

# Merton Council Audit Committee

## **Membership:**

### **Councillors:**

Angela Caldara  
Corinna Edge  
Rod Scott

### **Other Members:**

Dave Roberts (Independent Chair)  
Danny Connellan

A meeting of the Audit Committee will be held:

**Date:** 22 October 2009

**Time:** 19:15

**Venue:** Cabinet Meeting Room, 1<sup>st</sup> Floor

**Merton Civic Centre, 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 and the decision making process contact [democratic.services@merton.gov.uk](mailto:democratic.services@merton.gov.uk) or telephone 020 8545 3616.

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## **Audit Committee**

### **22 October 2009**

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It is anticipated that there will be further reports to be considered at this meeting

- External Audit Progress Report
- Benefit investigation progress 1 January to 31 March 2009

<sup>1</sup> Members are advised to make declarations of personal or prejudicial interests they may have in relation to any item on this agenda. Members may make their declaration either under this item or at any time it becomes apparent that they have an interest in any particular item. Declaration forms will be available on request from the attending Democratic Services officer to whom completed forms should be returned. If a Member believes that their interest is prejudicial they should leave the meeting while the item is discussed. If in doubt, Members are advised to seek advice from the Head of Civic and Legal Services prior to the meeting.

AUDIT COMMITTEE  
24 SEPTEMBER 2009

(19:15 TO 19:25 AND 20:25 TO 20:27)

PRESENT: Dave Roberts (Chairman), Councillors Angela Caldara and Corinna Edge, Danny Connellan.

ALSO PRESENT: Councillors Chris Edge (Chairman), Mark Betteridge, Margaret Brierly, Brian Lewis-Lavender, Russell Makin, Henry Nelles, George Reynolds, Peter Southgate and Martin Whelton.

Caroline Holland (Director of Corporate Services), Grant Miles (Head of Finance), Brian Thompson (Accounting and Financial Reporting Manager), Steve Bowsher (Corporate Accounting Manager), Colin Millar (Democratic Services)

Suresh Patel, Lindsay Mallors, Kelly Jupp, Patsy Sanwo and Sandra Lofthouse (Audit Commission)

Apologies for absence were received from Councillors Rod Scott and Diane Neil mills

1 DECLARATIONS OF INTEREST

The Chair declared a personal interests as a partner in Strover-Leader & Co which carried out auditing work for various voluntary sector bodies which operated in Merton.

Danny Connellan indicated a personal interest as a leaseholder of a Merton property.

2 MINUTES OF THE MEETING HELD ON 23 JUNE 2009 (Agenda item 3)

RESOLVED: That the minutes of the meeting held on 23 June are agreed as a correct record.

3 AUDIT COMMISSION INTERIM REPORT (Agenda item 4)

In respect of Care First the Director of Corporate Services confirmed that action had been taken on the issues first identified in an internal report and restated in this interim report and that the situation had improved significantly.

The report was otherwise noted.

The meeting adjourned at 19:25. Following the opening and adjournment of the General Purposes Committee a joint session was held with the General Purposes Committee to receive a presentation from the Audit Commission on the Accounts and Annual Governance Statements for the main accounts and pension fund. The record of that joint session forms part of these minutes.

The meeting reconvened at 20:27.

The comments of the Pension Fund Panel held on 21 September 2009 which were discussed at the joint session were formally reported to the Audit Committee.

4 AUDITED FINAL ACCOUNTS 2008/09 AND USE OF RESOURCES

AUDIT COMMITTEE  
24 SEPTEMBER 2009

JUDGEMENT (Agenda item 4)

RESOLVED: That the Audit Committee notes the comments made by the Pensions Fund Advisory Panel in relation to the annual Pension Fund Accounts 2008/09.

5 ANNUAL GOVERNANCE REPORT 2008/09 (Agenda item 5)

RESOLVED: (A) That the Audit Committee notes the Audit Commission's Annual Governance Report for the Council's main accounts under the International Standard on Auditing 260 (ISA 260).

(B) That the Audit Committee notes the Council's Use of Resources score judgement for 2008/09 as detailed in the Audit Commission's Annual Governance Report (ISA 260).

6 ANNUAL GOVERNANCE REPORT 2008/09 – PENSION FUND  
(Agenda item 6)

RESOLVED: That the Audit Committee notes the Audit Commission's Annual Governance Report for the Council's Pension Fund accounts under the International Standard on Auditing 260 (ISA 260).

7 WORK PROGRAMME (Agenda item 7)

NOTED

AUDIT COMMITTEE AND GENERAL PURPOSES COMMITTEE (JOINT SESSION)  
24 SEPTEMBER 2009

(19:28 TO 20:24)

PRESENT: Dave Roberts (Chairman), Danny Connellan. Councillors Angela Caldara, Corinna Edge, Councillors Chris Edge, Mark Betteridge, Margaret Brierly, Brian Lewis-Lavender, Russell Makin, Henry Nelles, George Reynolds, Peter Southgate and Martin Whelton.

Caroline Holland (Director of Corporate Services), Grant Miles (Head of Finance), Brian Thompson (Accounting and Financial Reporting Manager), Steve Bowsher (Corporate Accounting Manager), Colin Millar (Democratic Services)

Suresh Patel, Lindsay Mallors, Kelly Jupp, Patsy Sanwo and Sandra Lofthouse (Audit Commission)

This note forms part of the minutes of the Audit Committee meeting and the General Purposes Committee meeting both held on 24 September 2009.

AUDITED FINAL ACCOUNTS 2008/09 AND USE OF RESOURCES JUDGEMENT  
ANNUAL GOVERNANCE REPORT 2008/09

ANNUAL GOVERNANCE REPORT 2008/09 – PENSION FUND

The Audit Commission representatives introduced the reports and confirmed that all errors had been corrected.

Comments made by the Pension Fund Panel at its meeting on 21 September 2009 were reported:

“That the Pension Fund Panel notes its disappointment in that adjustments to the accounts have been necessary, although it also notes that these adjustments do not affect the total net assets of the Pension Fund.

The Panel has agreed the officers’ response and the Panel requests an update of recommendations R3, R4 and R5 of the action plan to a later 2009 meeting of the Pension Fund Panel.”

Members noted these comments and asked that Audit Committee be kept advised of progress on the issues raised by the Pension Fund Panel.

Members discussed various aspects of the Accounts and Governance Statements with Officers and Audit Commission representatives:

**What would be the effect on the Accounts of correcting the Housing Benefit Debtor provision issue?**

There would be no net effect – this was a presentational issue.

**What would be the final effect of correcting the £381k bank reconciliation discrepancy?**

There would be a net write-on to the Accounts in respect of this amount.

**Why was a £6000 additional fee required in preparing the Pension Fund**

AUDIT COMMITTEE AND GENERAL PURPOSES COMMITTEE (JOINT SESSION)  
24 SEPTEMBER 2009

**Accounts?**

This was the first time that the Pension Fund had been treated separately and the methods for obtaining information, particularly from scheduled bodies, were new and had caused timing issues in the provision of that information. This had made it necessary for the Audit Commission to undertake additional work to obtain required information. Lessons had been learnt from this year and improvements made which should avoid this in future years.

**Would the Pension Fund continue to be treated separately in the Annual Accounts and Audit process?**

Yes – the Accounting and Auditing for the two funds would continue to be dealt with as distinct issues in future years

**Why was there a material amendment to the pension fund regarding £15.5m of investment?**

This was a matter of classification of the type of investment. The requirement is to separate investments made directly and those that were made into pooled vehicles such as unit trusts.

**What level of savings was anticipated to arise from the transformation programme**

In May a potential for up to £69m was identified by the Council's consultants. This would require significant investment to achieve and would take time to achieve. Merton was proceeding with the work gradually and at a level which could be supported by capacity within the Council. The initial steps were to identify the current and target operating models (COM and TOM) and put these in place to deliver savings in 2010/11 and 2011/12. Tangible benefits would be identified by the transformation programme and taken forward in manageable steps.

**Had the joint banking arrangements meant that the Pension Fund had at some times provided the general fund with an overdraft facility? How was the recommendation to separate these accounts being taken forward?**

The shared account had meant in the past that the Council had benefitted from the Pension Fund being in the same bank account. However, the Pension Fund had received interest on cash balances in the main fund. Separation of the bank accounts would be done as soon as possible but various systems and records needed to be set up properly before this could be finalised. Complete separation would take place by 1 April 2010 at the latest.

**The Use of Resources assessment was not clear as to what was expected in terms of improvements to achieve a higher rating – could the Audit Commission clarify this? Were there any steps to be taken on the Control Environment or in respect of environmental issues/use of natural resources which could address this.**

The Council needed to demonstrate outcomes better. More detailed reports would

AUDIT COMMITTEE AND GENERAL PURPOSES COMMITTEE (JOINT SESSION)  
24 SEPTEMBER 2009

follow on risk management and internal control.

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