

REPORT TO: Audit and Governance Committee

MEETING DATE: 1 December 2015

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Report – Travel and Subsistence

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Travel and Subsistence.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 A review of Travel and Subsistence was undertaken as part of the audit plan for 2015/16.
- 3.2 The main objective of the audit was to ensure that all payments made in respect of travel and subsistence claims were valid.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

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DATE	16 November 2015

EAST LOTHIAN COUNCIL – INTERNAL AUDIT TRAVEL AND SUBSISTENCE

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the management and administration of travel and subsistence claims was undertaken as part of the Audit Plan for 2015/16. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Detailed guidance is available to employees claiming travel expenses on the Council's intranet.
- For the sample of travel and subsistence claims examined, we found that all claims had been signed by the employee to confirm that expenses incurred were for legitimate business purposes.

1.3 Areas with Scope for Improvement

- The Payroll Section does not maintain an up to date list of authorised signatories and specimen signatures – in some cases, we were unable to verify the validity of the authorised signatories on travel and subsistence claims. *Risk – fraud and irregularity may occur and remain undetected.*
- There is a lack of appropriate guidance in place to assist staff claiming subsistence. *Risk – errors or inconsistencies may occur.*
- In some cases there was a failure to ensure that the information submitted on travel claims was accurate and complete prior to being approved and passed to the Payroll Section for processing. *Risk – over or under payments may occur.*
- For employees claiming excess mileage expenses, we found that in some cases an assessment form had not been fully completed and authorised by an appropriate officer to confirm the employee's entitlement to excess mileage payments. *Risk – fraud and irregularity may occur and remain undetected.*
- The existing checking procedures within the Payroll Section require review – in some cases travel claims had been processed although the claims had not been authorised by a designated officer. In other cases the checking procedures in place had failed to identify input errors on the CHRIS payroll system. *Risk – errors and irregularities may occur and remain undetected.*
- For employees using their own vehicle for Council business, there was a failure to ensure that a valid and appropriate motor insurance certificate was held. *Risk – failure to comply with guidance.*

1.4 Summary

Our review of travel and subsistence claims identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main Audit Report.

Mala Garden
Internal Audit Manager

November 2015

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION	
3.2.1	Management should ensure that all travel claims are submitted to the Payroll Section on the appropriate pro-forma documentation available on the Council's intranet.	Medium	Service Manager – HR and Payroll	Agreed		December 2015	
	The Motorcycle Rates form should be made available on the Council's intranet for completeness.	Low	Payroll Manager	Agreed		November 2015	
3.2.3	Management should ensure that all travel claims are signed by an appropriate authorised signatory prior to being submitted to the Payroll Section for processing.	Medium	Service Manager – HR and Payroll	Agreed		December 2015	
	Unauthorised travel claims should not be processed by the Payroll Section.			Payroll Manager		Agreed	November 2015
	An authorised signatory list should be established and distributed to all members of the Payroll Section who have responsibility for checking payroll documents.					Agreed	February 2016

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.3 (cont)	All claims paid at the higher HMRC rate for travel outwith the Lothians should be authorised by the Head of Service prior to being passed to the Payroll Section for processing.	Medium	Service Manager – HR and Payroll	Agreed		December 2015
3.2.4	Management should ensure that all sections of the travel and subsistence claim forms are fully completed prior to being submitted to the Payroll Section for processing.	Medium	Service Manager – HR and Payroll	Agreed		December 2015
3.2.6	<p>Service areas should ensure that appropriate checks are carried out on all travel and subsistence claims, prior to being authorised and submitted to the Payroll Section for processing.</p> <p>The existing checking arrangements in place within the Payroll Section require review to ensure the accuracy and completeness of all travel and subsistence claims input to the CHRIS payroll system.</p> <p>For over or under payments identified, Management should ensure that the appropriate amounts are either paid to or recovered from the employee.</p>	Medium	<p>Service Manager – HR and Payroll</p> <p>Payroll Manager</p>	<p>Agreed</p> <p>Agreed – to be reviewed.</p> <p>Agreed</p>		<p>December 2015</p> <p>December 2015</p> <p>November 2015</p>

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.7	Management should ensure that employees using their own vehicle for Council business submit a valid and appropriate motor insurance certificate to the Payroll Section on an annual basis.	Medium	Payroll Manager/ Service Manager – Transport	Agreed		April 2016
3.2.8	<p>Management should ensure that adequate documentation is held to support entitlement to excess mileage payments – an assessment form should be fully completed and authorised by an appropriate officer.</p> <p>Service areas should ensure that all appropriate checks are carried out on excess mileage claims, prior to being authorised and submitted to the Payroll Section for processing.</p> <p>The existing checking arrangements in place within the Payroll Section require review to ensure the accuracy and completeness of all excess mileage claims input to the CHRIS payroll system.</p>	Medium	<p>Payroll Manager</p> <p>Service Manager – HR and Payroll</p> <p>Payroll Manager</p>	<p>Agreed</p> <p>Agreed</p> <p>Agreed – to be reviewed.</p>		<p>December 2015</p> <p>December 2015</p> <p>December 2015</p>

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.8 (cont)	For over or under payments identified, Management should ensure that the appropriate amounts are either paid to or recovered from the employee.	Medium	Payroll Manager	Agreed		November 2015
3.2.9	Management should ensure that appropriate guidance is in place to allow a consistent approach to be applied to subsistence payments. Management should review the existing arrangements in place for subsistence claims to ensure compliance with HMRC guidance in respect of tax and National Insurance.	Medium	Service Manager – HR and Payroll/ Payroll Manager	Agreed Agreed		February 2016 January 2016

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.