

Item: 6.1

Monitoring and Audit Committee: 17 February 2022.

Internal Audit Report.

Scottish Parliamentary Election – Election Expenses Return.

Report by Chief Internal Auditor.

1. Purpose of Report

To consider internal audit on procedures and controls relating to expenses for the Scottish Parliamentary Election held in May 2021.

2. Recommendations

The Committee is invited to note:

2.1.

That Internal Audit has undertaken an audit of processes and controls relating to the election expenses return for the Scottish Parliamentary Election held in May 2021.

2.2.

The findings contained in the internal audit report, attached as Appendix 1 to this report, relating to processes and controls relating to expenses for the Scottish Parliamentary Election held in May 2021.

It is recommended:

2.3.

That the Committee review the audit findings to obtain assurance that action has been taken or agreed where necessary.

3. Background

3.1.

Following each Scottish Parliamentary Election, the Council is required to complete an election expenses return for the Scottish Government Elections Team.

3.2.

The objective of this audit was to confirm that the amount claimed within the election expenses return was in accordance with the requirements of the election expenses guidance and that amounts claimed are supported by appropriate documentation.

4. Audit Findings

4.1.

The audit provides substantial assurance that the processes and procedures relating to the election expenses return are well controlled and managed.

4.2.

The internal audit report, attached as Appendix 1 to this report, includes one medium and one low priority recommendation within the action plan. There are no high-level recommendations made as a result of this audit.

4.3.

The Committee is invited to review the audit findings to obtain assurance that action has been taken or agreed where necessary.

5. Corporate Governance

This report relates to the Council complying with governance and scrutiny and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

6. Financial Implications

There are no financial implications associated directly with the recommendations in this report.

7. Legal Aspects

Complying with recommendations made by the internal auditors helps the Council meet its statutory obligations to secure best value.

8. Contact Officers

Andrew Paterson, Chief Internal Auditor, extension 2107, email andrew.paterson@orkney.gov.uk.

Peter Thomas, Internal Auditor, extension 2135, email peter.thomas@orkney.gov.uk.

9. Appendix

Appendix 1: Internal Audit Report: Scottish Parliamentary Election 2021 – Election Expenses Return.



Internal Audit

Audit Report

Scottish Parliamentary Election 2021 – Election Expenses Return

Draft issue date: 27 October 2021

Final issue date: 12 November 2021

Distribution list:	Head of Executive Support Business/Election Manager Interim Head of Finance
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Audit Opinion

Based on our findings in this review we have given the following audit opinion.

Substantial

The framework of governance, risk management and control were found to be comprehensive and effective.

A key to our audit opinions is shown at the end of this report.

Executive Summary

This audit reviewed the Returning Officer's expenses claim forms for the Scottish Parliamentary Election which was held on 6 May 2021 to ensure the amounts claimed are in accordance with the election expenses guidance from the Scottish Government Election Team.

Our review provides substantial assurance that controls are in place and operating well for the completion of this return.

Several areas of good practice were identified during the audit including:

- The types of expenses being claimed are in accordance with the guidance from the Election Team.
- Evidence is retained to support the items of expenditure which are referenced in the claim form spreadsheets.
- The claim being made by the Council is comprehensive of all expenses incurred in the course of conducting the Scottish Parliamentary Election.
- The file containing the supporting evidence is well structured.

There are two audit recommendations as a result of our review, their respective priorities are shown in the table below.

Responsible officers will be required to update progress on the agreed actions via Pentana Risk.

Total	High	Medium	Low
2	0	1	1

The assistance provided by officers contacted during this audit is gratefully acknowledged.

Introduction

Following each Scottish Parliamentary Election, the Council is required to complete election expenses return for the Scottish Government Elections Team.

The election expenses return includes all allowable expenditure incurred by the Council in relation to the running of the election. Each local authority within Scotland is provided with a maximum recoverable total amount. Orkney's maximum recoverable amount was £71,945, the total amount claimed exceeded this by £7,939.

The primary reason for the overspend was due to Coronavirus costs. For this election the main arena at the Pickaquoy Centre was used to create a safe environment during the pandemic. Protective screens and a one-way system with pull out barriers was deployed to create a safe system for both voters and Staff. Several positive comments were made by electors to Election Marshalls regarding the safety arrangements put in place.

The main arena was also used for the count to accommodate social distancing requirements.

The consequence of exceeding the maximum recoverable total amount is that the claim will now be subject to full scrutiny by the Scottish Government and all supporting documentation in respect of all expenditure will need to be submitted with the claim.

Internal Audit has carried out checks on the election expenses return for the election held on 6 May 2021 to confirm the accuracy of the amounts claimed and to provide an opinion on the balance shown.

This review was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

Audit Scope

The scope of this audit was to examine the election expenses claimed and to verify the balances within the return. The objective of the audit was to confirm the following:

- The amounts claimed within the election expenses return are in accordance with the requirements of the election expenses guidance.
- The Summary of Accounts form correctly picks up the totals from the forms within the workbook to give the overall total amount claimed.
- The values within the claim subsections can be verified to the supporting spreadsheets.
- All amounts detailed in the spreadsheets have a voucher as supporting documentation.
- That vouchers are authorised appropriately, and supplier invoices are provided where appropriate as supporting documentation.
- That the return is comprehensive for election expenditure to be reclaimed.

Audit Findings

1.0 Claim form and Documentation

1.1. This review has confirmed that the requirements of the election expenses guidance have been met and all amounts being claimed agree to the supporting documentation.

2.0 Internal Records

2.1. Three supplier invoices for election expenditure were coded to cost centres relating to Council business rather than the election expenses code centre. The total of these three invoices, which were across two financial years, was £10,107 inclusive of VAT.

2.2. Controls should be put in place, including guidance given to staff coding invoices, so that election expenses should only be accounted for within the election expenses cost centre and not those recording Council expenditure.

Recommendation 1

2.3. Where VAT has been charged relating to election expenditure, the VAT inclusive amount has been included within the claim. This method is correct because the business relates to activity of the Scottish Government not the business of the Council. However, the same VAT amounts have been processed through the VAT claim returns of the Council. The total amount of this VAT is below the threshold that would requiring separate notification to HMRC and so a correction may be made within a future VAT return.

2.4. Controls should be put in place, including guidance given to staff processing election expenditure invoices, so that VAT on business relating to election expenditure, and not relating to the business of the Council, should be treated as outside the scope of VAT by the Council.

Recommendation 2

Conclusion

Audit testing has confirmed that the balance shown in the Summary of Accounts for the Scottish Parliamentary Election 2021 is correct. There are two recommendations required from this review both of which relate to internal records.

Action Plan

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
<p>1) Controls should be put in place, including guidance given to staff coding invoices, so that election expenses should only be accounted for within the election expenses cost centre.</p>	Low	<p>Additional expenditure incurred was due to additional equipment required to ensure we provided a safe environment for voters and staff during the pandemic. Some of these costs were therefore initially coded to the Emergency code set up for Covid expenditure.</p> <p>A journal will be done to transfer these costs over to the Scottish Parliamentary Election code.</p>	Business / Elections Manager	28 October 2021
<p>2 Controls should be put in place, including guidance given to staff processing election expenditure invoices, so that VAT on business relating to election expenditure, is treated as outside the scope of VAT by the Council.</p>	Medium	<p>Guidance will be obtained from Payments Manager as to the correct coding of VAT on any future invoices to ensure that the VAT is treated as outside the scope of VAT by the Council.</p> <p>A journal will be done to transfer any VAT on the Election invoices back into the Election code.</p>	Business / Elections Manager	28 October 2021

Key to Opinion

Audit Opinion

Opinion	Definition
Substantial	The framework of governance, risk management and control were found to be comprehensive and effective.
Adequate	Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Recommendations

Priority	Definition	Action Required
High	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Low	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.