



INTERNAL AUDIT

FINAL REPORT

Title: Officer & Member Disbursements

Report Distribution

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EXECUTIVE SUMMARY

Introduction

By the powers conferred on Local Authorities within the Members' Allowances (England) regulations 2003, Gedling Borough Council has established its scheme of allowances. The scheme may be amended and revised from time to time in accordance with the regulations in force under Section 99 of the Local Government Act 2000 and by the authority's Remuneration panel.

The authority ensures that all employees are made aware of the general terms and conditions under which they are employed. These are provided in the Employee Handbook, which is available to all employees.

The Payroll section processes all allowances, travelling and sundry expense claims. The Assistant Accountant administers the assisted car purchase scheme and the cycle scheme.

Officers and members are permitted to claim expenses incurred in travelling on council business and any sundry expenses by completing a Travelling & Sundry Expenses claim form. Regulations for the reclaiming of expenses are set out in the employees' handbook and are governed by National Joint Consultative (NJC) regulations. Guidance notes, for the completion of the claim form are provided in the cover of the claim form booklets. Rates of allowances are published each year and again these are aligned to NJC regulations.

Part 6 of the constitution outlines the scheme in detail, along with an attached schedule for the current period detailing allowance rates as agreed by the independent remuneration panel. The allowances are applied in respect of individual positions within the council and through membership of specific committees. In addition, certain Special Responsibility allowances are paid as outlined in the schedule.

The Council offers car loan facilities to employees in the posts designated as 'essential' or 'casual' users. The scheme is outlined in appendix 10 of the Employee Handbook. An employee wishing to take advantage of the facility completes an application for a loan obtained from the Assistant Accountant (Financial Services) to purchase a vehicle. The detailed terms and conditions are provided with the form including a table showing the typical monthly payment amount for the duration of the loan and the current interest rate. All loan applications require approval by the respective Head of Service and The Head of Corporate Services.

The Council introduced an assisted purchase cycle scheme in January 2010, with the applications being made on-line and once approved deductions made from payroll. The period of hire is for 12 months and at the end of this period the employee had the option to purchase the cycle at fair market value.

The purpose of the review is to provide assurance that procedures for the processing of allowances and expense claims, and the administration of the assisted car purchase scheme and cycle scheme are effective in providing adequate control to ensure only valid and accurate payments and deductions are processed.

Principal Findings

	High	Medium	Low
Number of recommendations	0	0	2

The detailed findings and associated recommendations are provided in the second part of the report. There were no high / medium risk recommendations made in the report.

A review of progress against the 5 low risk recommendations made in the preceding review (IAR0910-20) was undertaken. It was confirmed that all recommendations had been fully implemented.

Assurance Statement

Internal Audit can provide **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

INTRODUCTION

Objective & Scope

To ensure the authority pays the correct subsistence and mileage payments to the officer or member for the claims made, which are adequately authorised in accordance with established policy and that these are accurately and correctly accounted for.

The scope of the review encompassed the car loan scheme facility, travel and subsistence claims and members' allowances.

The key risks associated with the system objectives are:

- The car loan and cycle scheme does not comply with the council's policy and legal requirements.
- Unauthorised car loans are processed or not disclosed.
- The loan terms applied are not in accordance with the authority's policy.
- Inability to recover outstanding loans.
- Travel and expense claims fail to comply with the authority's policy and procedures and Inland Revenue requirements.
- Incomplete and unauthorised claim forms processed.
- Allowance claims fail to meet the established policies and procedure.
- Failure to comply with VAT legislation.

The control areas included within the scope of the review are:

- The car loan and cycle scheme facility is operated and administered in accordance with the authority's pay policy.
- Subsistence allowance and mileage claims are approved and paid only in respect of legitimate business costs.
- Members' allowances are disbursed in accordance with established policies and regulations.

This audit report is presented on an exception basis. The detailed findings include only those areas where controls should be enhanced to improve their effectiveness and mitigate the risks that affect the authorities' objectives for the system reviewed. Controls and risks identified in the scope that are not mentioned in the detailed findings were considered to be adequate and operating effectively.

Acknowledgement

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.

DETAILED FINDINGS

Observation	Risks	Recommendation	Management's Response
Recommendation 1 - Cycle Scheme (final settlement) Level of Risk - Low			
<p>Guidance for the cycle scheme is available to all employees participating in the scheme. The hire period is for 12 months, with an option to purchase the cycle at a fair market value at the end of this period.</p> <p>Eight participants whose hire period has ended have not yet reached agreement on a fair market value to purchase cycles.</p>	<p>Failure to comply with the cycle scheme terms and conditions.</p>	<p>The authority should urgently agree the final settlement of the fair market value in order to terminate the current arrangement or offer alternative proposals.</p> <p>Action: Alan Doig – Senior Assistant Accountant</p>	<p>Management Comment:</p> <p>The final settlement figure was recently questioned by the Inland Revenue and subsequently changed. There are now a number of options available to us in the way we calculate the final figure and guidance/advice was sought from MK & Audit on which option to take.</p> <p>Agreed with MK to charge the agreed 5% settlement figure and report the excess to the Revenue.</p> <p>Planned Corrective Action:</p> <p>AD will discuss our preferred option with I.Revenue and agree a method of valuing each cycle. The agreed 5% will be deducted from the employees pay and subsequent profit will be reported to the Revenue each year via the P11d.</p> <p>Timescale:</p> <p>31st May 2011</p>

Observation	Risks	Recommendation	Management's Response
Recommendation 2 - Members Disbursements Level of Risk - Low			
<p>Members' allowances scheme provides guidance and the time limit within which to submit claims for travel and subsistence.</p> <p>Testing on allowances and claims by members revealed:</p> <ul style="list-style-type: none"> In 4 instances the claims exceeded the 3 months and were not authorised by the HOCS. Travelling expenses claimed by a non-member (mayor's consort) was not authorised for payment in writing. The co-opted members allowances paid of £616.50 per annum equates to 16.73% of members basic allowance, instead of the 15% as per the scheme. <p>It is not clear how this payment for co-opted members was derived but if the original payment was incorrect then all subsequent payments are incorrect as only the increases were applied to the original amounts.</p>	<p>Failure to comply with members allowances scheme.</p> <p>Unauthorised payments processed.</p>	<p>Members' allowances and claims should be processed in accordance to the scheme and policy procedures and authority should be obtained for other payments or those that do not conform to the scheme.</p> <p>Action: Alan Doig – Senior Assistant Accountant</p>	<p>Management Comment:</p> <p>Member's mileage claims are checked each month and any late claims are usually sent to HOCS for approval. The 4 claims identified in the Audit have been missed by mistake.</p> <p>The Mayor's consort mileage payments were originally agreed by Heads of Service – as Payroll had to request the individual's car details before making payments. Copy of email on file.</p> <p>The Co-opted Members allowances were increased to £600 pa from April 2008, as per Council decision 27/02/08</p> <p>Planned Corrective Action:</p> <p>All claims will continue to be checked and any exceeding 3 months will be sent to HOCS for authorisation.</p> <p>Timescale:</p> <p>Immediate</p>

ANNEX A

Risk & Assurance – Standard DefinitionsAudit Recommendations

Audit recommendations are categorised, depending upon the level of associated risk, as follows:

Level	Category	Definition
1	High	Action is essential to manage exposure to fundamental risks.
2	Medium	Action is necessary to manage exposure to significant risks.
3	Low	Action is desirable and should result in enhanced control or better value for money.

Assurance Statement

Each report will provide an opinion on the level of assurance that is provided with respect the risk emanating from the controls reviewed. The categories of assurance are as follows:

Category	Definition
No	The majority of the significant risks relating to the area reviewed are not effectively managed.
Limited	There are a number of significant risks relating to the area reviewed that are not effectively managed.
Substantial	The risks relating to the objectives of the areas reviewed are reasonably managed and are not cause for major concern.

What Happens Now?

The final report is distributed to those involved with discharging the recommended action, the Head of Finance, Audit Commission and, where applicable, the relevant Heads of Service.

A synopsis of the audit report is provided to the authority's Audit Committee. Internal Audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The on-going progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit Committee.

Any Questions?

If you have any questions about the audit report or any aspect of the audit process please contact the auditor responsible for the review or Vince Rimmington, Manager of Audit & Risk Services on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk