

The Commission and Clerk/Chief Executive's Office



Northern Ireland
Assembly

Room 24
Parliament Buildings
Ballymiscaw
Stormont
Belfast BT4 3XX
T: 028 90521429
commission@niassembly.gov.uk

Dr S Aiken OBE MLA
Room 301
Parliament Buildings

15 March 2018

Dear Dr Aiken

I refer to the priority Assembly question which you tabled for written answer, namely:

To ask the Assembly Commission to provide a copy of the final internal audit report, completed in October/November 2017, relating to the Finance Department of the Corporate Services Directorate.

AQW 123/17-22

The Assembly Commission will place a copy of the review of Financial Support to Members 2016-2017 Internal Audit Report in the Assembly Library.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'SD'.

**Stewart Dickson MLA
(On behalf of the Assembly Commission)**

Review of Financial Support to Members 2016 - 17 Report



Overall Rating

Satisfactory



Audit Fieldwork Completion Date

30 June 2017



Report Issued Date

12 October 2017



Table of Contents

Objective, Background and Scope	3
Overall Results	5
Issue Summary	7
Landlords Details Declaration	8
Office Signage	9
MLA Signature.....	11
Assembly Travel Allowance (ATA).....	13



Objective, Background and Scope

Purpose / Objective

The aim of the assignment is to review Members' expenses claims and appraise their validity under the terms of the Northern Ireland Assembly (Members' Salaries, Allowances, Expenses and Pensions) Determination March 2012 (as amended) and the Assembly Members (Salaries and Expenses) Determination (Northern Ireland) 2016.

Objectives:

- To ensure that Members' expenses claims are valid and in compliance with relevant legislation;
- To visit constituency offices of Members in the sample to verify general compliance with the relevant legislation;
- To verify that salary payments made through the Finance Office Members' Financial Support team were to Members' support staff, and fully compliant with relevant legislation; and
- To ensure that Members' Expenses information is published accurately on the Northern Ireland Assembly website within agreed timescale.

The following key risk areas were reviewed during the course of the audit assignment:

- Risk that Members' expenses claims are non-compliant with relevant legislation;
- Risk that claims for constituency office expenditure has not been used for intended purposes and as a result is non-compliant with relevant legislation;
- Risk that salary payments are non-compliant with relevant legislation; and
- Failure to publish Members' Expenses information within agreed timescale.



Background

The Review Body on Senior Salaries Report (No.67) issued in 2008 recommended that “the expenses claims of a random sample of 25 per cent of Members of the Legislative Assembly be audited on an annual basis”. In 2009 the Secretariat Audit & Risk Committee (SARC) directed that these annual reviews would be carried out by Internal Audit, based on the current guidelines as defined in the Members’ Financial Services Handbook and would cover all forms of financial support provided to Members.

A review covering expenses claimed between 1 April 2016 to 31st March 2017 is included in the 2017/18 audit plan approved by SARC in March 2017.

Fieldwork including constituency office visits was concluded on 30th June 2017.

Scope

Fieldwork entailed the examination of records held by the Finance Office in relation to claims made by Members, all supporting information and payments made on foot of the claims.

The review will also involve on-site verification of compliance with the relevant Determination:

- Constituency Office Expenditure (COE) for members not returned in May 2016 is governed by the Northern Ireland Assembly (Members’ Salaries, Allowances, Expenses and Pensions) Determination March 2012 (as amended);
- All forms of financial support for Members elected in the May 2016 elections is administered in accordance with the Assembly Members (Salaries & Expenses) Determination (Northern Ireland) 2016; and
- The Financial Support for Members Handbook dated May 2016 which must be read in conjunction with the 2016 Determination referred to above.

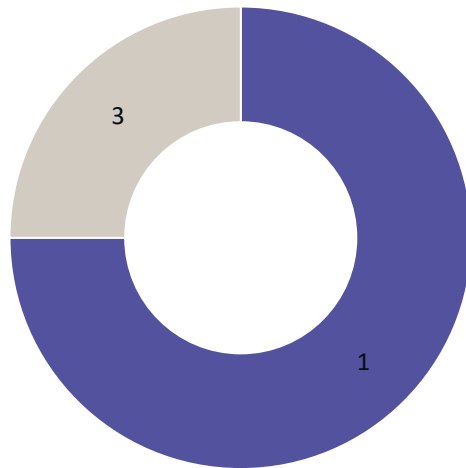


Overall Results

Overall Assurance Rating

Satisfactory

Issue by Severity



Conclusion/Rating Description

1081 out of 1089 (99.3%) claims tested were compliant with the “Financial Support for Members Handbook” (known as the Handbook) May 2016 and with the Independent Financial Review Panel (IFRP) Determinations (March 2012 as amended and March 2016). The Administrative Guide to Claiming Financial Support (known as the Administrative Guide) was also referred to, in conjunction with these documents.



Conclusion/Rating Description

Recommendations have been made in respect of the receipt of annual Assembly travel allowance declarations, and to ensure that the Administrative Guide is updated to reflect the cessation of the requirement to complete the Landlords Details Declaration form.

Testing confirmed that all COE rental payments related to premises being used solely for constituency business and current rental agreements are maintained on file. One recommendation has been made in relation to non-compliance with constituency office signage requirements.

On review of staff costs made through Members' financial support, it was noted that all employees were recruited and paid according to the grades and salary scales outlined in the Determination. One recommendation has been made, however, in respect of checking the signatures of MLAs on new support staff payroll forms (A1).

Members' expenses information had been accurately published on the NIA website at the time of audit testing and no issues were identified.

A total of 4 recommendations have been made in this report, 3 have been attributed a risk rating 1 and one has been assessed at a risk rating 3. Overall Internal Audit has arrived at a **Satisfactory** level of Assurance.



Issue Summary

Issue ID	Title/Headline	Issue Owner	Risk Rating	Implementation Deadline
1	Landlords Details Declaration	Head of Finance	3	20 October 2017 for revision to Admin Guide
2	Office Signage	Head of Finance	1	1 July 17 and Ongoing (re recoupment)
3	MLA Signature	Head of Finance	1	30 August 2017
4	Non-compliant payment of Assembly Travel Allowance (ATA)	Head of Finance	1	20 October 2017 for revision to Admin Guide



Landlords Details Declaration

Issue Owner: Head of Finance

Issue Information

Overall Status

Open

Risk Rating

3

Escalation Level

Owner

Implementation Deadline

20 October 2017

Implementation Status

In Progress

Description

The Administrative Guide states that an annual declaration of the landlord's details (MF10) must be obtained where rent & rates are not being claimed. These were not evident on file.

Finance Management advised that these forms are no longer required as the Annual declaration (MF12) that Members complete at year end states that they have complied with the Determination.

Risk/Impact

Inconsistency with regard to guidance and practice.

Recommendation

Internal Audit recommends that Section 3 paragraph 3.32 is removed from the Administrative Guide to ensure that all staff are adhering to the most up to date guidance.

Management Response

Accepted. This was an internal administrative process and was not required under the terms of the Determination. The completion of this form is no longer necessary following a review of the implementation of the new Determination. There are a number of other minor changes required to the Administrative Guidance and it has been decided to incorporate them collectively and re-issue the guide to Members. It is scheduled to be re-issued to all Members by 20 October 2017.



Office Signage

Issue Owner: Head of Finance

Issue Information

Overall Status

Closed

Risk Rating

1

Escalation Level

Owner

Implementation Deadline

1 July 17 and Ongoing (re recoupment)

Implementation Status

Implemented

Description

The signage display for one of the 17 constituency offices visited was non-compliant with paragraph 14 (4) of the 2016 Determination and rent was being claimed.

Risk/Impact

Non-compliance with the 2016 Determination.
Irregular expenditure.

Recommendation

It is recommended that the rental payments made in respect of constituency offices with non-compliant office signage and display are recouped from the relevant Member, and no further rent is paid until signage is compliant.

Management Response

Accepted. As required by paragraph 3.17 of the Administrative Guide, photographic evidence must be provided to the Finance Office prior to any payments of rent and rates being made to third parties. For the office in question, photographic evidence was obtained on 17 August 2016 that the sign complied fully with the provisions of the Determination and payments were made on that basis. An annual declaration of compliance was received from the Member on 6 March 2017 which included the specific declaration that “The approved office signage has **not** been amended.” (emphasis included in the declaration). Payments continued to be made on this basis. The non-compliant signage was addressed as a matter of urgency once the



Finance Office became aware of the issue. Rent and rates payments ceased until full compliance with the Determination was verified with payments only recommencing from the beginning of September 2017. The Member has appealed the decision on non-compliance under the formal appeal process. This process is on-going however the Member will be notified of the extent of possible recoupment of rent and rates.



MLA Signature

Issue Owner: Head of Finance

Issue Information

Overall Status

Closed

Risk Rating

1

Escalation Level

Owner

Implementation Deadline

30 August 2017

Implementation Status

Implemented

Description

It was noted that the Members' signatures on four staff support payroll forms (A1) did not appear to match the specimen signatures held for the two relevant Members.

Risk/Impact

Potential over-ride of existing controls.

Potential reputational risk to Member and Secretariat.

Risk that ghost employees are added to the payroll system

Risk of non-compliance with 2016 Determination

Irregular expenditure

Recommendation

Payroll section must ensure that Support Staff Payroll forms have been validly signed by the Member before adding these to the NIA payroll system. All signatures should be checked against the Members' specimen signatures held on file, and this procedure should be evidenced.

Management Response

Accepted. Finance Office staff have been reminded of the need to ensure that all signatures are checked and documents annotated to this effect. This applies equally to payroll documents and expenses claim forms. Desk instructions have been amended to ensure that the need to annotate documents for verification is clearly stated.



In cases where the validity of signatures are challenged, the result of this check should be recorded on file and all relevant details made available for management review.

They have also been amended to ensure that further verification can be sought from the Roll of Membership should an issue of signature verification arise again in the future. The signatures in question have been verified against other records held by the Finance Office (for example, older claim forms not from Payroll records) and by asking the Member to re-sign the form. Management is content that the expenditure is not irregular. Management is also content that other controls and audit checks minimise the risk of ghost employees being added to the payroll, through the requirement to present recruitment information, signed contracts, etc.



Assembly Travel Allowance (ATA)

Issue Owner: Head of Finance

Issue Information

Overall Status

Open

Risk Rating

1

Escalation Level

Owner

Implementation Deadline

20 October 2017 for revision to Admin Guide

Implementation Status

Implemented

Description

Under the provisions of Part 3 of The Assembly Members (Salaries and Expenses) Determination (Northern Ireland) 2016, Members are entitled to receive 2 types of annual travel allowance: the Constituency Travel Allowance (CTA) and the Assembly Travel Allowance (ATA).

The Administrative Guide states that Members must submit an AT1 form at year end to confirm they have met mandatory attendance levels in order to be eligible for ATA, which is paid monthly through NIA payroll.

AT1 forms were not held on 3 of the 22 Members files tested, all of whom are now ex-members. Testing confirmed that all 3 Members received their full ATA 16/17 year entitlement without submitting the AT1 form.

Internal Audit is not satisfied that there are effective controls operating over the issue of AT1 forms, or deadlines set for their receipt in order for NIA to confirm compliance with the 2016 Determination.

Risk/Impact

Risk of non-compliance with 2016 Determination

Reputational risk to Northern Ireland Assembly

Financial losses incurred

Irregular expenditure



Recommendation

Internal Audit recommends that management seek immediate and full recovery of non-compliant expenditure of ATA to 3 ex-Members as appropriate under the provisions of paragraph 43 of the 2016 Determination.

It is further recommended that management ensure that all relevant staff are aware of the agreed procedure to be followed for the issue and receipt of all forms required to demonstrate compliance with the 2016 Determination.

Management Response

First recommendation - this is no longer required as all AT1 forms have been received.

Accepted (second recommendation). Finance Office staff have been reminded that the Admin Guide has been updated to ensure that attendance records are submitted annually to support the declaration that is made at the end of each financial year.

