

ANNUAL GOVERNANCE STATEMENT 2018/19

This statement from the Leader and the Chief Executive provides assurance to all stakeholders that within Merton Council processes and systems have been established, which ensure that decisions are properly made and scrutinised, and that public money is being spent economically and effectively to ensure maximum benefit to all citizens of the borough.

1. Scope of responsibility

- 1.1. Merton Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Merton Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, Merton Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3. Merton Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016)*
- 1.4. This statement explains how Merton Council has complied with the code and also meets the requirements of regulation 6(1b) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and the activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of London Borough of Merton policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the London Borough of Merton

for the year ended 31 March 2019 and up to the date of approval of the annual report and statement of accounts.

3 The governance framework

- 3.1 The London Borough of Merton has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, standards and general purposes committee, the Head of Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates and others as appropriate.
- 3.2 The council's code of governance has been reviewed to reflect Cipfa Delivering Good Governance guidelines 2016.
- 3.3 As part of this review a Corporate Governance steering group has been established and terms of reference agreed. Monthly meetings have been held and an evidence pack compiled to consider a combination of economy, efficiency and effectiveness factors. The results of this review are detailed in the seven principles below and areas of improvement in section 14..

4. Principle 1 Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Constitution

- 4.1 The constitution sets out the decision making structure. Full Council is the ultimate governing body, scrutiny and Standards and General purposes committee provides robust challenge. Committees are appointed on the basis of political proportionality. Decision making is transparent. Decision reports and committee minutes are published on the councils website.

The constitution sets out the roles and responsibilities of members and senior officers. The role of the corporate management team, including the statutory chief officers, such as the Head of Paid Service, Monitoring officers and Section 151 officer, is to support members in the policy and decision-making process by providing assessments and advice to ensure that decision making is rigorous.

Codes of Conduct

- 4.2 The Council has an Employee Code of Conduct (last updated March 2014) that applies to all council employees without exception, as well as to non-employees who are engaged (e.g. agency workers) or contracted by the council. The summary code of conduct is available on the intranet, is given to all new members of staff and discussed as part of the induction process. This code includes a requirement for staff to declare any conflicts of interest.
- 4.3 The Members' Code of Conduct approved by the Council on 11 July 2012 is included in the council's Constitution and includes the principles of public life and information on declaring and registering interests. Each year (after Annual

Council) Members are asked to declare their interests and mechanisms are in place to update these regularly when there are changes. These details are published. Members also declare any conflicts at the start of each committee meeting. A member complaints procedure and form are available on the internet.

- 4.4 The whistleblowing policy was last reviewed and approved by S&GP Committee 2018 and is available on the intranet and internet.
- 4.5 The declaration of interest for officers process was reviewed by Internal Audit in 2018/19, this has provided with a limited assurance and actions are due to be implemented in 2019/20.

Standards and General Purposes Committee

- 4.6 The Standards and General Purposes Committee has overall responsibility for promoting corporate governance and ensuring controls are adequate and working effectively. The Committee is also concerned with the promotion and maintenance of high standards of conduct within the council; the enforcement of the Member Code of Conduct; and advising the council on ethical governance matters. The Committee monitors the registers maintained in relation to gifts and hospitality received by councillors and offered to and accepted by staff. The Committee comprises twelve members, and the Council's two Independent Persons regularly attend as observers.
- 4.7 This committee also fulfils the role of an Audit Committee in accordance with CIPFA recommended best practice, and this committee has overall responsibility for ensuring controls are adequate and working effectively
- 4.8 This Committee is responsible for a range of non-executive functions, including electoral matters and personnel issues. It also has responsibility for considering and making recommendations to Full Council on any changes to the council's Constitution. Its functions include ensuring compliance with relevant laws and regulations, internal policies and procedures, and overseeing council accounts and audit activity.
- 4.9 Meetings are held in public. Agendas and minutes are published on the Council's website in line with statutory requirements.
- 4.10 A review was carried out on the effectiveness of the Standards and General Purposes Committee against Cipfa's guidance, Audit Committees: Practical Guidance for Local Authorities. This found that the Committee was meeting regularly and covered the range of governance issues, except risk management. Risk is however reported to Cabinet and Overview and Scrutiny on a regular basis as well as to Council on an annual basis as part of the business plan, therefore reliance could be placed on this.

Commissioning

- 4.11 Contract Standing Orders updated December 2017 forms part of the constitution The Procurement Strategy updated in 2018 sets out the aims and objectives for procurement.

- 4.12 A Procurement Toolkit has recently been updated in 2018 and provides clear guidance on the correct procurement route depending on contract value thresholds; A list of contracts with spend greater than £ 5,000 not on the Contracts Register is regularly reported to each Department Operational Procurement Group. The Commercial Services are currently undergoing a restructure to enable the implementation of Category Management across the Council
- 4.13 A recent Internal Audit review found improvement were required on the use of the e-tendering portal Pro Contract system, updating the contract register and ensuring that forward plans are up to date and reasons for extensions are clear.

5. **Principle 2: Ensuring openness and comprehensive stakeholder engagement**

- 5.1 The decision making process is clear, meetings are held in public, committee dates, agenda and decisions are published. The council publishes its annual accounts and the external audit findings and overall conclusion.

Transparency agenda

- 5.2 The Protection of Freedoms Act 2012 requires the council to publish certain datasets that are requested .The council publishes the information specified by the government's Open Data requirements on the council's Open Data webpage. A review will be carried out in 2019/20, to ensure that data is updated in a timely manner.
- 5.3 Merton Council publishes an information requests disclosure log which gives brief details of the requests received each week under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.
- 5.4 Under the Freedom of Information (FOI) Act, a public authority must respond to FOI requests within 20 working days. Performance is reported to the Corporate Management team monthly and is also published on the council's website via the performance monitoring dashboard.

Complaints

- 5.5 The Complaints policy is reviewed periodically to ensure it remains relevant and supports improvement in the way the council deals with complaints. New staff are introduced to effective complaints handling through their departmental inductions and all new managers receive through their specific manager's induction. Training and advice is provided on request to teams and targeted training is provided for teams which regularly deal with complaints.
- 5.6 Work is on-going with service departments to identify policy complaints so departments can deal with them appropriately. Departments receive feedback to help them identify areas for improvement and departmental actions are monitored to assess whether changes that are made make a difference.
- 5.7 The council's performance in responding to complaints is reported to the Corporate Management team on a monthly basis and is published on the

council's website via the performance monitoring dashboard. An annual report on complaints is presented to the Standards and General Purposes Committee and is published on the council's website.

Partnerships

- 5.8 The Merton Community Plan 2013 -2019 is in the process of being reviewed. This involved consulting over 1,000 residents, 1,300 children, partner organisations and a wide range of representatives from the voluntary, community and faith sector. The Merton Community Plan sets out the achievements of the Partnership over recent years and priorities for the next five years.
- 5.9 The Merton Partnership is responsible for the delivery of the Merton Community Plan (the Sustainable Community Strategy). The Partnership is chaired by the Leader of the Council and hosts an annual themed conference. It has an Executive Board, also chaired by the Leader of the Council that meets quarterly and whose role is to set the strategic direction of the Partnership and manage the delivery of the priorities and targets set out in the Community Plan.
- 5.10 The Merton Partnership Governance Handbook and the Performance Management Framework set out the respective governance and performance management arrangements for the Merton Partnership, including the thematic partnerships sitting under the Partnership and Executive Board (namely the Health and Wellbeing Board, the Children's Trust, the Sustainable Communities and Transport Board, and the Safer and Stronger Communities (which also serves as the Community Safety Partnership).
- 5.11 The Merton Partnership and its thematic Boards and working groups provide a mechanism for the Council to engage with key stakeholders. The majority of Partnership Boards meet quarterly and have clear governance arrangements. The MVSC are being commissioned to provide training to community groups. There will be a Merton Partnership away day in 2019.
- 5.12 The principles guiding the relationship and conduct between the council and voluntary, community and faith sector is set out in the Merton Compact (last refreshed in 2011). The Merton Compact is a partnership agreement between local public bodies and the voluntary and community sector to improve the relationships. The Merton Compact subscribes to the principles of the National Compact, setting out principles and values of the partnership and aims to achieve a Compact way of working
- 5.13 The Merton Compact is monitored by the Compact Board, comprising of representatives from public bodies including Merton Council (political and officer), Merton CCG, the police, the Fire Brigade and South Thames College and local representatives from the voluntary, community and faith sector. A dispute resolution procedure has been developed to help organisations through the difficulties associated with disputes and disagreements.
- 5.14 The council maintains a Partnerships Register which captures details of partnership bodies the council is involved in that are outside the standing bodies

of the council, but which inform policy development or implementation. The Partnerships Register is reviewed annually to ensure it is up to date, and is published on the council's intranet and website.

5.15 The Merton Partnership developed a new Voluntary Sector and Volunteering Strategy in 2017 to inform and guide our collective approach to sustaining a thriving voluntary sector. This new Strategy will guide the requirements for the Council's Strategic Partner programme that commissions advice and information services, as well as support for the voluntary sector as a whole.

5.16 The Council publishes an annual report setting out expenditure with the Voluntary and Community Sector, including notional funding and business rate discounts

6. Principle 3: Defining outcomes in terms of sustainable economic, social, and environmental benefits

6.1 The Merton Community Plan has been developed by the Merton Partnership and sets the overall direction and vision for the borough until 2019. This is supported by the Council's Business Plan and Departmental Service Plans. These are reviewed and updated annually. The council has an ambition to be 'London's Best Council' by 2020.

6.2 The Council's Business Plan 2018-22 sets out the following vision:

By 2020 Merton Council will be transformed by the fruition of a number of change projects which will maximise the use of information technology and streamline processes and service provision. Providing value for money services to our residents is at the heart of our business and we must be able to demonstrate that all of our services represent best value for money. We will do this by continuing to finding innovative solutions to maximise future efficiency.

6.3 The financial reality facing local government dominates the choices the council will make for the future of the borough. The development of the Business Plan is therefore based on the set of guiding strategic priorities and principles, as adopted by the council on 13 July 2011:

Merton should continue to provide a certain level of essential services for residents. The order of priority of services should be:

- i) Continue to provide everything that is statutory.
- ii) Maintain services – within limits – to the vulnerable and elderly.

After meeting these obligations Merton should do all that it can to help residents. This means we should address the following as priorities in this order:

- i) Maintain clean streets and keep council tax low.
- ii) Keep Merton as a good place for young people to go to school and grow up.
- ii) Be the best it can for the local environment.
- iii) All the rest should be open for discussion.

The financial pressures facing Merton mean we should no longer aim to be a 'place-maker' but be a 'place-shaper'. The council should be an enabler, working with partners to provide services.

Our top priority will continue to be to provide safe services of the best possible quality within financial constraints and the July 2011 principles. We will deliver services that customers want and need and, where possible, involve our customers in service specification and design.

The Authority is utilising best practice in project management/ transformation to assess the future direction of services and the required staff, process and IT development to deliver this change. Internal decision making structures have been established to maximise Authority wide assessment and development.

- 6.4 The annual financial planning process, includes two rounds of budget scrutiny each year where the public are able to make representations in writing and at meetings. Budget monitoring reports are also presented and discussed at the quarterly Overview and Scrutiny Commission financial monitoring task group.

There is an aligned Medium Term financial strategy and Capital programme.

7. Principle 4: Determining the interventions necessary to optimise the achievement of the intended outcomes

Delegations

- 7.1 The council's constitution sets out the roles and responsibilities of the executive, non-executive, scrutiny and officer functions.
- 7.2 The functions of Council are set out in Article 4 of the constitution. These include responsibility for adopting and changing the constitution, policy framework and budget
- 7.3 Cabinet (Article 7) has responsibility for carrying out all of the Council's functions which are not the responsibility of any other part of the local authority.
- 7.4 Part 3B of the constitution sets out responsibility for non-executive council functions, including those carried out by Standards and General Purposes Committee, Appointments Committee, Planning Applications Committee, Licensing Committee, Appeals Committee and the Borough Plan Advisory Committee.
- 7.5 Overview and Scrutiny (Article 6 and Part 3B) discharges the functions conferred by the Local Government Act 2000, Local Government Act 2003, Health and Social Care Act 2001, Police and Justice Act 2006 and the Local Government and Public Involvement in Health Act 2007. Its operation is set out in more detail in section 8 of the report.
- 7.6 Except for matters reserved to members or other decision makers, all other matters relating to the Council's executive and non-executive functions are delegated to the Chief Executive.

- 7.7 The constitution includes a scheme of delegation that sets out the powers delegated to officers, and provides for Financial Regulations, Contract Standing Orders and a range of operational and departmental procedures which govern the council's discharge of its functions.
- 7.8 Statutory officers are documented within the constitution. The Chief Executive (Head of Paid Service) works with members and Directors to deliver the council's themes.
- 7.9 The Monitoring Officer is responsible for ensuring agreed procedures are followed and that all applicable statutes and regulations are complied with.

Financial strategy and financial management

- 7.10 The council has approved a four-year Medium Term Financial Strategy (MTFS) for years 2018/19 to 2021/22 which is aligned and integrated with its business plan priorities, and incorporates the revenue and capital expenditure implications of budget proposals. The MTFS is reviewed, and rolled forward annually in order to ensure that the council's scarce resources are focused on achieving the council's vision, strategic objectives, and statutory functions as set out in the Business Plan.
- 7.11 Merton's financial performance is reported on a monthly basis to the Corporate Management Team, and action plans are prepared if any likely major variations are identified. Regular reports are made to the overview and scrutiny commission and panels, and to the council's cabinet. These are used to inform the MTFS process. Quarterly reports are submitted to the Financial Task Group a sub-group of the Overview and Scrutiny Committee to review the Authority's financial position. Ongoing implications of current year spending pressures are incorporated into the MTFS and future years' budgets as appropriate

Policy and decision making

- 7.12 Policy and decision making is conducted within a leader and cabinet structure. The cabinet leads on the preparation of the council's policies and budget, and makes recommendations to the full council on the major policy plans and the budget and council tax. Where there is a relevant policy, the cabinet takes decisions within the adopted framework of plans and the procedural rules to implement them.
- 7.13 The constitution provides that the responsibility for the adoption and alteration of policy documents within the council's strategy framework lies with the full council. New policies and proposed changes are considered in the first instance by the Standards and General Purposes Committee, and are also subject to scrutiny.
- 7.14 A forward plan of proposed key decisions is published and updated each time a new key decision is added to the list. This sets out details and the proposed timing of key decisions (as defined by law and Article 13 of the constitution) to be made by the council. It includes processes in relation to reports containing exempt information in order to comply with The Local Authorities (Executive

Arrangements) (Meetings and Access to Information) (England) Regulations 2012 which came into force on 10 September 2012

- 7.15 Council, on 19 November 2014, considered and agreed procedures for recording and publishing non-key delegated executive decisions to comply with the statutory requirement under the Openness of Local Government Bodies Regulations 2014. Council agreed a definition for these decisions and also agreed that, as well as being published, all such decisions made should be subject to call-in to allow greater openness and transparency. Council officers are regularly briefed on decision making requirements and have access to guidance notes and forms that have been published on the intranet. The decisions themselves are published on the website.

Performance management

- 7.16 The council has robust performance management arrangements in place and as part of the service planning process, performance indicators are challenged by the Business Planning team, Departmental Management Teams (DMT), Corporate Management Team, reviewed by members and Overview and Scrutiny.
- 7.17 Performance data on the service plan indicators are published on both the intranet and internet on a monthly basis. Progress on performance is regularly reviewed by DMTs and members
- 7.18 Review and challenge of PIs are established as part of service planning e.g. if PI this year is different from last years. Review and challenge with monthly, quarterly and annual returns e.g. monitor if changes markedly from prior measure. London Authority Performance Solutions provides current comparison data across London for approximately 30 Indicators – compare and challenge if our data changes markedly and report to Corporate Management Team - this is not published as agreed by constituent authorities
- 7.19 Performance reports on partnership working are produced for the Merton Partnership Executive Board.

8. Principle 5: Developing the entity's capacity, including the capability of its leadership and the individuals within it

- 8.1 Elected Members are responsible for the governance of the council. The council's governance arrangements are enshrined in the constitution. Within this framework, the council is able to provide clear leadership to the community; take decisions efficiently and effectively; improve service delivery; and hold decision makers to account.
- 8.2 The constitution is updated regularly. Amendments are recommended to Council by the Standards and General Purposes Committee, following reference by the Chief Executive as the statutory Head of Paid Service and the Assistant Director of Corporate Governance as the Monitoring Officer.
- 8.3 The authority's financial management arrangements conform to the governance

requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015).

Development needs members/officers

- 8.4 Members –A members’ development plan is in place and this is adapted to meet arising needs. Induction training is provided for all new members. The programme in place for new members post May 2018 were:-
- Workshop 1: welcome reception: meet with the Corporate Management Team, standards and ethics.
 - Workshop 2: The role of the councillor (part 1) covering different aspects of the councillor’s role, an outline of support available, information security and managing casework and introduction to personal development plans.
 - Workshop 3: Introduction to overview and scrutiny.
 - Workshop 4: Introduction to finance and business planning
 - Workshop 5: Keeping our people safe
 - Workshop 6: Community Leadership.
- 8.5 In November 2017 Committee agreed that the following modules would be mandatory for all members to participate during the four year term: safeguarding (adults and children), equalities and information security. Prior to sitting on a Planning or Licensing Committee members must be trained.
- 8.6 In addition to topics covered above; in house sessions were arranged to explain specific items i.e. Housing Benefits, Public Health. Generic training will be provided to include public speaking, understanding equalities, using social media, IT skills, speed reading, chairing meetings, influencing skills, personal organisation, personal safety – this is not an exhaustive list. Personal Development Plans are in place for members and these will be reviewed on an annual basis to ensure learning needs are met and other areas for development identified.
- 8.7 Officers – All council employees (except those on probation) will have an annual appraisal. Training needs are identified through staff appraisals and training can now be booked on the council’s iTrent System.
- 8.8 The Council has Induction workshops throughout the year for new starters and for employees who change their roles. There is a managers’ induction session for managers new to the Council or new to role. Training is available to all staff to ensure they have the skills and knowledge to undertake their roles. Lunchtime sessions have also been offered once a month on the council’s decision making. Further monthly training on procurement has been offered to staff in 2019/20.
- 8.9 The leadership and core behaviours have been included in the appraisals of all staff. As part of the Council’s ambition to be London’s Best Council in 2020 a development programme was launched for the Collective DMTs and the

Leadership Team the sessions delivered so far have included Coaching, Resilience and Emotional Intelligence. A workforce strategy (2018 – 2021) has been developed and has an action plan to ensure the priorities outlined are achieved. The priorities are:

- Workforce planning
- Recruitment and Retention
- Organisation and Workforce Development
- Morale, Health and wellbeing
- Leadership
- Apprenticeships

8.10 A leadership/managers programme was launched in 2018, starting in the Legal partnership.

9. Principle 6: Managing risks and performance through robust internal control and strong public financial management.

Overview and Scrutiny Commission and Panels

9.1 The Overview and Scrutiny Commission and Panels are responsible for holding the executive to account, influencing the decision making process, and shaping the development of new policy. Scrutiny oversees the development of the council's business plan and budget and takes an active role on financial and performance monitoring of council services. Three scrutiny panels cover all portfolios, and all areas of council activity. The Commission comprises fourteen members, four of whom are statutory co-opted members. The chair of the Commission is the leader of the Merton Park Ward Independent Resident Group.

9.2 The External Scrutiny Protocol sets out scrutiny powers, duties and responsibilities of the council and its partners. The protocol seeks to ensure all partners, statutory and non-statutory, adhere to the same principles for effective scrutiny, provide information, consider recommendations and respond to the relevant overview and scrutiny panel within an agreed time frame. The protocol forms part of the council's constitution.

9.3 The key principles of scrutiny in Merton, set out in the scrutiny handbook, are that it should be member-led, consensual, evidence-based and relatively informal. The handbook also contains advice for councillors and officers on their respective roles, guidance and practical steps on how to achieve successful scrutiny. It is based on experience of scrutiny in Merton, best practice research and examples from other local authorities.

9.4 Under the Council's constitution an annual report is presented to Council, outlining the work of the overview and scrutiny function over the course of the municipal year. This is used as an opportunity not only to showcase the work carried out but also to demonstrate some of the outcomes achieved and the ways in which local residents have been involved in scrutiny.

- 9.5 Each year a survey of all members is undertaken to seek their views on the effectiveness of the scrutiny function and suggestions for improvement. The results are reported to the Overview and Scrutiny Commission together with an action plan containing measures for innovation and improvements over the coming year.

Risk management

- 9.6 Risk management is a central part of the organisation's system of internal control. The focus of the risk management strategy is to ensure the identification and treatment of risk as part of everyday management.
- 9.7 The Corporate Risk Management Group (CRMG) meets quarterly to review and challenge the risk registers and share best practice. Key Strategic Risks are reported quarterly as part of the financial monitoring report to cabinet and overview and scrutiny and annually included as part of the business plan to Council
- 9.8 The corporate risk strategy was reviewed as part of the annual refresh of the Business Plan 2018-22, which is submitted to Council in March. The strategy makes reference to the authority's risk tolerance levels, to recognise that some risks can be tolerated and others must be mitigated against. Work has been undertaken with a "Risk Management" specialist through our insurance arrangement to review departmental and corporate risk registers, separating "risks" and "issues" and standardising classification..
- 9.9 Risk analysis is also included in the service review process, where managers are required to risk rate their proposed budget savings and service level projects for the coming years.

Anti Fraud and Corruption

- 9.10 The council has an anti-fraud and corruption strategy. Integral to these arrangements is the Whistleblowing Policy which is communicated to staff via the intranet, leaflets and posters to outbuildings. All Whistleblowing cases and action are reported annually to the General Purposes committee.
- 9.11 The council also participates in the National Fraud Initiative (NFI) a computerised data matching exercise, led by the Cabinet Office to detect fraud perpetrated on public bodies.

Communication

- 9.12 A wide range of communications channels are used by the council to target different audiences. The Council magazine, My Merton, is delivered to every household in the borough four times a year. The Council also uses online and social media channels to target different audiences. Some services have developed bespoke communication channels to reach particular target audiences.
- 9.13 A wide range of engagement forums are used, some led by the council, others by the community, to communicate the council's vision and to consult local

people, for example the Faith and Belief Forum, LGBT Forum, BAME Forum, Involve, Community Forums, Youth Parliament, and Young Advisors

- 9.14 The council follows the principles for engagement agreed by the Merton Partnership in 2010 and refreshed in 2014 as part of the Get Involved - Community Engagement Strategy. These principles let residents know what they can expect from council consultations and they are invited to report on occasions when consultations fall short of these expectations.
- 9.15 All our consultations and many of our partner's consultations are listed in our online database. Residents and stakeholders can sign up for alert emails to be updated when new consultations are in place on the system so they can find out how to get involved.

10. Principle 7 Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Internal Audit

- 10.1 Internal Audit is an assurance function that provides an independent and objective opinion on the control environment. It operates to defined standards as set out in the Public Sector Internal Audit Standards. An annual internal review has been completed and concluded that the service is compliant. An external assessment was carried out in May 2018, which concluded that the Internal Audit function complied with the standard.
- 10.2 An annual report is produced by the Head of Audit which provides an opinion on the adequacy and effectiveness of the internal control environment.
- 10.3 A review has been undertaken on the 5 elements of the CIPFA statement on the role of the Head of Audit in public sector organisations. These elements are all met.

Data Security

- 10.4 The council holds a significant amount of personal data across its many business areas and has put in place actions to manage the risk of possible loss of this data. These include annual mandatory training for all council and partner staff with access to council systems, publication of guidance and an Information Security policy.
- 10.5 Staff are required to report any security incident promptly to the Information Governance team so an investigation and appropriate remedial or mitigating action can be taken. Each reported incident is followed up by the Information Governance team to identify lessons to be learned and to implement changes to reduce the risk of further similar incidents in the future. Security breaches are reported to the Information Governance Board quarterly. The Head of Information Governance assesses each security breach, in line with the Information Commissioners guidance, to identify whether an incident should be reported to the Information Commissioner's Office. During 2018/19 no enforcement action or monetary penalties were issued against the council,

reflecting the effectiveness of the policies and procedures in place.

- 10.6 To support the council's introduction of greater flexible and mobile working, updated procedures have been put in place to ensure the secure handling of personal data. Staff using mobile technology must have passed their online security training and are issued guidance on good practice in handling personal information on a mobile device. The Information Governance team send out a weekly data security tip of the week in the staff bulletin, to ensure staff are regularly reminded of good information handling.
- 10.7 There is a robust framework for managing information to ensure legal compliance and access to NHS information.
- 10.8 Caldicott Guardians are responsible for protecting the confidentiality of service user information and enabling appropriate information sharing.

11. Council Owned companies

- 11.1 A review was carried out by the Committee on Standards in Public Life on Local Government Ethical Standards in January 2019, which recommended areas of best practice.

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

- 11.2 Merton council has 2 companies set up;

CHAS 2013 Ltd (CHAS). The company was incorporated on the 28th March 2013, to provide both desktop and onsite supplier/contract risk management assessment and services. There are 4 directors, the Director of Environment and Regeneration, the Assistant Director of Business Improvements, the Head of Legal Services and a managing director. The accounts are audited by EY and filed and published with Companies House. A note is also included in the councils main accounts.

Merantun Development Limited. The company was incorporated on the 9th August 2017, to undertake new housing build for 77 residential units. There are 2 council officers listed as directors, the Assistant Director of Resources and the Assistant Director of Sustainable Communities. The recruitment of a managing director is in progress.

The shareholders board (Merantun Development Limited subcommittee) has 3 councillors; the Leader of the council, Cabinet Member for Regeneration, Housing and Transport and the Deputy Leader and Cabinet Member for finance. The sub committee meets 3 or 4 times a year and minutes and agendas are published on the council's website. The accounts are audited by EY and are filed and published with Companies House.

12. Other areas of corporate governance and assurances

12.1 A review of the effectiveness of the governance arrangements for the council have been carried out also using the following areas:

- Performance management
- Internal Audit
- External Audit
- Risk management
- Other Inspection Reports

13 Internal Audit Outcomes

13.1 The Head of Internal Audit is required to provide the Council with an opinion on the adequacy and effectiveness of the internal control environment. In the Annual Report on the work of Internal Audit during 2018/19 the Head of Internal Audit is satisfied that sufficient internal audit work has been undertaken to draw a reasonable conclusion as to the adequacy and effectiveness of the Council’s control environment, subject to the limited assurance opinions..

13.2 This year there is reasonable assurance that the Council has an adequate and effective control process to manage the achievement of its objectives. This is caveated by the limited assurance audit reviews on procurement and declaration of interests and outstanding audit actions. The limited assurance work in 2018/19 found inconsistency in practice in areas reviewed. Implementation of audits actions will be included in the follow up process and Procurement is included as an action in the AGS improvement plan.

14 Sources of assurance

Internal Audit reviews	External reviews	Scrutiny reviews	other
Internal audit review – Corporate procurement – Limited assurance	Ofsted Focused visit to Merton local authority children’s services	South West London Joint Health Overview and scrutiny committee	Internal Peer Review undertaken in Feb/March 2019.
Internal Audit review- Declaration of interest officers- limited assurance	External Audit Reports, incl. Grant Claims and Statement of Accounts	Overview and Scrutiny commission-	Corporate and departmental risk registers

Internal Audit review – Corporate Asset Management Plan – substantial assurance		Overview and scrutiny commission – financial monitoring task group meeting 3 times a year.	Reports to the Information and Security Governance Board GDPR working group Mandatory Information security training for staff
Annual Internal Audit Report and Fraud Referral Reports		Children and Young People Overview and Scrutiny Panel meetings	Residents survey – 92% satisfaction

14.1 This evidence has been considered by the Steering Group as the review of effectiveness of the Corporate Governance Framework and Internal Control.

14.2 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Governance working group to the Standards and General Purposes committee that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

15. Follow up of 2018/19 Improvement Plan

15.1 The working group reviewed progress on the actions from the AGS review of 2017/18, which resulted in an improvement plan for 2018/19. There were six recommended improvement actions, of which 4 have been complete/closed, 2 actions to carry forward to the 2019/20 improvement plan. These are detailed below:-

Action	Action taken
To review and update financial procedures	Completed The financial Procedures have been updated and will dovetail into the new financial system. The new financial procedures will be presented at the next Standard and General Purposes committee and then onto Council
Potentially Violent persons Policy to be agreed at DMT and CMT and process to be put in place with new core systems	Closed The policy has been updated in line with Data Protection Act and ICO guidance. Process needs to be put in place but dependent on rollout of new core systems.

<p>New financial system – to review internal controls in light of new financial system.</p>	<p>This work is in progress. Further work to be done.</p>
<p>Disclosure & Barring Service (DBS) To carry out a full review of all staff to be DBS checked to ensure they are done and to implement audit recommendations</p>	<p>Completed DBS checks is part a rolling programme and managers have been contacted to establish who needs to have a DBS. This exercise was completed – i.e. processing those identified as part of the process advised by LB Kingston July 2018.</p>
<p>Asset Valuations The valuation process used by Merton’s in house professionally qualified valuers has been reviewed in detail as part of the 2017/18 Account Closure and material misstatements have had to be corrected. It has therefore had a material impact on the financial accounts of the Authority and the completion of the statements by the required deadline.</p>	<p>On-going Independent land valuations have been commissioned and DRC property valuations are being re-calculated. The recasting of the three financial years of accounts was undertaken and reviewed internally and external audit will review revised property valuations. Weekly meetings held to progress the action plan. Also regular meetings with EY. Independent valuations being undertaken</p> <p>Other action Reconciliation between facilities, schools and E&R to be undertaken and Insurance to facilities assets register</p>
<p>GDPR</p>	<p>Action closed Work is on-going in ensuring continuing organisational compliance with GDPR and the Data Protection Act 2018. An internal audit has recently been undertaken on the council’s compliance. When the report is published an action plan will be drawn up to address any areas of concern and to ensure compliance</p>

15.2 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Standards and General Purposes committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

16. Significant governance issues (Improvement Programme 2019/20)

16.1 The improvement actions below have been identified as a result of the review

carried out. Progress will be followed up during 2019/20 and reported to Standards and General Purposes committee.

Action	Action to be taken
<p>Financial Pressure The comprehensive spending review is due in 2019 and will determine how much funding the council will receive. It is anticipated that there will be a significant budget gap by 2022/23 of £6.078 million</p>	<p>Once feedback from the Comprehensive Spending review and fair funding formula are received, the Medium Term financial strategy and saving plans will be revisited. This will be kept under close review by CMT.</p>
<p>Asset Valuations The valuation process used by Merton's in house professionally qualified valuers has been reviewed in detail as part of the 2017/18 Account Closure and material misstatements have had to be corrected. It has therefore had a material impact on the financial accounts of the Authority and the completion of the statements by the required deadline.</p>	<p>An internal review will be undertaken to ensure that future valuation work is both accurate and timely.</p>
<p>Public Contract Regulations/Contract Standing Orders This is currently identified as an area of high risk and further work identified to embed good practice. An on-line toolkit was launched in September 2018, training is being rolled out to promote the use of the portal and new documents and templates.</p>	<p>Operational Procurement Group reviews to be undertaken to ensure they are more effective. Commissioning Strategies to be refreshed and reviewed. Progress will be reviewed by the Corporate Procurement board. An internal Audit follow up review is scheduled in 2019/20.</p>
<p>New financial system This action was carried forward from 2018/19 and is in progress.</p>	<p>To complete the review of internal controls in light of new financial system</p>
<p>Brexit A working group of members and officers has been established to monitor the impact of Brexit</p>	<p>The working group will monitor developments and potential impact on areas such as suppliers, recruitment and potential NRTPF. A report is due to cabinet later in the year.</p>

16.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these

steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: _____ **Leading Member**

Signed: _____ **Chief Executive**

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