

Governance

Arrangements for

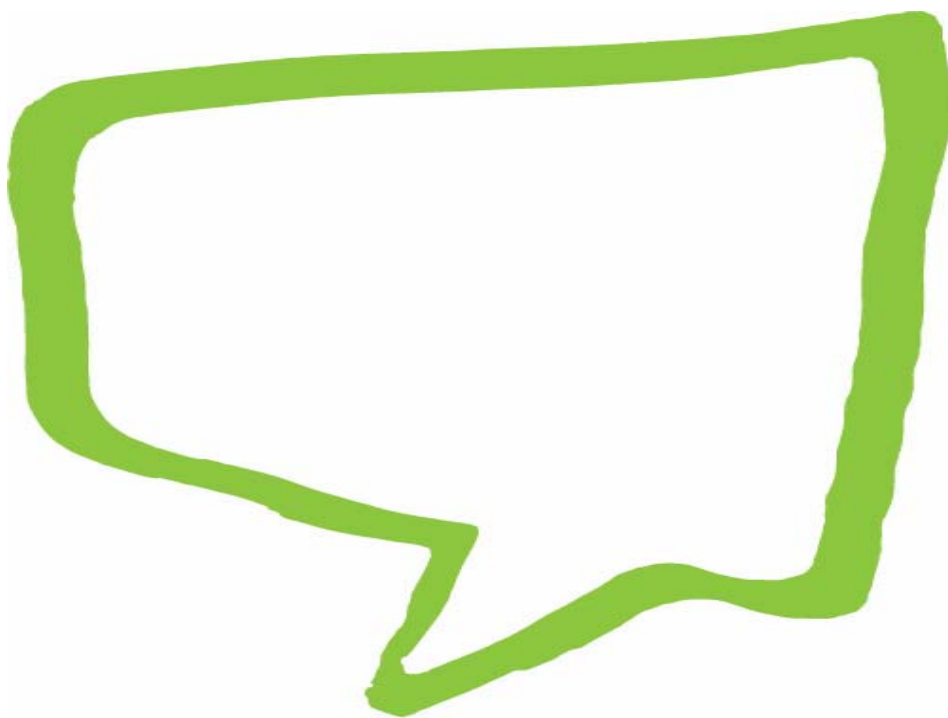
Grant-funding

Organisations

Greater London Authority

Audit 2007/08

April 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Summary report

Introduction

- 1** A number of allegations have been widely reported in the media concerning the ex-Mayor's Policy Director - Equalities and Policing. The principal allegation is that public money from the bodies that comprise the Greater London Authority group, in particular from the London Development Agency (LDA) and the core Greater London Authority (the Authority), has been channelled to organisations controlled by the Policy Director - Equalities and Policing, his friends and associates, and that these payments represent poor value for money. The allegations name a number of organisations funded by the Authority - as distinct from the LDA - in particular, the Black Londoners' Forum (BLF) and the 1990 Trust. Other named organisations funded by the Authority with alleged links to the Policy Director - Equalities and Policing are the National Assembly Against Racism (NAAR), the London Assembly Against Racism (LAAR) and Afroice.
- 2** The Authority undertook an internal fact-finding exercise following these allegations under the lead of the Executive Director of Finance and Performance, the Authority's statutory finance officer. The results of this exercise were summarised in the 'Note arising from GLA fact-finding exercise on core GLA funding for the Black Londoners' Forum and the 1990 Trust' (the Note) published by the Authority's Executive Director of Finance and Performance on 9 January 2008. Much of this Note was based on the results of an investigation undertaken by the previous Executive Director of Finance and Performance in early 2007 in response to an anonymous complaint alleging the misuse of funds and false accounting by the BLF. Both the Policy Director - Equalities and Policing and the 1990 Trust were referred to in those allegations. That complaint was not upheld.
- 3** The Executive Director of Finance and Performance's Note covers:
 - funding and other payments made by the Authority to the BLF;
 - funding and other payments made by the Authority to the 1990 Trust;
 - declarations of interest by the Policy Director - Equalities and Policing;
 - funding to the BLF for Afroice activities; and
 - the use of City Hall facilities by the BLF and the 1990 Trust.

- 4 The Executive Director of Finance and Performance concluded that the Authority 'can demonstrate that it has achieved value for money for the funding it has provided to BLF and the 1990 Trust'. The Executive Director of Finance and Performance has subsequently clarified in his evidence to the London Assembly (Extraordinary Plenary) on 7 February 2008 that, having regard to the allegations made, this referred to the Authority's ability to demonstrate that the funding had been properly approved and could be accounted for, rather than a wider assessment of value for money.

Audit approach

- 5 External audit is an essential part of the process of accountability for public money. The Audit Commission's Code of Audit Practice determines the nature, level and scope of external audit work. Under the Code, the external auditor provides:
- an independent opinion on public bodies' financial statements; and
 - an independent value for money conclusion as to whether public bodies have put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources; such arrangements include:
 - ensuring compliance with established policies, procedures, laws and regulations;
 - identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working;
 - ensuring compliance with the general duty of best value; and
 - ensuring that the bodies' affairs are managed in accordance with proper standards of conduct, and to prevent and detect fraud and corruption.
- 6 The matters raised in the media warranted proper consideration by the Authority. The substance of the allegations, and the way in which the Authority investigated them, are relevant to the auditor's assessment of the Authority's arrangements for securing value for money. I have therefore undertaken a review of the Authority's investigation into the allegations in accordance with my responsibilities under the Code of Audit Practice.
- 7 The scope of my work was to assess the adequacy of the Authority's investigation into the allegations and the validity of the subsequent findings and conclusions drawn. As noted in paragraph 6 above, my focus is the Authority's arrangements for securing value for money. It is important to note that my review - and this report - does not therefore comment on the organisations funded by the Authority or the value for money delivered, or the quality of the services provided, by those organisations.

- 8 The primary focus of my work has been the Note. That Note was supplemented by a file of supporting documentation provided by the Authority on 9 January 2008. Two additional bundles of largely unsorted documentation were provided on 4 February 2008 and 7 February 2008. That documentation was also provided to the Chair of the London Assembly to assist its enquiries. I have also reviewed the Authority's register of staff interests. Where required, I have sought clarification of issues arising from Authority officers, in particular the Executive Director of Finance and Performance. I have also received oral and written representations from the Policy Director - Equalities and Policing.
- 9 The Authority's Contracts Code of Practice sets out the Authority's framework for making payments to other organisations either through a contract or a funding agreement. I have used that code and the Authority's Finance Manual to help assess whether the Note and supporting documentation produced by the Authority support the conclusions drawn.
- 10 I have also considered whether the declaration of interests for the Mayor's Policy Director - Equalities and Policing accords with the Authority's Code of Ethics and Standards for Staff that prescribes the duties and responsibilities that Authority staff, including Policy Directors, have for making declarations of interests.
- 11 Throughout this work, I have been mindful of other ongoing related work, including the Assembly's scrutiny activities and the Authority's own governance review.

Main conclusions

- 12 My review found that the Authority's internal work took the form of a brief fact-finding exercise, largely based upon a previous exercise. I accept that this was intended as an initial review only, with further work conditional on the findings. However, from my review of the results of this exercise and the supporting documentation, whilst I have found no evidence of the misappropriation of funds, I am unable to conclude that the Authority can demonstrate that it has achieved value for money for the funding it has provided to the BLF and the 1990 Trust, reflecting, in particular:
 - the lack of documented consideration of value for money at the Mayoral approval stage;
 - the failure to consider adequately, at the Mayoral approval stage, whether the grant funding proposed amounted to a service contract under the Authority's Contracts Code of Practice, which would therefore have required competitive tendering; and
 - insufficient evidence to demonstrate a robust process for performance monitoring.

- 13** I have also identified omissions in the recorded declaration of required interests by the Policy Director - Equalities and Policing. I accept that such an officer may inevitably have close links to the types of organisations receiving stakeholder-engagement and project-development funding. However, this makes it imperative that the spirit and letter of the Authority's Code of Ethics and Standards for Staff are followed for required declarations, in particular with regard to what that code requires in relation to 'close personal relationships', and that these are properly documented. In my view, the standards expected were not followed. The Policy Director - Equalities and Policing's role in the sign off process for the related Mayoral approvals was also, in my view, in a number of cases inappropriate given his interests.
- 14** The Policy Director - Equalities and Policing has stated that a number of declarations were made on his appointment and that he was advised that further declarations were not required. Neither the Authority nor the Policy Director - Equalities and Policing have been able to provide any further evidence as to whether such declarations were made and/or such advice was given. However, irrespective, the governance arrangements of the Authority were not as they should have been with regard to the declaration of required interests.
- 15** My review has also identified weaknesses in the Authority's fact-finding exercise, in particular with regard to the conclusions reached. The approach to managing future investigations requires improvement in this respect.
- 16** I have also identified scope for improving the Authority's arrangements for grant funding, and indeed its wider governance arrangements, in particular to:
- improve compliance with the Authority's Contracts Code of Practice to demonstrate that value for money has been achieved;
 - ensure that financial considerations set out in Mayoral approvals are applied in practice;
 - develop robust performance monitoring arrangements;
 - ensure that retention and archiving arrangements are fit for purpose;
 - improve arrangements for the declaration of required interests, including extending these to cover the Greater London Authority group; and
 - improve the monitoring and control of the register of staff interests.

The way forward

- 17** Whilst, as noted, there are weaknesses in the approach adopted by the Authority and a failure to demonstrate value for money, I am not proposing further work on my part at this time, as:
- no evidence of fraud and/or corruption has been identified and the Authority has received some value for its funding, even if a substantive conclusion on value for money cannot be reached;
 - while the Policy Director - Equalities and Policing in my view failed to declare interests that he should have, he is no longer employed by the Authority;
 - the Authority's ongoing governance review is already considering further a number of the governance issues raised by the allegations and my work;
 - action is already being taken to address a number of the procedural weaknesses identified by my work; and
 - there are only very limited levels of Authority grant funding beyond the specific grants assessed by this review.
- 18** Additionally, the amounts of the specific grants themselves are small in the overall financial context of the Authority. The annual grant funding to the BLF of £50k came from the stakeholder engagement budget, which for 2007/08 amounted to £445k. The project funding of the 1990 Trust - at a maximum of £65k in 2006/07 - was made from the project development budget, which for 2007/08 amounted to £442k. Both these budgets together represent less than half of 1 per cent of the total Authority 2007/08 budget of £158.8 million.
- 19** In these circumstances, the costs of further work on my part that would fall on the public purse cannot, in my view, be justified.
- 20** I have, however, identified scope for improvement in aspects of the Authority's corporate governance arrangements, including its approach to managing future investigations. The high priority that needs to be given to addressing these required improvements is further confirmed by other ongoing work.
- 21** My recommendations are set out in the action plan attached at Appendix 1 to this report. These should be used to help inform the Authority's ongoing governance review and improvement planning.

Michael Haworth-Maden
District Auditor
April 2009

Detailed report

22 The detailed report sets out my consideration of whether the Authority's internal work demonstrates that the Authority has followed proper processes to secure value for money in the allocation of resources to a number of organisations. It covers initially the processes required to be followed in granting resources to such organisations, including consideration of the management of required declarations of interest, before turning to the specific funding of the organisations concerned. It does not comment on the organisations themselves or the value for money delivered, or the quality of the services provided, by those organisations.

Required Authority processes

Grant funding

23 The Authority's Contracts Code of Practice requires that all contracts and funding agreements require formal approval before expenditure is committed. The relevant approval mechanisms are the completion of a Mayoral Approval Form (MAF) for contracts and funding agreements over £50k and the completion of a Directorate Approval Form for contracts and funding agreements up to £50k, provided that they are not novel or contentious.

24 The Authority's Contracts Code of Practice notes that this is a complex area, but sets out the basic features of a contract versus a funding agreement. These are summarised in Table 1 below.

Table 1 Contract versus funding agreement

Feature	Contract	Funding agreement
Authority receives a benefit	Yes	No
Can take legal action	Yes	No
A conditional gift	No	Yes
Follow procurement procedures	Yes	No
Considers fairness and equalities	Yes	Yes
Demonstrates value for money	Yes	Yes

Source: the Authority's Contracts Code of Practice

- 25** The Authority's Contracts Code of Practice sets out that each individual contract will specify how performance will be measured and monitored. Contracts should be reviewed and monitored regularly, including meetings with the contractor's representative. It requires that records should be kept of all monitoring activity.
- 26** The detailed requirements for funding agreements are set out in the Authority's Finance Manual. This requires that a written 'funding agreement' is produced that will contain:
- the terms of the agreement;
 - key deliverables; and
 - reporting and monitoring procedures.

Declarations of interest

- 27** The Authority's Code of Ethics and Standards for Staff sets out that Authority staff have the following duties and responsibilities for making declarations of interests.
- 'Staff who have an interest, whether financial or otherwise, or if any person related to them or with whom they have a close personal relationship has any interest, in any organisation which has any business dealings with the Authority, they are required to disclose such interests immediately and ensure that the details are recorded in the Authority's Register of Interests.
 - Staff must make a declaration of interest on any issue on which they are advising the Mayor or Assembly which affects an interest held by them, or any person related to them or with whom they have a close personal relationship whether financial or otherwise, and ensure that the details are recorded in the Authority's Register of Interests. The register of declarations of interests is maintained in the office of the Head of Law.'
- 28** The Authority maintains a register for the declaration of staff interests. The Monitoring Officer is the responsible officer.

BLF

- 29** The BLF was established with the broad aim of supporting and encouraging London's black and minority ethnic (BME) communities to influence strategic decision-making across London.
- 30** The Executive Director of Finance and Performance's Note concludes, based on a review of the register of staff interests and a company search, that the Policy Director - Equalities and Policing had not declared an interest in the BLF and that this was appropriate as he was not an executive member of the BLF. I reviewed the entries in the register of staff interests and confirmed that there was no declaration of interest made by the Policy Director - Equalities and Policing in respect of this organisation.

- 31** The Authority's Code of Ethics and Standards for Staff requires officers to disclose any organisation which has business dealings with the Authority where a close personal relationship exists. The Policy Director - Equalities and Policing had a personal or business relationship with a number of directors of the BLF. Given the Authority's funding of that organisation, this relationship should, in my view, have been formally disclosed to the Authority and recorded in the Register of Interests. The Policy Director - Equalities and Policing has commented that he was specifically advised by the Authority that no declaration was required. Neither the Authority nor the Policy Director - Equalities and Policing have been able to provide any further evidence as to whether such advice was given.
- 32** The Authority made payments to the BLF between 2000/01 and 2007/08 of £368,550 as set out in Table 2 below. The Authority's starting point to identify the payments made to the BLF was the results of the previous investigation undertaken in early 2007, as referred to in paragraph 2 above, updated for a review of the Mayoral approvals and information held on the Authority's financial information system. I am satisfied that this approach should have identified all significant payments made to the BLF.

Table 2 Authority payments to the BLF

Year	Amount (£)	Description	MAF reference	Date approved
2000/01	49,800	Funding	-	-
2001/02	50,000	Funding	150	19 February 2002
2002/03	45,000	Service contract	1044	20 November 2002
2002/03	5,000	Funding	1044	20 November 2002
2003/04	14,000	Service contract	1349	02 July 2003
2003/04	50,000	Funding	1367	07 January 2004
2004/05	50,000	Funding	1715 & 2346	05 August 2004
2005/06	50,000	Funding	2442	08 February 2006
2006/07	50,000	Funding	2749	06 November 2006
2007/08	4,750	Various	3038 (for £3,250)	Signed, but not dated. The balance of £1,500, for the 'roots revisited reception', was made under officer delegated authority.
Total	368,550			

Source: Authority's fact finding note and supporting documentation

- 33** From a review of the documentation provided by the Authority, it is clear that the majority of payments went through the appropriate approval process. The exception is the grant-funding payment of £49,800 made in 2000/01, where the Authority is unable to locate the applicable approval.
- 34** Each MAF is signed by up to eight individuals including the Mayor, applicable directors and other officers. The Policy Director - Equalities and Policing was a signatory to the decision approval process for seven of the nine MAFs. In this context, his sign off confirmed that he had reviewed the MAF for a number of Authority requirements, including consistency with the Mayor's vision and the consideration of the equality issues, rather than the authorisation of the release of funding. Nevertheless, this was, in my view, inappropriate given the conflict identified above.
- 35** In three of the seven years in which funds have been made available, the relevant approval for funding was only made within three months of the year-end to which it related. Good governance would suggest that approvals should be at the commencement of the period to which the funding relates, in particular to enable regular monitoring by the Authority of how that funding is being applied.
- 36** The legal and financial implications of the proposed payments were considered in the available MAFs. My review did, however, identify a number of minor inconsistencies with the required approval process:
- MA1715 (2004/05) was signed by the Head of Core Finance on behalf of the Executive Director of Finance and Performance, without formally noting that this was the case;
 - MA2749 (2006/07) was not signed by the Mayor, but was annotated by the Chief of Staff to confirm that the Mayor had seen/agreed the proposals; and
 - MA3038 (2007/08) was signed, but not dated, by the Mayor.
- 37** The majority of the Authority's payments to the BLF (£304,800 or 83 per cent) were for grant funding. The Authority's Contracts Code of Practice requires that, where a funding agreement is used, value for money should be demonstrated in the MAF. I would expect this demonstration to include an assessment of why the BLF was funded for the purposes desired, as opposed to any other organisation. However, except for reference to the need to meet this requirement in MA2442 (2005/06) and MA2749 (2006/07), there is no explicit consideration set out in any of the MAFs to demonstrate that the funding of the BLF provides value for money.

38 I have identified that the Authority was not the only organisation funding the BLF, nor indeed was it its principal funder. Table 3 below shows the sources of the BLF's budgeted income for 2006/07, as reported in MA2749.

Table 3 BLF budgeted income 2006/07

Income	Amount (£)	%
Association of London Government (now London Councils)	113,000	37
Prior year funding carried forward	66,242	22
GLA funding	50,000	17
Other grant	50,000	17
LDA grant	18,000	6
Sundry income	2,500	1
Total	299,742	100

Source: MA2749

- 39 From the outset, it is apparent that the ongoing nature of the Authority's intended funding of the BLF was not reflected in its documentation. Thus MA150 (2001/02) set out that the BLF should actively seek alternative funding in replacement for funding from the Authority in the medium to longer term. This desire for the BLF to seek alternative funding is reiterated in the subsequent MAFs. In contrast, officers have confirmed that ongoing support was intended. This is reflected in the continued funding highlighted in Table 2 above.
- 40 The Authority's Contracts Code of Practice requires that, for funding arrangements such as those adopted for the BLF, a written funding agreement is produced containing the terms of the agreement, the key deliverables and the reporting and monitoring procedures. The Authority has been able to provide the following agreements to demonstrate its level of compliance with this requirement.

Table 4 BLF funding agreements

Year	Amount (£)	Funding Agreement	Funding agreement sets out the:		
			Terms of the agreement	Key deliverables	Reporting and monitoring procedures
2000/01	49,800	No	Not available	Not available	Not available
2001/02	50,000	Yes	Yes	Yes	Yes
2002/03	5,000	No	Not available	Not available	Not available
2003/04	50,000	No	Not available	Not available	Not available
2004/05	50,000	Yes*	Yes*	Yes*	Yes*
2005/06	50,000	Yes	Yes	Yes	Yes
2006/07	50,000	Yes	Yes	Yes**	Yes
Total	304,800				

* The funding agreement was not part of documentation provided by the Authority. However, an Internal Audit report undertaken during 2004/05 reported that an appropriately constructed funding agreement had been produced for the 2004/05 BLF funding.

** Not attached to the funding agreement, but attached to the quarterly monitoring report.

Source: Authority's supporting documentation

41 The three funding agreements that were located set out reporting and monitoring procedures. They require quarterly review meetings between the Authority and the recipient (the BLF) and that the latter provides a written report detailing the activities undertaken and the output targets achieved. In addition, the 2001/02 funding agreement required the BLF to provide a breakdown of expenditure incurred in each quarter and a full vouched financial report at the year-end.

42 Table 5 below sets out the reporting and monitoring documentation located by the Authority and shows that there are significant gaps against what should be expected.

Table 5 BLF monitoring documentation

Year	Funding agreement (see Table 4)	Quarterly reports provided by BLF	Agenda and minutes from quarterly review meetings	Other monitoring documentation
2000/01	No	No	No	No
2001/02	Yes	In part -1 quarter*	No	Annual evaluation report produced by BLF
2002/03	No	No	No	Annual evaluation report produced by BLF
2003/04	No	In part -1 quarter	In part - agenda for 1 quarter	No
2004/05	Yes**	Yes**	Yes**	Annual evaluation report produced by BLF
2005/06	Yes	No	No - but there is a list of meetings held	Annual evaluation report produced by BLF
2006/07	Yes	In part -1 quarter	In part - agendas for 4 quarters/minutes for 2 quarters	No

* The breakdown of expenditure, quarterly and at the year-end, required by the funding agreement for this year, was not provided.

** Monitoring documentation is not available. However, an Internal Audit report undertaken during 2004/05 reported that monitoring reports have been provided and monitoring meetings have been undertaken.

Source: Authority's supporting documentation

- 43** The incomplete audit trail appears to reflect document retention and archiving arrangements that are not fit for purpose, evidenced, for example, by Internal Audit's report from 2004/05 which refers to having seen a funding agreement and performance reports for that year that can no longer be located. Notwithstanding this, the monitoring process was not sufficiently robust. In this context, most of the activities and outputs listed in the funding proposals that are available are not quantified, so they cannot be clearly mapped to the monitoring documentation where it exists.
- 44** It is also apparent that a consistent approach to applying the requirements of the Authority's Contracts Code of Practice to differentiate between a funding agreement and service contract has not been demonstrated. The Authority's Contracts Code of Practice states that a funding agreement 'should not be used where the Authority itself receives goods or services or any other benefit (whether direct or indirect)'. The activities and outputs to be provided by the BLF as listed in the funding agreements include items that could be considered as a service - for example, providing publicity and consultation.
- 45** Only once, in 2002/03 in MA1044, was £45k of the £50k of annual 'funding' payments made to the BLF identified as a separate service contract to provide consultative services. In this instance, the requirements of the Authority's Contracts Code of Practice for competitive tendering were waived because the BLF '...is a unique Black and Minority led, pan London, civic group that represents a cross section of sectors across London's BME communities. The BLF have the specialist knowledge, networks and expertise to provide the consultation services required by the GLA'.
- 46** Another service contract, for £14k, to undertake the first phase of project management for a London-wide black parent and governor network, was awarded to the BLF in 2003/04. MA1349 noted that the requirements of the Authority's Contracts Code of Practice were waived as only one quotation, from the BLF, was received from the five potential suppliers invited to quote.
- 47** In both cases, however, the Authority has not been able to provide copies of the relevant service contracts, or indeed the related contract monitoring documentation.
- 48** Given the above, I am unable to conclude that the Authority can demonstrate that it has achieved value for money for the funding provided to the BLF.
- 49** The Authority has identified no other BLF 'funding', including from the free or subsidised use of Authority facilities. The Authority maintains records of waivers of charges for the use of City Hall facilities for the last three years. Its review of its records has identified no waivers with regard to the BLF.

1990 Trust

- 50** The 1990 Trust was established in 1992 to advance the economic, cultural and social well being of the BME community.
- 51** The Executive Director of Finance and Performance's Note sets out that the Policy Director - Equalities and Policing had not declared an interest in the 1990 Trust and that this non-disclosure was appropriate, based on a company search, as he had been last a director of the 1990 Trust in 1995 prior to the creation of the Authority. The Policy Director - Equalities and Policing has subsequently clarified that he was a director of the Board of Trustees of the 1990 Trust until 1995, when he became a full-time paid Executive Director of the Trust until his resignation in 2000 when he took up his position with the Authority. I reviewed the entries in the register of staff interests and confirmed that there was no declaration of interest made by the Policy Director - Equalities and Policing for this organisation.
- 52** The Authority's Code of Ethics and Standards for Staff requires the disclosure of any organisation which has any business dealings with the Authority where a close personal relationship exists. The Policy Director - Equalities and Policing's acknowledgement of his close friendship with the Company Secretary of, and others connected with, the 1990 Trust is a matter of public record. Given the Authority's funding of that organisation, this relationship should, in my view, have been formally disclosed to the Authority and recorded in the Register of Interests. The Policy Director - Equalities and Policing has stated that he did declare this relationship on his recruitment in May 2000 and that he was subsequently advised by the Authority that no further declaration was required. Neither the Authority nor the Policy Director - Equalities and Policing have been able to provide any further evidence as to whether such a declaration was made and/or such advice was given.

53 The Authority made payments totalling £192k to the 1990 Trust between 2001/02 and 2007/08 as set out in Table 6 below. The Authority's starting point to identify the payments made to the 1990 Trust was the results of the previous investigation undertaken in early 2007, as referred to in paragraph 2 above, updated for a review of the Mayoral approvals and information held on the Authority's financial information system. I am satisfied that this approach should have identified all significant payments made to the 1990 Trust.

Table 6 Authority payments to the 1990 Trust

Year	Amount (£)	Description	MAF reference	Date approved
2001/02 -2002/03	21,463	No details	-	-
2003/04	26,242	Race equalities scheme integration programme	-	-
2004/05	24,400	Race equalities training	-	-
2005/06	35,000	Funding - Engaging equalities programme	2265	10/8/05
2006/07	65,200	Funding - Engaging equalities programme (£65,000)/race summit (£200)	2265	10/8/05
2007/08	20,100	Advertising (£100)	3116	20/9/07
		Supporting an event (£15,000)	3022	2/4/07
		Supporting an event (£5,000)	3038	Not dated
Total	192,405			

Source: Authority's fact-finding note and supporting documentation

54 The largest payments were the funding payments of £35k in 2005/06 and £65k in 2006/07 for the 1990 Trust's engaging equalities project. This funding went through the appropriate Mayoral approval process, incorporating the consideration of the required legal and financial implications. The Mayor's Policy Director - Equalities and Policing was a signatory to the decision approval process. As noted in paragraph 34 above, his sign off confirmed that he had reviewed the MAF for a number of Authority requirements, including consistency with the Mayor's vision and the consideration of the equality issues, rather than the authorisation of the release of funding. Nevertheless, this was, in my view, inappropriate given the conflict identified above.

- 55** The engaging equalities project as described in MA2265 consisted of:
- a diversity mapping exercise;
 - a review of policies, timetables, procedures and action plans for the Authority and its functional bodies to meet their obligations under the Race Relations (Amendment) Act 2000;
 - a review of the progress by the public sector in London in meeting its obligations under the Race Relations (Amendment) Act 2000, as well as government and Mayoral targets;
 - the organisation of a black public sector workers' conference; and
 - the development of a programme of community engagement.
- 56** The nature of these activities is that of providing a service to the Authority. However, there is no documented consideration, as part of the Mayoral approval process, as to why it was appropriate to provide the 1990 Trust with grant funding to provide this service, rather than having gone through the required competitive procurement process set out in the Authority's Contracts Code of Practice. There is also no explicit consideration set out to demonstrate how this funding to the 1990 Trust demonstrates value for money.
- 57** The Authority could not locate its copy of the funding agreement with the 1990 Trust and had to obtain a copy directly from that organisation. This sets out the terms of the agreement, the key deliverables and the reporting and monitoring procedures. The Authority has been unable to locate any documentation to demonstrate the proper monitoring required by the funding agreement - ie performance reports and agendas/minutes of performance review meetings.
- 58** The remaining £92k of funding paid over to the 1990 Trust consists of various payments made between 2001/02 and 2007/08. These payments include £26k in 2003/04 for running the Authority's race equalities scheme, £24k for race equalities training courses for Authority staff and £15k in 2007/08 to support an Equanomics UK tour event. Whilst there is some documented evidence of the delivery of these services, there is only limited documentation available to demonstrate that the appropriate procurement processes were followed. The Authority has also been unable to locate applicable approvals for all payments to the 1990 Trust made prior to 2005/06.
- 59** Given the above, I am unable to conclude that the Authority can demonstrate that it has achieved value for money for the funding it has provided to the 1990 Trust.
- 60** The Authority's review of its records for waivers of charges for the use of City Hall facilities has identified one instance where a waiver had been granted to the 1990 Trust, in December 2006, where the organisation was granted free use of the Chamber for an event on Islamophobia. The value of the waiver was recorded as £3k. The Authority's supporting documentation demonstrates that the waiver had been properly approved.

61 Finally with regard to the 1990 Trust, the payment of £15k made in support of the Equanomics UK tour event noted at paragraph 58 above was made in November 2007. Equanomics is an interest group associated with the 1990 Trust. The Policy Director - Equalities and Policing became Chair of Equanomics in September 2007, but did not declare his interest in the register of staff interests. This interest should, in my view, have been formally disclosed to the Authority and recorded in the register of staff interests.

Afroice

62 Afroice is a London-wide network set up in 2004 by the BLF for parents, carers and families of African and African Caribbean pupils to support their involvement in education. There was a specific allegation reported in the media that Afroice was given £18,700 by the Mayor to develop its website in 2005 and this had not yet been delivered. The Policy Director - Equalities and Policing was alleged to be linked to Afroice via the BLF.

63 The Executive Director of Finance and Performance's Note of 9 January 2008 states that the Authority '... has not approved or made payments to BLF for Afroice'. The £18,700 funding referred to in paragraph 62 was provided by the LDA. However, my work has identified that the planned outputs and activities section of the 2005/06 funding agreement with BLF - the MAF for which the Policy Director - Equalities and Policing signed as the sponsoring director - refers to the Authority funding the BLF for Afroice-related activities and outputs, covering:

- developing a parents and governors network;
- securing funding to develop a training programme;
- revising and upgrading its website;
- raising awareness of education and BME needs; and
- disseminating four fact sheets and four newsletters.

64 The Executive Director of Finance and Performance has subsequently clarified that the Note refers specifically to the fact that the Authority has given no additional funds to the BLF for Afroice beyond the annual funding granted to the BLF. Notwithstanding the lack of clarity over this aspect of the Executive Director of Finance and Performance's findings, there are significant gaps in the monitoring documentation provided by the Authority. There is therefore insufficient evidence to demonstrate whether the planned outputs and activities in relation to Afroice have been achieved. As such, no substantive conclusion on value for money can, in my view, be made.

NAAR

- 65** The NAAR is an umbrella organisation that brings together minority ethnic communities and others concerned with the impact of racism on society.
- 66** The Executive Director of Finance and Performance's Note set out that the Mayor's Policy Director - Equalities and Policing had declared an interest in 2005 and 2006 as Secretary of the NAAR, a body which has received funding from the Authority. In addition, this interest was recorded as a related party transaction in the Authority's accounts in 2004/05, 2005/06 and 2006/07.
- 67** I reviewed the entries in the register of staff interests and found that the Mayor's Policy Director - Equalities and Policing had declared an interest as the National Secretary of the NAAR. The original registered interest statement is undated, but stamped as received on 24 January 2006. A copy email dated 7 January 2005 was attached disclosing this interest to the Authority's Head of Law.
- 68** There is no indication set out in the declaration when the Policy Director - Equalities and Policing became National Secretary of the NAAR. However, the first payment that the Authority approved to NAAR on 15 June 2004 is prior to his initial declaration of interest to the Head of Law as set out in the email dated 7 January 2005. There is no evidence to suggest that the Authority has attempted to find out the actual date on which he became National Secretary of the NAAR. However, my review of the NAAR's annual reports has identified that the Policy Director - Equalities and Policing is listed as its Secretary as far back as 2001. There is therefore evidence that a proper and timely declaration was not made. The Policy Director - Equalities and Policing has, however, stated that he did declare this relationship on his recruitment in May 2000 and that he was subsequently advised by the Authority that no further declaration was required. Neither the Authority nor the Policy Director - Equalities and Policing have been able to provide any further evidence as to whether this initial declaration was made and/or such advice was given.
- 69** I also reviewed the Authority's audited accounts and found that the Mayor's Policy Director - Equalities and Policing's interest in the NAAR was recorded as a related party transaction in 2004/05 (£50k funding), 2005/06 (£60k funding) and 2006/07 (£60k funding) which accords with the Executive Director of Finance and Performance's Note.
- 70** The Authority approved payments totalling £230k to the NAAR between 2004/05 and 2007/08 as set out Table 7 overleaf. The Authority identified payments made to the NAAR by reviewing the Mayoral approvals and information held on the Authority's financial information system. I am satisfied that this approach should have identified all significant payments made to the NAAR.

71 Payments made are for grant funding to assist the NAAR to manage its core operational costs and to deliver its growing programme of work, linked to the Mayor's strategic outcome of equality for all and social inclusion. Payments were subject to the appropriate Mayoral approval process, as set out in Table 7 below. The Policy Director - Equalities and Policing is not a signatory to the decision approval process as recorded on the MAFs.

Table 7 Authority payments to the NAAR

Year	Amount (£)	Description	MAF reference	Date approved
2004/05	50,000	Funding	1815	15/6/04
2005/06	60,000	Funding	2527	12/2/06
2006/07	60,000	Funding	2527	12/2/06
2007/08	60,000	Funding	2527	12/2/06
Total	230,000			

Source: Authority's supporting documentation

72 The Authority's Contracts Code of Practice requires that, where a funding agreement is used, value for money should be demonstrated. However, except for reference in both the applicable MAFs to the Mayor needing to 'have due regard to his fiduciary duty and be satisfied that the financial support will provide 'added value' to Londoners', there is no explicit consideration of value for money at the Mayoral approval stage, including an assessment of why the NAAR was funded for the purposes desired, as opposed to any other organisation.

73 The Authority has, however, met the requirements of its Contracts Code of Practice with regard to the proper documentation of the funding arrangements in a formal agreement, including setting out the key deliverables and the reporting and monitoring procedures.

Table 8 NAAR funding agreements

Year	Amount (£)	Funding Agreement	Funding agreement sets out the:		
			Terms of the agreement	Key deliverables	Reporting and monitoring procedures
2004/05	50,000	Yes	Yes	Yes	Yes
2005/06 to 2007/08*	180,000*	Yes	Yes	Yes	Yes
Total	230,000				

* One funding agreement covers the period 2005/06 to 2007/08.

Source: Authority's supporting documentation

74 Table 9 below sets out the reporting and monitoring documentation located by the Authority.

Table 9 NAAR funding agreements/monitoring documentation

Year	Funding Agreement	Quarterly reports provided by NAAR	Agenda and minutes from quarterly review meetings
2004/05	Yes	Yes	In part - no minutes for Q3&4 meetings
2005/06	Yes	Yes	In part - no minutes for Q4 meeting
2006/07	Yes	Yes	In part - no agenda Q2, No minutes for any quarters
2007/08	Yes	Yes - to date of review	Yes - to date of review

Source: Authority's supporting documentation

75 Table 9 demonstrates that the audit trail is more complete than the Authority has been able to provide for other funding arrangements. However, there are gaps and, given that value for money was not clearly demonstrated as part of the Mayoral approval process, a substantive conclusion on value for money cannot, in my view, be made.

LAAR

76 The LAAR is an organisation affiliated to the NAAR. The Authority approved payments totalling £50k to the LAAR between 2002/03 and 2003/04. Both payments have gone through the appropriate Mayoral approval process, as set out in Table 10. The Authority identified payments made to the LAAR by reviewing the Mayoral approvals and information held on the Authority's financial information system. I am satisfied that this approach should have identified all significant payments to the LAAR.

Table 10 Authority payments to the LAAR

Year	Amount (£)	Description	Mayoral Approval reference	Date approved by Mayor
2002/03	20,000	Funding	197	13/3/02
2003/04	30,000	Service contract	1076	27/2/03
Total	50,000			

Source: Authority's supporting documentation

77 Payments were related to the co-ordination of volunteers for the London Respect festivals in 2002 and 2003. As Table 10 highlights, the 2002/03 approval was for a funding payment, whilst the 2003/04 approval was for a service contract, where the Contracts Code of Practice has been waived. The Authority has not therefore consistently applied its Contracts Code of Practice for what appears to be the same type of expenditure in different years.

78 MA197 notes that the project sponsor for Respect is the Policy Director - Equalities and Policing. He is not, however, a signatory to either of the LAAR-related MAFs. Nevertheless, having disclosed an interest in relation to the NAAR, and given the close links between the LAAR and the NAAR, it is my view that it would have been prudent for the Policy Director - Equalities and Policing to have made a similar disclosure of potential conflict of interest in relation to the LAAR. I have not identified any such disclosure.

79 No further documentation has been provided - ie the relevant funding agreement, service contract and performance monitoring documentation. As such, no substantive conclusion on value for money can, in my view, be made.

Other organisations

- 80** The Authority has also considered the wider allegations made concerning the LDA's funding of organisations allegedly linked to the Policy Director - Equalities and Policing. This has identified payments by the Authority to the European Federation of Black Women Business Owners, one of the organisations named in those allegations. The amounts involved, for sponsorship of and attendance at the organisation's awards dinner, are small, amounting to £3,750 (2004/05) and £4,875 (2005/06). The payments were made under officer delegated authority.
- 81** My review of the register of staff interests has also identified two further organisations where the Policy Director - Equalities and Policing had declared an interest.
- Company Director - IBubble25, a media production company - declared 5 June 2003; and
 - Company Director - African Caribbean Positive Image Awards - declared 5 June 2003.
- 82** The Authority's review has not identified any payments to these organisations.

Register of staff interests

- 83** As part of my work, I have assessed the entries recorded in the Authority's register of staff interests with specific regard to the Policy Director - Equalities and Policing. My specific comments are included above. However, I have also identified from this work a number of more general weaknesses in the Authority's arrangements for the maintenance of the register.
- Regular reminders are not issued to staff requesting that they make appropriate disclosures in the register.
 - The register has not been actively managed which is demonstrated by:
 - no evidence of review of the register by the Monitoring Officer or by others as appropriate - for example, assessing the impact of relevant disclosures for conflicts of interest as part of a procurement process;
 - disclosures from staff who have left the Authority's employment are retained on the register; and
 - the register is loose leaf and does not have a control page, allowing uncontrolled additions and/or removals.
- 84** Moreover, as the Authority has itself recognised, there is currently no mechanism in place for staff to make declarations of interest covering the group.

Recommendations	
R1	Ensure that the scope of all investigations, including fact-finding exercises, are sufficiently thorough and documented appropriately, and that all findings and conclusions are substantiated.
R2	Clearly document how value for money has been assessed as part of the Mayor's approval for funding or procurement decisions, particularly where seeking exemption from the Authority's Contracts Code of Practice.
R3	Ensure that approvals for grant funding are made by the start of the period to which that funding relates.
R4	Ensure that financial considerations set out in Mayoral approvals, including longer-term funding intentions, are accurately recorded.
R5	Review all current grant funding to ensure that it falls within the definition of funding arrangements as set out in the Authority's Contracts Code of Practice.
R6	Ensure that Mayoral approvals for grant funding fully and accurately reflect the terms of the applicable funding arrangements.
R7	Ensure that funding arrangements clearly set out activities and outputs that, where appropriate, are quantifiable and measurable.
R8	Review the monitoring arrangements for all current funding agreements to ensure that a robust and fully documented monitoring regime is in place.
R9	Improve document retention and archiving arrangements.
R10	Issue regular reminders, at least annually, to all staff reminding them of their obligations under the Authority's Code of Ethics and Standards for Staff to make appropriate declarations of interest.
R11	Maintain and control the register of staff interests, in particular: <ul style="list-style-type: none"> • <i>the register should have a control page;</i> • <i>the register should be regularly reviewed by the Monitoring Officer; and</i> • <i>disclosures that are no longer current should be archived.</i>
R12	Extend the arrangements for required declarations of interest to cover the group.

Appendix 1 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
25	R1 Ensure that the scope of all investigations, including fact-finding exercises, are sufficiently thorough and documented appropriately, and that all findings and conclusions are substantiated.	3	All Directors	Yes		Immediate
25	R2 Clearly document how value for money has been assessed as part of the Mayor's approval for funding or procurement decisions, particularly where seeking exemption from the Authority's Contracts Code of Practice.	3	All Directors	Yes		Immediate
25	R3 Ensure that approvals for grant funding are made by the start of the period to which that funding relates.	2	All Directors	Yes	Guidance to officers on grant funding has been revised and included in a Funding Agreement toolkit.	Immediate
25	R4 Ensure that financial considerations set out in Mayoral approvals, including longer-term funding intentions, are accurately recorded.	3	All Directors	Yes		Immediate
25	R5 Review all current grant funding to ensure that it falls within the definition of funding arrangements as set out in the Authority's Contracts Code of Practice.	3	All Directors	Yes	Ongoing grant funding is being reviewed as part of the process of seeking Mayoral approval to projects and events.	Ongoing

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
25	R6 Ensure that Mayoral approvals for grant funding fully and accurately reflect the terms of the applicable funding arrangements.	2	All Directors	Yes		Immediate
25	R7 Ensure that funding arrangements clearly set out activities and outputs that, where appropriate, are quantifiable and measurable.	2	All Directors	Yes		Immediate
25	R8 Review the monitoring arrangements for all current funding agreements to ensure that a robust and fully documented monitoring regime is in place.	3	All Directors	Yes		Immediate
25	R9 Improve document retention and archiving arrangements.	3	Executive Director of Resources	Yes		July 2009
25	R10 Issue regular reminders, at least annually, to all staff reminding them of their obligations under the Authority's Code of Ethics and Standards for Staff to make appropriate declarations of interest.	3	Head of Legal and Procurement	Yes		July 2009

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
25	R11 Maintain and control the register of staff interests, in particular: <ul style="list-style-type: none"> the register should have a control page; the register should be regularly reviewed by the Monitoring Officer; and disclosures that are no longer current should be archived. 	3	Head of Legal and Procurement	Yes		July 2009
25	R12 Extend the arrangements for required declarations of interest to cover the group.	3	Head of Legal and Procurement	Yes		July 2009

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