

Brighton & Hove City Council

Audit and Standards Committee

Agenda Item 15

Subject: Audit Report on Member Expenses

Date of meeting: 28 June 2022

Report of: Executive Director Governance People & Resources

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Ward(s) affected: All

For general release

REASONS FOR URGENCY

By reason of the special circumstances for non-compliance with Council Procedure Rule 3 and Section 100B(4) of the Local Government Act 1972 (as amended) (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) the internal audit investigation report had not been finalised in time and it was not therefore possible to publish the report within the normal timescales. The Chair has been consulted and agreed that this matter should be included as an urgent item on the agenda.

1. Purpose of the report and policy context

- 1.1 The purpose of this report is to inform the Committee of the findings of the Internal Audit investigation into issues relating to expenses claims and to seek agreement to the recommendations in the report.

2. Recommendations

- 2.1 That Committee notes the Internal Audit report into issues associated with Member expenses claims as set out in Appendix 1 to this report
- 2.2 That Members agree the recommendations in section 5 of the report and instruct officers to implement the same.

3. Context and background information

- 3.1 Following allegations of irregularity regarding Members' expenses claims raised in the press, an independent investigation by the Internal Audit function - which is part of the Orbis partnership arrangements - was commissioned. The review was undertaken over the last couple of months and was overseen by a senior Auditor employed by another authority. The investigation reviewed the Council's records, interviewed relevant officers and examined the Scheme for Members' Allowances.

Although Councillor Phillips was not interviewed, she was sent written questions which she responded to and supplied evidence in the form of receipts.

- 3.2 The allegations centred around claims for travel and childcare expenses for the period between October 2020 and March 2021, when Councillor Phillips was Mayor. The report found that the claims were not always submitted in time and/or that the documentation was incomplete. There were also weaknesses in the way that the claims were processed, perhaps over-reliance on trust rather than insisting on documentary proof.
- 3.3. It is estimated that the issues identified in para 3.2 may have resulted in an overpayment of between £143.79 and £482.34, depending on how one interprets the rules under the Members Allowances Scheme ('the Scheme') relating to expenses. There is, in particular, lack of clarity regarding the maximum time period for which travel expenses relating to a single meeting can be claimed (whether it is 1 hour each way or 1 hour in total per meeting) and how the eligibility criteria applies in the context of virtual meetings.
- 3.4 Councillor Phillips was not interviewed as part of the investigation and only supplied responses to specific questions. Although there were failings and irregularities which should not have happened, it is also important, in the interests of fairness and balance, to point out that:
 - This was a challenging time for the Member concerned, juggling many roles with a young family and the uncertainty caused by the pandemic;
 - There is no evidence in the report or anything that Officers have seen to suggest either a systematic or deliberate attempt to deceive nor any attempts at dishonest misuse of public funds for personal gain. It was more a case of not paying sufficient attention to processes due, in part, to the Member's personal circumstances. The fact that the Member also failed to submit claims for some 25 approved duties further supports the view that the situation was the result of a combination of oversight and casual approach rather than a deliberate act;
 - All the claims for childcare were in respect of expenses actually paid rather than simple payments to the member. The Member therefore did not receive any payments for expenses not incurred;
 - All the claims were approved by Officers;
 - The Member concerned has made a payment on account of £490 to the Council to cover any potential overpayments. The Council has therefore not lost any funds. If anything, the actual amount overpaid is likely to be below £490. An assessment will be undertaken and any adjustments made to reflect the final figures for under or over payment of expenses;
 - It is also reassuring that the investigation did not reveal any wide scale failings and that the system seems to be working largely in compliance with the requirements of the Scheme.

- 3.5 Notwithstanding the above, the failings could have resulted in more significant irregularities. Although the circumstances were challenging, it is difficult to avoid responsibility altogether and the Member concerned should have paid more attention and been more diligent than was the case.
- 3.6 There were a number of shortcomings in the way that the Scheme was administered, and the report highlights a number of issues including lack of clarity in some of the rules, inconsistency in their application and failure to require documentary proof (receipts) in all cases. A higher level of informality, flexibility and over-reliance on trust was applied than should have been the case. The report makes a number of recommendations to rectify these issues going forward. Officer would like to apologise for any failings and will make sure that all the steps set out in the recommendations are implemented.
- 3.7 The specific recommendations are set out in paragraph 5 of the audit report and are reproduced below:
- a. A review of the Scheme should be conducted to ensure that the rules for submitting a claim for member expenses are clear and concise. This should specifically include clarifying the rules relating to claiming childcare time for travelling. The review should ensure that any ambiguity regarding the rules for claiming are removed.
 - b. A review of Section 7.2 (Member Expenses) of the Procedural Manual for Democratic Services should be conducted to ensure that there is a clear procedure for processing claims. This should include specifying who is responsible for verifying that duties occurred and who is responsible for authorising the claim. The review should also include what the verification requirements are, for example, confirming that a duty took place, the time and date of the duty, and that there is supporting evidence that childcare was provided.
 - c. Claim forms for expenses should be completed in full and submitted within the timeframe specified by the Scheme. If a claim form is not completed in full, the member of staff processing the claim should return the form to the Member and request further information.
 - d. A claim should only be accepted if it is made within the two-month timeframe specified in the Scheme.
 - e. Supporting receipts and invoices should be provided with each claim form as per the Scheme. If these are not available, the claim should be rejected.
 - f. All members of staff responsible for processing claims should be trained on the correct procedures and requirements.
 - g. All Members should be reminded of their responsibilities to submit fully completed claim forms with supporting documentation within the relevant timeframe.

- h. Democratic Services should consider whether it is possible to introduce electronic claim forms to reduce the possibility of a claim form being misplaced.
- 3.8 It is suggested that the above recommendations are all accepted and implemented by the Executive Director for Governance, People and Resources. This will involve convening a meeting of the Independent Remuneration Panel to review the rules and make recommendations to full Council.

4. Analysis and consideration of alternative options

- 4.1 There are no alternatives to implementation of the recommendations of the audit report. Any potential overpayments have been recovered and once the recommendations have been implemented the issues will have been addressed and any remedial action taken.

5. Community engagement and consultation

- 5.1 This is an internal matter regarding claims for expenses and how they are administered. While there has been no consultation or engagement with the public, the fact that the report is in the public domain will hopefully help maintain public confidence in the system.

6. Conclusion

- 6.1 The report has identified a number of issues that need to be addressed urgently and implementation of the recommendations will ensure that the necessary steps are taken, and any shortcomings rectified.

7. Financial implications

- 7.1 There are no financial implications arising directly from the report. It is noted that the Member concerned has made a payment on account to cover the overpayment.

Name of finance officer consulted: Peter Francis

Date consulted: 24/06/2022

8. Legal implications

- 8.1 The proposals in the report comply with the requirements in the scheme for members allowances and the Members Allowances Regulations. The steps set out in the report's recommendations will provide greater assurance to the public and ensure proper administration of the scheme.

Name of Legal officer consulted: Abraham Ghebre-Ghiorghis

Date consulted: 24/06/2022

9. Equalities implications

- 9.1 Although any Member could potentially be eligible to claim travel and childcare allowances if they come within the Scheme, the provisions regarding childcare allowances are likely to affect women and those with young children more than other Members. It is therefore important that the Scheme and the administrative requirements that go with it are effective and do not put disproportionate administrative burden on Members who need childcare or carers' support.

10. Sustainability implications

- 10.1 There are no sustainability implications directly arising from the report.

Supporting Documentation

Appendices

1. Internal Audit Investigation Report- Member Expenses

Background documents

None

