

City of Port Phillip

Assessment of Councillor Childcare Expenses

Internal Audit Report

(Extract of relevant body of report)

CONFIDENTIAL

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Background

As a result of allegations made publicly through the media as to the validity of a Councillor's child care claims and associated Freedom of Information (FOI) request, we have undertaken a detailed assessment of all childcare claims for council childcare centre and private carer submitted by the nominated Councillor for reimbursement during the period 1 July 2018 to 29 February 2020 to ascertain validity and adherence to Council Policy.

There was public interest and media attention after the release of the City of Port Phillip (COPP) 2018/19 Annual Report which disclosed childcare reimbursement claims of \$17,583 made by a Councillor.

The following table summarises childcare expenses claimed by the Councillor relating to the three financial years. For each childcare session claimed, there was often one or more scheduled events in the Councillor's calendar.

Financial year that childcare expenses relate to	Childcare Type	\$	Number of childcare sessions	Number of childcare hours	Number of events in Councillors calendar for which childcare sessions claimed
7 March 2018 – 30 June 2018 (claimed in 2018/19 year)	Private childcare	5,280	33	152	103
1 July 2018 – 30 June 2019	Private childcare	11,183	93	319	215
1 July 2018 – 30 June 2019	Council childcare centre	1,120	14*	140	125
	2018/19 Total	17,583	140	611	444
1 July 2019 – 29 February 2020 (includes \$875 relating to 2018/19 claimed in 2019/20)	Private childcare	2,972	27	87	35

*comprises 14 Wednesdays when the Councillor attended events/meetings at Council offices all day.

A Freedom of Information (FOI) request relating to the childcare claims for the Councillor was made to the Council in late 2019. The FOI request brought to the attention of the Council that there were two particular instances, the 13th and 14th March 2019 where the Councillor's child was listed as being registered to attend a Council childcare centre and also private carer reimbursements were made for the same time period (i.e. during the day).

For these two instances, the Councillor advised Council and the responses were summarised in the Audit and Risk Committee report of 12th March 2020 that:

- for the 13th March 2019, there was an administrative error on the private carer invoice and the four hours claimed was for services provided in the evening not during the day. The Councillor was confirmed by Council staff as attending an evening Council briefing on that date.
- for the 14th March 2019, the child attended the Council operated childcare centre briefly and was sent home due to illness, when a private carer was engaged.

For each of the days above, there was only one claim, being for a private carer. While the Councillor believed these reimbursements were valid, he refunded (Councillor advised voluntarily) the \$245 reimbursement to the Council for the 13th and 14th March 2019 on 28 April 2020.

Scope and Work Performed

In relation to the Councillor who was the subject of the allegations and FOI request, we assessed the validity of all childcare expense claims submitted by the Councillor during the period 1 July 2018 - 29th February 2020. This included expenses relating to 2017/18 which were submitted in 2018/19.

Our internal audit included childcare claims for both Private care and the Council childcare centre.

Work Performed

We undertook the following procedures:

- Evaluated media articles, media interviews and any public comments made by other Councillors, third parties or the Councillor under review in relation to these claims;
- Interviewed the staff responsible for processing and approving the Councillor expense claims to assess the process of claim reimbursements;
- For each childcare claim for the nominated period, we:
 - mapped descriptions provided on the invoice of the childcare provider to the calendar entries in the Councillor's official calendar (Outlook) to confirm existence of the Council event;
 - assessed attendance by the Councillor at the Council events, by review of minutes of meeting where available, or obtaining confirmation from Council staff or external authorities holding these events; and
 - assessed payments made by the Councillor to the respective childcare provider for the invoices submitted by them.
- Assessed existence of any duplicate claims for the same day;
- Assessed, to the extent possible, if there is any familial relationship between the Councillor or their partner, and the private care provider by:
 - Conducting desktop searches of social media and internet registers; and
 - Conducting ABN registry and individual ASIC directorship searches for the private care providers engaged by the Councillor; and also for the Councillor and their partner.
- Conducted keyword searches on an archived copy of the Councillor's official Council e-mail inbox and sent items which covered the period from 1 July 2018 to 14 May 2020 to identify any unusual communications relating to childcare arrangements or claims;
- Interviewed the Councillor who submitted the FOI request, and the Councillor who is the subject of the allegations; and
- Assessed the reasonableness of the internal review of the nominated Councillor expenses, performed by the Finance team, as noted in the 12th March 2020 Audit and Risk Committee Report, to identify any required improvements to the process.

Scope Limitations

There are inherent limitations in conducting an independent assessment of expenditure particularly childcare services covering a period of 2 years, some of which include sourcing historical records, being able to confirm if child care services were actually provided, or not, and also difficulties in individuals recollecting historical events and conversations.

This assessment was therefore conducted by reference to available documentation, other information sources and external searches. We were thus limited to the availability of such inputs. Formal attendance records are not always maintained for external events and so confirming attendance by the Councillor at these events required us to rely on Councillor attestation.

In conducting our assessment, we have used data in the Councillor's official council calendar. While we have no reason to question the accuracy of the entries, our scope of work did not include validating all events and durations in the calendar.

The application of some elements of the 2016 Councillor Support and Expense Reimbursement Policy particularly relating to childcare expenses are subject to interpretation by Councillor and Council Officers in relation to some definitions and meanings. This relies on Councillors and Council Officers to apply reasonable judgement and for Council Officers to provide guidance to Councillors in applying the Policy.

Conclusion

The claim for services provided by the Council childcare centre represents \$1,120 over the three years and was based on the child attending the centre for 14 Wednesdays in 2019 while the Councillor was at the Council offices. We sighted an email advising approval by the Director, CEO's Office that the Councillor was authorised to claim child care expenses on a Wednesday (council day) for the period he is working on Council business. We confirmed childcare centre attendance and payment records for these days and the Councillor's official calendar with councillor events and councillor working sessions during the day. Councillor Office staff also advised us the Councillor attended the Council office for the day during these Wednesdays, which was checked at time of processing the claim.

Our conclusions, per test, summarised below are thus in relation to Private Childcare claims which comprises 153 claimed childcare sessions. We can confirm that all childcare claims submitted by the Councillor were subject to standard council office verification against Policy and approval prior to processing.

Were childcare sessions claimed on childcare invoices for events recorded in the Councillor's official calendar?

- For the 153 claimed child care sessions, we confirmed there was a corresponding event/s in the Councillor's official calendar.

Is childcare invoice date on or after the date of the last childcare session listed on the invoice?

- While we noted two invoices displaying invoice number 001 and dated 3 April 2018 from the same provider, we confirmed the childcare session details on both invoices are in relation to different dates and session times and the second invoice has 'Invoice 002' in the electronic document name. We sighted emails confirming these two invoices were separately emailed by the provider to the Councillor on 16 April 2018 and 4 June 2018, being after the date of the last childcare session listed on the respective invoice.

Did childcare session duration match the calendar event/s duration?

- Although we noted instances where the childcare session duration exceeded the scheduled Council event duration, the 2016 Policy does not provide guidance on additional time that can be claimed in addition to the scheduled Council event duration, to take account of transit time.
- We have therefore used as a guide only, 30 minutes of transit time before and after the event, to identify any instances where childcare session duration exceeds the Council event (s) duration by more than 1 hour.
- Using this basis, there were 20 childcare sessions, where the number of childcare hours claimed was over 1 hour more than the event duration as per the Councillor's calendar. This represents a total of 17 hours after deducting the indicative 1 hour transit time. One of the reasons for the childcare hours exceeding the council event hours is due to a 3 hour minimum charge for five childcare sessions which was disclosed on the provider invoice and approved by the Governance team.

Was childcare claim in relation to attendance at an event which complies with Section 4.2 of the 2016 Policy?

- We were able to independently classify 322 of the 353 claimed events, to a permitted event category in the 2016 Policy. For the remaining 31 events the Councillor has provided a statutory declaration that he attended all these events 'in his capacity as a Councillor to fulfil his duties as a Councillor'. We also confirmed that all 353 events were approved by council officers as permitted events in accordance with the 2016 Policy when processing the childcare claims.

Did Hourly Rate comply with 2016 Policy?

- The hourly rate charged by two private childcare providers was \$30 for 5 sessions and \$35 for 148 sessions with a third provider. The current 2016 Policy specifies that hourly rates are considered reasonable provided they 'do not exceed the maximum hourly rate determined by market price'. While there is no standard market rate, as guidance, the hourly rate cap prescribed for in-home care by the Australian Government childcare subsidy web page is \$33. The rates thus appear reasonable.

Was payment made by the Councillor to the childcare provider for invoices submitted?

- We confirmed that payment for 152 of 153 child care sessions (19 of 20 provider invoices) was made by the Councillor to the child care provider, by sighting online bank payment records of the Councillor. The Councillor could not locate the bank payment record for one invoice dated in 2018 for one childcare session which he advised was made from a bank account now closed. The Councillor has provided a statutory declaration stating this 2018 payment was made to the care provider.

- Contrary to the 2016 Policy, no receipt from the childcare provider, or statutory declaration from the Councillor, as proof of payment was included with the childcare claims submitted by the Councillor. The council officer acknowledged these were not requested from the councillor and the Councillor confirmed with us he was advised by the council officer that invoices were sufficient when lodging childcare claims.
- Due to the nature and timing of childcare services, we are not able to confirm if childcare services were delivered, however we did not identify any information that would indicate childcare services were not provided.

Did councillor attend the event/s for which child care costs were claimed?

We were able to independently verify attendance by the Councillor at 327 of 353 claimed events, although we are unable to confirm the duration of his attendance at all these events. Although we could not obtain independent records to confirm attendance by the Councillor at the remaining 26 events, we have not identified any information to indicate the Councillor did not attend the events. The Councillor has advised he attended the following 24 events (noting the explanation below for the additional 2 events):

- for 20 events, records were not available to confirm the Councillor's attendance. Six of these events related to external agencies for which the Councillor is a Director or Committee member. Three events were the St Kilda Film Festival and the St Kilda Festival. 10 events were community and planning forums, and one event was an internal Council Executive workshop.
- for four events, being two Council briefings and two planning briefings, the standard Council attendance records, normally filed, could not be located by the Councillor's Office or the Governance team.
- for two events, one Council planning meeting was recorded in the Councillor's calendar as cancelled by council officers at short notice and that it was too late to cancel the care provider without incurring the cost. The second event was a Council Fortnightly Planning meeting, where the Councillor decided at short notice after discussion with the CEO not to attend the evening meeting due to events that preceded the Council Planning meeting. The Councillor advised us it was too late to cancel the child care provider. These explanations were not recorded on the childcare claim submitted.

Validity of two alleged claims for private care while child was in attendance at Council childcare centre.

- **13th March 2019**, the Councillor advised us that the private childcare provider invoice states in error that the care was provided during the day, instead of the evening. We confirmed the Councillor attended an evening Council event but were unable to confirm if private childcare was provided and at what times.

The Council childcare centre register records the child in attendance for the full day on 13th March 2019, and the Councillor did not submit a claim for the child care centre cost.

- **14th March 2019**, the Councillor advised us that the child briefly attended the childcare centre in the morning but was then sent home sick and a private carer was required as he had Council events to attend. This statement by the Councillor was based on an attendance record supplied by the Childcare centre to the Councillor in March 2020 (Record Supplied). We confirmed the Councillor attended council events during the day.

The Council childcare centre system attendance record we sighted however indicates, and the childcare centre has confirmed that on the 14th March 2019 the child was signed in at 8.23am and signed out by the parent at 5.56pm.

In undertaking our audit we compared the childcare attendance record that was supplied by the childcare centre to the Councillor in March 2020 (Record Supplied) with the childcare attendance system record (System Record) for that day. The two records were found to be different in that the Record Supplied indicated the child was signed out at 8.32am whereas the System Record indicated the child was signed out at 5.56pm.

The childcare centre has confirmed with us that the Record Supplied was incomplete and should not have been issued, and that the System Record, to the best of their knowledge, is correct. The childcare centre also confirmed that the reason for the sign out at 8.32am was due to a staff error and occurred for all children on the 14 March 2019. The error was corrected at 8.56am with all children, including the Councillor's child, being re-signed back in to the centre.

The Councillor advised the Mayor and CEO by email in April 2020 that he believed the claims for both days in March 2019 were valid, however he refunded (Councillor advised voluntarily) these two claims, being \$245, in good faith.

We have not identified any other instances where a private carer claim was made on the same day when the child was recorded as attending Council childcare.

While our testing addressed the childcare expenses incurred by the Councillor, it is more difficult to independently validate all child care claims as to ..'was it necessary childcareto allow a councillor to fulfil their duties'. Policy can provide guidance but Councillors still need to exercise good judgement in making claim decisions, and also ensuring good documentation and record keeping to substantiate claims.

While public allegations have been made that a private carer is in some way related to the Councillor or his partner, we did not identify any evidence to substantiate this. The Councillor also confirmed the private carers he engaged are not related to the Councillor or his partner, nor resided at his residence. Current Policy stipulates that child care costs are not eligible for reimbursement 'if paid to a person who normally or regularly resides with the Councillor'.

Although not related to this internal audit, the proposed draft 2020 Councillor Support and Expense Reimbursement Policy provides more clarity to Councillors and Council Officers on what constitutes a valid child care claim including an hourly rate cap, clearer guidance on permitted Council events, permitted travel time and criteria for approved care providers, which includes prohibited persons (eg family members, related parties).

Email Assessment - From our keyword searches on the Councillor emails between 1 July 2018 to 14 May 2020 and review of selected email content, we did not identify any unusual communications relating to childcare provider claims or arrangements which would raise doubt as to the validity of childcare claims made.

Internal review of child care claims by Finance team - We have assessed the adequacy of the internal peer review process conducted by the Finance department of the Councillor's childcare claims submitted during the period 1 July 2018 and 30 June 2019 to identify any required improvements. The Finance review focussed mainly on ensuring that each claim had the required documentation and authorisations rather than an 'independent' assessment of the validity of the childcare claims. We have made some recommendations to include additional validation of expenses by reference to other information sources and also verifying that Council checks are actually performed. Refer *1. Internal Finance 'Peer' review of childcare claims* for details.

General Recommendations

In conducting our internal audit, we recommend some improvements to the childcare reimbursement claims process as follows:

- a. Enforce the current 2016 Policy requirement that childcare claims be supported by either receipts from the caregiver or a statutory declaration from the Councillor attesting to the monies paid, and it is for valid purposes.
- b. Reinforce standard procedure with all Councillors requiring that for all reimbursement claims:
 - o all relevant facts surrounding a reimbursement claim must be documented on the claim form and approved by a senior Council officer (eg. cost incurred due to unable to cancel carer at short notice, Council meetings cancelled and cost incurred).
 - o the specific Council event/s must be correctly documented on any childcare provider invoices.
 - o all claim details, supplier invoice details and supporting documentation are verified by the Councillor for accuracy before submitting for processing.
- c. Update standard Council claim processing procedure requiring the:
 - o The Councillor's Office verify attendance by councillors at Councillor events for all relevant reimbursement types; and
 - o Reimbursement claims are approved by a senior Council Officer.
- d. For Childcare claims (particularly relating to childcare claims during the day), implement Council checking process to confirm no duplicate claims are received (ie claim for both a childcare centre and private carer for the same time).
- e. After finalising the new 2020 Councillor Support and Expense Reimbursement Policy, provide a detailed briefing for Councillors and Council staff with relevant scenarios to ensure the Policy intent is understood and that judgement is needed on whether the event being claimed for meets the reasonableness test. Implement signed Councillor acknowledgement of Policy.
- f. Review and update standard procedures and protocols for Council childcare centre generating and issuing Qikkids system attendance reports to include report validation and approval prior to issuing reports.

Agreed Management Actions	Responsibility	Date for completion
a. Agree. Update the Interim Councillor Expenses and Support Policy to include proof of payment documentation for childcare expenses and other supporting documentation required to be eligible to claim. Policy has also been updated to include hourly rate cap, clearer guidance on permitted Council events, permitted travel time and criteria for approved care providers.	Head of Governance	Completed
b. Agree. The Interim Councillor Expenses and Support Policy, endorsed by the current Council, details the standard procedures required for all reimbursement claims and will feature in the Induction process for the new Council (refer e. below)	Head of Governance	Completed
c. Agree. Update and operationalise the standard Claim processing procedure for Councillor expenses to include additional claim validation steps; such as verifying Councillor attendance and requiring that all claims be approved by a Senior Council Officer.	Manager Governance and Organisational Performance	31 October 2020
d. Agree. Update standard Claim processing procedure to include confirming no duplicate claims are received (ie claim for both a childcare centre and private carer for the same time).	Manager Governance and Organisational Performance	31 October 2020
e. Agree. As part of the new Councillor induction process, conduct detailed briefing and education of all Councillors and relevant Council	Manager Governance and	31 December 2020

Agreed Management Actions	Responsibility	Date for completion
<p>staff in relation to ALL elements of the new 2020 Policy for all expenses, and including:</p> <ul style="list-style-type: none"> ▪ obligations on Councillors and Council staff, requirements, expectations and intent of the Policy, including scenarios; ▪ reinforcing Councillor’s obligation that Council funded Myki Cards and any other Council issued cards must only be used for Council business; and ▪ signed acknowledgement from Councillors and Council staff on Policy understanding. 	Organisational Performance	
<p>f. Agree – Amend the standard procedures and protocols for Council childcare centre generating and issuing Qikkids system attendance reports to include manager review to ensure any system errors are detected and remediated, with impacted parties to be notified accordingly.</p>	Manager Family, Youth and Children	30 November 2020

Internal Finance ‘peer’ review of childcare claims

The Audit and Risk Committee Report (March 2020) (section 2.1.9), notes that the CFO undertook a peer review of the childcare reimbursements following public and media interest in the childcare expenses. The ‘peer review’ by Finance mainly included confirming the required documentation existed and whether Council checks were evident, specifically:

- Checking the childcare reimbursement claims submitted for the period 2017/18 and 2018/19 were supported by an invoice;
- Confirming that each claim and supporting invoice was checked and signed by an administration officer against the councillors diary;
- For reimbursement claims submitted for payments made to the childcare centre [REDACTED] – from 9 January 2019 to 30 May 2019 (child started at childcare in January 2019), checks included:
 - Cross checking statement of entitlement and attendance register to the supporting documents submitted by the Councillor to ensure there was no instances of overlap (double claims) between private care and care provided at [REDACTED] centre; and
 - Confirming payments made by the Councillor to the childcare centre [REDACTED] by verifying to account transactions from the child care centre systems.

The Finance review however did not extend to verification of child care expenses using other information sources or validation of council office checks performed such as:

- testing that claims matched the Councillor’s calendar of events;
- events being claimed were authorised Council events in accordance with Policy;
- confirming that the Councillor attended the claimed events; and
- sighting receipts from the child care provider or other proof of payment by the Councillor.

Recommendation

Implement a more robust ‘peer review’ process that requires checking and validation beyond confirming required documentation and evidence of Council checks exist. In relation to the childcare claims peer review above, this would include:

- Confirming child care claims match the Councillor’s calendar entries;
- Events being claimed were authorised events in accordance with the Policy;
- Confirming attendance by the Councillor at the claimed events; and
- Sighting receipts from the child care provider or proof of payment that the expenses were actually incurred by the Councillor.

Agreed Management Actions	Responsibility	Date for completion
<p>Document expected standards of a ‘peer review’ which includes performing checks and validation beyond confirming the required documentation and evidence of existing Council checks have occurred; including:</p> <ul style="list-style-type: none"> ▪ Re-performing selected controls and checks conducted by other Council staff; ▪ Confirming adherence to relevant policies; and ▪ Validation to other and external information sources where relevant. 	<p>Manager Governance and Organisational Performance</p>	<p>31 December 2020</p>