

By: Peter Homewood, Chairman, Selection & Member Services Committee  
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To: Selection and Member Services Committee – 11 May 2012

Subject: Members' Expenses management action plan

Classification: Unrestricted

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Summary This report invites the Committee to consider the review undertaken by Kent Audit of Members' Expenses, together with the recent review of similar matters by the external auditor and seeks the Committee's views on and endorsement of the management action plan.

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## 1. Background

1.1 As an addition to the original Annual Audit Plan for 2011/12, it was agreed that an audit of Members' Expenses and other expenditure incurred on behalf of Members, for example the use of County Cars, would be undertaken to ensure the system was robust. The overall objective of the audit was to provide assurance that the current system for review, approval and monitoring of Members' Expenses and related expenditure was adequate to ensure all payments made are accurate and bona fide.

1.2 Based on their findings, Kent Audit has confirmed that it is able to give **substantial** assurance that the current system is adequate to ensure that all payments made are accurate and bona fide. However, a number of management recommendations have been made.

1.3 Overlapping this review by Kent Audit, the external auditor dealt with a formal objection to the Council's accounts for the year ended 31 March 2011 relating to the payment of Members travelling expenses and other associated travelling costs. The objector asked the District Auditor to issue a public interest report. In summary, the Audit Commission did not find any evidence of fraud or deliberate abuse by any Member, nor evidence of deliberate circumvention of the Council's policies for personal gain. The external auditor did not issue a public interest report.

1.4 The report did highlight, however, some weaknesses in the Council's arrangements for Members' allowances and expenses, including the operation of the County Car Scheme. The report confirmed, however, that the Council had already responded quickly to the issues identified.

1.5 It was the decision of this Committee at its meeting on 14 March 2012 to defer consideration of the recommended actions pending the meeting today, which enables the Committee to look at the issue of Members' expenses in their entirety. The recommendations from both the Kent Audit Review and the Audit Commission review have been combined into a single management action plan

(see **Appendices 1 and 2**) and the Committee is invited to comment upon and endorse the recommendations in the plan.

## **2. Recommendations**

The Committee is invited to comment upon and endorse the management action plan on Members' Expenses and travelling costs.

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### Background Papers:

Kent Audit Review of Members' Expenses – 2012

Audit Commission report on Members' Expenses and other travelling costs

## KENT AUDIT

## Appendix 1 Management Action Plan

Finding	Recommendation	Priority (H/M/L)	Management Response	Accountable Officer	Implementation Date
<b>1. Guidance, Information and Support</b>					
The Members' Handbook does not correspond with the latest version of the Council's Constitution. Specifically those areas that are incorrect are, the allowance payable for mileage expenses, the time limit under which claims for expenses can be made, members allowances and the contact details for any queries that a Member may have when completing their expense claims.	The Members Handbook should be updated to reflect Appendix 7 of the Council's Constitution.	L	This recommendation is accepted in full.	Peter Sass – Head of Democratic Services	By the end of March 2012
<b>2. Guidance, Information and Support</b>					
Neither the Constitution nor the Members' Handbook makes reference to the requirement for VAT petrol receipts to be submitted with mileage claims.	The Constitution and Members' Handbook should be updated to reflect the requirement for mileage claims to be supported with VAT petrol receipts for the months claimed.	L	This recommendation is accepted in full.	Peter Sass – Head of Democratic Services	By the end of March 2012
On testing of expense claims, for both manual and self service submissions, not all Members had submitted petrol receipts, and in some cases on self service, had indicated receipts were available, but had still not submitted them.	A memo should be issued to Members with effect from 1st April 2012 that the receipt indicator should only be ticked on self service when they have a valid VAT petrol receipt which would cover the journeys claimed for.	L	This recommendation is accepted in full.	Peter Sass – Head of Democratic Services	By the end of March 2012
<b>3. Guidance, Information and Support</b>					
Testing of expense claims identified that not all Members make use of	Consideration should be given to requesting Members to use	L	This recommendation	Peter Sass – Head of	By the end of March 2012

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<p>electronic diaries. In addition to this not all councillors provide view only access to their outlook calendars, therefore making reconciliation of the Members' whereabouts to their expenses difficult for officers.</p>	<p>electronic diaries and allowing access to officers on the Members Desk. This would enable the organisation to utilise automated processes, including the Modern Gov system expenses module which allows expense claims to be created automatically from diary entries. This could be useful if a decision is made to implement this module to streamline the process and improve efficiency. It would also assist the Members' Service desk with sample checking of expense claims.</p>		<p>will be discussed with Members.</p>	<p>Democratic Services</p>	
<b>4. Guidance, Information and Support</b>					
<p>A review of the officers guidance, highlighted that it states that claims should only be paid if less than three months old. The guidance should also state that the spot checking should be rotated to ensure that each Member has a claim checked in detail at least once per financial year. Interviews with the Members' Desk officers also confirmed that a paper based system was in place to monitor which Members had been spot</p>	<p>The officers' guidance notes should be updated to reflect the Council's Constitution and legislation, and to reflect the changes in the spot checking process. Monitoring of which Members claims have been spot checked should be held electronically, in an area that can be access by all those officers likely to complete the testing going forward.</p>	<p>L</p>	<p>The recommendation in respect of updating the guidance notes is accepted in full.  The process for spot-checking Members' claims will be discussed with Members.</p>	<p>Peter Sass – Head of Democratic Services</p>	<p>By the end of March 2012</p>

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checked so far that year (the process had only been in place since October 2011) unfortunately, the paperwork had been mislaid and they were unable to evidence which claims had been checked.					
<b>5. Review and Approval</b>					
Of the 67 manual claims in the sample, the majority were reviewed, however not all were signed approved for payment by the Head of Department.	The Head of Department should sign off all manual claims until the self service function is mandatory.	M	This recommendation is accepted in full.	Peter Sass – Head of Democratic Services	By the end of March 2012
<b>6. Review and Approval</b>					
For the sample of claims tested, there was insufficient detail to assist approvers in determining whether claims were appropriate.	More detail should be provided for the purpose of the journey, and post codes should always be provided, particularly when claims are not for journeys to county hall.	M	It is accepted that Members should always provide sufficient detail on their claim forms to enable them to be checked and authorised and Members will be reminded to do so.	Peter Sass – Head of Democratic Services	By the end of March 2012
<b>7. Review and Approval</b>					
Testing undertaken of mileage claims highlighted small inconsistencies (under and over) in the number of miles claimed compared to AA route planner (allowing for a margin of 10% either way).	Member Services Desk officers responsible for reviewing expense claims should check distances claimed ensuring consistency by using the same route planner. 10% allowance should be given to allow for variances in routes taken. The route planner used should be	M	This recommendation is accepted.	Peter Sass – Head of Democratic Services	By the end of March 2012

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	communicated to Members to ensure that they are fully aware of the methods used to validate their claims.				
<b>8. Review and Approval</b>					
Testing highlighted a small number of instances for journeys undertaken to represent the Council at outside bodies. It is our understanding that these expenses may be claimed from the outside body where there are resources available to do so. For example where a Member is a school governor the school may have a policy to pay expenses.	Members appointed to outside bodies to represent the Council should claim expenses directly with that body where there is a provision to do so.  Member guidance should be updated to reflect this recommendation.	M	This recommendation is accepted.	Peter Sass	By the end of March 2012
<b>9. Review and Approval</b>					
Testing of all Members' expense claims paid between April 2011 and November 2011 identified 28 instances where claims had been paid that were beyond the four month limit.	No claims should be paid if the date of the expense incurred is outside the agreed time scale in accordance with Regulation 14 of the Local Authorities (Members' Allowances) (England) Regulations 2003 and in line with the Councils' Constitution.	M	This recommendation is accepted.	Peter Sass – Head of Democratic Services	By the end of March 2012
<b>10. Review and Approval</b>					
At the time of the audit in January 2012, officers in the Member Service Desk were spot checking claims that had already been processed and paid for November	Expenses should not be processed until they have been through the spot checking process. Claims should be reviewed with sufficient time to	M	This recommendation is accepted, although it is suggested that the detailed spot checking of claim forms should	Peter Sass – Head of Democratic Services	By the end of March 2012

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2011. The officer responsible advised that due to resourcing issues the claims were often difficult to verify prior to payment.	verify and still enable the expense payment to be processed by the cut off date as indicated on KNet.		involve a different, randomly selected 10 % sample of all claims submitted each month.		
<b>11. Monitoring and Reporting</b>					
Currently Members expenses are published yearly, breaking down types of expenses and allowances claimed. Senior officers' expenses are published more frequently.	Consideration should be given to publishing details of Members' expenses more frequently to provide greater transparency.	L	This will be discussed with Members.	Peter Sass – Head of Democratic Services	By the end of March 2012
<b>12. District Auditor's Findings &amp; Recommendations</b>					
<p><b><u>County Cars Policy</u></b></p> <p>The District Auditor published his detailed findings on this issue in a report to Governance and Audit Committee on 18<sup>th</sup> April 2012. He confirmed on rare occasions following completion of County business a Member had used a Council Car for minor diversions in connection with his private business.</p> <p>The District Auditor also confirmed there was no evidence of fraud or deliberate misuse by any Member and had seen no evidence of deliberate circumvention of the Council's policies for personal gain.</p>	Review the County Cars policy to consider and clarify 'private use' and journeys from 'home to County Hall' taking into account advice from HMRC.	H	<ol style="list-style-type: none"> <li>1. This recommendation is accepted.</li> <li>2. The Council has suspended use of county cars for private purposes.</li> <li>3. Processes for booking and recording use of county cars have been improved.</li> <li>4. Advice is awaited from HMRC such that the review can be completed and reported to Members.</li> </ol>	Geoff Wild – Director of Governance and Law	Immediately on receipt of HMRC advice

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<b>13. District Auditor's Findings &amp; Recommendations</b>					
<p><b><u>Publishing of County Cars costs</u></b>                      The Council's usual practice has been to publish the total costs of payments to Members without reference to the costs of the County Cars. That is the basis of the figure currently shown on its website and in its annual Statement of Accounts. The District Auditor published his detailed findings on this issue in a report to Governance and Audit Committee on 18<sup>th</sup> April 2012.</p>	<p>Consider including the cost of the County Cars within the total costs of Member allowances published on the Council website and within its annual statement of accounts.</p>	M	<p>The cost/benefit of this recommendation will be carefully considered before a final decision is reached.</p>	<p>Andy Wood –                      Corporate                      Director of                      Finance and                      Procurement</p>	30 April 2012



Assurance Level	Definition
Full	The controls evaluated are well designed, appropriate in scope and applied consistently and effectively. Any issues identified are minor in nature and should not prevent objectives being achieved.
Substantial	The controls evaluated are generally well designed, appropriate in scope and applied consistently and effectively, but weaknesses have been identified that require management attention. These issues increase the possibility that objectives may not be achieved.
Limited	Some controls evaluated are generally well designed, appropriate in scope and applied consistently and effectively. However, issues of poor design, gaps in coverage or inconsistent or ineffective implementation have been identified that require immediate management attention. The issues identified, if unresolved, mean that objectives may not be achieved.
No Assurance	Expected controls are absent, or where evaluated are flawed in design, scope or application. The auditor is unable to form a view as to whether objectives will be achieved.

OR:

Opinion	Definition
Compliant	The area assessed meets all the requirements of the legislation, regulation, policy or other guiding documentation.
Not compliant	For the area assessed there are requirements of the legislation, regulation, policy or other guiding documentation that have not been met.*

Priority Rating		Definition
● ● ●	High	<p>Immediate management action is required to remedy a serious failure of internal control that has led, or may lead, to one or more of the following:</p> <ul style="list-style-type: none"> <li>• Substantial loss of resources.</li> <li>• Serious failure to comply with legislation and/or Council Policy.</li> <li>• Significant reputational damage for the Council, involving national media.</li> <li>• Significant adverse regulatory impact, such as a national report, intervention or suspension of services.</li> </ul>
● ●	Medium	<p>Timely management action is required to remedy weaknesses in internal control that could lead to one or more of the following:</p> <ul style="list-style-type: none"> <li>• Loss of resources.</li> <li>• Failure to comply with some aspects of legislation and/or Council Policy.</li> <li>• Reputational damage for the Council, involving local or regional media</li> <li>• Adverse regulatory impact, such as loss of external ratings or negative local report.</li> </ul>
●	Low	<p>Management action is suggested to improve the quality and/or efficiency of the control environment of the Council.</p>