gift/ hospitality?

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

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

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

What about gifts of low value?

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

How do I register gifts and hospitality I receive?

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

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

Which organisation do I make declarations to?

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

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

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

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

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

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

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

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

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

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

Guidance on particular gifts and hospitality

Tickets to events

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

All England Lawn Tennis Championships

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

Civic Ceremonial

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

Ceremonial Gifts

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

Will the register be open to the public?

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

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

Further assistance

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

**Louise Round
Monitoring Officer
London Borough of Merton**

**Document Updated ~~26 February 2013~~
September 2020**

Name	Detail	Date	Value
Agatha Mary Akyigyina OBE	None		
Stephen Alambritis MBE	Invited and accepted ticket to the FIRST MATCH BACK AT PLOUGH LANE against Doncaster Rovers offered by AFC.	03.11.20	Unknown but in excess of £25.00
Stephen Alambritis MBE	Gift from Friends In St Helier (FISH) of Cross manufactured writing instruments namely 2 Pens (Rolling Ball Pen and Fountain Pen) with Fountain Pen Ink Converter and Cartridges all in their own box.	23.11.20	Value unknown but over £25. offered by FISH
Stephen Alambritis MBE	One ticket for seat at the 2021 MJ Awards Ceremony for local authorities in central London offered by Cratus Communications.	17.09.21	Value of ticket unknown but over £25
Stephen Alambritis MBE	One ticket with lunch in Directors Box at AFC Wimbledon V Plymouth Argyle League One at Plough Lane on occasion of award of Freedom of the Borough to Mr Richard John Guy with presentation on pitch. Offered by AFC Wimbledon	18.09.21	value of ticket unknown but over £25
Stephen Alambritis		19.09.21	

Appendix
Members Gifts and Hospitality
01.10.20 -30.09.21

MBE	Two tickets to Wimbledon Bookfest event on Wimbledon Common in Baillie Gifford Big Tent for “AFC Wimbledon: All Together Now” Book interview. Offered by Wimbledon Bookfest.		Value of tickets unknown but over £25
Stephen Alambritis MBE	One ticket to the Directors Lounge and Directors Box at the Emirates Stadium for the Arsenal FC V AFC Wimbledon 3rd Round Carabao EFL Cup Tie.	22.09.21	value of ticket unknown but over £25. Offered by AFC Wimbledon
Stephen Alambritis MBE	Two tickets to the Cottage Balcony at Craven Cottage Stevenage Road SW6 for the Fulham FC V Swansea City Championship match. Offered by Fulham FC.	29.09.21	Value of tickets unknown but over £25.
Mark Allison	Guest of GLA at Italy v Austria Football Match. To discuss strategy & priorities for current Mayoral term, and to observe operation of the event, a COVID-19 trial event, in advance of the Wimbledon championships which were also COVID-19 trial events.	26.06.21	Value unknown, in excess of £25. offered by GLA
Mark Allison	Hospitality: Guest of AELTC at Wimbledon Tennis Championship in Royal Box x 2 tickets	29.06.21	Value unknown, in excess of £25. offered by AELTC

Mark Allison	Hospitality: Guest of AFC Wimbledon.; Guest with family member, of AFC Wimbledon. In Hospitality box at their first home football match in front of a crowd on 14/8/21 vs Bolton Wanderers	14.08.21	Value unknown, in excess of £25. Donation made to Dons Local Action Group equivalent to the cost of match tickets, as I was going to attend the game anyway.
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Name	Details	Date	Value
Stan Anderson	None		
Laxmi Attawar	None		
Eloise Bailey	None		
Thomas Barlow	None		
Nigel Benbow	AELTC Wimbledon 2020 Commemorative Towels, 2xTowels at a value of £35 each = £70, provided to Councillor as a goodwill gesture offered by the All England lawn Tennis and Croquet Club (AETCL) offered by All England Lawn Tennis and Croquet Club (AETLC), Church Road, Wimbledon, SW19 5AG	04.12.20	Value £70
Nigel Benbow	Receipt of a pair of tickets from New Wimbledon Theatre 93 The Broadway for Gala performance of Waitress the Musical, and drinks reception. Gala Night to show support to our local theatre in its first re-opening post-covid 18 month closure.	07.09.21	Exact value unknown but will be over £25
Hina Bokhari	None		
Michael Brunt	None		
Adam Bush	None		
Omar Bush	None		

Name	Details	Date	Value
Ben Butler	None		
Tobin Byers	None		
Billy Christie	None		
David Chung	None		
Caroline Cooper- Marbiah	None		
Pauline Cowper	None		
Stephen Crowe	None		
Mary Curtin	None		
David Dean	None		
John Dehaney	None		
Helena Dollimore	None		
Nick Draper	None		
Anthony Fairclough	None		
Edward Foley	None		

Name	Details	Date	Value
Brenda Fraser	None		
Jennifer Gould	None		
Edward Gretton	AELTC Wimbledon 2020 Commemorative Towels (2 Towels of a value of £35 each) provided to Councillor as a goodwill gesture offered by All England Lawn Tennis Club, Church Road, SW19 ; offered by All England Lawn Tennis Club SW19	20.10.20	Value £70
Joan Henry	None		
Daniel Holden	Receipt of a pair of tickets from New Wimbledon Theatre 93 The Broadway for Gala performance of Waitress the Musical, and drinks reception. Gala Night to show support to our local theatre in its first re-opening post-covid 18 month closure.	07.09.21	Exact value unknown but will be over £25
Daniel Holden	Free ticket for a Wimbledon BookFest event as part of their Sunset Festival given to Councillor accepted To show support to this local Wimbledon arts & culture event that has struggled due to covid and to help keep this event going into the future.	16.09.21	Value - Approximately £25-£30 (ticket and books included) offered by Fiona Razvi, Festival Director, Wimbledon BookFest
James Holmes	None		

Andrew Howard	Receipt of a pair of tickets from New Wimbledon Theatre 93 The Broadway for Gala performance of Waitress the Musical, and drinks reception. Gala Night to show support to our local theatre in its first re-opening post-covid 18 month closure.	07.09.21	Exact value unknown but will be over £25
Janice Howard	Receipt of a pair of tickets from New Wimbledon Theatre 93 The Broadway for Gala performance of Waitress the Musical, and drinks reception. Gala Night to show support to our local theatre in its first re-opening post-covid 18 month closure.	07.09.21	Exact value unknown but will be over £25
Natasha Irons	None		
Sally Kenny	None		
Linda Kirby	None		

Name	Deta	Date	Value
Paul Kohler	The opportunity to participate in a ballot, which is not open to the general public, for Wimbledon tennis championship tickets. Through the ballot I received 2 tickets for 7 July 2021 for which I paid £360. offered by The All England Lawn Tennis and Croquet Club, Church Road, Wimbledon	07.07.21	
Paul Kohler	Two tickets to see Robert Peston & Tom Watson in discussion and receive a copy of each of their books. Received from Wimbledon Bookfest, 35 Wimbledon Hill Road.	16.09.21	Value unknown but over £2
Paul Kohler	Complimentary takeaway meal of 2 Lasagna & a pizza provided by Al Fornos Kings Road Wimbledon (<i>not regarded as being in respect of my duties as a councillor but declared given position on licensing committee</i>)	18.09.21	Value in excess of £25.
Rebecca Lanning	None		
Najeeb Latif	AELTC Wimbledon 2020 Commemorative Towels (2 Towels of a value of £35 each) provided to Councillor as a goodwill gesture offered by AETLC, Church Road Wimbledon	07.10.20	Value - £70

Edith Macauley MBE	Opportunity to purchase 1 pair of tickers as per the invitation of the Chairman of the AELTC ; Value £230,	03.07.21	£230
Russell Makin	None		
Peter McCabe	None		
Simon McGrath	None		
Nick McLean	Receipt of a pair of tickets from New Wimbledon Theatre 93 The Broadway for Gala performance of Waitress the Musical, and drinks reception. Gala Night to show support to our local theatre in its first re-opening post-covid 18 month closure.	07.09.21	Exact value unknown but will be over £25
Oonagh Moulton	None		
Aidan Mundy	None		
Hayley Ormrod	Receipt of a pair of tickets from New Wimbledon Theatre 93 The Broadway for Gala performance of Waitress the Musical, and drinks reception. Gala Night to show support to our local theatre in its first re-opening post-covid 18 month closure.	07.09.21	Exact value unknown but will be over £25
Dennis Pearce	None		

Appendix
Members Gifts and Hospitality
01.10.20 -30.09.21

Owen Pritchard	Guest of New Wimbledon Theatre at gala performance of Waitress.	07.09.21	Value unknown but over £25 offered by New Wimbledon Theatre

Name	Details	Date	Value
Carl Quilliam	None		
David Simpson CBE	None		
Marsie Skeete	None		
Peter Southgate	None		
Geraldine Stanford	None		
Eleanor Stringer	Guest of New Wimbledon Theatre at gala performance of Waitress.	07.09.21	Value unknown but over £25 offered by New Wimbledon Theatre
Eleanor Stringer	Guest of Wimbledon Book Festival to see Rob Biddulah	19.09.21	Value unknown but over £25 offered by New Wimbledon Theatre
Dave Ward	None		
Martin Whelton	Dinner hosted by Pocket Living for Labour housing and regeneration leads	05.11.19	Value unknown but over £25

Name	Details	Date	Value
Martin Whelton	Lunch offered by Director of Terrapin Communications, Peter Bingle, to discuss regeneration opportunities in Merton	13.05.21	Value £30
	Speaker at Social Housing Forum: 2 nights accommodation and dinner provided by the conference organisers, AH Midia at Heythrop Park Hotel, Chipping Norton.	01.07.21	Value unknown
Martin Whelton	Guest of AFC Wimbledon at Plough Lane: Wimbledon v Gillingham match including dinner plus ticket.	17.08.21	Value unknown but over £25.
Martin Whelton	Visit to New Wimbledon Theatre at a gala performance of Waitress.	07.09.21	Value unknown but over £25. offered by New Wimbledon Theatre
Dickie Wilkinson	None		
David Williams MBE JP	None		

Name	Department	Date offer received	Donor details	Gift details	Accepted (yes/no)	Reason for acceptance	Date declared	Date manager approved	Date record entered
Officer	Community and Housing	29/06/2021 - was left at the Civic Centre on 11/12/20 for collection on return to the office	TATC, 35 Upper Wickham Lane, DA16 3AB	Christmas gift of a gift card value £50	Yes	Unaware that gift I left at Civic Centre in December contained a gift card until first return to the office today (29/6/21). Had this been realized in December, the gift would have been kindly refused	29/6/21	06/07/2021	10/08/2021
Officer	Community and Housing	20/12/2020	The Assessment Training Centre	Gift Card	Yes	Received in June 2021 due to lockdown and pandemic	06/07/21	06/07/2021	10/08/2021
Officer	Community and Housing	Unknown – during Christmas Holiday	The Assessment Training Centre	Gift Card	Yes	Arrived at Civic Centre during Lockdown - too Late to refuse	06/07/2021	06/07/2021	10/08/2021
Senior Officer	Chief Executive	11/07/2021	AELTC	2xTickets to Tennis	Yes	Recent appointment to CE role. Offer accepted for introduction to the organisation and CE. AELTC are one of our key partners and we work closely with them in the planning and safe delivery of the Champi	12/07/2021	29/07/2021	05/08/2021
Officer	Children, Schools And Families	22/07/2021	Resident	5xbottles of wine	Yes	Refusal is likely to cause offence. Resident has been asked to confirm that they wish to provide this gift and that it will have to be declared. Resident has reaffirmed their desire to provide this gift. The gift has been accepted and I can confirm that it has been donated to the Mayor's charity	16/08/2021	25/08/2021	12/10/2021
Senior Officer	Chief Executive	07/09/2021	New Wimbledon Theatre, Ambassador Theatre Group	2 x tickets to a performance of Waitress the Musical	Yes	Networking. Support of community activities.	16/08//2021	17/08/2021	17/08/2021

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Standards and General Purposes Committee Forward work plan

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
- Annual Complaints Report
- 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.

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Committee: Standards and General Purposes Committee

Date: 4th November 2021

Wards:

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 assessment of governance arrangements are considered as part of the annual report to 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 Key Strategic Risk Register (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. Corporate Risk Management Group (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 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 September 2021, following which all risks were scrutinised at CRMG on 6th October 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/ issues are scored at 18 - Likelihood Very High (6) / Impact Serious (3)
 - RE02 / KSR49 Corporate Business Plan & balanced budget (Risk)
 - RE16 / KSR61 Annual Savings Programme (Issue)
- Three red risks/ issues are scored at 16 - Likelihood Significant (4) / Impact Very Serious (4)
 - CSF05 / KSR34 Insufficient School Places (Issue)
 - CSF06 / KSR56 CSF Funding & Statutory Services (Issue)
 - IT30/ KSR83 Risk of Cyber Attack on the Council's IT Infrastructure and Systems (Risk)
- One red risk is scored at 15 - Likelihood High (5) / Impact Serious (3)
 - IT24 / KSR21 Public Contract Regulations/Contract Standing Orders

2.7. The KSRR Q1, 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. The last report to Standards and General Purposes Committee was on 11 March 2021. Since this report officers have been reviewing risks on the Covid 19 Register and where appropriate have been moving items from the Covid Register to Departmental and/or the KSRR.

2.10. As part of the Business Planning Process 2022-26 officers will be adding a paragraph to the Risk Management Strategy covering "Extraordinary Events" drawing on the experience gained from responding to Covid 19.

2.11. The officers are working with our insurance provider Zurich to organise training on insurance and risk management. The training will be provided by the insurance providers and the officers. We are currently in the process of assessing training needs and timing and will update the committee once we have agreed the contents and the dates.

- 2.12. The quarterly review of the departmental risk registers was undertaken throughout September 2021, and the results scrutinised by CRMG in early October 2021 and included in the 2022/26 Draft Business Plan. The proposed final Business Plan will be updated with January 2022 review information before being approved by February Cabinet and March Council.
- 2.13. 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.
- 2.14. 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.
- 2.15. 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.
- 2.16. 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. As mentioned in paragraph 2.9 where appropriate have been moving items from the Covid Register to Departmental and/or the KSRR.

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

- 8.1. There is one specific Key Strategic risk 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 Key Strategic Risk with Health and Safety implications that is contained within the body of the report.

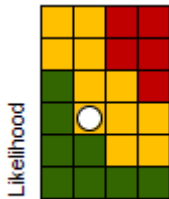




11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- Appendix I – Risk Management Strategy (January 2019)
- Appendix II - Key Strategic Risk Register (Status as at Q1, 2021/22)
- Appendix III – Covid 19 Risk Register (October 2021)

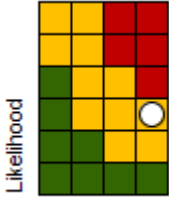




12 BACKGROUND PAPERS

- 12.1. Relevant papers held within the Resources Division

Risk Register ~ Key Strategic Risks

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	<p>- 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)</p> <p>- 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.</p> <p>Due to COVID 19 the transition to Liberty Safeguards has been extended to Apr 2022.</p>	<p>- Existing backlog of assessments awaiting completion</p> <p>- Cost pressure in relation to DoLS assessments which need to be undertaken</p> <p>- Potential of legal challenge if DoLS authorisation requests are not completed in a timely manner.</p>	FI	<p>AMBER</p>  <p>Likelihood</p> <p>Impact</p>	6  25-Jun-2021	<p>Following announcement from the government LPS are now delayed until 2022. Consultation on the code of practice guidance is due to be released in summer 2021.</p> <p>Preliminary scoping has started in Merton to look at the impact the new legislation and guidance will mean to the council. However this cannot be fully explored until the final guidance has been released.</p> <p>Scoping includes:</p> <p>Workforce development for all social workers to prepare to carry out LPS assessments and improve practice around MCA.</p> <p>Identify impact of additional community LPS assessments.</p> <p>Identify impact of additional assessments for self-funders.</p>	29 Jun 2021
								6  09-Apr-2021		
								6  07-Jan-2021		
								9  04-Jan-2021		

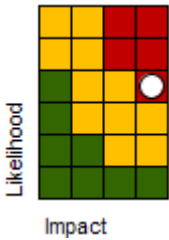


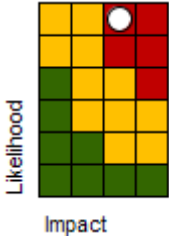




Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
									<p>Evaluate the guidance and understand the new role of AMCP in relation to the current BIA role and identify the impact.</p> <p>Training requirements of the AMCP role.</p> <p>Evaluate the cost implication for volume of additional assessments, workforce development and transitional impact to AMCP role.</p> <p>Task and finish groups have been set up with Safeguarding Adult Board partners, which include Health, CCG as well as children's and families to scope the impact of LPS and give assurance to the board.</p> <p>LPS implementation and risk will continue to be monitored at DMT level.</p> <p>Current DoLS backlog has reduced from 500 (going back over 3 years) in Sept 17 to 304 in June 2021 with the oldest dating back to April 2020. Where possible following a risk assessment, we are</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
									now completing desk top reviews during covid -19.	
Louise Round Page 174	CG05 / KSR79 Data Protection Compliance	Key Strategic Risk	We may fail to comply with the requirements of Data Protection legislation	- inappropriate processing, use, retention, access or inaccuracy of data - staff insufficiently aware of requirements of Act and other legislation	Harm to service users, through breach of privacy (could result in physical harm); loss of services; damage to reputation; financial impact on council through ICO fines; key stakeholders lose confidence & may not share data with the council	FI & R	AMBER 	12  09- Mar- 2021	Data Protection, Data Protection Information Rights and SAR policy updated and published on the council website with Records Management Policy still outstanding; annual mandatory information security training for all staff, agency & contractors and Members in place & targeted cyber security training. Robust security incident policy & reporting with quarterly security breach report submitted to IG Board & learning from incidents cascaded through weekly data security tip in the staff bulletin; Information Asset Register template under review and DMTs to review quarterly to ensure compliance & identify gaps; Updates made to Privacy Notice; ISAs etc. to cover compliance during C-19 crisis; targeted WFH security tips on C-19 bulletins.	09 Mar 2021
								12  16- Dec- 2020		
								12  18- Sep- 2020		
								12  11- Jun- 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
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	<p>AMBER</p>	8 08-Jun-2021	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.	08 Dec 2020
								8 08-Mar-2021		
								8 08-Dec-2020		
								8 17-Sep-2020		
Hannah Doody	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	<p>AMBER</p>	8 29-Jun-2021	Independent chair appointed on an interim basis. This will provide clear leadership and increase accountability. Consultation on revised Early Help strategy has been approved by the partnership. Training on the new wellbeing model being rolled-out across the partnership. A restructure of CSC	02 Jul 2021
								12 30-Mar-2021		
								12 28-Jan-2021		
								12 21-Oct-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		
									will support greater interagency working. Reduce likelihood to 2			
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 - COVID19/Brexit - recycling and RDF facilities may become harder to access in Europe 	<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	<p>AMBER</p>	6		21-Jun-2021	Waste volumes are reviewed monthly and financial implications of areas of growth assessed and budget forecast amended accordingly.	21 Jun 2021
								6		23-Mar-2021		
								6		07-Jan-2021		
								6		29-Sep-2020		
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	<ul style="list-style-type: none"> - 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	<p>AMBER</p>	12		21-Jun-2021	Awaiting Government decision.	21 Jun 2021
								12		19-Mar-2021		
								12		07-Jan-2021		
								12		12-Nov-2020		
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	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - reputational damage to the Council - negative environmental impacts - negative public health impacts 	R	<p>AMBER</p>	6		21-Jun-2021	Our service provider has been able to provide a full operational service during these testing times.	23 Mar 2021
								6		23-Mar-2021		
								6		04-Feb-2021	Staffing levels and deployed resource is monitored daily along with the level of agency staff being utilised.	
								15		13-Jan-2021		

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
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	<p>AMBER</p> <p>Likelihood</p> <p>Impact</p>	12 21-Jun-2021	Construction of new bridge underway. Completion due in September.	21 Jun 2021
								12 25-Mar-2021		
								16 07-Jan-2021		
								16 21-Oct-2020		
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)	- incorrect procurement (despite this being a tightly regulated area of council activity) - Lack of staff awareness - insufficient training and guidance	- 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	<p>RED</p> <p>Likelihood</p> <p>Impact</p>	15 09-Jun-2021	A review and update of Contract Standing Orders has been completed and awaiting approval at the next full Council meeting. A drive to improve compliance with legislative requirements is being further supported through the introduction of specialist procurement training and regular workshops for those individuals who are responsible for procurement as part of their normal duties.	09 Jun 2021
								15 01-Mar-2021		
								15 14-Dec-2020		
								15 30-Sep-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
Mark Humphries; Richard Warren	IT30/ KSR83 Risk of Cyber attack on the Council's IT Infrastructure and Systems	Key Strategic Risk		Cyber attack	Financial, Reputational, Loss of Service – All of these areas would potentially be very severely impacted and affected.	R	<p style="text-align: center;">RED</p> 	16  09-Jun-2021	Risk rating increased for this period on the basis that the frequency of cyber security attacks is generally increasing globally and therefore there is a greater likelihood that the Council will have to deal with an incident. However additional security measures and resources have been approved by CMT and are in the process of being implemented which should mitigate some of the current risk.	09 Jun 2021
								12  01-Mar-2021		
Caroline Holland; Roger Kershaw	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	<p style="text-align: center;">RED</p> 	18  14-Jun-2021	The 2021/22 budget and MTFS includes some provision for the ongoing impact of COVID-19 and the problem of the DSG deficit is still unresolved. Whilst it is still uncertain how long the pandemic will last and DSG is not sorted out the risk remains at the same high level.	15 Jun 2021
								18  10-Mar-2021		
								18  15-Dec-2020		
								18  17-Sep-2020		

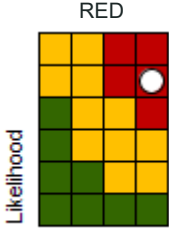




Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Caroline Holland; Ellis Kelly	RE16 / KSR61 Annual Savings Programme	Key Strategic Issue	Failure to deliver savings of £12.074m which have been agreed for the financial year 2020/21	We are unable to achieve planned savings due to the impact of Covid-19	- 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	<p>RED</p> <p>Likelihood</p> <p>Impact</p>	18 16-Jun-2021	Outturn shows a shortfall on 20/21 savings of £4.984million (41%). 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.	17 Jun 2021
								18 03-Mar-2021		
								18 16-Dec-2020		
								18 17-Sep-2020		
Caroline Holland; Roger Kershaw	RE20/ KSR21 Impact of COVID-19 on the Council	Key Strategic Risk	Disruption to Merton Council Services from COVID 19	COVID 19 has and continues to impact on service delivery and the generation of income to fund operations	- Need to identify and quantify the impact on service delivery and income. This impact needs to be monitored much more frequently than standard risks. - Need to re-cast MTFs to assess longer term impact as implications are identified. - Need to identify additional savings to bridge the gap in finances. - Damage to reputation	FI	<p>AMBER</p> <p>Likelihood</p> <p>Impact</p>	12 15-Jun-2021	Silver Group meeting routinely to manage the issues emerging. COVID Risk Log created in March 2020. Managers review risks fortnightly and DMTs and CMTs review the register regularly. Additional savings have been identified. We are continuing to monitor impact on services from the Covid pandemic.	31 Mar 2021
								12 31-Mar-2021		
								12 02-Nov-2020		
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	- A challenging withdrawal process - Changes to procurement frameworks - Other regulatory/statutory changes - Loss of regional aid funding - Changing eligibility of EU nationals to live	- 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	FI, SP, O	<p>AMBER</p> <p>Likelihood</p> <p>Impact</p>	12 07-Jun-2021	The implications and fallout from Brexit continue to be monitored. The officer task group continues to meet to review and discuss the implications for Merton. Officers closely monitor developments on the Brexit negotiations and	01 Mar 2021
								12 01-Mar-2021		
								12 09-Dec-2020		
								12 17-Sep-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
				&/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	- inability to capitalise on post-Brexit opportunities The risk profile assumes a Brexit deal. If no deal, the risk profile will significantly increase as a consequence of the uncertainty created.				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.	

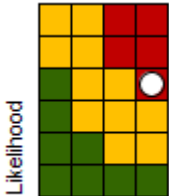




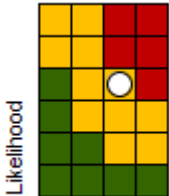




Issues Register ~ Key Strategic Issues

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; Chris Lee	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	<p style="text-align: center;">AMBER</p>	12 16-Jun-2021	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 stressing the importance of conducting good EAs to accompany report recommendations.	17 Jun 2021
								12 11-Mar-2021		
								12 22-Dec-2020		
								12 17-Sep-2020	COVID 19 has disproportionately impacted on some Protected Characteristics, such as Age, Disability and Race. The BAME Voice research into the lived experience of COVID-19 on BAME communities has produced a final report. The report was presented to the Health and Wellbeing Board (HWBB) and the Joint Consultative Committee	

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
									<p>(JCC) with Ethnic Minorities on 9 June.</p> <p>Mencap also produced an insight report that was presented to the HWBB.</p> <p>The findings of all the impact research will contribute to developing the Equality Objectives for the refreshed Equality Diversity and Inclusion strategy.</p> <p>Black Lives Matter is a project within the Recovery and Modernisation Programme. The monthly highlight report to the board has shown good progress being made to implement measures that address the issues raised and the council's commitment to promote Equality Diversity and Inclusion.</p> <p>The Race Equality Network Staff is in discussion with senior</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
									managers on HR policy issues. The Workforce Race Equality Standard (WRES) in Social Care pilot started in April 2021. A Project plan has been drafted and discussions have been had with the Dept. of Health and Social Care to clarify deadlines for data reporting.	
Page 183 Hannah Doody	CSF04 / KSR55 Demographic changes	Key Strategic Issue	We may fail to respond adequately to increasing special educational needs and 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. Due to impact of Covid 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		20  29-Jun-2021	Supporting the SENDIS Team to manage increasing demand for SEN Support and EHCP Continued focus on preventative services. Corporate agreement to release additional emergency funding to recruit additional social workers.	02 Jul 2021
								20  30-Mar-2021		
								20  28-Jan-2021		
								12  21-Oct-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
	CSF05 / KSR34 Over-reliance on Independent Special School Market	Key Strategic Issue	Risk of over-reliance on independent special school market driving up costs of specialist placements.	This is because: - EHCP numbers are increasing significantly and - we are reaching the limits on our in-borough maintained capacity in ARPs and special schools	- inability to meet statutory duty to children with additional needs through maintained 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 from DfE due to overspend	R	<p>RED</p> <p>Likelihood</p> <p>Impact</p>	<p>16 29-Jun-2021</p> <p>16 30-Mar-2021</p> <p>16 28-Jan-2021</p> <p>16 21-Oct-2020</p>	<p>Expansion of places at Cricket Green School completed spring 2020; expansion of Melrose School currently under construction and first places being provided in a temporary building.</p> <p>Implementation of further proposal for new ASD provision (Whatley Avenue) delayed due to Covid and now needs an amended proposal to that previously planned. It is now planned that we will consult in June 2021 and open the provision in September 2022. 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>	02 Jul 2021

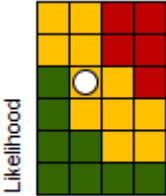




Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Children, Schools & Families	CSF06 / KSR56 Increased Demand in the Context of Budget Pressures	Key Strategic Issue	Risk to effective delivery of statutory functions within allocated budget	Increase demand for our services across Children's Social Care and Education (SEND) Budget pressures including saving targets and changes to national funding mechanisms especially high needs funding which is not keeping track with demand and changes to rules on DSG overspend increase potential impact.	Leading to: - DSG overspend and related impact on council budget - Negative impact on our ability to provide statutory services across Children Social Care and Education (SEND) and associated poorer outcomes for Merton children and families	FI	<p style="text-align: center;">RED</p>  <p style="text-align: center;">Likelihood</p> <p style="text-align: center;">Impact</p>	16  29-Jun-2021	Early help and prevention a key theme of our service planning coupled with our continued focus on our statutory services. Right sizing of budgets took place to enable unfunded service demands to be met. DSG recovery plan is being reviewed to bring in-year overspend in line with the budget within 5 years. Through peer challenge process we are identifying alternative strategies to assist reducing demand for statutory assessments	02 Jul 2021
								16  30-Mar-2021		
								16  28-Jan-2021		
								16  21-Oct-2020		
Hannah Doody	CSF09 / KSR62 Intervention/ prevention commissioning	Key Strategic Issue	We may fail to recommission appropriate intervention and prevention services	Due to: - Reduction in contracting with local third sector - Roles and responsibilities between PH commissioning team and CSF service leads	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	<p style="text-align: center;">AMBER</p>  <p style="text-align: center;">Likelihood</p> <p style="text-align: center;">Impact</p>	12  29-Jun-2021	Not 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.	02 Jul 2021
								12  30-Mar-2021		
								12  28-Jan-2021		
								12  21-Oct-2020		

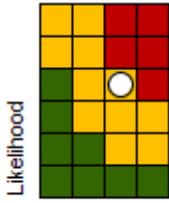




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Risk Register ~ Key Strategic Risks

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	<p>- 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)</p> <p>- 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.</p> <p>Due to COVID 19 the transition to Liberty Safeguards has been extended to Apr 2022.</p>	<p>- Existing backlog of assessments awaiting completion</p> <p>- Cost pressure in relation to DoLS assessments which need to be undertaken</p> <p>- Potential of legal challenge if DoLS authorisation requests are not completed in a timely manner.</p>	FI	<p>AMBER</p> <p>Likelihood</p> <p>Impact</p>	6 28-Sep-2021	<p>The impact of new legislation cannot be fully explored until the statutory guidance has been released. This has not yet been published</p> <p>Current backlog of 282 DoLS assessments. Team managers addressing outstanding assessments with individual team members.</p> <p>Alternative measures to reduce the backlog will be explored within available budgets but capacity and resource is challenging.</p>	28 Sep 2021
								9 28-Sep-2021		
								6 25-Jun-2021		
								6 09-Apr-2021		

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Wise Round	CG05 / KSR79 Data Protection Compliance	Key Strategic Risk	We may fail to comply with the requirements of Data Protection legislation	- inappropriate processing, use, retention, access or inaccuracy of data - staff insufficiently aware of requirements of Act and other legislation	Harm to service users, through breach of privacy (could result in physical harm); loss of services; damage to reputation; financial impact on council through ICO fines; key stakeholders lose confidence & may not share data with the council	FI & R	<p style="text-align: center;">AMBER</p>	<p>12 16-Sep-2021</p> <p>12 12-Jul-2021</p> <p>12 09-Mar-2021</p> <p>12 16-Dec-2020</p>	The council is in the process of reviewing all data protection policies to ensure they are fully compliant with the relevant legislation; We are in the process of procuring new information security training that is more aligned with the services provided by the council. The DPIA template and process is being reviewed to ensure that privacy risks are more effectively captured and managed in the procurement and project management process compliance with existing training is not good enough so the IG Officer is attending DMT's on a monthly basis to increase security uptake. Cyber security training. Robust security incident policy & reporting with quarterly security breach report submitted to IG Board & learning from incidents cascaded through weekly data security tip in the staff bulletin; Information Asset Register template has been reviewed and updated and DMTs to review quarterly to	16 Sep 2021

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
									ensure compliance & identify gaps; Updates made to Privacy Notice; ISAs etc. to cover compliance during C-19 crisis; targeted WFH security tips on C-19 bulletins, and looking into creating staff IG training videos that can be accessed on the intranet	
Page 189 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)	- inadequate consultation - not meeting expected standards - insufficient training	- increasingly robust scrutiny and challenge - possibility of Judicial Reviews	R, FI	<p style="text-align: center;">AMBER</p> 	8  31-Aug-2021	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.	08 Dec 2020
								8  08-Jun-2021		
								8  08-Mar-2021		
								8  08-Dec-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; Chris Lee	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	<p style="text-align: center;">AMBER</p> 	12  16-Sep-2021	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 stressing the importance of conducting good EAs to accompany report recommendations.	16 Sep 2021
								12  16-Jun-2021		
								12  11-Mar-2021		
								12  22-Dec-2020		
									Mencap also produced an insight report that was presented to the HWBB.	

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
									<p>The findings of all the impact research will contribute to developing the Equality Objectives for the refreshed Equality Diversity and Inclusion strategy.</p> <p>An action plan outlining Merton's response to the recommendations is being developed. The action plan will highlight outputs in the short, medium and long term.</p> <p>Black Lives Matter is a project within the Recovery and Modernisation Programme. The monthly highlight report to the board has shown good progress being made to implement measures that address the issues raised and the council's commitment to promote Equality Diversity and Inclusion.</p> <p>The Race Equality Network Staff is in discussion with senior managers on HR policy issues and developing anti-racism training. The Workforce Race Equality Standard (WRES) in Social Care pilot started in April</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		
									2021. Good progress is being made in preparing for the first data submission to the Dept. Health and Social Care on 8 October.			
Hannah Doody	CSF01 / KSR35 Safeguarding children	Key Strategic Risk	We may fail to adequately safeguard children	Because of: - 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: - Child protection & safeguarding consequences including possible child death or serious harm. - increasing costs of "high cost" interventions - undermining of the Merton Model	R	<p>AMBER</p>	8		29-Jun-2021	This risk will be replaced with 'We fail to assess risk, recognise need and to delivery effective interventions' on the new CSF Risk Register.	28 Sep 2021
								12		30-Mar-2021		
								12		28-Jan-2021		
								12		21-Oct-2020		
Charles Baker; John Bosley	ER112 / KSR73 Waste disposal budget (Viridor)	Key Strategic Risk	We may be unable to meet financial budget for waste disposal	- 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 COVID19/Brexit - recycling and RDF facilities may become harder to access in Europe	- 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	<p>AMBER</p>	6		21-Sep-2021	Waste volumes are reviewed monthly and financial implications of areas of growth assessed and budget forecast amended accordingly.	21 Jun 2021
								6		21-Jun-2021		
								6		23-Mar-2021		
								6		07-Jan-2021		

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
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	- financial impact on council and services - economic impact on Wimbledon Town Centre and the borough (potential loss of businesses and jobs) - Council reputation	FI	<p>GREEN</p> <p>Likelihood</p> <p>Impact</p>	2 21-Sep-2021	1st request for removal as there is no movement within the Government so this can be removed from the register. If this does become a problem then it can be reinstated at a later date.	21 Sep 2021
								12 21-Jun-2021		
								12 19-Mar-2021		
								12 07-Jan-2021		
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	<p>AMBER</p> <p>Likelihood</p> <p>Impact</p>	6 21-Sep-2021	Our service provider has been able to provide a full operational service during these testing times. Staffing levels and deployed resource is monitored daily along with the level of agency staff being utilised. There are now problems with HGV drivers and this is to be covered by a separate risk. This has now affected waste collections within the Partnership.	21 Sep 2021
								6 21-Jun-2021		
								6 23-Mar-2021		
								6 04-Feb-2021		

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided												
Paul McGarry	ER153/ KSR84 Implementation of the Climate Action Plan	Key Strategic Risk	May be unable to implement a fit for purpose action plan	Due to the complexities and uncertainties of achieving decarbonisation, there are a number of potential causes: (a) National policy framework is uncondusive to local action (either through an ineffective policy framework or through lack of finance) (b) Lack of robust evidence/ expertise to assess greenhouse gas emissions and track progress (c) The estimated costs of implementing the actions are very high or very uncertain (d) Lack of control over the majority of emissions and therefore a reliance on behaviour change of Merton's residence and businesses (e) Lack of commitment/ resources of key Officers in all departments who would need to commit to actions and subsequently implement them	Failure to get an action plan which was fit for purpose may result in Merton not playing its part in mitigating the dangerous effects of climate change – as set out in the declaration of a climate emergency that was unanimously passed at Council. It would also mean not delivering against commitments set out in the (revised) Climate Change Act and the Mayor's 1.5 degree compatible climate action plan. This may result in a loss of public confidence and reputation damage for Merton council.	FI/ R	<p style="text-align: center;">RED</p>	<table border="1"> <tr> <td>16</td> <td></td> <td>23-Sep-2021</td> </tr> <tr> <td>16</td> <td></td> <td>21-Jun-2021</td> </tr> <tr> <td>16</td> <td></td> <td>25-Mar-2021</td> </tr> <tr> <td>16</td> <td></td> <td>07-Jan-2021</td> </tr> </table>	16		23-Sep-2021	16		21-Jun-2021	16		25-Mar-2021	16		07-Jan-2021	Awaiting further update	23 Sep 2021
16		23-Sep-2021																				
16		21-Jun-2021																				
16		25-Mar-2021																				
16		07-Jan-2021																				

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Paul McGarry	ER154 / KSR 82 Mitcham 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		6 23-Sep-2021	The Bridge is nearing completion of construction with the only delay due to the reinstatement of utilities. The bridge is planned to be open in the next month.	23 Sep 2021
								12 21-Jun-2021		
								12 25-Mar-2021		
								16 07-Jan-2021		
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)	- incorrect procurement (despite this being a tightly regulated area of council activity) - Lack of staff awareness - insufficient training and guidance	- 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 09-Jun-2021	A review and update of Contract Standing Orders has been completed and awaiting approval at the next full Council meeting. A drive to improve compliance with legislative requirements is being further supported through the introduction of specialist procurement training and regular workshops for those individuals who are responsible for procurement as part of their normal duties.	09 Jun 2021
								15 01-Mar-2021		
								15 14-Dec-2020		
								15 30-Sep-2020		

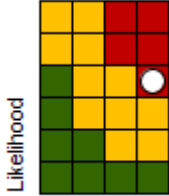




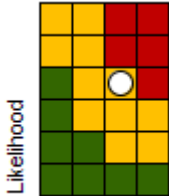




Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Mark Humphries; Richard Warren	IT30/ KSR83 Risk of Cyber attack on the Council's IT Infrastructure and Systems	Key Strategic Risk		Cyber attack	Financial, Reputational, Loss of Service – All of these areas would potentially be very severely impacted and affected.	R		16 07-Sep-2021	Risk rating increased for this period on the basis that the frequency of cyber security attacks is generally increasing globally and therefore there is a greater likelihood that the Council will have to deal with an incident. However additional security measures and resources have been approved by CMT and are in the process of being implemented which should mitigate some of the current risk.	09 Jun 2021
								16 09-Jun-2021		
								12 01-Mar-2021		
								12 08-Feb-2021		
Caroline Holland; Roger Kershaw	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	- Reduction in Government Grant - challenges of making accurate projections of Business Rate Retention due to lack of clarity over future of London Pilot Pool	- negative impact on service provision - damage to council reputation - negative impact on staff morale - dissatisfaction of internal & external customers	FI		18 10-Sep-2021	The 2021/22 budget and MTFS includes some provision for the ongoing impact of COVID-19 and the problem of the DSG deficit is still unresolved. Whilst it is still uncertain how long the pandemic will last and DSG is not sorted out the risk remains at the same high level. The MTFS is being reviewed, re-priced and rolled forward a year and will be reported to Cabinet in October 2021. Covid-19 and the DSG deficit remain ongoing pressures. A budget gap of c. £18m in 2025/26 will require	10 Sep 2021
								18 14-Jun-2021		
								18 10-Mar-2021		
								18 15-Dec-2020		

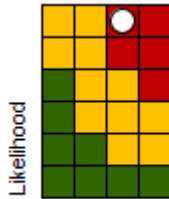




Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided	
									savings to produce a balanced budget and means that the risk level remains high.		
Caroline Holland; Roger Kershaw	RE20/ KSR21 Impact of COVID-19 on the Council	Key Strategic Risk	Disruption to Merton Council Services from COVID 19	COVID 19 has and continues to impact on service delivery and the generation of income to fund operations	<ul style="list-style-type: none"> - Need to identify and quantify the impact on service delivery and income. This impact needs to be monitored much more frequently than standard risks. - Need to re-cast MTFS to assess longer term impact as implications are identified. - Need to identify additional savings to bridge the gap in finances. - Damage to reputation 	FI	<p style="text-align: center;">AMBER</p>	12 16-Sep-2021	Silver Group meeting routinely to manage the issues emerging.	31 Mar 2021	
								12 15-Jun-2021			COVID Risk Log created in March 2020. Managers review risks fortnightly and DMTs and CMTs review the register regularly.
								12 31-Mar-2021			Additional savings have been identified.
								12 02-Nov-2020			We are continuing to monitor impact on services from the Covid pandemic.
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 	<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</p>	FI, SP, O	<p style="text-align: center;">AMBER</p>	12 16-Sep-2021	Officers are continuing to monitor the impact from the Brexit deal. Part of the challenge is some of the impacts have been masked by the Covid pandemic.	16 Sep 2021	
								12 07-Jun-2021			
								12 01-Mar-2021			
								12 09-Dec-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
				pension investments - community cohesion	consequence of the uncertainty created.					

Issues Register ~ Key Strategic Issues

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Hannah Doody	CSF04 / KSR55 Demographic changes	Key Strategic Issue	We may fail to respond adequately to increasing special educational needs and 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. Due to impact of Covid 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	<p style="text-align: center;">RED</p> <p style="text-align: center;">Likelihood</p> <p style="text-align: center;">Impact</p>	20 29-Jun-2021	'After reviewing and collating a new CSF Risk Register, this risk is no longer required due to demographic change being picked up as causes in other risks.	28 Sep 2021
								20 30-Mar-2021		
								20 28-Jan-2021		
								12 21-Oct-2020		
Jane McSherry	CSF05 / KSR34 Over-reliance on Independent Special School Market	Key Strategic Issue	Risk of over-reliance on independent special school market driving up costs of specialist placements.	This is because: - EHCP numbers are increasing significantly and - we are reaching the limits on our in-borough maintained capacity in ARPs and special schools	- inability to meet statutory duty to children with additional needs through maintained 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	R	<p style="text-align: center;">RED</p> <p style="text-align: center;">Likelihood</p> <p style="text-align: center;">Impact</p>	16 29-Jun-2021	This risk will be replaced by 'Supporting Children with additional needs' in the new CSF risk register.	28 Sep 2021
								16 30-Mar-2021		
								16 28-Jan-2021		
								16 21-Oct-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
					outside the borough - increased scrutiny from DfE due to overspend					
Children, Schools & Families	CSF06 / KSR56 Increased Demand in the Context of Budget Pressures	Key Strategic Issue	Risk to effective delivery of statutory functions within allocated budget	Increase demand for our services across Children's Social Care and Education (SEND) Budget pressures including saving targets and changes to national funding mechanisms especially high needs funding which is not keeping track with demand and changes to rules on DSG overspend increase potential impact.	Leading to: - DSG overspend and related impact on council budget - Negative impact on our ability to provide statutory services across Children Social Care and Education (SEND) and associated poorer outcomes for Merton children and families	FI	<p>RED</p>  <p>Likelihood</p> <p>Impact</p>	16  30-Sep-2021	After reviewing and collating a new CSF Risk Register, this risk is no longer required due to risk being covered in other risks. Please remove.	30 Sep 2021
								16  29-Jun-2021		
								16  30-Mar-2021		
								16  28-Jan-2021		
Hannah Doody	CSF09 / KSR62 Intervention/ prevention commissioning	Key Strategic Issue	We may fail to recommission appropriate intervention and prevention services	Due to: - Reduction in contracting with local third sector - Roles and responsibilities between PH commissioning team and CSF service leads	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	<p>AMBER</p>  <p>Likelihood</p> <p>Impact</p>	12  29-Jun-2021	Risk to be replaced: This risk will be replaced by 'Risk that introduction of multi-agency processes supporting the revised Early Help system are unclear and/or ineffective'	28 Sep 2021
								12  30-Mar-2021		
								12  28-Jan-2021		
								12  21-Oct-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
Caroline Holland; Ellis Kelly	RE16 / KSR61 Annual Savings Programme	Key Strategic Issue	Failure to deliver savings of £6.903m which have been agreed for the financial year 2021/22	We are unable to achieve planned savings due to the impact of Covid-19 and various service specific issues	<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	<p>RED</p> 	18  27-Aug-2021	P4 monitoring shows a shortfall on 21/22 savings of £2.891million (41.9%). Delivery of savings continues to be carefully monitored and reported as they are critical to balance the budget.	10 Sep 2021
								18  16-Jun-2021		
								18  03-Mar-2021		
								18  16-Dec-2020		

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London Borough of Merton

Risk Management Strategy

Revised January 2019
(Agreed CMT 29 January 2019)

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 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 ie the Risk Management Toolkit and other guidance.

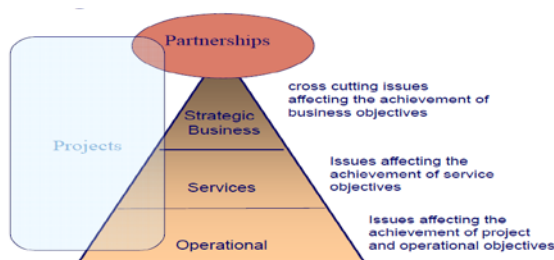
Risk Appetite

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 reduced 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.

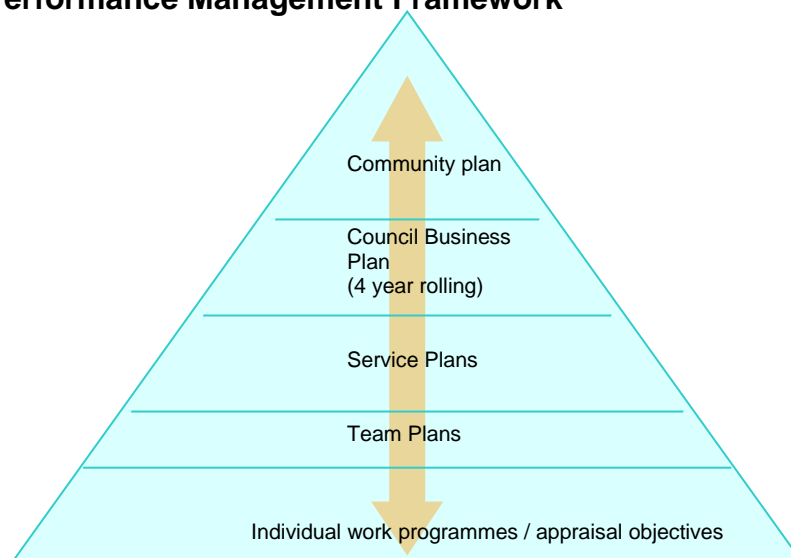
There is also a financial impact element to the authorities risk matrix which has been recently reviewed and simplified. Officers will continue to review activity and adopt best practice etc. where appropriate.

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

