

Final Internal Audit Report

Elections Accounts and Claims

May 2019

Distribution: Chief Executive and Acting Returning Officer (Final Only)
 Executive Director Resources (Final Only)
 Director of Law and Governance
 Head of Electoral Services

Assurance Level	Recommendations Made	
Limited Assurance	Priority 1	1
	Priority 2	4
	Priority 3	2

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

- 1.1 The London Borough of Croydon, must appoint an Electoral Registration Officer (ERO) who is responsible for all electoral registration functions including the publication and maintenance of the electoral register. The Council must also appoint a Returning Officer (RO) who is responsible for the administration of local government elections in the borough. The ERO and RO would normally be a senior officer of the local authority, and in the case of LBC it is the Chief Executive.
- 1.2 The duties of the ERO and RO as set out in legislation are their personal responsibility not those of the local authority. The local authority must provide sufficient resources to enable the ERO and RO to undertake their duties, including electoral staff. The day to day management of elections and electoral registration is managed by the Head of Electoral Services.
- 1.3 At a UK Parliamentary election in England and Wales, the administration of the election is the responsibility of the (Acting) Returning Officer (ARO), who for a London Borough is the Electoral Registration Officer. In the case of LBC, the ARO is the Chief Executive.
- 1.4 The ARO is entitled to recover costs in respect of services rendered, or expenses incurred, in connection with a parliamentary election if the services were necessarily rendered, or the expenses were necessarily incurred, for the efficient and effective conduct of the election; and the total claim does not exceed the maximum recoverable amount (MRA) set by the Cabinet Office. These costs are required to be fully accounted for with a claim submitted to the Cabinet Officer Election Claims Unit.
- 1.5 The Secretary of State may authorise the payment of more than the overall maximum recoverable amount, if satisfied that it was reasonable for the ARO to render the services or incur the expenses, and that the charges in question are reasonable.
- 1.6 The expenses incurred during an election relate to payment for venues and other specialist election services and staff employed to conduct electoral duties.
- 1.7 The electoral claims for all three Croydon constituencies (Central, North and South) were overspent for the last general election in 2017, which has led to the Cabinet Office Claims Unit carrying out a full scrutiny of these claims. As a result, observation letters were issued to the Council which required additional information and evidence of spending to be provided. This scrutiny process was ongoing at the time of the audit.
- 1.8 This audit is part of the agreed Internal Audit Plan for 2018/19.
- 1.9 Since 2017, there have been significant changes to the Electoral Services team, including a new Head of Electoral Services and Deputy Manager. The new staff were not employed at LBC at the time of the 2017 General Election and were not involved in the submission of the election accounts for the election to the Elections Claims Unit

2. Key Issues / Rationale

Priority 1 Recommendations
There was no evidence that a record of expenditure had been maintained during the 2017 General Election. We were advised that it was a matter of spending what was required to run the election (what is actual and necessary) and keeping the invoices on file. The 2017 General Election was overspent for all three constituencies, (Issue 3) .
Priority 2 Recommendations
There were no local procedures in place with regards to Elections Accounts and Claims. We were advised that the Elections team just follows the legislative guidance and the guidance notes on the claim form, (Issue 1) .
Examination of the purchase orders for a sample of 10 purchases made in support of the 2017 General Election found that four of these had been raised retrospectively, i.e. after the invoice had been received, (Issue 2) .
We were advised that the 2017 General Elections claim was submitted in May 2018, which was six months after the deadline of 8 December 2017. In addition, we could not confirm this date nor that the claim had been appropriately signed as the original signed and dated claim form had been sent off without a signed copy being retained, (Issue 4) .
Croydon consists of three constituencies: Croydon Central, North and South. When checking the claims against supporting invoices, we noted that in one area for all three constituencies, the Council had incorrectly claimed the payment net of VAT when it should have been gross. In addition, the Council had not completed the Transparency Forms for 'Payments to individuals of or exceeding £2,500' as required, (Issue 5) .

The priority 3 issues are included under item 4.

3. Actions and Key Findings/Rationale

Control Area 1: Legislative, Organisational and Management Requirements		Detailed Finding/Rationale – Issue 1
Priority	Action Proposed by Management	
2	<p>A written procedure for the managing of election accounts and the submission of claims has been produced. This provides general guidance on the production and submission of accounts that will supplement the guidance provided by the Cabinet Office Election Claims Unit. It also details the specific tasks that need to be completed as part of the accounting process. These tasks will be incorporated in the main election work plan that is produced for each election, so that they can be monitored before, during and after any election.</p>	<p>Policies and procedures provide staff with guidance on the process for completing tasks, to ensure they abide by regulations as well as the requirements of the Council and management. Developing and communicating clear local policies and procedures helps to ensure that staff do not operate in contravention of legislation and guidance. These should be regularly reviewed to ensure they fit current procedures and law.</p> <p>There were no local procedures in place with regards to Elections Accounts and Claims. We were advised that the Elections team just follow the legislative guidance and the guidance notes on the claim form. However, it was noted that elections are covered by various pieces of legislation:</p> <ul style="list-style-type: none"> • The Representation of the People Act 1983 (Section 29 of the 1983 Act provides for payments by and to Returning Officers and gives the Secretary of State the power to make Orders specifying the charges recoverable by Returning Officers for election expenses); • The Electoral Administration Act 2006 introduced a number of changes to the arrangements for the recovery of the costs of Returning Officers' services and expenses at UK Parliamentary elections. Guidance is produced each time there is a major election - general election or referendum, the most recent being the General Election on 8th June 2017; and • Parliamentary Elections (Returning Officers' Charges) (no. 2) Order 2017 provides for payments for services and expenses of returning officers in connection with the conduct of parliamentary elections in England, Wales and Scotland.
Responsible officer	Deadline	
Head of Electoral Services	June 2019	

Where policies and procedures are not documented and made available to staff, there is a risk of inconsistent and inefficient working practices developing. Errors could also occur where processes are more complex and staff do not have recourse to comprehensive guidance. This could lead to financial loss through inefficient working practices, errors, or wasted resources correcting errors. Failure to develop, maintain and disseminate policies and procedures could also result in staff operating in contravention of legislation and guidance, resulting in breaches that lead to financial loss and reputational damage.

Control Area 2: Election Accounts Administration

Priority		Action Proposed by Management	Detailed Finding/Rationale – Issue 2
2	Internal processes for the raising and authorising of purchase orders are more robust in 2019 than they were in 2017. The timely raising of Purchase Orders for election expenditure at the Local Government elections in May 2018 was in accordance with the Council's Payment Procedures. This improved performance will be strengthened by inclusion in the new written procedures for managing election accounts and submission of claims.	<p>The Council's Payment Procedures detail that, 'It is important that orders are placed on P2P before the actual cost is incurred. As soon as you are aware of a requirement for goods and services, you must raise a requisition on the P2P system. Under no circumstances should requisitions be raised retrospectively (i.e. when goods/services have been delivered).'</p> <p>Examination of the documentation for a sample of 10 purchases made in support of the 2017 General Election confirmed that, while all purchases had been subject to a purchase order, four of these had been raised retrospectively, i.e. after the invoice had been received. It was; however, noted that all had received a goods received check and had been appropriately authorised.</p> <p>Where official orders are not authorised prior to purchases being made, there is a risk that the authorisation and commitment processes are by-passed which could result in inappropriate purchases and poor budgetary control.</p>	
Responsible officer		Deadline	
Head of Electoral Services		June 2019	

Control Area 2: Election Accounts Administration		Detailed Finding/Rationale – Issue 3
Priority	Action Proposed by Management	
1	<p>A spread-sheet for estimating and monitoring costs was created and used at the Norbury and Pollards Hill by-election in March 2019.</p> <p>At future elections similar spreadsheets will be used for accounting purposes.</p> <p>In addition, the full scrutiny of the 2017 election claims has assisted in identifying potential areas where the Cabinet Office Election Claims Unit will dispute payment so this may be mitigated in the future.</p> <p>In the future all election accounts and claims will be prepared on the assumption that there will be full scrutiny of the claims submitted.</p>	<p>Good records management is at the very foundation of Council accountability. Recording, monitoring and reporting on election expenditure permits the Council to track election costs against its Maximum Recoverable Amount and facilitates addressing issues raised by the Elections Claim Unit.</p> <p>There was no evidence that a record of expenditure was maintained during the 2017 General Election. We were advised that it was a matter of spending what was required to run the election (what is actual and necessary) and keeping the invoices on file. However, the electoral claims for all three Croydon constituencies (Central, North and South) were overspent, which has led to the Cabinet Office Claims Unit carrying out a full scrutiny of these claims.</p> <p>Where there are no records of election expenditure maintained, inappropriate expenditure may not be identified and there is a risk that, expenditure may be incurred for items that are not eligible to be reclaimed, which would lead to financial loss.</p>
Responsible officer		Deadline
Head of Electoral Services		June 2019

<u>Control Area 4: Reimbursement</u>	
Priority	Action Proposed by Management
2	<p>Key milestones in the preparation and submission of election accounts and claims will be included in the wider detailed election plan produced by the Head of Elections and monitored by the Returning Officer and the Elections Project Board. Within this plan the dates for sign-off of the accounts by the Returning Officer and submission of the accounts to the Cabinet Office Election Claims unit will be recorded.</p> <p>Copies of all documentation related to the election accounts, including a copy of the Returning Officer's signed accounts to be retained.</p> <p>Other key milestones relating to the sign-off of election accounts that will be incorporated into the election plan will include:</p> <ul style="list-style-type: none"> • Production of draft accounts by Head of Electoral Services for review by the Director of Finance Investment and Risk • Review of draft accounts by the Director of Finance Investment and Risk
	<p>Detailed Finding/Rationale – Issue 4</p> <p>The Returning Officer (RO) is personally responsible for all the expenditure incurred for the purpose of conducting the election and is responsible for ensuring that the accounts are complete, legitimate, properly presented and auditable. Therefore all parts of the claim should be approved by the RO before it is submitted to the Election Claims Unit. Claims are required to be submitted within six months of the election.</p> <p>We were advised that the 2017 General Election claim was submitted in May 2018, which was six months after the deadline of 8 December 2017. In addition, we could not confirm this date nor that the claim had been appropriately signed as the original signed and dated claim form had been sent off without a signed copy being retained.</p> <p>The Minister can refuse to settle claims that do not conform to the statutory requirements. This includes claims submitted late, or those without sufficient supporting documentation, or those, which cannot be audited. Where the signed claim for reimbursement of an election costs is not made on time, there is a risk of financial loss should the claim be refuted or parts of it be unpaid. Any non-reimbursement would have a direct impact on the Council's finances.</p>

Elections Accounts and Claims 2018/19

	<ul style="list-style-type: none"> • Resolution of any issues prior to sign-off by the Returning Officer • Briefing for the Returning Officer on election accounts and claim • Sign off by Returning Officer • Submission of Election Accounts and supporting paperwork 	
<p>Responsible officer Head of Electoral Services</p>	<p>Deadline Next election</p>	

Control Area 4: Reimbursement		Detailed Finding/Rationale – Issue 5
Priority	Action Proposed by Management	
2	<p>The incorrect claim for payment net of VAT that was included in the General election Accounts for 2017 has been rectified with the Election Claims Unit and the Transparency Forms (Form L) have been completed and submitted to the Cabinet Office Election Claims Unit.</p> <p>The Head of Electoral Services and other officers who will be involved in the future preparation of election accounts will attend training on Election Accounts and Claims that is run by the Association of Electoral Administrators.</p> <p>The Head of Electoral Services will in future prepare all accounts and claims to be checked by the Director of Finance Investment and Risk for accuracy prior to sign-off by the Returning Officer and submission of the claim.</p>	<p>Compliance with Cabinet Office guidance increases the likelihood of timely reimbursement of election expenditure.</p> <p>Croydon consists of three constituencies: Croydon Central, North and South. When checking the claims against supporting invoices, it was noted that in one area for all three constituencies, the Council had incorrectly claimed the payment net of VAT when it should have been gross. In addition, the Council did not complete the Transparency Forms (Form L) for 'Payments to individuals of or exceeding £2,500'. It was noted that the latter has now been rectified and that the VAT issue is in the process of being rectified.</p> <p>Where the claim for reimbursement of an election costs is not made correctly, there is a risk of financial loss should the claim be delayed, refuted or parts of it be unpaid. Any non-reimbursement would have a direct impact on the Council's finances.</p>
Responsible officer	Deadline	
Head of Electoral Services	Election planning next election. Training 31 December 2019	

Priority 3 Issues

Action Proposed by Management	Findings
<p>1. A spreadsheet <u>was</u> completed at the time of the General Election however staff members who were responsible for this have now left the local authority and the spreadsheet was not retained.</p> <p>Since June 2018 all election documents are now saved in a single folder accessible to all members of the Electoral Services team. This will prevent documents such as this spreadsheet from being saved on local profiles which could be subsequently lost if individual members of the team leave.</p>	<p>All election staff must complete a form to confirm their tax status at every election whether they have worked previously or not. This is managed by the staff in the electoral services team who use a spreadsheet to record who had returned their forms before they work with the forms kept on file so that any payment / tax queries can be dealt with.</p> <p>The spreadsheet that was used at the time of the 2017 General Election was not completed or retained as it was just used as a management tool at the time. The team did not believe that it would be needed after the election.</p>
<p>2. Once the Parliamentary election accounts are settled with the election claims unit, all balances will be paid to Croydon Council. One bank account will be retained and the other three closed.</p> <p>Advice will be sought from NatWest Bank regarding the number of signatories can be in place on an account, and whether we are able to appoint additional signatories.</p>	<p>Operating election accounts within a single bank account increases efficiency and enhances transparency. Maintaining an adequate list of signatories ensures that sufficient officers are available if others are on leave.</p> <p>There are four separate bank accounts in place to receive repayment from central government, with various balances, which we were informed was historic and would be rectified after the settlement of the outstanding claim for the 2017 General Election. These were the:</p> <ul style="list-style-type: none"> • European Elections account; • Parliamentary Election Account; • Local Government Account; and • GLA account.

Elections Accounts and Claims 2018/19

A new signatory on the account in addition to the Head of Electoral Services to be either Director of Finance Investment and Risk or the Executive Director of Resources and Monitoring Officer.

In addition, we were informed that there are currently only two signatories in place for the elections bank accounts.

TERMS OF REFERENCE

Election Accounts and Claims

1. INTRODUCTION

- 1.1 The London Borough of Croydon must appoint an Electoral Registration Officer (ERO) who is responsible for all electoral registration functions including the publication and maintenance of the electoral register. The Council must also appoint a Returning Officer (RO) who is responsible for the administration of local government elections in the borough. The ERO and RO would normally be a senior officer of the local authority, and in the case of LBC it is the Chief Executive.
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- 1.6 The expenses incurred during an election relate to payment for venues and other specialist election services and staff employed to conduct electoral duties.
- 1.7 This audit is part of the agreed Internal Audit Plan for 2018/19.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of the control environment relating to 'Election Accounts and Claims.
- 2.2 The audit will for each controls / process being considered:

- Walkthrough the processes to consider the key controls;
- Conduct sample testing of the identified key controls, and
- Report on these accordingly.

3. SCOPE





3.1 This audit included the following areas:

Audit Area	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Organisational, Management and Legislative Requirements	0	1	0
Election Accounts Administration	1	1	1
Payment Authorisation and Recording	0	0	0
Reimbursement	0	2	1
Budget Monitoring and Reporting.	0	0	0

DEFINITIONS FOR AUDIT OPINIONS AND RECOMMENDATIONS

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to recommendations are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

STATEMENT OF RESPONSIBILITY

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

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any 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.

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.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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