

Audit Plan Appendix – Conflicts of interest review London Borough of Barnet

Year ended 31 March 2013

8 April 2013

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External audit review of conflicts of interest

Introduction

In February 2013 we reviewed the Council's Code of Conduct and arrangements for identifying and responding to potential conflicts of interest during major procurement exercises. We carried out this review to assess how effectively the Council is managing risks to procurement decisions arising from employees' potential, actual or perceived conflicts of interest. This forms part of the work supporting our 2012/13 Value for money conclusion.

We include the results below for consideration by the Audit Committee at its 8 April 2013 meeting. These findings will form part of our 2012/13 Audit Findings Report, which will summarise the findings and conclusions of all our 2012/13 audit, and which we will report to the Audit Committee in July 2013.

Background

The Council's revised Code of Conduct requires relevant staff to complete a declaration of interest form at the start of each procurement exercise. This forms part of a series of controls operated by the Council designed to mitigate the risk that any one individual can unduly influence the outcome of the procurement process. For the NSCSO contract this includes:

- a requirement that all employees on joining the Council's employment complete a declaration of interest form and formally acknowledge their responsibility to update it for any subsequent changes
- segregation of duties at key stages in the procurement process
- the establishment of an officer panel responsible for the final contract award decision and final approval of the contract decision by Members.

Findings

Our review confirmed the Council has an appropriate Code of Conduct in place, most recently updated in January 2013 to keep pace with ongoing organisational changes and changes in legislation.

The Council has a clear protocol for capturing and acting on potential conflicts of interest from 125 Council officers who had been or are involved in the New Support and Customer Services Organisation (NSCSO) outsourcing programme which we focused our testing on as an example of a major contract currently being let by the Council. Of 115 declarations received, all have been subject to robust review by a senior programme officer with appropriate action taken where necessary in response to potential conflicts of interest.

However, at February 2013 there were ten of 125 officers who had not returned a declaration specific to the NSCSO procurement.

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Management action since our review

Since our review management has reviewed cases for the ten unreturned declarations and confirmed:

- Five individuals have now left the Council's employment.
 - Two had signed declaration of interest forms when they were first employed by the Council, in 2000 and 2009 respectively, and officers have provided copies of these to audit. Neither individual declared any conflicts of interest at these dates. However, in line with the Council's procedures, additional declarations are required to be completed by these individuals specific to the NSCSO procurement process. The Council has confirmed these additional declarations were not completed in these instances.
 - For the remaining three the Council has not located any declaration of interest form. Management advises it has reviewed the role of each of these employees in the NSCSO procurement process and is satisfied no risks from conflicts of interest arose.
- Three further individuals returned forms declaring no interests at June 2011, March 2012 and January 2013 respectively but officers were not able to locate these at the date of our initial review. Officers have now provided these three declarations to audit which show no conflicts of interest were declared by these individuals.
- Two of the missing forms were for external consultants who worked for the Council during the NSCSO procurement exercise. One of these has retrospectively signed a declaration of interest form confirming no conflicts of interest and this has been provided to audit. One is still outstanding. The Council is continuing to pursue this form and will provide a verbal update on progress to the Audit Committee on 8 April 2013.

Conclusion

Our review confirmed the Council has controls in place to mitigate the risk of conflicts of interest to procurement decisions. The design of these controls is satisfactory but we observed ten instances out of 125 employees involved to date in the NSCSO procurement where the operation of these controls could be improved.

For each of these ten the Council has reviewed the individuals' involvement in the NSCSO procurement to confirm there are not risks arising from potential, actual or perceived conflicts of interest. This review is still in progress for one of the ten individuals concerned. Implementing the recommendation below will help the Council demonstrate it is not exposed to risks from conflicts of interest without the need for similar retrospective action in future procurement exercises.

Recommendation

R1 Strengthen arrangements for obtaining and following up outstanding declarations of interests forms from those involved in procurement exercises to ensure all declarations are collected and reviewed promptly at the start of new procurement exercises.

External audit review of conflicts of interest – action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
R1	Strengthen arrangements for obtaining and following up outstanding declarations of interests forms from those involved in procurement exercises to ensure all declarations are collected and reviewed promptly at the start of new procurement exercises.	Medium	Agreed, robust completeness procedures will be carried out to ensure all forms are collected at the beginning of each procurement exercise.	Immediate. Head of Programmes and Projects.

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