

**Leicester
City Council**

**WARDS AFFECTED
All**

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

**Cabinet
Council**

**23 September 2002
26 September 2002**

Amendments to Finance Procedure Rules

Report of the Chief Finance Officer

1. Purpose of the Report

To agree changes to Finance Procedure Rule 7 to reflect the existence of the Internal Audit Charter.

2. Summary

At its meeting on 19 September 2002, the Finance, Resources and Equal Opportunities Scrutiny Committee supported a recommendation to ask the Council to agree some changes to Finance Procedure Rule 7. These changes are designed to reflect the existence of the Internal Audit Charter and to embed it within the Constitution.

3. Recommendations

The Cabinet is recommended ask the Council to approve Finance Procedure 7 as amended and set out in the attached supporting papers.

4. Financial and Legal Implications

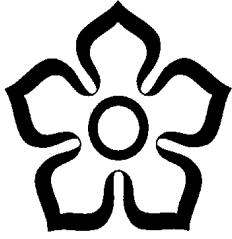
There are no direct financial or legal implications arising from the report.

5. Report Author

Laurie Goldberg, Head of Audit, Financial Services, Resources, Access and Diversity Department. Ext 7402.

DECISION STATUS

Key Decision	No
Reason	N/A
Appeared in Forward Plan	No
Executive or Council Decision	Council



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FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Cabinet 23 September 2002
Council 26 September 2002

Amendments to Finance Procedure Rules

SUPPORTING INFORMATION

1 Report

The revised version of Finance Procedure Rule 7 is set out below with the changes highlighted.

FINANCIAL, LEGAL AND OTHER IMPLICATIONS

2. Financial Implications

There are no financial implications arising from this report.

3. Legal Implications

There are no direct legal implications arising from this report.

4. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph Within Information	References Supporting
Equal Opportunities	N		
Policy	N		
Sustainable and Environmental	N		
Crime and Disorder	N		
Human Rights Act	N		
Elderly/People on Low Income	N		

5. Background papers – Local Government Act 1972
Files Held by Internal Audit

6. Consultations

None

7. Author

Laurie Goldberg, Head of Audit, Financial Services, Resources, Access and Diversity Department. Ext 7402.

Recommended amended version of Financial Procedure Rule 7 **(The changes are highlighted)**

7.1. General

7.1.1. The primary role of the Internal Audit Service is to give advice on setting up and monitoring financial controls throughout the City Council with the aim of improving economy, efficiency and effectiveness and reducing the potential for fraud. The provision of an adequate and effective Internal Audit is the responsibility of the Council under Regulation 5 of the Accounts and Audit Regulations 1996. The Council has delegated this function to the Chief Finance Officer, who shall provide an Internal Audit Service to the City Council in accordance with statutory requirements and professional standards. The Internal Audit Service also advises on, carries out and directly supports investigations into suspicions of fraud or financial irregularity.

7.1.2. The responsibilities, objectives, position within the organisation, scope of activity and rights of access are contained in the Internal Audit Charter as endorsed by the Finance Resources and Equal Opportunities Scrutiny Committee from time to time.

7.2. Audit Planning and Reporting

7.2.1. The Chief Finance Officer shall prepare an Annual Audit Operational Plan, which will set out the intended work of Internal Audit over the coming year. The plan shall be based on an objective assessment of need arising from an analysis of risk and shall be reported to the Cabinet Lead for Resources and the Finance, Resources and Equal Opportunities Scrutiny Committee for comment.

7.2.2. The views of Directors shall be sought about which activities are to be included in the plan as being in need of audit.

7.2.3. Work outside the plan may also be carried out on a specially commissioned basis, at the request of a Director subject to availability of Internal Audit resources and the risks associated with the work, relative to planned audit work.

7.2.4. On a six monthly basis the Chief Finance Officer shall report to the Finance, Resources and Equal Opportunities Scrutiny Committee on progress made in implementing significant recommendations contained in Internal Audit reports.

7.2.5. Implementation of the recommendations shall be monitored by the Finance, Resources and Equal Opportunities Scrutiny Committee and Directors are accountable to this Scrutiny Committee for ensuring appropriate action is taken in accordance with those recommendations.

7.2.6. The Chief Finance Officer shall report annually to the Finance, Resources and Equal Opportunities Scrutiny Committee on the provision of the Internal Audit Service.

7.3. Directors' Responsibilities in respect of financial control and irregularities

7.3.1. All Directors shall maintain proper financial controls in respect of financial systems operated within their department (see section 2 of these rules) and shall be responsible for the prevention, detection and resolution of fraud and irregularities.

7.3.2. Immediately any actual or potential financial irregularity affecting the Council is known or suspected, the appropriate Director shall inform the Chief Finance Officer, make proposals in respect of any further investigation which may be required (and the extent of any support required from Internal Audit) and make proposals in respect of other action to be taken.

7.3.3. If the proposals are acceptable to the Chief Finance Officer, Directors shall carry out the proposed actions. Otherwise, alternative proposals shall be made.

7.3.4. Directors are responsible for taking appropriate action on receipt of recommendations from Internal Audit, either as a consequence of a planned or specially commissioned review or an investigation into a suspected fraud or financial irregularity.

7.4. Investigations

7.4.1. The Chief Finance Officer shall ensure that every case where there are grounds for suspicion of fraud or financial irregularity is considered, and that proposals for action (where appropriate) are made by Directors. The Chief Finance Officer reserves the right to investigate any suspected fraud or irregularity via the Internal Audit Service.

7.4.2. For the purposes of carrying out an audit or investigation, Internal Auditors are authorised to:

- i. have access at all times to any City Council premises and property;
- ii. have access to all data, records, documents and correspondence relating to any financial or any other activity of the City Council;
- iii. have access to any assets of the City Council;
- iv. require from any employee or member any necessary information and explanation.

These rights of access (both electronic or otherwise) include access to relevant records held by service providers, in respect

of Council services provided under contracts or partnership arrangements. This right of access shall be incorporated within all relevant contract or service agreement documents.

- 7.4.3. All action taken will comply with the Council's Anti-Fraud and Corruption Policy Statement and Prosecutions Policy as adopted by the Cabinet from time to time, (following consultation with the Finance, Resources and Equal Opportunities Scrutiny Committee).
- 7.4.4. In respect of investigations into suspected Housing Benefits fraud, the Chief Finance Officer, or another person authorised by the Chief Finance Officer for this purpose, shall have full discretion to determine the appropriate course of action, including referral to Legal Services or the Police for consideration of prosecution.
- 7.4.5. In other cases, referral to the Police will only be made after full consultation with the appropriate Director and the Town Clerk.