

# Members' Allowances

## City of York Council

### Internal Audit Report 2015/16

Business Unit: Customer & Business Support Services  
Responsible Officer: Assistant Director of Governance and ICT  
Service Manager: Democracy and Member Support Manager  
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	P1	P2	P3
<b>Actions</b>	<b>0</b>	<b>0</b>	<b>2</b>
<b>Overall Audit Opinion</b>	Substantial Assurance		

# Summary and Overall Conclusions

## Introduction

City of York Council has 47 elected Members, as well as a Lord Mayor and a Sheriff. All Members receive a standard basic allowance and some Members are entitled to additional allowances in virtue of extra responsibilities, usually determined at the annual council meeting in May. Members also receive a variable entitlement for other expenses incurred in carrying out their role (e.g. travel and subsistence).

The Members' allowances are informed by the Independent Remuneration Panel, who make a recommendation to Council on the scheme of allowances. Full Council is responsible for determining the scheme which is contained in part 6 of the constitution.

There has been an election since the last audit, and therefore there are different councillors and a rearrangement of responsibilities. This means allowances have changed recently.

## Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:

- The basic allowance is paid correctly for all council Members.
- The special responsibility allowances (SRA) are paid correctly to the correct Members, reflecting the roles held.
- Travel and subsistence claims are completed fully and paid correctly.
- Other allowances are paid correctly and in accordance with the scheme of allowances and entitlements.
- Transparency is maintained, in line with the council's publication scheme.

The audit concentrated on the allowances and other payments to the 47 councillors, in their role as a City of York Councillor.

This audit was explicitly distinct from the recommendations of the Independent Remuneration Panel (IRP). The IRP is responsible for setting the value of payments for allowances and expenses, whilst this audit is strictly concerned with the mechanisms involved in administering these payments, and confirming that the systems in place ensure correct payment are made.

## Key Findings

There were no issues with the allowance element of payments to Members. All basic and SRA payments were for the correct amount to the correct people, with the appropriate authority given for any changes.

The system in place to ensure transparency is good, with only one inaccuracy identified, which was a result of an inputting error.

Other allowances and claims are processed correctly, with controls in place to ensure appropriate authorisation is necessary.

There were issues identified surrounding travel and subsistence payments. For the months tested (April 2015 to November 2015) there were a total of 67 payments made for travel expenses, with a total value of £3,509. Of these, 32 were re-imbursements to Members for costs incurred by them. The issue relating to these was that VAT receipts for mileage and travel are not always adequately retained, with some unable to be produced on request. The remainder of the expenditure was for travel and subsistence paid directly by the council on behalf of Members and processed through Business Support whose staff do not have the relevant experience or knowledge to provide meaningful challenge to requests. This also means that authorisation for claims and opportunities to challenge them sits outside of the team responsible for administration of the scheme of allowances.

An additional issue was identified towards the end of this audit: some mileage claims made by Members were for travel from their homes to West Offices. These claims were not dealt with as distinct taxable mileage, which may be contrary to HMRCs interpretation of the law for the period in which these claims were made. This interpretation from HMRC was only clarified in recent years and has affected many councils across the country, and is being challenged by many of them. Action has been taken by the council to provide the information requested by HMRC but the interpretation is also being challenged. The council has taken appropriate steps to deal with this issue and is currently awaiting a response from HMRC.

Tax regulations have recently changed to specifically exempt these payments to councillors from tax but changes to the system in place in York since January 2016, in which no mileage will be paid for travel within the city of York, also mean this issue will not arise again.

## **Overall Conclusions**

It was found that the arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

# 1 Travel claims via Business Support

## Issue/Control Weakness

Where Members' travel and accommodation is paid for directly by the council, controls are not adequate to provide challenge and ensure all claims are appropriate.

## Risk

The council may pay for travel for Members that does not comply with the Members' Allowance Scheme.

## Findings

In cases where Members request tickets in advance, adequate measures are not in place to ensure that appropriate authorisation has been granted. Whilst no inappropriate claims had been processed there are concerns that weaknesses in control may not prevent inappropriate claims.

A sample of claims was tested and all were for valid reasons and in accordance with the Members scheme of allowances. However, none of these claims had been explicitly authorised by an appropriate member of staff (the authorisers stated on the travel request form varied, and included an Executive Support Assistant, a Business Support Assistant and the leader of the political group the Member belonged to).

Requests had been submitted by the Executive Support Assistants to the Business Support team for processing. The Business Support team do not have the required knowledge and experience of the Members scheme of allowances in order to interpret and challenge requests submitted to them. At the time of testing, Executive Support Assistants reported to Business Support managers rather than Democracy and Member Support. This means that authorisation for claims and opportunities to challenge them sat outside of the team responsible for administration of the scheme of allowances.

## Agreed Action 1.1

Executive Support Assistants have now been moved into the Democracy and Member Support service. They will be responsible for booking travel for Members, interpreting the scheme and seeking advice from their managers within the Democracy and Member support as required.

**Priority**

3

**Responsible Officer**

Democracy & Member Support Manager

**Timescale**

Immediate

## 2 Retention of receipts for travel and subsistence claims.

### Issue/Control Weakness

Receipts not always available to support expenses claims.

### Risk

Members will not be able to provide VAT receipts on request, as per guidelines of HMRC.

### Findings

At present, Members submit claims for travel and subsistence expenses through iTrent, and are advised to retain all receipts. However receipts are not checked when claims are submitted.

Of 5 claims tested, 3 were up to a sufficient standard and VAT compliant receipts were available.

1 claim could not be supported with receipts, though evidence of expenditure was provided through a copy of a bank statement. 1 mileage claim was not supported by receipts but the expenditure could be inferred by confirmation of attendance at council meeting.

It is accepted that all claims tested during the audit were for expenses actually incurred and were in compliance with the Members scheme. However, requirements are that receipts should be retained to support each claim. Our testing suggests that the system in place may not be adequate for ensuring this requirement is met, as Members are not always able to produce them on request. In contrast, staff are required to provide receipts at the point of submission.

### Agreed Action 2.1

Members will provide physical, or electronic, receipts to accompany all travel and subsistence claims.

**Priority**

3

**Responsible Officer**

Democracy & Member Support Manager

**Timescale**

Immediate

# Audit Opinions and Priorities for Actions

## Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

## Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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