

# ARGYLL & BUTE COUNCIL

## Internal Audit Section

### INTERNAL AUDIT REPORT

<b>CUSTOMER DEPARTMENT</b>	<b>CROSS CUTTING</b>
<b>AUDIT DESCRIPTION</b>	<b>RISK BASED AUDIT</b>
<b>AUDIT TITLE</b>	<b>REVIEW OF TRAVEL &amp; SUBSISTENCE 2017/18</b>
<b>AUDIT DATE</b>	<b>AUGUST 2017</b>

**2017/2018**



## 1. BACKGROUND

This report has been prepared as part of 2017/18 risk based Internal Audit Annual Plan and has been conducted in accordance with relevant auditing standards. The report is based on discussions with key personnel and information available at the time of the Audit.

The Council will reimburse travel and subsistence claims where employees and Councillors incur reasonable expenditure in the course of official Council business. Staff claims can be submitted via the Council's electronic system My View; My View is an online portal where claims can be submitted and then authorised electronically before being passed to Creditors for payment. For employees who do not have access to the MyView system, claims can be submitted manually using standard claim forms which are available on the Council's intranet site (HUB). Both system and manual claims are passed to Improvement & HR for payment via the Resourcelink System.

Councillors are required to complete a standard form for reimbursement of travel, subsistence and expense costs. The forms are available on the HUB or are available from Members Services.

For financial year 2016/17 there were approximately 40,000 individual travel claims and 18,000 travel related expense claims processed. Travel related expense claims include expenditure on subsistence and other travel related expenditure such as ferry fares and accommodation not purchased via the purchasing team.

## 2. AUDIT SCOPE AND OBJECTIVES

The objective of the audit was to assess the adequacy of the arrangements in place for the processing and payment of travel and subsistence claims. Internal audit reviewed processes and procedures in place and selected samples of staff and member manual/paper claims to test that the authorisation and controls in relation to both system and manual claims are operating effectively in practice.

The following control areas were reviewed as part of the audit process:

<b>Control Objective</b>	<b>Control Objective Assessment</b>
Authority - Roles and delegated responsibilities are documented in policies and procedures and are operating well in practice	Substantial: Officers are aware of roles and responsibilities and these are operating well in practice. Documented procedure notes are available

	on the Council's intranet site, however it was noted that some of the information contained within these notes is outdated.
Occurrence - Sufficient supporting information/data exists to evidence compliance with policies & procedures and to support claims where necessary	Substantial: From the samples selected, supporting documentation was available to support expenses paid (where relevant).
Completeness - Claims submitted are complete as per council policy and appropriate supporting documentation is available	Substantial: Claim forms were available for each manual claim in the sample selected and were signed by both the claimant and appropriately authorised. It was noted that paper forms were not always completed in full and were being authorised without the 'total claim' value being completed.
Measurement - Payments are made in line with approved rates and/or receipted expenditure	Limited: VAT is automatically calculated on mileage claims paid, however the submission of VAT receipts with mileage claims is not currently mandatory. From a sample of 49 paper staff/member claims only 7 had provided fuel VAT receipts as back up.
Timeliness - Submissions are made on a timely basis and policies and procedures are regularly reviewed and updated as necessary	Substantial: Generally, claims were submitted and authorised on a timely basis in line with stipulated deadlines. All claims in the sample selected were paid in the pay run following the submission of claim.
Regularity - Information/data is stored in line with the data retention policy and access is secure and limited to appropriate personnel	Substantial: Current records and supporting documentation reviewed were complete and accurate. Records were held securely and appropriate access and authorisation controls were in place.

### 3. RISKS CONSIDERED

SRR – RISK 08: Reputation

SRR – RISK 10: Finance – Expenditure

ORR - SF02: Failure to ensure Financial and Management controls are operating effectively

Audit Risk: Appropriate internal and/or system controls are not in place, resulting in misappropriation, error or loss

### 4. AUDIT OPINION

The level of assurance given for this report is Substantial.

Level of Assurance	Reason for the level of Assurance given
<b>High</b>	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with. A sound system of control is in place designed to achieve the system objectives and the controls are being consistently applied.
<b>Substantial</b>	Internal Control, Governance and management of risk is sound, however, there are minor areas of weakness which put some system objectives at risk and where specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
<b>Reasonable</b>	Internal Control, Governance and management of risk are broadly reliable, however although not displaying a general trend there are a number of areas of concern which have been identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.
<b>Limited</b>	Internal Control, Governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.

<b>No Assurance</b>	Internal Control, Governance and management of risk is poor, significant residual risk exists and/ or significant non-compliance with basic controls leaves the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.
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This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as High, Medium or Low. The definitions of each classification are set out below:-

<p><b>High</b> - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;</p> <p><b>Medium</b> - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;</p> <p><b>Low</b> - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.</p>
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## 5. FINDINGS

The following findings were generated by the audit:

### Policies & Procedures

- Documented guidance notes are available for members, staff and managers on the Council’s intranet site. It was noted that these guidance notes included outdated information.

## **Authorisation**

- Generally, claims sampled were submitted and authorised on a timely basis in line with stipulated deadlines. All claims in the sample selected were paid in the pay run following the submission of claim.
- Each of the claims in the sample reviewed was appropriately authorised. It was noted that paper forms were not always completed in full and were being authorised without the 'total claim' amount being completed. This resulted in creditors having to calculate total claim amount and complete form following authorisation.
- A control is in place and referred to within the Financial Regulations whereby claims older than 6 months old should have the express approval of the Executive Director prior to payment. There is a process in place for paper claims by which a member of the creditors' team checks claims for appropriate Executive Director approval and claim will not be paid until approved appropriately. A control weakness was identified in respect of the system process where arrangements do not reflect financial regulation requirements.

## **Supporting documentation**

### **Expense Claims**

- From the samples selected, supporting documentation was available to support expenses paid (where relevant). It was noted that the current process allows for payment of system claims prior to receipts being forwarded to creditors and on occasion the receipt is not received by Creditors following payment.
- It was noted that the new MyView module will require a receipt to be attached (for expense claims) prior to passing to authoriser. This should reduce the risk of un-receipted expenditure.

### **Mileage Claims**

- The submission of fuel receipts with mileage claims is not currently mandatory. From a sample of 49 paper staff/member claims only 7 had provided fuel VAT receipts as back up.
- For system claims, claimants are required to tick the VAT receipt box to ensure the correct rate of VAT is charged. A member of the Creditors team is required to manually go into the system and select the VAT box where this has not been selected by the claimant. This is not always actioned prior to payment meaning that the incorrect rate of VAT is calculated. From a sample of 22 system mileage claims only 8 had selected the VAT receipt box.

### Observations

We have also highlighted to management the following observation(s) which have been identified during the review. Although not included in the scope the matter was brought to auditor attention during the audit and either indicates a potential risk exposure and /or could be considered as a matter of good practice and therefore noted for information and completeness:

- It was noted that paper claims are being submitted by employees who have access to submit claims via the MyView system. Going forward, management should consider promoting the use of MyView where possible in order to reduce the manual intervention associated with manual claim forms.

### **6. CONCLUSION**

This audit has provided a Substantial level of assurance as internal control, governance and the management of risk is sound; however there are minor areas of weakness which put some system objectives at risk. There were a number of findings identified as part of the audit and these, together with agreed management actions, are set out in the attached action plan. There were 2 actions which will be reported to the Audit Committee. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

Thanks are due to staff and management for their co-operation and assistance during the Audit and the preparation of the report and action plan.

**APPENDIX 1 ACTION PLAN**

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
<b>1. VAT on mileage claims</b>		<b>High/ Medium</b>		
The system is miscalculating VAT on mileage claims where claimants do not select VAT receipt box.	Failure to ensure VAT is calculated correctly may lead to incorrect VAT reporting resulting in penalties and fines from HMRC.	High	The Development Officer to investigate the possibility to make the VAT fuel receipt field mandatory in the system.	<b>Development Officer, Customer Services</b>  <b>30 November 2017</b>
<b>2. Completion of Manual claim forms</b>				
Paper claim forms were not always completed in full and were authorised without the 'total claim' amount being completed.	Failure to ensure claim forms are completed in full prior to signing may lead to authorised amount being unclear resulting in loss or error.	Medium	Claimants and authorisers will be reminded to complete claim forms in full prior to passing to Creditors for processing.	<b>Creditors Supervisor</b>  <b>30 September 2017</b>





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