

APPENDIX C

INTERNAL AUDIT REPORT

LEICESTERSHIRE FIRE AND RESCUE SERVICE

MEMBERS ALLOWANCES

NOVEMBER 2006

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LEICESTERSHIRE COUNTY COUNCIL
LEICESTERSHIRE FIRE AND RESUE SERVICE
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1. INTRODUCTION

- 1.1 An audit of the systems and procedures in place for the payment of allowances and travel claims for members on Combined Fire Authority (CFA) business was undertaken as part of the 2006/2007 Audit Plan.
- 1.2 The CFA is the governing body of the Fire & Rescue Service and is made up from 17 elected members. An order under the Local Authorities (Members' Allowances) (England) Regulations 2003 specifies that the Authority should be made up of elected members appointed by each of the constituent authorities being Leicester City Council, Leicestershire County Council and Rutland County Council in proportion to the number of local government electors in its area in relation to the overall number of electors in the total Fire Authority's Area.
- This gives the present structure of 5 City members 11 County members and 1 Rutland member.
- 1.3 Payments are made to members via Leicestershire County Council's payroll system on a monthly basis.
- 1.4 The approximate annual value of these payments is published in the Leicester Mercury on an annual basis. For the year ended 30th September 2005 the total value of payments was around £42,000.

2 RISKS, EFFECTS, CAUSES AND ASSOCIATED CONTROL OBJECTIVES

- 2.1 Our approach is to firstly identify any potential risks effects and causes facing the system and agree priorities with the appropriate manager, so that audit resources are concentrated on the higher risk areas. Once the potential risks effects and causes have been agreed we seek to confirm controls have been built into the system and they are sufficient and adequate to prevent, eliminate or minimise the risks within the system.

For this audit, the risks identified were: -

- A. Financial with an effect that overpayment occurs which may be caused by:-
 - 1. Unauthorised and excessive payments
 - 2. Duplicate payments
- B. Reputational with an effect of criticism/loss of faith from constituents and the media, which might be caused by:-
 - 1. Due to excessive monies being claimed
- C. Legal with an effect that court action could be taken caused by
 - 1. The scheme allowing illegal payments

We consider the objectives of the controls are to ensure that: -

- 1. Payments are due and follow the approved list of rules
- 2. Payments made (at input) are accurate, paid only once and approved
- 3. Terms and conditions are met with regard to claims
- 4. Processes are efficient and performance targets (indicators) are met

Usually we would agree these risks and control objectives with the system owner but unfortunately due to time constraints on this occasion this was not possible.

3 SCOPE

3.1 The following areas were examined as part of the review:

- Scheme Contents
- Legislative Requirements
- Starter/Leaver Notifications
- Allowances Granted
- Authorisation/Approval of claims
- Accuracy of claims
- Timeliness of claims
- Reporting/Notification of payments

3.2 Our sample was taken from the financial year beginning 1st April 2006 with source documentation including minutes and travel claims.

4 PROCEDURE

- 4.1 Discussions were held with the following staff to ascertain the procedures in place for the management and operation of the system: -
- David Cleaver – Head of Democratic and Administrative Services
 - Ann Francks – LCC Payroll Team Leader (LFRS)
- 4.2 The audit centred on procedures operated by the Head of Democratic and Administrative Services as the officer responsible for taking minutes at CFA meetings and also the officer responsible for approving claims from members.
- 4.3 Where an absence of control or an area of weakness was identified, an appropriate recommendation for improvement has been made.
- 4.4 Within the report conclusions (section 6); an overall opinion is given which provides a level of assurance about the adequacy and effectiveness of the system's internal controls.

5 FINDINGS

- 5.1 For those areas audited that we consider it is necessary to report our findings, the table (appendix 1) shows the controls we would expect to find in place, what was found, any perceived risks and our suggested recommendation to improve the control within the system. A **HI** symbol is denoted against any recommendation we judge as having a greater importance based on its attributed risk.

6 CONCLUSION

- 6.1 We have confirmed with the CFA's solicitor that there is a conflict with the Local Authorities (Members' Allowances) (England) Regulations 2003 and the scheme for members claiming travel and subsistence, this is to be brought up at the next meeting of the CFA and the scheme will be amended to take into account this error. We also came across a small error on a member's claim. But overall we are confident there are controls in place for the scheme to operate effectively.

OVERALL OPINION

Based on the answers provided during the audit and the testing undertaken, **substantial assurance** can be given that the internal controls in place to reduce exposure to those risks currently material to the system's objectives, are adequate and are being managed effectively. Although a small number of minor recommendations have been made to improve the system's controls, no material risk exposure has been identified.

7 ACTION PLAN

Rec'n. Ref.	Ref. to Finding No.	Responsibility	Proposed Implementation Date (by end of)	Management Response
7.1	5.3	David Cleaver – Head of Democratic and Administrative Services	November 2006	Agreed
7.2	5.3	David Cleaver – Head of Democratic and Administrative Services	November 2006	Agreed
7.3	5.6	Peter Nicholls – Solicitor to the CFA	November 2006	Agreed The Solicitor will ensure that the next report to the CFA regarding Members' Allowances will include a proposal that the Scheme be clarified to make it clear that Members must rely on their Constituent Authority's Schemes for the payment of dependents' carers' allowances.

APPENDIX 1

Ref. No.	Test Undertaken	Findings	Recommendations
5.1	All members are receiving their annual allowance entitlements.	None	None
5.2	Only one special allowance is being paid to each member and at the correct rate.	<p>One allowance was continuing to be paid to the previous vice chairman at the vice chairman rate instead of his new group leader rate. Also the new vice chairman had not started to receive his allowance.</p> <p>It is acknowledged that the Head of Democratic and Administrative Services has already been in contact with the finance department for this to be amended. Correspondence dated 31 August 2006.</p>	None
5.3	Starters and Leavers are accurately and promptly entered onto the LCC Payroll system.	None	None
5.3	Travel claims are accurate, complete and timely.	One of the six claims examined was found to be incomplete in that there was no final claim date.	Claims should always be signed and dated to enable duplicate claims to be identified.
5.3	Travel claims are accurate, complete and timely.	There is no facility to record the last date of a claim so as to lessen the risk of duplication	There should be a system that records the last date of claim, so if the next claim in the sequence includes a date before the previous date, then extra checks can be carried out on the validity.
5.4	Tested a sample of mileage amounts claimed against Microsoft Auto Route.	None	None

5.5	Members attended functions / meetings they have claimed for.	None	None
5.6	Scheme corresponds with the Local Authorities (Members' Allowances) (England) Regulations 2003 guidance.	<p>One part of the scheme (payment of dependant carer's allowances) was found to contradict the allowable regulations for Fire & Rescue Services.</p> <p>Whilst no payments have been made, we have had confirmation from the Solicitor to the CFA that this was in the scheme and it should be taken out.</p>	In conjunction with the Local Authorities (Members' Allowances) (England) Regulations 2003, entitlement to dependant carer's allowances should be removed from the scheme at the earliest opportunity.