

## 1. Audit Summary – Financial Scheme Of Delegation

### Background and Context

- 1.1 In the Constitution, the Mayor and Full Council delegate certain powers and functions to the Executive Directors. Officer Schemes of Delegation then explain how these powers are delegated onwards to officers across the Council. The Finance Scheme of Delegations (FSOD) details the power that officers have to make decisions on spending and other finance issues, across the Council. It sets out 11 delegated functions, any limitation on the delegation and the officer authorised to enact the delegation. Some work to update the FSOD was undertaken in Autumn 2019; however the published version, which forms part of the Constitution, is dated June 2018.
- 1.2 Since the Council's ways of working were impacted by Covid 19, there has been increased use of digital signatures rather than authorisation by physical signature. Digital signatures are inherently riskier than physical signatures as they may be applied remotely or by a third party with or without the consent of the authorising person.

### Scope and Objectives

- 1.3 The objective of this assignment was to review the adequacy and appropriateness of the FSOD and compliance with the scheme. The scope of the assignment included:
- Compliance with the FSOD; priority was given to function 1 – General Expenditure
  - Use of digital signatures.
- 1.4 The scope of the assignment excluded the following areas:
- Section 5 - Asset Leasing
  - Section 7- Disposal of Assets
  - Section 8 - Power to make payments or provide other benefits in cases of maladministration or compensation
  - Section 10 - Write Off of income.

### Audit Opinion

- 1.5 Overall, Internal Audit obtained "**Limited Assurance**" on the adequacy and appropriateness of the Council's Financial Scheme of Delegation (FSOD) and compliance with the scheme. The risk is that officers' decision making processes may not follow FSOD requirements and that consequently judgements may be imperfect; however, sample testing did not identify significant non-compliance. Guidance on decision making is also provided in other, more recent Council documents and there is a need to ensure that the FSOD is consistent with these.

### Key Messages and Findings:

- 1.6 Internal Audit found that positively:
- 100% of General Expenditure items sampled were approved by the main "authorised officer" in the FSOD
  - 100% of signed procurement request forms and contracts sampled, where the signatory remained in post, the digital signature owner had authorised these documents
  - 'Policy Note Electronic Signatures' has been created to guide employees when using digital signatures; this is available on 'the Source'

1.7 Internal Audit raised one high priority and eight medium findings in respect of the following weaknesses:

- While the FSOD reviews were in progress, a completed annual update had not been published to reflect changes in management structures and changes to job titles
- There was some ambiguity between the FSOD and the Mayor's Scheme of Delegations about the process for emergency payments without budget provision
- The wording of the FSOD is ambiguous about what input is required from a second named officer who is required to be "consulted" and how this should be evidenced; Internal Audit did not find actual incidences where required consultation had not been undertaken in some form
- The links to "additional procedures" in the published FSOD are broken and officers cannot access the further guidance provided
- The FSOD did not identify classes of transactions that were excluded from the scheme, such as technical virements, year-end adjustments, government funded grants; officers' understanding was that these were exempt", which is in-line with the view of the s151 Officer and the purpose of the document
- Some capital budget re-profiling had not been approved in accordance with the FSOD and some amounts re-profiled did not match the amounts approved
- Some budget virements were not being approved by the "authorised officer"
- Some schemes added to the Capital Programme were not approved in accordance with the FSOD
- There was no oversight sampling of transactions to test for the authenticity of the authorisation.

#### **Management Response**

1.8 The findings of the report have been accepted by management who have agreed management actions to address them. These include:

- Review of the FSOD to be undertaken and job titles updated with cascade of any changes to the organisation
- Review of the emergency decision framework in the FSOD and update for clarity. Liaise with Mayor's office and ensure consistency between the two documents
- Review and update links on the Source
- Ensure the grants governance documentation are clearly linked through from the FSOD
- Review the implementation of Capital additions and consider update to the FSOD.