



Internal Audit Report  
Corporate & Democratic Services  
Elected Members Allowances  
17-22  
January 2018

## Final Report

Legal and Governance  
Corporate and Democratic Services  
Perth & Kinross Council  
Council Offices  
2 High Street  
Perth  
PH1 5PH

### Internal Audit

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. Public Sector Internal Auditing Standards (PSIAS)

The Council’s Audit Committee approved the PSIAS as the relevant standard for its Internal Audit activity.

### Background and Introduction

This audit was carried out as part of the audit plan for 2017/18, approved by Audit Committee on 27<sup>th</sup> September 2017. Audit testing was carried out in November & December 2017.

The framework for Councillors Pay was established by the Scottish Local Authorities Remuneration Committee (SLARC). This Committee was created to advise Scottish Ministers on the payment by local authorities of remuneration, pensions and allowances including the reimbursement of expenses incurred by Elected Members. SLARC’s recommendations were first implemented after local government elections in May 2007. SLARC stood down as a Committee in February 2013, but the principles of its work continue in force.

Guidance is based on the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 and Local Government (Allowances and Expenses) (Scotland) Regulations 2007 and subsequent amendment regulations.

### Scope and Limitations

This audit considered controls in place to ensure that Elected Members remuneration and expenses are evidenced, authorised and paid in accordance with regulation and guidance.

The review consisted of analysis of documentation and interviews with relevant Officers.

### Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A ‘control objective’ is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective: To ensure the adequacy of controls in respect of Elected Member remuneration and expenses
Audit Comments: Internal Audit’s opinion is that there are satisfactory controls operating to ensure that Elected Members are remunerated and reimbursed for expenses appropriately. There is, however, scope to improve controls in relation to recharges to the Joint Board; and to further document and enhance guidance in

## Internal Audit Report

relation to Elected Members absence and annual publication processes.

Remuneration levels are laid out in statute with additional payments being calculated in line with Scottish Government guidance and approved at the first meeting of the newly elected Council.

Training on remuneration and expenses was provided as part of an induction programme for Elected Members. This is supplemented by clear and comprehensive guidance which is available on the Councillor SharePoint site for reference.

There are procedure documents regarding the checking, authorising and processing of expense claims and officers interviewed demonstrated a good knowledge of these, and relevant regulation.

Internal Audit is satisfied that, overall, controls are operating adequately to ensure that expenses incurred, both directly by the Council and those which are reimbursed, are checked and authorised as appropriate; with sufficient evidence held to support expense claims made. In addition, there are robust controls in place to ensure that remuneration and expenses are processed accurately through Payroll.

Strength of Internal Controls:	Moderately Strong
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### Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

### Acknowledgements

Internal Audit acknowledges with thanks the co-operation of Members Support and Payroll team Officers.

### Feedback

Internal Audit welcomes feedback, in connection with this audit or with the Internal Audit service in general.

## Internal Audit Report

### Distribution

This report has been distributed to:

B Malone, Chief Executive

J Valentine, Depute Chief Executive (Executive Director, The Environment Service)

G Taylor, Head of Democratic Services

K McNamara, Head of Strategic Commissioning and Organisational Development

L Simpson, Head of Legal and Governance Services

S MacKenzie, Head of Finance

K Donaldson, Corporate Human Resources Manager

E Sturgeon, Chief Exchequer Officer

C Flynn, Democratic Services Manager

R Hughes, Team Leader/Senior Officer– Civic Services/Members' Support

V Iwanio, HR Team Leader (Employment & Payroll Services)

External Audit

Other officers may be added if necessary.

### Authorisation

The auditor for this assignment was L Ferguson. The supervising auditor was M Morrison.

This report is authorised for issue:

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Jacqueline Clark  
Chief Internal Auditor  
Date: 16 January 2018

## Internal Audit Report

### Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	<a href="#">Joint Board Recharges</a>	Medium
2	<a href="#">Councillor Absence</a>	Low
3	<a href="#">Annual Return</a>	Low
4	<a href="#">Minor Issues</a>	Low

## Appendix 2: Action Plan

### Action Point 1 - Joint Board Recharges

Scottish Government guidance entitled 'Remuneration, Allowances and Expenses' requires local authorities to make administrative arrangements with Joint Boards for recouping the difference in salaries for Councillors paid an additional remuneration for carrying out Joint Board Convener or Vice Convener roles. This is reflected in Council Papers regarding the Appointment of Representatives to Partner Organisations and Outside Bodies for 2012 and 2017 also.

Audit testing revealed that:

- the additional remuneration element for the role of Convener of the Tayside Valuation Joint Board, held by a Perth and Kinross Councillor between June 2012 and May 2017, has not been reclaimed; and
- the recharge claimed from the Tayside Criminal Justice Authority was incorrectly invoiced for the financial year 2016/17 for the Vice Convener element. This was as a result of a change in remuneration of the Councillor due to a further appointment.

### Management Action Plan

A recharge for the Tayside Valuation Joint Board will be undertaken.

Risk/Importance:	Medium
Responsible Officer:	S MacKenzie, Head of Finance
Lead Service:	Corporate & Democratic Services
Date for Completion (Month / Year):	March 2018
Required Evidence of Completion:	Recharge

### Auditor's Comments

Satisfactory

## Internal Audit Report

### Action Point 2 - Councillor Absence

Scottish Government guidance notes that Councillors are entitled to Statutory Sick Pay and Maternity Pay on the same basis as other employees and that this should be considered alongside standing orders on when a Councillor ceases to be regarded as a Councillor.

There is scope to provide some clarification to elected members for when they are unable to work due to significant ill health. Furthermore, the Council's Standing Orders do not refer to elected member absences of more than six months.

### Management Action Plan

1. Standing Orders will be updated to include reference to the process to be followed where an elected member is absent from duties for more than 6 months.
2. The Head of Democratic Services will discuss arrangements for Councillors to declare any periods of ill health, which result in their being unable to undertake their duties, with other senior officers and political leaders.

Risk/Importance:	Low
Responsible Officer:	G Taylor, Head of Democratic Services
Lead Service:	Corporate & Democratic Services
Date for Completion (Month / Year):	1. February 2018 2. March 2018
Required Evidence of Completion:	1. Updated Standing Orders 2. Updated guidance to Councillors

### Auditor's Comments

Satisfactory

## Internal Audit Report

### Action Point 3 - Annual Return

To comply with legislation, all Councils must publish information on Elected Members' salary, allowances and expenses in respect of the previous financial year on their website.

Audit reviewed the published 2016/17 return and noted that, whilst relevant information has been published, a small number of inconsistencies in how expenses have been categorised were identified.

Internal procedures regarding collation and publication of Elected Member allowances lack detail around what information is to be included within each column; and the standard annual return form recommended within the guidance is not being utilised.

The Service may benefit from reviewing the collation and publication process and documents to ensure there is clarity.

### Management Action Plan

Internal procedures relating to the annual return will be reviewed to ensure full compliance with Scottish Government guidance. Internal procedures will be updated, as required, to reflect the full scope of collation and recording practices carried out. Within this, consideration will be given to utilising the standard annual return form also.

Risk/Importance:	Low
Responsible Officer:	V Iwanio, HR Team Leader (Employment and Payroll Services)
Lead Service:	Corporate & Democratic Services
Date for Completion (Month / Year):	March 2018
Required Evidence of Completion:	Revised procedure

### Auditor's Comments

Satisfactory



## Internal Audit Report

### Action Point 4 - Minor Issues

Internal Audit has identified a small number of minor issues where there is scope to review and update guidance to provide clarity. Information regarding these has been provided to the Services, this includes:

- updating the Payroll procedure regarding the treatment of mileage rates paid above 10,000 miles to be consistent with approved process and Councillor Financial Guidance;
- documenting the process regarding new starters and change of circumstance forms; and
- enhancing existing Councillor guidance in relation to the recording of times on claims forms.

In addition, Officers should be reminded of the importance of their role in relation to checking and authorisation as testing revealed a low number of instances where procedures were not fully followed.

### Management Action Plan

- a) The minor issues log will be reviewed and procedures updated as appropriate.
- b) An email will be sent initially, followed up by a DOO session with staff involved in the checking and authorisation process to advise of matters picked up within the audit and reiterate the value of their role in checking claim forms.

Risk/Importance:	Low
Responsible Officer:	a) and b) R Hughes, Team Leader a) and b) V Iwanio, HR Team Leader (Employment and Payroll Services)
Lead Service:	Corporate and Democratic Services
Date for Completion (Month / Year):	March 2018
Required Evidence of Completion:	a) Confirmation from Service that minor issues have been addressed with sample evidence of 3 of these b) Evidence of discussion with staff

### Auditor's Comments

Satisfactory