

Agenda Item 10

Audit & Governance Committee

29 September 2009

TC/DV



Council's Policies relating to Officer and Member expenses and audit review of Member expenses

Summary

At its meeting on the 25th June 2009, the Audit & Governance Committee requested that a report be presented to the next meeting of the Committee setting out the Council's policies relating to Officer and Member expenses. In testing the adequacy of the procedures relating to members' expenses a random sample of claims were examined.

Recommendations

That the Audit & Governance Committee note the contents of the report and support any recommendations made to improve the accuracy and integrity of officer and member expenses.

a) Reasons for Recommendation

The recommendations are intended to help ensure the adequacy and effectiveness of the arrangements in place for officer and member expenses.

b) Alternative Options

None.

c) Risk Considerations

Due to the current public examination of MPs' expenses, it was recommended by the Audit and Governance Committee that a review of councillor and officer expenses should be undertaken as a high priority to make sure that the policy was appropriate and that adequate checks were in place. Failing to review this area could mean errors and/or inaccuracies to allowances go undetected and policies relating to staff and members may be contradictory.

d) Policy and Budgetary Considerations

There are no budgetary implications.

e) Date for Review of Decision

N/a

1.0 Introduction

1.1 At its meeting on the 25th June 2009, the Audit & Governance Committee requested that a report be presented to the next meeting of the Committee setting out the Council's policies relating to Officer and Member expenses. In testing the adequacy of the procedures relating to members' expenses a random sample of claims were examined.

1.2 The Democratic Services Manager in respect of members' expenses and the Payroll Services and Employee Benefits Manager in respect of members' and staff expenses were both consulted on the policy and guidelines in place.

Part 1 - Members' Allowances and Expenses

2.1 Yearbook and Constitution

Member's allowances (Guidance Notes) are contained within the "Yearbook" and in the "Constitution". A new Yearbook detailing the arrangements for 2009/10 has just been issued. Page 53 specifies details of Members' Basic Allowances. The Yearbook correctly states the basic annual allowance is £4,360.

Review outcome:

- There are **Special Responsibility Allowances** of between £836 and £14,421. Overview and Scrutiny allowances have yet to be agreed.
- **Travelling Expenses** of up to £0.601p, with a "**Passenger Rate**" of 5p per passenger and "**Bicycle Rate**" of 20p per mile and "**Motorcycle Rate**" of 25p per mile.
- **Subsistence Allowance** breakfast £5.94 (£7.27 in London), lunch £8.21 (£10.38 in London), and after 7pm £10.15 (£13.49 in London), overnight absence £85.36 (£97.36 in London). As for members of staff, the Yearbook does require receipts to be produced.
- **Child Care and Dependent Career's Allowances** £5.52 an hour, maximum of 5 hours, same conditions as for members of staff.
- **Members' Sick Pay** – same conditions as for members of staff including a maximum period of 28 weeks for statutory sick pay.
- Travelling expenses of up to £0.601p can be claimed by Members for eligible journeys; however Members will pay tax and may pay national insurance on any travel expense in excess of £0.40p. Members are entitled to 'opt out' of the travel expenses scheme or may either claim a lower mileage amount or no mileage.
- The allowances stated in the Yearbook did not include the cost of living award for 2008/09 and quoted figures of £805 and £14,074 respectively.

Review recommendations:

1. The Yearbook is generally published after the Annual General Meeting of the Council which is July/August, consequently the allowances in the Yearbook will always be slightly adrift from the 'actual allowances' because of the pay award (which is agreed at a national level often much later in the year and for 2008/09 in November). It was agreed that the Yearbook will no longer contain details of the actual allowances, but instead will give details of the Council's Website which is updated immediately the latest figures are available.

2.2 Members' Allowances Scheme – Advertisement in Express and Echo

Members' Allowances are published in the Express and Echo and set out the various allowances for Members. It was noted that the Yearbook contained an amount of £3,517 for Deputy Leader of the majority party, but that the advertisement publishing Members' Allowances stated it as £10,610. After discussing with the Payroll Services and Employee Benefits Manager it became apparent that the individual elements that make up the total allowance had not been stripped out (ie: the total of all special responsibility allowances for the Deputy Leader had been amalgamated).

Review recommendations:

2. The Deputy Leader's allowances will be split out to show each individual allowance for each designated responsibility.
3. Future advertisements will contain a footnote specifying that the allowances are subject to the agreed national pay award.

2.3 **Members' Local Code of Conduct**

Members have a Local Code of Conduct adopted 23rd May 2007.

Review outcome:

The Local Code gives guidance on Members' working arrangements as "home workers" and as such may qualify for tax relief in respect of additional expenses incurred if working from home. If members conduct their Council business from home they may make an application to their tax office for up to £120 a year tax relief in respect of additional expenses incurred.

Review recommendations:

4. Although the Local Code gives guidance to Members with regards their home working arrangements, the Members' Expenses Claim Form and/or the Members' web page should remind Members that it would be prudent to specify that they make a "workstation" available at home for homeworking, rather than setting aside a room in their home which could attract Non Domestic rates.

2.4 **Members' ICT Allowances**

Review outcome:

East Devon members who are also members of Devon County Council will be supplied with equipment and broadband by Devon County Council and are not eligible for further equipment or related allowances from East Devon. These members are expected to comply with the Information Security requirements of both councils.

Review recommendations:

5. The ICT Equipment and Services for Members Policy should be updated to reflect current arrangements.
6. Section 3.5 of the ICT Equipment and Services for Members Policy refers to councillors receiving a broadband allowance each month, however reimbursement for broadband is now included in the Members' Basic Allowance of £4,360 since 2008. The Policy should be updated.

2.5 **Audit of Members' Expenses**

A sample of claim forms and supporting receipts were examined, consisting of 20% of members and divided proportionately between their political parties as shown below:

- Conservative - 8
- Lib Dem - 2
- Independent - 1

Where possible, the audit check included reference to attendance sheets made at committees meetings, officers' outlook diaries and other event logs.

Twenty six claims from a total of 11 councillors were reviewed spanning a period of 6 months from January to July 2009. In 10 cases all expenses were found to be in order, however for one councillor this was not the case, and a variety of different anomalies were found on claims for each month from March to June ranging from incorrect arithmetical calculation, the payment of an invoice in another persons' name and possible overclaiming of mileage.

These inconsistencies were reported to the Council's Monitoring Officer who interviewed the council member. We understand the Monitoring Officer was satisfied with the explanations received.

The situation has arisen because of inadequate checking/authorization of Members' expense forms, whether this is by Democratic Services' staff or by another, the fact remains that Members' claims only receive a limited check which was not sufficient to identify the anomalies found by internal audit.

There are two options:

7. The Council needs to either allocate responsibility for 'authorising' Members' claims to an individual (staff or member) and ensure that sufficient monitoring takes place throughout the year, including checks of outlook diaries, committee logs etc, or
8. The Council could request an annual review by Internal Audit of Members' claims. This will have resource implications and the usual audit-day allocation is 8 days.

2.6 **Members' Expenses Form**

During the review we noted that various versions of the expense claim form was being used by members. Some of them contained boxes to indicate the use of internet broadband (all members now receive a broadband allowance which is included in their Basic Allowance). The form does not contain a space on it for the signature of the Democratic Services Officer who checks the form, neither is there space for the signature of the authorizer (if appropriate).

Review recommendations:

- 9 Members should be asked to complete their Expenses Claim Form on their PC and print off or email to Democratic Services. If this is not possible, then the Expenses Claim Forms should be hand-written in capital letters or legible handwriting.
- 10 The Expenses Claim Form could be redesigned to include the areas referred to in 2.5 and to include reminders for members to:
 - Enter as much detail as possible onto the claim form, including the name of the officer(s) approving the formal meeting between members and officers.
 - The option to claim 0.40p per mile rather than the 0.601p.
 - In the case of claiming civic expenses, after checking the Chairman's Claim form the Chairman's Secretary will attach the paper copy of the invitation to the 'pink' claim form.
 - To complete on the PC, or to hand write in capital letters.

Payroll services should be consulted when the Expenses Claim Form is revised.

Acknowledgements

Internal Audit would like to thank the staff within Democratic Services and Payroll Services for their help and assistance during this review.

Part 2 - Staff' Allowances and Expenses

2.7 Travel, General and Subsistence

The Council has produced an array of different policies and procedure notes setting out in detail the allowances available to members of staff.

All these policies have been presented by the Head of Organisational Development to Executive Board for approval and agreed with Unison prior to implementing.

Review outcome:

- **Car and other vehicle allowances**

Both the essential user car allowances and rates, as well as casual user car rates are set under national agreement by the National Joint Council (NJC) and the unions and not the Council.

Certain posts are designated as "**Essential Car User**" such as "Director" or "Head of Service" or where mileage is likely to exceed 1000 per annum which is as a result of an average of 3 journeys per week (excluding Vocational training). Essential Car User rate, based on a car of 1200cc or above is 46.4 (first 8500 miles), and 14.2p (after 8500 miles).

Essential Car Users also receive a monthly '**lump sum**' of £97.50 (based on 1200cc motor car).

Other posts not designated "Essential Car User" are paid "**Casual Car User**" rates based on a car of 1200cc or above is 60.1 (first 8500 miles), and 14.2p (after 8500 miles).

A "**passenger rate**" of 5p per passenger, "**Motorcycle rate**" of 25p per mile and "**bicycle rate**" of 20p per mile.

The provision of a vehicle for business or private use "**Lease Car Scheme**" (only if there is a contractual entitlement), and the Scheme is now closed to new or existing officers that are not currently part of the scheme.

Employees are also entitled to a "**Vocational Training Mileage Rate**" where travel by car has been authorized and the employee is not a Lease Car User, the training rate is 14.2p.

- **Subsistence & General Allowances**

These allowances are locally agreed and increased annually each April by the RPI as at March.

Similar "**Subsistence Allowances**" for members - breakfast £5.94 (£7.27 in London), lunch £8.21 (£10.38 in London), and after 7pm £10.15 (£13.49 in London), overnight absence £85.36 (£97.36 in London). As for members the Council does require receipts to be produced.

"**Out of Pocket Expenses**" are paid for expenses incurred on residential training courses, no receipts are required as this is paid as a flat sum.

"**Professional Membership Subscription**" of one appropriate association or professional body.

2.8 Re-imbursment of Relocation Expenses

Review outcome:

"**Lodging allowance**" for a maximum of 6 months is payable at the rate of £73.25 per week Alternatively to the lodging allowance up to £73.25 may be paid in respect of "**Daily Travel / Commuting**". If the Council provides accommodation then the lodging allowance is reduced to the amount of rent charged for the property.

2.9 **Employees' ICT Provision for Homeworking (including Mobile, Broadband and Telephone Allowances)**

Review outcome:

A home worker may be issued with a **"Mobile Phone"** (for business use only) or a **"Dedicated Telephone Line"**.

Reimbursement of up to £18 per month for **"Broadband Connection"** pro rata to the number of days contractually agreed to work from home. This is available for partial and full home workers only. Casual home workers do not receive any allowances. Definitions exist within the homeworking policy for the type of home worker.

"Provision of Furniture" provided that the furniture is used for work and that any private use is insignificant.

In the case of **"full, partial or mobile working with home as an administrative base"**, a flat rate of £2 per week or £104 per year will be paid quarterly in arrears according to the proportion of working days spent from home. This is based upon the Inland Revenue rates that are tax free payments. These payments are in respect to heating, lighting, electricity and other household expenses.

2.10 **Other Ad-Hoc Schemes**

Review outcome:

"Childcare Voucher Scheme"

"Cycle Scheme" (This scheme is available to Members).

"Car Loans"

"LED discount for employees"

"Bus Scheme"

Acknowledgements

Internal Audit would like to thank the Payroll Services and Employee Benefits Manager for his help and assistance during this review.

3.0 **Audit Conclusion**

This review has been comprehensive and wide ranging; the recommendations for improvement are confined to Part 1 - Members' Allowances and Expenses and an action plan has been produced for Members to monitor progress on their implementation. Part 2 of the report is for information only.

Legal Implications

No observations are needed.

Financial Implications

No direct financial implications.

Consultation on Reports to the Executive

Background Papers

Members' Yearbook and Constitution

Members' Local Code of Conduct

Various Member/Employee Policies

Tanith Cox

Audit & Governance Committee
29 September 2009

2008-09 ACTION PLAN – Officer and Member Expenses and Audit Review of Member Expenses			Receiving Officers: Audit & Governance Committee			
Audit Officer – Tanith Cox			Responsible for Reply: Various			
Actions agreed by: Various			Implementation date and officer responsible	Auditor Notes	FOLLOW UP SECTION	
			Head of Service Confirmation of compliance	Actual Date of Implementation		
C U R R E N T R I S K	1. The Yearbook is generally published after the Annual General Meeting of the Council which is July/August, consequently the allowances in the Yearbook will always be slightly adrift from the 'actual allowances' because of the pay award (which is agreed at a national level often much later in the year and for 2008/09 in November).	Agreed Democratic Services Manager To be implemented when next Yearbook published	It was agreed that the Yearbook will no longer contain details of the actual allowances, but instead will give details of the Council's Website which is updated immediately the latest figures are available.			R E S I D U A L R I S K
	2. The Deputy Leader's allowances will be split out to show each individual allowance for each designated responsibility.	Agreed Payroll Services and Employee Benefits Manager September 2009				
	3. Future advertisements will contain a footnote specifying that the allowances are subject to the agreed national pay award.	Agreed Payroll Services and Employee Benefits Manager				

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C U R R E N T R I S K	4. Although the Local Code gives guidance to Members with regards their home working arrangements, the Members’ Expenses Claim Form and/or the Members’ web page should remind Members that it would be prudent to specify that they make a “workstation” available at home for homeworking, rather than setting aside a room in their home which could attract Non Domestic rates.	Agreed Democratic Services Manager September 2009				R E S I D U A L R I S K
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C U R R E N T R I S K	7. Council needs to either allocate responsibility for ‘authorising’ Members’ claims to an individual (staff or member) and ensure that sufficient monitoring takes place throughout the year, including checks of outlook diaries, committee logs etc, OR	Yet to be agreed:	Referred to A & G Members for decision			R E S I D U A L R I S K
	8. The Council could request an annual review by Internal Audit of Members’ claims. This will have resource implications and the usual audit-day allocation is 8 days.	As above				
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C U R R E N T R I S K	<p>10. Expenses Claim Form could be redesigned to include the areas referred to in 2.5 and to include reminders for members to:</p> <ul style="list-style-type: none"> • Enter as much detail as possible onto the claim form, including the name of the officer(s) approving the formal meeting between members and officers. • The option to claim 0.40p per mile rather than the 0.601p. • In the case of claiming civic expenses, after checking the Chairman's Claim form the Chairman's Secretary will attach the paper copy of the invitation to the 'pink' claim form. • To complete on the PC, or if hand-writing to use capital letters. <p>Payroll services should be consulted when the Expenses Claim Form is revised.</p>	<p>Agreed Democratic Services Manager September 2009</p> <p>Agreed Chairman's Secretary September 2009</p>				R E S I D U A L R I S K