

# Dacorum Borough Council

## Final Internal Audit Report

### Members' Training and Expenses

April 2016

This report has been prepared on the basis of the limitations set out on page 12.

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**Distribution List:**

Jim Doyle – Group Manager (Democratic Services)  
Steve Baker – Assistant Director (Chief Executive Unit)  
(MO)  
David Skinner – Assistant Director (Finance and  
Resources)  
James Deane – Corporate Director (Finance and  
Operations) (Final Report only)  
Sally Marshall – Chief Executive (Final Report only)

**Key Dates:**

Date of fieldwork: January/February 2016  
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Date of final report: April 2016

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# 1. Executive Summary

## 1.1. Background

As part of the Internal Audit Programme for 2015/16, we have undertaken an audit of the Council's systems of internal control in respect of Members' Training and Expenses.

There are 51 Members (elected Councillors) – many of whom were newly elected in May 2015. All Members receive a basic annual allowance with Special Responsibility Allowances given to Members who are appointed (annually by the Leader of the Council) to Chairs of Committees, Portfolio Holders or other Members who take on additional work.

The budget for Members Services is approximately £450k with £11k being set aside for training – either from internal or external trainers. The Member Development Steering Group (MDSG) meet on a quarterly basis and set the Learning Programme for Members with input from Chief Officers of the Council (Chief Exec and Directors).

## 1.2. Audit Objective and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over Members' Training and Expenses, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Governance, Induction and Training, Allowances, Travel and Subsistence, and Management Reporting and Budget Monitoring.

## 1.3. Summary Assessment

Our audit of the Council's internal controls operating over Members' Training and Expenses found that whilst there is a basically sound system of internal control design, there are weaknesses in design which may put some of the system objectives at risk. The level of non-compliance puts the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Substantial

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Members' Training and Expenses is shown in Section 3.

#### 1.4. **Key Findings**

We have raised one Priority 2 recommendation and four Priority 3 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- Evidence of the decision to retain the allowances by the Leader of the Council should be retained. (Priority 3)
- Office expense claims should be clearly stated in the Members' Allowances Scheme. (Priority 3)
- Members should be encouraged to attend training sessions throughout the year. (Priority 3)
- Claim forms should be authorised by the Group Manager for Democratic Services or an appointed officer, before they are processed by payroll. (Priority 2)
- Democratic services should ensure that expense claims match to attendance records. (Priority 3)

Full details of the audit findings and recommendations are shown in Section 4 of the report.

#### 1.5. **Management Response**

We received the management responses in a timely manner, and these have been included in the main body of the report.

#### 1.6. **Acknowledgement**

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

## 2. Scope of Assignment

### 2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of the Member's Training and Expenses, with regards to the areas set out in section 2.3, are adequate and are being consistently applied.

### 2.2. Approach and Methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- Discussions with key members of staff to ascertain the nature of the systems in operation;
- Evaluation of the current systems of internal control through walk-through and other non- statistical sample testing;
- Identification of control weaknesses and potential process improvement opportunities;
- Discussion of our findings with management and further development of our recommendations; and
- Preparation and agreement of a draft report with the process owner.

### 2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

- **Governance**

The Council's Constitution contains a clearly defined section on Members' allowances, is regularly updated by the Independent Remuneration Panel, and is available to all relevant staff and Members. Guidance is available which sets out the processes for claiming expenses for meetings, training or other Council business.

- **Induction and Training**

Induction, specialised and on-going training requirements are assessed and met through the provision of appropriate internal and/or external training. Feedback is received on training sessions in order to assess the usefulness of the training provided.

- **Allowances**

Payments for Basic, Special Responsibility and Co-opted Member Allowances are accurate and in accordance with the annually approved rates. Any changes in responsibility (and therefore allowances) are identified promptly and amendments made in a timely manner.

- **Travel and Subsistence Expenses**

Only appropriate and valid claims are paid to Members in accordance with the Members' Allowance Scheme. Claim forms are checked against meeting and attendance registers prior to authorisation for payment.











- **Management Reporting and Budget Monitoring**

Expenditure against budget is reviewed regularly to ensure budget allocations are not exceeded, and any variances are addressed in a timely manner.

### 3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Governance			Recommendation 1 Recommendation 2
Induction and Training			Recommendation 3
Allowances			
Travel and subsistence			Recommendation 4 Recommendation 5
Management reporting and Budget Monitoring			

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

## 4. Observations and Recommendations

### Recommendation 1: Members’ Allowances Scheme (Priority 3)

<p><b>Recommendation</b></p> <p>Evidence of the discussion around allowances by the Leader of the Council should be retained.</p>
<p><b>Observation</b></p> <p>In order to ensure that Members’ allowances have been approved and set appropriately, evidence of the discussion around allowance rates should be retained.</p> <p>Audit obtained the Members’ Allowance Scheme from the Council’s constitution to confirm that the scheme had last been reviewed in April 2014. Through discussions with the Group Manager for Democratic Services it was identified that the Leader of the Council had made the decision to retain the 14/15 allowances rates in March 2015, although we could not obtain any evidence to support this decision.</p> <p>Where there is no evidence to support the decision made by the Leader of the Council regarding Members’ allowances, there is a risk that Members’ allowances may be inappropriately set resulting in over or under payments made to Members.</p>
<p><b>Responsibility</b></p> <p><b>Group Manager – Democratic Services</b></p>
<p><b>Management response / deadline</b></p> <p>In the financial climate of 2014/15 a consensus was reached that any change to the Member Allowance Scheme (“the Scheme”) should mirror that of the Council’s staff and this was reflected and agreed in the budget agreed at that time. The implication of this was retention of the existing Member Allowance Scheme rates and this was communicated to the Group Manager – Democratic Services by the Leader of the Council, understood by all concerned, but that no specific recommendation setting this out was confirmed. The Scheme will be reviewed by the Independent Remuneration Panel by 1<sup>st</sup> October 2016 with a view to recommending that full Council approves the Scheme for financial year 2017/18 at annual Council in April 2017. Thereafter full Council will approve the Scheme annually and this decision will be clearly minuted.</p>

**Recommendation 2: Office expenses (Priority 3)**

<p><b>Recommendation</b></p> <p>Office expense claims should be clearly stated in the Members’ Allowances Scheme.</p>
<p><b>Observation</b></p> <p>In order that all expenses are claimed appropriately, the Members’ Allowances Scheme should accurately reflect all expenses that can be claimed.</p> <p>Audit identified that expense claims for office equipment had been made by Members. Through discussions with the Group Manager it was identified that office equipment up to £200 can be claimed back by members. However, this had not been included in the Members’ Allowances Scheme.</p> <p>Where expenses are not documented in the Members’ Allowances Scheme there is a risk that members will be unaware of expenses that can be claimed, or expenses may be inappropriately claimed resulting in financial loss for the Council.</p>
<p><b>Responsibility</b></p> <p><b>Group Manager – Democratic Services</b></p>
<p><b>Management response / deadline</b></p> <p>Recommendation Accepted: The Member Allowance Scheme will be amended to include a specific reference to Office Equipment Expenses. This will be included within the remit of the Independent Remuneration Panel review and will be included in future year approvals.</p>



**Recommendation 3: Members Training Attendance (Priority 3)**

<p><b>Recommendation</b></p> <p>Members should be encouraged to attend training sessions throughout the year.</p>
<p><b>Observation</b></p> <p>In order that members are competent in their required role, they should be encouraged to attend training sessions put on by the Council.</p> <p>Audit identified that three members of the Council that had not attended any training sessions during the year as at January 2016.</p> <p>Where members do not attend training sessions, there is a risk that they will not carry out their required duties effectively.</p>
<p><b>Responsibility</b></p> <p><b>Group Manager – Democratic Services</b></p>
<p><b>Management response / deadline</b></p> <p>Recommendation accepted:</p> <p>This area of work is on-going and strenuous efforts are already underway by those supporting Member Development including – Corporate Management Team; The Member Development Steering Group (consisting of officers and members) Member Support; the trainers (internal and external); those involved in the Personal Development Programme; to develop a programme of training that meets councillors needs and encourages greater attendance at training sessions throughout the year.</p>

**Recommendation 4: Authorisation of Expense Claims (Priority 2)**

<p><b>Recommendation</b></p> <p>Claim forms should be authorised by the Group Manager for Democratic Services or an appointed officer, before they are processed by payroll.</p>
<p><b>Observation</b></p> <p>In order to ensure that expenses are claimed in line with the Members’ Allowances Scheme, an appropriate officer should authorise claims prior to sending to payroll for processing.</p> <p>Audit identified that office expense claims were not authorised by any member of staff in the Democratic Service team prior to processing by payroll.</p> <p>Where claim forms are not authorised prior to processing, there is a risk that inappropriate expenses may be paid, resulting in financial loss for the Council.</p>
<p><b>Responsibility</b></p> <p><b>Group Manager – Democratic Services</b></p>
<p><b>Management response / deadline</b></p> <p>Recommendation accepted:</p> <p>Every Member Travel and Subsistence Claim form submitted to Democratic Services will be signed as authorised by either the Group Manager –Democratic Services or the Solicitor to the Council. Effective Immediately.</p>





**Recommendation 5: Attendance records match expense claims (Priority 3)**

<p><b>Recommendation</b></p> <p>Democratic Services should ensure that expense claims match to attendance records.</p>
<p><b>Observation</b></p> <p>In order that expense claims for travel to training sessions are valid, Democratic Services should ensure that expense claims for travel can be matched against attendance records.</p> <p>Audit identified 1/6 travel claims that could not be matched to attendance records.</p> <p>Where travel expense claims cannot be matched to attendance records, there is a risk that inappropriate expenses are paid, resulting in financial loss for the Council.</p>
<p><b>Responsibility</b></p> <p><b>Group Manager – Democratic Services</b></p>
<p><b>Management response / deadline</b></p> <p>Recommendation Accepted:</p> <p>Although this process should have been carried out under current procedures it had ceased to be applied consistently and effectively. The procedure has been reinstated and each form is now checked against the attendance record and signed off by Group Manager – Democratic Services or the Solicitor to the Council. Effective Immediately.</p>

## Appendix A - Reporting Definitions

### Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
<b>Full</b>		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
<b>Substantial</b>		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
<b>Limited</b>		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
<b>Nil</b>		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

### Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
<b>Priority 1</b>	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
<b>Priority 2</b>	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
<b>Priority 3</b>	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
<b>System Improvement Opportunity</b>	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

## Appendix B - Staff Interviewed

The following personnel were consulted:

- Jim Doyle                                      Group Manager (Democratic Services)
- Michelle Anderson                           Corporate Support Team Leader
- Jackie Doyle                                   Accountant
- Sharon Collins                                Parish and VCS Officer

We would like to thank the staff involved for their co-operation during the audit.

## Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

### **Mazars Public Sector Internal Audit Limited**

#### **London**

#### **April 2016**

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