

# Internal Audit Report

## Schemes of Delegation

### February 2016

**To:** Director of Assurance  
Chief Operating Officer  
Commissioning Director Growth and Development  
Commissioning Director Environment  
Commissioning Director Adults & Health  
Commissioning Director Children & Young People  
Head of Governance  
Assistant Director of Finance, CSG  
Financial Assessment Manager, Financial Assessment Team, Adults & Communities  
Finance Manager, Finance Team, Family Services

**Copied to:** External Audit

We would like to thank management and staff of the Governance service, CSG Finance, the Commissioning Group and delivery units for their time and co-operation during the course of the internal audit.

*Cross Council Assurance Service*

## Executive Summary

Assurance level	Number of recommendations by risk category				
	Critical	High	Medium	Low	Advisory
Limited	-	2	4	2	-

### Scope

This report sets out the findings of our work undertaken in December 2015 to review the design and operating effectiveness of the Council's Schemes of Delegation, in line with the agreed Terms of Reference dated 12 November 2015. The review focussed on the four Commissioning Directors' Schemes of Delegation. The scope of the work and controls tested as part of the review are documented in Appendix 3.

#### Limitations of scope

We were unable to perform the planned data analysis on segregation of duties of ContrOCC transactions. The report run by management showed all activity on the system for all accounts and it was not possible to filter transactions by type to identify payments. We have therefore tested segregation of duties manually.

Our testing of the application of the Scheme of Delegation was limited to a sample of the following decisions:

- The listing of all decisions recorded on the Council's website which require Delegated Power Reports or Summary Delegated Power Reports;
- The listing of planning, conservation and building control application decisions listed on the Council's website; and
- Specific decisions selected from a sample of individual items on the Scheme of Delegation.

### Summary of findings

We found that the new schemes of delegation are presented in a consistent and clear format which is in line with good practice. Through testing of approval of the Council's decisions it was noted that all 25 decisions in our sample had documentation available that provided an audit trail to evidence authorisation of the decision, backup showing why the decision was authorised and evidence showing that approval was performed by an officer with appropriate delegated powers.

This audit has identified two high, four medium and two low rated recommendations.

We identified the following issues as part of the audit:

- **Changes to standing data** - There is currently no procedure in place to monitor changes made to financial limits within ContrOCC, the e-finance system used within Family Services. Additionally, it was noted that for Integra, the Council's general finance system, there is no report available that lists changes to financial limits for Integra users. Instead a list is maintained within the folder 'User setups' within the inbox of the Systems Accountant. All user set ups and changes to financial limits come through this inbox. Completeness of the population is thus not ensured, as emails could be deleted or moved to different folders. **(Finding one, high rated)**
- **Commissioning and Delivery Units** - The Growth and Development and Environment Schemes of Delegation do not include the same details of delegated powers for Regional enterprise (Re), one of the key delivery units relevant for these schemes. At the time of the audit, management were producing a schedule which would be included in both schemes of delegation to ensure consistency. It was also noted that the Scheme of Delegation for Growth and Development does not include detail on individual roles within Barnet Homes, one of the key delivery units. There is no procedure in place to check the Schemes of Delegation against

the delivery unit management agreements to ensure consistency. **(Finding two, high rated)**

- **Authorisation of transactions (Integra)** – We performed data analysis to check that purchase orders recorded in Integra are sequentially numbered, that they have been authorised and segregation of duties has been maintained for all purchase orders. It was noted that 12/7620 (0.2%) purchase orders, total value invoiced £9,432.13, have been processed with no Authoriser. It was also noted that some order numbers out of the sequence were missing. **(Finding three, medium rated)**
- **Authorisation of transactions (Swift)** – Payments under the Adults and Health Scheme of Delegation are authorised on Swift, the Adults client information system, before interfacing with Integra. We performed data analysis to verify that segregation of duties has been maintained for all invoices. We identified 647/11388 (6%) invoices, worth £2,095,083.76, have been processed and authorised by the same person. Management stated that where there were multiple processors of an invoice the report has only picked up one of the processors. A sample of 25 transactions from the listing were also selected to test compliance with the relevant financial limits of the Scheme of Delegation. We identified 6/25 (24%) invoices where the name of the requestor on Swift was different from the name of requestor as per the Swift report provided for the audit. **(Finding four, medium rated)**
- **Authorisation of transactions (ContrOCC)** - Payments for family services are authorised on ContrOCC before interfacing with Integra. We were unable to perform data analysis on segregation of duties of ContrOCC transactions. The report run by management showed all activity on the system for all accounts and it was not possible to filter transactions by type to identify payments. A sample of 25 payments from ContrOCC was therefore manually selected and tested for segregation of duties and compliance with the relevant financial limits in the Scheme of Delegation. We identified 2/25 (8%) payments which were authorised by deputy team managers for amounts which the Scheme of Delegation states should be authorised by team managers. The deputy team managers have the same financial limits of authorisation as managers within ContrOCC but this does not agree with the Scheme of Delegation. **(Finding five, medium rated)**
- **Annual review of Schemes of Delegation** - We checked whether the Schemes of Delegation state the frequency of review and updates, explain the review procedure and clearly state roles and responsibilities with regards to updating the Schemes of Delegation. In all cases we noted that the update procedure included in the Scheme of Delegation was either incomplete or only partially complete. It was also noted that there is currently no agreed procedure in place for communicating changes in the Schemes of Delegation to employees or relevant stakeholders, for example CSG Finance. **(Finding six, medium rated)**
- **Review and sign off** - The new Schemes of Delegations have not been finalised yet hence several levels of sign off could not be evidenced. This includes review by the Shared Legal Service, sign off by the Commissioning Directors and assessment against the Contract Procedure Rules and the Constitution. As the documents are still in draft form, they have not been published on the Council's website. **(Finding seven, low rated)**
- **Approval of decisions** - For each decision made by the Council, the supporting documentation needs to be retained to evidence that the decision was appropriate and it has been authorised. Officers interviewed were not aware of any central guidance on the level of documentation which should be retained to evidence a decision made by officers. **(Finding eight, low rated)**

#### Additional information for management

Following the data analysis performed on transactions in Integra and Swift, we have included some graphics and further information in **Appendix 4** for reference.

To assist management with the finalisation of the Council's Scheme of Delegation, we have collated a summary of CIPFA's *Delivering Good Governance in Local Authorities, 2012* which includes good practice guidance regarding delegating responsibilities. This is reported in **Appendix 5**.

## 2. Findings, Recommendations and Action Plan

Ref	Finding	Risk	Recommendation	Risk category	Management Response and agreed action
1.	<p><b>Changes to standing data</b></p> <p><b>Control design</b></p> <p><u>ContrOCC</u></p> <p>There is currently no procedure in place to monitor changes made to financial limits within ContrOCC. There is no ContrOCC report that lists changes to financial limits for the users.</p> <p>Managers who authorise payments do not have the systems access required to change authority limits. Any change in limit of delegation can be processed only with senior management authority and signed off via the Senior Management meeting.</p> <p><u>Integra</u></p> <p>Currently there is no Integra report that lists changes to financial limits for Integra users. Instead a list is maintained within the folder 'User setups' which is stored in the inbox of the Systems Accountant.</p> <p>All user set ups and changes to financial limits come through this inbox. Completeness of the population is thus not ensured, as emails could be deleted or moved to different folders.</p> <p>We selected a sample of 20 changes to financial limits from the "User Setups" folder and examined evidence of authorisation; no issues have been noted through this testing.</p> <p>Management confirmed that it is possible to build an Integra report that shows changes to</p>	<p>Insufficient monitoring of the financial limits within ContrOCC and Integra may result in unauthorised changes being made within the system and inappropriate or fraudulent transactions being processed.</p>	<p>a) A review of ContrOCC users should be conducted on a quarterly basis to check limits are up to date and in line with the Schemes of Delegation.</p> <p>b) A report of changes to financial limits on Integra should be built and made available for staff use.</p> <p>c) A report of changes to financial limits on Integra should be run on a regular basis (at least quarterly). This report should be reviewed by a member of the Integra Finance Team to monitor the updates to limits and check limits correctly reflect changes to staff roles.</p>	<p><b>High</b></p>	<p><b>Agreed Action:</b></p> <p>a) <u>ContrOCC</u></p> <p>Quarterly review of limits will be put in place.</p> <p><u>b-c) Integra</u></p> <p>Integra has a full audit trail tool which tracks and monitors all changes made to users' access rights within the system. At the time of the Internal Audit service completing their audit, there was no standard report available which identifies all user changes within the system between a particular date range which could be validated against the authorisation forms.</p> <p>A report will be developed to identify all changes to users' accounts and for a sample to be tested on a quarterly basis against submitted forms.</p> <p><b>Responsible officer:</b></p> <p>a) Finance Manager, Family Services</p> <p>b-c) Assistant Director of Finance, CSG</p> <p><b>Target date:</b></p> <p>a-c) End of April 2016</p>

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	standing data but it has not been actioned.				
2.	<p><b>Commissioning and Delivery Units</b></p> <p><b><i>Control design and operating effectiveness</i></b></p> <p><u>Barnet Homes</u></p> <p>The new Schemes of Delegation clearly distinguish between the powers delegated to the delivery units and to the commissioning group. It was noted that the Scheme of Delegation for the Commissioning Director for Growth and Development does not include sufficient detail on individual roles within Barnet Homes, one of the key delivery units.</p> <p>Rather than detailing the specific job titles in Barnet Homes that powers have been delegated to, the Scheme of Delegation includes a 'Barnet Homes' column which indicates when a decision can be delegated to Barnet Homes in line with its Scheme of Delegation. The Scheme of Delegation for Barnet Homes is a separate document which was requested but was not provided during the course of the audit.</p> <p><u>Regional Enterprise (RE)</u></p> <p>Regional Enterprise (RE) is one of the key delivery units relevant to both the Growth and Development and Environment Schemes of Delegation. Management stated that RE's delegated powers should be consistent across the two schemes. Our review confirmed that there are currently some minor differences in the two Schemes of</p>	<p>The Scheme of Delegation may not fully reflect all commissioned services and delivery units or be consistent with management agreements resulting in a lack of clarity around the roles and responsibilities in relation to Council decision making.</p>	<p>a) The Council should seek legal advice to confirm the implications of incorporating the Barnet Homes Scheme of Delegation into the Growth and Development Scheme of Delegation. If appropriate, the Barnet Homes Scheme of Delegation should be incorporated into the Growth and Development Scheme of Delegation or published alongside it on the website to ensure there is a complete document available to staff.</p> <p>b) The Council should seek legal advice about the implications of incorporating the RE Scheme of Delegation into the Growth and Development Scheme of Delegation and the Environment Scheme of Delegation. If included, the schemes should be updated to ensure that RE's delegated powers are reflected accurately and consistently in both schemes.</p> <p>c) When implementing future changes to the Council's structure, for example alternative delivery models, the impact on the Council's</p>	<p><b>High</b></p>	<p><b>Agreed Action:</b></p> <p>a) <b>Growth &amp; Development</b> – Agreed.</p> <p><b>Environment</b> - Street Scene Delivery has recently been transferred to Barnet Homes – this needs to be reflected in the Scheme and this will be done by 30 April 2016.</p> <p>b) <b>Growth &amp; Development and Environment</b> - to ensure Re's delegated powers are reflected accurately and consistently by 30 April 2016. Legal services have already been consulted and will sign off as final by 30 April 2016.</p> <p>c) and d) Agreed</p> <p><b>Responsible officers:</b></p> <p>(a) and (b) Commissioning Directors for Growth &amp; Development and Environment</p> <p>(c) and (d) all Commissioning Directors for their respective Schemes of Delegation</p>

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	<p>Delegation. At the time of the audit, Legal were producing a table which would be included in both Schemes of Delegation to ensure consistency.</p> <p><u>Management agreements</u></p> <p>The management agreements are internal 'contracts' between the commissioning unit and the Internal delivery unit. The agreements set out the roles and responsibilities of each party in the delivery of Council services.</p> <p>It was noted that there is no procedure in place to check the Schemes of Delegation against the management agreements.</p> <p>In some cases the 'Roles and responsibilities' section of the management agreements referred to the Scheme of Delegation but it was not consistent across all the management agreements.</p> <p>It was noted that the following arrangements are in place and that they would go some way to ensuring consistency between the two documents:</p> <ul style="list-style-type: none"> <li>• Delivery units review the Schemes of Delegation. This process would, in theory, highlight inconsistencies between the Scheme of Delegation and the management agreement. We have examined evidence of review performed by delivery units and no exceptions have been noted.</li> </ul> <p>Commissioning Directors have to agree the management agreements with delivery units, including in year changes and variations. The</p>		<p>Schemes of Delegation should be considered and appropriate legal advice sought.</p> <p>d) The roles and responsibilities section in the management agreements should be updated to refer back to the Schemes of Delegation to ensure consistency.</p>		<p><b>Target date:</b> a) – d) 30 June 2016</p>

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	<p>Commissioning Directors are also the key officers responsible for the development of the Scheme of Delegation and would be in a position to identify any inconsistencies.</p>				
3.	<p><b>Authorisation of transactions - Integra</b>  <b>Control design and operating effectiveness</b>  <u>Segregation of Duties</u></p> <p>Transactions on the Integra general ledger system are requested and then should be authorised in line with the Council's financial Scheme of Delegation. The financial limits within the Scheme of Delegation are built into the Integra system. Transactions should be authorised by a person different from the requestor.</p> <p>We obtained the listing of purchase orders raised between 1 April 2015 and 31 October 2015 and tested whether all purchase orders are sequentially numbered, that they have been authorised and segregation of duties has been maintained for all invoices.</p> <p>The following issues were noted:</p> <ul style="list-style-type: none"> <li>Some order numbers out of the sequence were missing, for example '100014733' is followed by '100014736'. Management were unable to provide an explanation for the missing orders.</li> <li>In 12/7620 (0.2%) cases purchase orders with a total value invoiced for £9,432.13 have been processed with no Authoriser. For 11/12 cases the procurement team intervened and approved the transactions manually. For 1/12 cases</li> </ul>	<p>Transactions may be authorised by officers without the appropriate authority or transactions may be processed without sufficient approval resulting in financial loss if incorrect or fraudulent payments are made by the Council.</p>	<p>a) Management should investigate instances of processing of purchase orders without authorisation.</p> <p>b) Schemes of Delegation should be reviewed to ensure that the financial limits are consistent with each position. Where appropriate, the Schemes should include appendices documenting the financial limits against specific staff positions as opposed to generic 'tiers' and note in more detail which roles are authorised to spend up to specific limits</p> <p>c) Management should regularly review the listing of purchase orders to identify any instances where there is a non-sequential order. These instances should be investigated.</p>	<p><b>Medium</b></p>	<p><b>Agreed Action:</b></p> <p>a) and c) User access rights will be tested in the Integra system to ensure that no 'self-approval' of purchase orders are allowed.</p> <p>The two anomalies in sequential number will be reviewed in relation to purchase order number sequencing.</p> <p>b) To List the financial limits for the officers stated in the scheme.</p> <p><b>Responsible officers:</b></p> <p>a) and c) Assistant Director of Finance, CSG</p> <p>b) Chief Officers and Commissioning Directors for Environment, Growth &amp; Development and Adults &amp; Health.</p> <p><b>Target date:</b></p> <p>End of April 2016</p>

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	<p>the requisition has been rejected and not converted into a purchase order, subsequently another purchase order was raised for the same value and the supplier and appropriate authorisation.</p> <p>Please see <b>Appendix 4</b> for further details derived from the data analysis.</p> <p>No other exceptions have been noted in testing of segregation of duties in the processing of payments in Integra.</p> <p><u>Compliance with the Scheme of delegation</u></p> <p>The financial authority limits for initiating or approving spend are set in Integra. There are three financial limit levels that authorisers can be given (under £25k, under £173k and over £173k). These limit levels are applied across the organisation and are not department specific. It was noted that only the Scheme of Delegation for Children and Young People included appendices documenting the financial limits against specific staff positions as opposed to generic 'tiers' and noted in more detail the authorisation to spend for each tier. For example, the majority of Team Managers in Family Services are only authorised to spend up to £2k</p> <p>A sample of 50 transactions from Integra have been tested for compliance with the relevant scheme of delegations. This sample included testing of API and Debit notes which are authorised manually. No exceptions have been noted.</p>				
4.	<p><b>Authorisation of transactions - Swift</b></p> <p><b><i>Control design and operating</i></b></p>	<p>Insufficient audit trail of the segregation of duties in the processing of</p>	<p>a) The parameters of the report of all payments processed via Swift with the name of the</p>	<p><b>Medium</b></p>	<p><b>Agreed Action:</b></p> <p>SWIFT does not have the</p>

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	<p><b>effectiveness</b></p> <p><u>Segregation of duties</u></p> <p>Payments made by the Adults and Communities team are authorised on Swift before interfacing with Integra. Transactions on Swift should be authorised by a person different from the requestor. We have obtained the full listing of invoices raised between 1 April 2015 and 31 October 2015 and compared the name of requestor and authoriser to verify that segregation of duties has been maintained for all invoices.</p> <p>We noted the following issues:</p> <ul style="list-style-type: none"> <li>647/11388 (6%) invoices, worth £2,095,083.76, have been processed and authorised by the same person. Management stated that where there were multiple processors of an invoice the report has only picked up one of the processors. At the point when the invoice was sent for authorisation, the authoriser "uncompleted it" to change the invoice reference, which then meant the system showed that the same member of staff had both processed the invoice and authorised it. We have confirmed for 1/647 invoice by examining records on SWIFT that the invoice was marked as complete by a different member of the team hence segregation of duties was maintained. Evidence was not available to validate any other exceptions.</li> </ul> <p>Please refer to <b>Appendix 4</b> for additional observations derived from data analysis.</p>	<p>payments on Swift may result in management not having appropriate oversight to identify incorrect or fraudulent payments which have circumvented the control framework.</p>	<p>requestor and authoriser should be amended to ensure that it only shows the final preparer.</p> <p>b) Management should explore if Swift system functionality allows the inclusion of additional authorisation if an invoice is amended by several preparers to ensure that segregation of duties is maintained at all times.</p> <p>c) Management should consider the audit findings around Swift and whether they have an impact upon the planned introduction of its replacement system, Mosaic.</p>		<p>functionality to do what is being proposed. The Council is in the process of replacing SWIFT and there is a freeze on all requests to change the current reporting requirements. MOSAIC will have functionality to ensure that there is a clear segregation of duties and inputter.</p> <p><b>Responsible officer:</b></p> <p>Financial Assessment Manager, Financial Assessment Team, Adults &amp; Communities</p> <p><b>Target date:</b></p> <p>June 2016 (to be implemented after MOSAIC goes live in 2016)</p>

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	<p><u>Compliance with the Scheme of delegation</u></p> <p>The financial limits in the Adults and Health Scheme of Delegation are built into Swift meaning that staff can only authorise transactions within their limits and transactions enter the workflow of staff who have the authority to authorise them.</p> <p>Management stated during the audit that invoices could only be authorised by Team Leaders or above. However, there was no reference to 'Team Leader' in the Scheme of Delegation, the Council Procurement Rules or the Constitution, which documents the job positions that have the power to authorise invoices.</p> <p>A sample of 25 transactions recorded in Swift between 1 April 2015 and 31 October 2015 have been tested for compliance with the relevant scheme of delegations. The following exceptions have been noted:</p> <ul style="list-style-type: none"> <li>For 6/25 (24%) invoices, the name of the requestor on the Swift system was different from the name of the requestor as per the Swift report provided for the audit. As discussed above, management stated that where there have been multiple processors of an invoice the report has only picked up one of the processors.</li> </ul> <p>For 3/6 of these exceptions, records on the Swift system showed that the same person had processed the invoice as had authorised it, therefore we were able to verify these as valid exceptions.</p>				

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5.	<p><b>Authorisation of transactions - ContrOCC</b>  <b>Control design and operating effectiveness</b>  <u>Segregation of duties</u></p> <p>Payments for family services are authorised on ContrOCC before interfacing with Integra on a weekly basis.</p> <p>We were unable to perform data analysis on segregation of duties of ContrOCC transactions. The report run by management showed all activity on the system for all accounts and it was not possible to filter transactions by type to identify payments. This has been discussed with management who confirmed they do not have a relevant report for the ContrOCC system at present – this will be resolved when the Council upgrades to Version 8 due January/February 2016.</p> <p>In light of the above, we have tested segregation of duties manually.</p> <p><u>Compliance with the Scheme of Delegation</u></p> <p>A sample of 25 transactions recorded in ContrOCC between 1 April 2015 and 31 October 2015 have been tested for segregation of duties and compliance with the relevant scheme of delegations.</p> <p>We noted the following issue:</p> <ul style="list-style-type: none"> <li>• 2/25 payments (8%) were authorised by deputy team managers for amounts which the Scheme of Delegation states should be authorised by team managers. These exceptions were specific to the</li> </ul>	<p>Insufficient oversight of the authorisation of payments in ContrOCC may result in management not identifying instances where payments have not been authorised in line with the Council's financial limits.</p>	<p>a) A report of all payments processed via ContrOCC with the name of the requestor and authoriser should be created.</p> <p>b) The Scheme of Delegation should be updated to reflect the fact that deputy team managers in specific teams are given the same authority as their managers. Alternatively deputy team managers should have their authority on the ContrOCC system withdrawn.</p>	<p><b>Medium</b></p>	<p><b>Agreed Action:</b></p> <p>At the point of audit the e-finance system was in the process of being fully rolled out.</p> <p>a) Costs are raised and authorised in LCS and a report will be developed to provide the names of requestor and authoriser once the new reporting infrastructure is in place (due April 2016) and when the systems upgrade has taken place.</p> <p>b) Deputy team managers do not have the same authority as team managers and ContrOCC has been updated accordingly.</p> <p><b>Responsible officer:</b></p> <p>a) Data and Performance Manager, Family Services</p> <p>b) Finance Manager, Family Services</p> <p><b>Target date:</b></p> <p>a) June 2016</p> <p>b) Completed</p>

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	<p>Onwards and Upwards team who provide cover when team managers are away. Other teams (such as Intervention and Planning) have other managers on similar teams that can provide cover for each other, so for those teams no deputies have been created.</p> <p>It was also noted that there is currently no procedure in place to verify on a regular basis that the financial limits set within ContrOCC are consistent with the Scheme of delegation.</p>				
6.	<p><b>Annual review of Schemes of delegation</b> <b>Operating effectiveness</b></p> <p>At the time of the audit the Schemes of Delegation were in draft stage and we were not able to test the timeliness of updates.</p> <p>Instead, we reviewed the four Schemes of Delegation to ensure a defined procedure for future updates was included. On review of the documentation, we noted the following:</p> <ul style="list-style-type: none"> <li>• The Scheme of Delegation for Children and Young People does not currently include a procedure for review and update.</li> <li>• The Scheme of Delegation for Growth and Development and the Environment both include a review procedure but does not include a timeframe for the review (for example, at least annually).</li> <li>• The Scheme of Delegation for Adults and Health includes a review procedure and a timescale for review but does not include assigned officers responsible for</li> </ul>	<p>Insufficient arrangements for the review of the Schemes of Delegation may result in decision making at the Council not reflecting the appropriate structure leading to decisions being taken by officers without the correct seniority or oversight.</p>	<p>a) A procedure for updating the Scheme of Delegation should be included in each Scheme of Delegation. The procedure should state:</p> <ul style="list-style-type: none"> <li>- the process that should be followed if a relevant change in legislation is identified;</li> <li>- the frequency of the review and update of the Schemes of Delegation (at least annually);</li> <li>- who is responsible for the update;</li> <li>- who should review the updated Scheme of Delegation;</li> <li>- that the Scheme of Delegation should be signed off by a director on an annual basis;</li> <li>- how the changes should be communicated to staff (eg newsletter, mailing</li> </ul>	Medium	<p><b>Agreed Action:</b></p> <p>Publish schemes of delegation on website by 1 March 2016.</p> <p>A procedure for updating schemes of delegation will be produced with the following timeline which will be incorporated into the Governance Service Annual Work Plan. Standard wording on the annual review process will be prepared by Governance for inclusion within each Scheme:</p> <p>1<sup>st</sup> June – Governance Service advise Chief Officers and Commissioning Directors that annual review is due</p> <p>1<sup>st</sup> June to 30<sup>th</sup> June - Commissioning Directors to delegate responsibility for annual review. Officer with delegated authority to: i) commission HB Public Law to undertake a review of legislation referred to in the scheme; ii) request</p>

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	<p>the review.</p> <p>It was also noted that there is currently no agreed procedure in place for communicating changes in the Schemes of delegation to the employees or relevant stakeholders, for example CSG Finance who may need to reflect any changes to Schemes of Delegation within the Integra approval hierarchy</p>		<p>list).</p> <p>b) Annual review of each Scheme of delegation should include consultation with the shared legal service to ensure the Schemes of Delegation reflect current legislation.</p> <p>c) The Governance team should build the review of the Schemes of Delegation into their annual work plan.</p>		<p>Finance to check authorisation limits in finance systems; and iii) cross reference the scheme with approved Management Agreements</p> <p>1<sup>st</sup> July – publish updated schemes on website for operational use and communicate with key officers in internal and external delivery units. <i>(Note: Communications approach to be determined following consultation with Internal Communication Team)</i></p> <p><b>Responsible officers:</b></p> <p>Chief Officers and Commissioning Directors</p> <p>Head of Governance</p> <p><b>Target date:</b></p> <p>Complete first annual review by 30<sup>th</sup> June 2016 then undertake annual review in accordance with the timetable detailed above</p>
7.	<p><b>Sign off of the Scheme of Delegation</b></p> <p><b><i>Control operating in practice</i></b></p> <p>There are six Scheme of Delegation documents which are currently in development. We discussed the review and sign off process for 4/6 Schemes of Delegation with management and confirmed the following:</p>	<p>The Scheme of Delegation may be finalised without appropriate sign off and alignment with other core Council documents resulting in a lack of clarity around the Council's decision making process.</p>	<p>a) Once the Schemes of Delegation have been finalised they should be published on the Council's website and the intranet to ensure staff are aware of their responsibilities.</p> <p>b) The Schemes of Delegation should receive a final</p>	<b>Low</b>	<p><b>Agreed Action:</b></p> <ul style="list-style-type: none"> <li>HB Public Law has been commissioned by the Commissioning Directors to review schemes. Officers have been working with HB Public Law to resolve issues and queries and this work is now substantially completed.</li> </ul>

Ref	Finding	Risk	Recommendation	Risk category	Management Response and agreed action
	<ul style="list-style-type: none"> <li>In three out of four cases, the Scheme of Delegation has not been signed off by the Council's Legal Service to confirm that all relevant legislation has been incorporated. This is because the documents are still in draft.</li> <li>The Schemes of Delegation have been prepared by the Strategic Leads and Commissioning Directors. In three out of four cases, the Scheme of Delegation has not been signed off by the Commissioning Director as it is still in draft.</li> <li>The Schemes of Delegation have not yet been assessed against the Contract Procedure Rules and the constitution.</li> <li>The new Schemes of Delegation have not been finalised yet hence are not yet on the Council's website. As a result they are yet to be communicated to staff. Management stated that once finalised these will be published on the Council's website and also stored electronically in a shared folder.</li> </ul>		<p>clearance from the shared legal service before the schemes are finalised.</p> <p>c) The Commissioning Directors should confirm in an email that they have performed the final review of the Schemes of Delegation. The sign off should be performed before Governance publishes the schemes on the Council's website.</p> <p>d) The Governance team should check the Schemes of Delegation against the constitution to ensure that the Schemes of Delegation are aligned to the constitution.</p> <p>e) Governance should perform a final assessment of the Schemes of delegation against the Contract Procedure Rules to ensure consistency.</p>		<ul style="list-style-type: none"> <li>Two out of the four schemes have been signed off by the Commissioning Directors and the remaining two have very minor queries to resolve.</li> <li>All schemes have now been assessed against the Contract Procedure Rules and Constitution and appropriate cross references have been made</li> <li>Issues with the remaining outstanding schemes should be resolved shortly and publication to the website will happen shortly after. Finalised schemes will be communicated to key officers in internal and external delivery units. Similar communication will take place with the regular annual updates.</li> </ul> <p><b>Responsible officer:</b> Head of Governance</p> <p><b>Target date:</b> 1 April 2016</p>
8.	<p><b>Approval of decisions</b></p> <p><b>Control design</b></p> <p><u>List of decisions</u></p> <p>For each decision made by the Council, the</p>	<p>There may be insufficient oversight and guidance available to officers on the information required to be retained and</p>	<p>a) The guidance available to officers on the level of evidence required to be retained to evidence decisions should be consistent across delivery</p>	<p><b>Low</b></p>	<p><b>Agreed Action:</b></p> <p>The Governance Service will review guidance and consult with HB Public Law and Internal Audit regarding advice to Delivery Units regarding</p>

Ref	Finding	Risk	Recommendation	Risk category	Management Response and agreed action
	<p>supporting documentation should be retained to evidence that the decision was appropriate and it has been authorised in line with the Scheme of Delegation.</p> <p>It was noted that a complete list of all decisions is not maintained by the Council as this is not deemed to be an efficient use of management resources.</p> <p>Lists of some decisions are retained on the Council website and some officers maintain listings in different formats but this is not consistent. Our testing has been limited to the following decisions:</p> <ul style="list-style-type: none"> <li>• The listing of all decisions recorded on the Council's website which require Delegated Power Reports or Summary Delegated Power Reports;</li> <li>• The listing of planning, conservation and building control application decisions listed on the Council's website; and</li> <li>• Specific decisions selected from a sample of individual items on the Scheme of Delegation.</li> </ul> <p><u>Retention of supporting documentation</u></p> <p>We have selected a sample of 25 decisions made between 1 April 2015 and 31 October 2015, testing to ensure that sufficient documentation was retained to evidence the clearance process prior to the decision being made.</p> <p>It was stated that guidance for each department/officer is updated in line with statutory requirements to ensure sufficient documentation is retained.</p> <p>All 25 decisions in our sample had</p>	<p>recorded to evidence decisions. This may result in inconsistent practices operating across the Council.</p>	<p>units and should be reviewed to ensure it is complete and up to date. This guidance should be communicated to all relevant officers.</p>		<p>the retention of supporting documentation. This will require discussions with Delivery Units about their current arrangements and where they retain records of decisions, for how long and any statutory requirements. Once engagement work has been completed, the Governance Service can produce guidance and host it on intranet pages and it can be disseminated to Commissioning Directors and key officers in Delivery Units.</p> <p><b>Responsible officer:</b> Head of Governance</p> <p><b>Target date:</b> 1 June 2016</p>

Ref	Finding	Risk	Recommendation	Risk category	Management Response and agreed action
	documentation available that provided an audit trail to evidence authorisation of the decision and backup showing why the decision was authorised.				

## Appendix 1 – Definition of assurance categories and recommendation priorities

### Individual finding ratings

Finding rating	Assessment rationale
<b>Critical</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance; or</li> <li>• <b>Critical</b> monetary or financial statement impact; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the Council which could threaten its future viability.</li> </ul>
<b>High</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the Council.</li> </ul>
<b>Medium</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the Council.</li> </ul>
<b>Low</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the Council's operational performance; or</li> <li>• <b>Minor</b> monetary or financial statement impact; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the Council.</li> </ul>
<b>Advisory</b>	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

## Appendix 2 – Analysis of findings

Area	Critical		High		Medium		Low		Total
	D	OE	D	OE	D	OE	D	OE	
Roles and Responsibilities	-	-	-	-	-	-	-	-	-
Decision making	-	-	1*	-		1	1*	1	4
Authorisation of transactions	-	-	1	-	3**	-	-	-	4
<b>Total</b>	-	-	1	-	4	1	1	1	8

\*Includes one finding relating to control design and operating effectiveness

\*\* Includes three findings relating to control design and operating effectiveness

### Key:

- Control Design Issue (D) – There is no control in place or the design of the control in place is not sufficient to mitigate the potential risks in this area.
- Operating Effectiveness Issue (OE) – Control design is adequate, however the control is not operating as intended resulting in potential risks arising in this area.

Timetable					
<b>Terms of reference agreed:</b> 12/11/2015	<b>Fieldwork commenced:</b> 19/11/2015	<b>Fieldwork completed:</b> 13/01/2016	<b>Draft report issued:</b> 15/02/16	<b>Management comments received:</b> Various	<b>Final report issued:</b> 7/4/16

## Appendix 3 – Identified controls

Area	Objectives	Risks	Identified Controls
<b>Roles and responsibilities</b>	<ul style="list-style-type: none"> <li>The schemes of delegation are defined, documented and up to date to ensure that all relevant stakeholders are aware of their delegated and statutory responsibilities to facilitate clear and transparent decision making across the Council.</li> </ul>	<ul style="list-style-type: none"> <li>Responsibilities are not communicated to all staff.</li> <li>Schemes of Delegation (Scheme of delegation) do not include all statutory responsibilities or sufficient detail on individual roles.</li> <li>Scheme of delegation may not have been designed in conjunction with both commissioning and delivery units and with legal advice having been sought.</li> <li>Scheme of delegation may not reflect structural changes made within the Council.</li> <li>Scheme of delegation may be inconsistent with the Management Agreements for each delivery unit.</li> <li>Scheme of delegation may be out of date and may not be compliant with current legislative requirements and guidance.</li> <li>There may not be a clear and agreed process for updating Schemes of delegation.</li> </ul>	<ul style="list-style-type: none"> <li>The Schemes of delegation are published on the Council's website and on the shared drive.</li> <li>The Schemes of delegation are signed off by the Commissioning directors and the director of the appropriate Delivery Units.</li> <li>Schemes of Delegation are reviewed by the shared legal service to ensure all statutory powers are in line and up to date with current legislation and all statutory responsibilities are captured.</li> <li>The Schemes of delegation include the review procedure which states how often they need to be reviewed and updated and who is responsible for performing the review.</li> <li>The Scheme of delegation are approved by the Strategic Commissioning Board (SCB).</li> </ul>
<b>Decision making</b>	<ul style="list-style-type: none"> <li>Decision making is conducted in line with the Council's constitution. Procurement decisions are made in line with Contract Procedure Rules.</li> <li>There is sufficient and appropriate supporting documentation retained by the Council to demonstrate that decision making is conducted in</li> </ul>	<ul style="list-style-type: none"> <li>Decisions are made without the appropriate delegated authority.</li> <li>No arrangements are in place for document retention, leading to inability of the council to justify the decision is compliant with the schemes of delegation.</li> <li>There is no consistency in the</li> </ul>	<ul style="list-style-type: none"> <li>For each decision made by the Council, the supporting documentation is retained to evidence authorisation of the decision.</li> <li>The scheme of delegation clearly states who has delegated power to authorise a decision. The Scheme of delegation outlines the particular job titles of staff with the authority. Each delegated power is clearly described in the</li> </ul>

	<p>line with the schemes of delegation and the Contract Procedure Rules.</p>	<p>documentation retained.</p> <ul style="list-style-type: none"> <li>• Contract Procedure Rules for procurement are not incorporated into the schemes of delegation.</li> <li>• Documentation does not reflect the input of senior stakeholders, including elected members, in decisions made.</li> </ul>	<p>Scheme of delegation to state which power the decision being taken falls under on the Scheme of delegation.</p> <ul style="list-style-type: none"> <li>• Schemes of Delegation are reviewed by the shared legal service to ensure all statutory powers are in line and up to date with current legislation and all statutory responsibilities are captured.</li> <li>• Within the Scheme of delegation there is an "Other requirements" column, which clearly states the documentation that needs to be retained in order to support each decision.</li> </ul>
<p><b>Authorisation of transactions</b></p>	<ul style="list-style-type: none"> <li>• Transactions are authorised within Integra in line with the Council's financial limits of authority to ensure they are subject to sufficient and appropriate oversight to effectively assess the validity of expenditure.</li> </ul>	<ul style="list-style-type: none"> <li>• The Council's financial limits of authority are not communicated to all staff.</li> <li>• Financial limits in Integra do not reflect changes to staff roles and responsibilities.</li> <li>• The financial limits in Integra are not consistent between Departments.</li> <li>• Transactions may be authorised in Integra by officers who may not be able to effectively assess validity.</li> </ul>	<ul style="list-style-type: none"> <li>• The Financial limits are built into the Integra, ContrOCC and Swift systems. These financial limits are aligned to the overall Scheme of Delegations.</li> <li>• The Financial limits on Integra are set in fixed and cannot be adjusted. There are three financial limit levels that authorisers can be given (under £25k, under £173k and over £173k). These limit levels are applied across the organisation and are not department specific.</li> <li>• Staff can only authorise transactions within their limits. Transactions enter the workflow of staff who have the authority to authorise them.</li> <li>• Segregation of duties is maintained, i.e. the person who processed a transaction cannot authorise it.</li> <li>• Staff authorise payments for cost centres which they have sufficient knowledge and experience of and are thus able to effectively assess validity.</li> <li>• User audits are carried out for Swift approximately every quarter to ensure users on Swift are up to date. This involves running a report from Swift to list out all the user details. This report is</li> </ul>

			<p>exported into excel, split out by team and sent out to the relevant teams in Adults and Communities, so the Team Managers can identify any user details that need correcting.</p> <ul style="list-style-type: none"><li>• To review users in Integra the systems team checks the listing of leavers (received from payroll) against the report of users of Integra to ensure the relevant users have been deactivated. The check is done via VLOOKUP functionality of Microsoft Excel.</li><li>• On Integra to create new users with purchase order approval, a 'New user form' is completed and sent to the finance team. The finance team then review it and if the limit requested is as expected for their job title, the form is passed over to the Integra - Barnet systems team to process. If the finance team review it and they are not aware of the person, or their limits are higher than would be expected for their job title, they request further authorisation from the new user's line manager.</li><li>• Before changes in limits for a pre-existing user of Integra are made, a request has to be sent to the finance team for them to review. The finance team then request approval from the users line manager (or equivalent), before forwarding on the request to the Integra Barnet systems team.</li></ul>
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## Appendix 4 – Data Analysis

### Swift

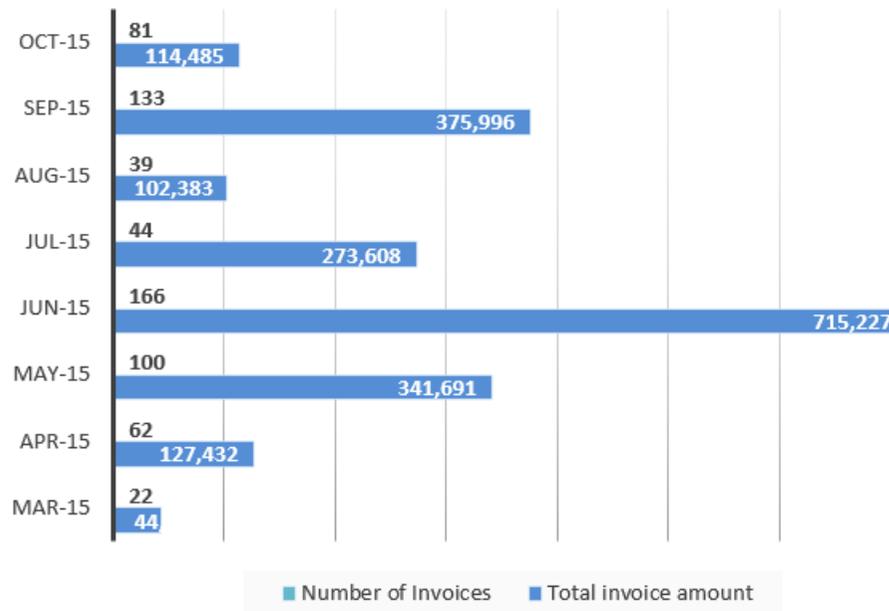
Period covered: 1/04/15 – 31/10/15 (please note that some invoices dated February and March were processed in April as reflected in the analysis of transactions per month)

Total number of invoices: 11,388

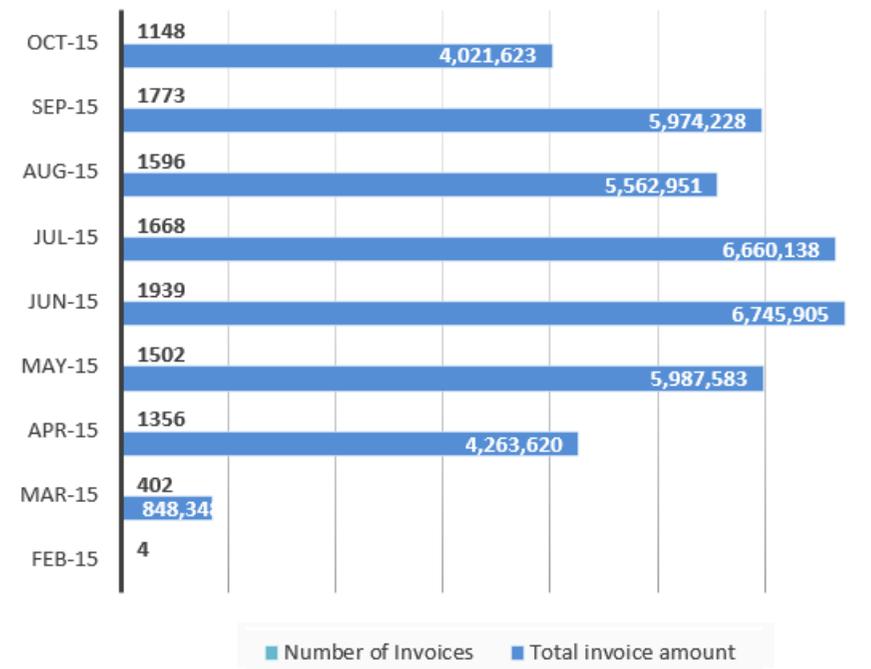
Total value of invoices: £40,071,308.59

The analysis below relates to 647/11388 invoices which have been processed and authorised by the same person and shows total amount and number of invoices processed and authorised by the same individual in each month. All invoices identified as exceptions were processed by the same individual. The second graph shows the total amount and number of invoices processed.

### Invoices processed and authorised by the same person

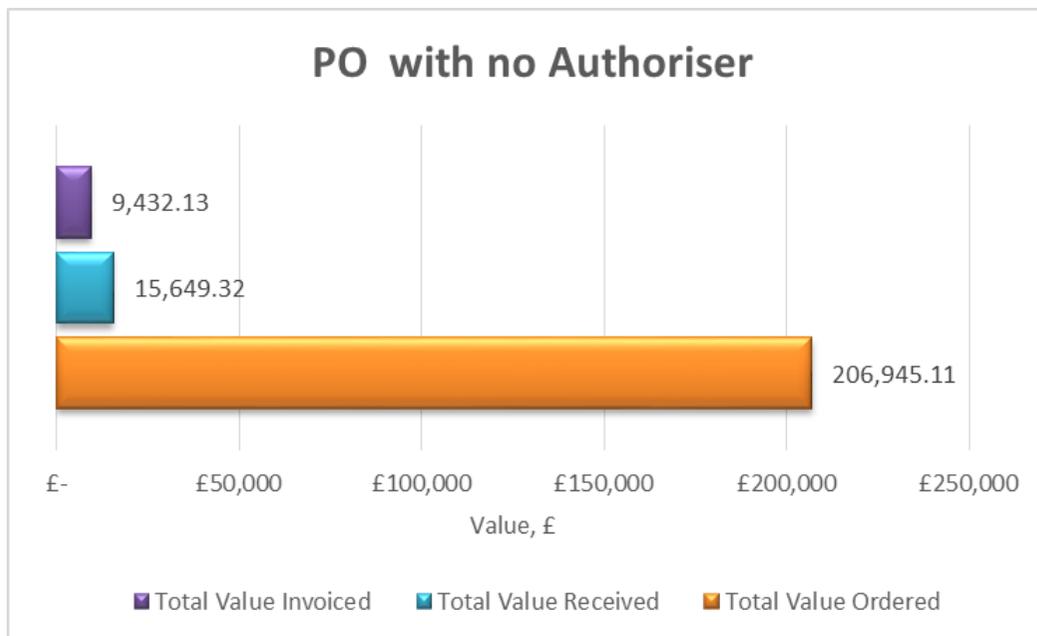


### All invoices processed



## Integra

The analysis below relates to 12/7620 sampled purchase orders which have been processed with no Authoriser.



Requisitioner Name	Total Value Ordered	Total Value Received	Total Value Invoiced	Number of POs
1	0	0	0	2
2	8,002.6	8002.6	8002.6	1
3	0	0	0	3
4	294.46	294.46	0	1
5	210.79	0	0	1
6	197,007.73	5,922.73	0	2
7	77.53	77.53	77.53	1
8	1,352	1,352	1352	1
	<b>206,945.11</b>	<b>15,649.32</b>	<b>9,432.13</b>	<b>12</b>

## Appendix 5 – Industry practice

CIPFA's *Delivering Good Governance in Local Authorities, 2012* includes the following good practice guidance regarding delegating responsibilities:

- Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation and ensure that it is monitored and updated when required;
- Scheme of delegation reviewed at least annually in the light of legal and organisational changes; and
- Standing orders and financial regulations which are reviewed on a regular basis.

We have considered what is in place across different entities within the sector from publically available information to consider approaches and methodology to delegating authorities and identify good practice:

Organisation	Type of Organisation	Nature of Scheme of Delegation arrangements	Good practice elements?
London Borough of Newham	Local Authority	<ul style="list-style-type: none"> <li>- The Scheme is broken down into seven sections:               <ol style="list-style-type: none"> <li>1. General principles</li> <li>2. Delegations applicable to all directorates</li> <li>3. Proper officer and general statutory functions</li> <li>4. Service-specific delegations</li> <li>5. Scheme of Officer Authorisations</li> <li>6. Levels of officer and officers approved for financial payment</li> <li>7. Write-off Scheme of Delegation and reporting requirements</li> </ol> </li> <li>- Specific delegated financial responsibilities for each Director, Assistant Director and role.</li> <li>- Lists out applicable statutes, by role/function against a named responsible Council Staff role.</li> <li>- Departmental schemes set out in tables clearly showing financial limits for senior management roles. Additional tables show all departmental staff roles allocated to a specified level of delegated authority, ranging from 1 to 5.</li> </ul>	<ul style="list-style-type: none"> <li>- All 31 documents comprising the scheme are located on the same internet page in a user friendly and accessible layout.</li> <li>- Consistent format of schemes.</li> <li>- Clearly sets out general principles that apply to all parts of the scheme.</li> <li>- Clear stratification of officers to encourage consistency, including financial limits for management roles and levels of authority assigned to all staff roles presented in a matrix format.</li> </ul>

Organisation	Type of Organisation	Nature of Scheme of Delegation arrangements	Good practice elements?
The Royal Borough of Richmond upon Thames	Local Authority	<ul style="list-style-type: none"> <li>- Specific delegated responsibilities for each Director and Assistant Director role.</li> <li>- Lists out applicable statutes, by role/function against a named responsible Council staff role.</li> </ul>	<ul style="list-style-type: none"> <li>- Clear accountability for key functions set out in statute.</li> </ul>
Slough Borough Council	Local Authority	<ul style="list-style-type: none"> <li>- Specific directorate delegations are listed on summary tables, detailing decisions reserved for Chief Executive, Directors, Assistant Directors and Managers - broken down by department.</li> <li>- Lists out applicable statutes, by role/function against a named responsible Council staff role.</li> </ul>	<ul style="list-style-type: none"> <li>- Coverage of operational and financial responsibilities</li> <li>- Clear accountability for key functions set out in statute.</li> <li>- Clearly sets out limitations of the scheme.</li> </ul>
City of London	Local Authority	<ul style="list-style-type: none"> <li>- Specific delegated responsibilities for Chief Executive and each Director.</li> <li>- Includes delegated authorities for headteachers.</li> </ul>	<ul style="list-style-type: none"> <li>- Scheme index hyper-linked to relevant document pages where there is cross reference to other parts of the document/other policies.</li> </ul>
Essex County Council	Local Authority	<ul style="list-style-type: none"> <li>- Summary Financial Delegated Authority Levels have been set out in a grid showing the level of authority for each grade of Council officer, from Cabinet member and Chief Executive to admin officer.</li> </ul>	<ul style="list-style-type: none"> <li>- Clear stratification of officers to encourage consistency</li> <li>- Easy to apply summary grid format.</li> </ul>
Bracknell Forest	Local Authority	<ul style="list-style-type: none"> <li>- Scheme of delegation sets out decisions to be taken by Council embedded within the constitution.</li> <li>- Delegated authority schedules maintained by each department and available centrally.</li> <li>- Governance and Scrutiny committee performed a review into delegated authority arrangements that identified a number of improvements.</li> </ul>	<ul style="list-style-type: none"> <li>- Evidence of activity to improve scheme of delegation arrangements</li> </ul>
London Borough of Croydon	Local Authority	<ul style="list-style-type: none"> <li>- Leader's Scheme of Delegation included within the Constitution detailing responsibility for particular Executive functions.</li> <li>- Separate financial and non-financial scheme of officer</li> </ul>	<ul style="list-style-type: none"> <li>- Coverage of operational and financial responsibilities.</li> </ul>

Organisation	Type of Organisation	Nature of Scheme of Delegation arrangements	Good practice elements?
		delegation.	
Queen Mary's University	University	<ul style="list-style-type: none"> <li>- "Principles" section stating the principles that underpin the Scheme of Delegation of Financial Authority and all decisions taken under the delegation of authority framework.</li> <li>- Framework detailing the financial authorities for staff grades.</li> </ul>	<ul style="list-style-type: none"> <li>- Clear stratification of officers to encourage consistency</li> <li>- Easy to apply framework</li> </ul>

## **Appendix 6 – Internal Audit roles and responsibilities**

### ***Limitations inherent to the internal auditor's work***

We have undertaken the review of *Schemes of Delegation*, subject to the limitations outlined below.

#### *Internal control*

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

#### *Future periods*

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

### ***Responsibilities of management and internal auditors***

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.