

Item: 8.3

Monitoring and Audit Committee: 9 June 2022.

Internal Audit Report: Staff Travel and Expenses.

Report by Chief Internal Auditor.

1. Purpose of Report

To consider the internal audit on procedures and controls relating to staff travel and expenses.

2. Recommendations

The Committee is invited to note:

2.1.

That Internal Audit has undertaken an audit of procedures and controls relating to staff travel and expenses.

2.2.

The findings contained in the internal audit report, attached as Appendix 1 to this report, concerning the procedures and controls relating to staff travel and expenses.

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.

Travel and accommodation costs are incurred by the Council where a journey by officers is necessary to carry out official business. Out of Orkney travel and accommodation for staff is arranged centrally to keep expenses to the minimum taking account of business needs.

3.2.

The Council processes expenses claims electronically, using a model within its accounting software system, Integra2.

3.3.

The objective of this audit was to confirm that travel and accommodation is in accordance with Council policy, properly approved, receipted, accurate, complete and within required timeframes.

4. Audit Findings

4.1.

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

4.2.

The internal audit report, attached as Appendix 1 to this report, includes five low priority recommendations within the action plan. There are no high or medium 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: Staff Travel and Expenses.



Internal Audit

Audit Report

Staff Travel and Expenses

Draft issue date: 27 April 2022

Final issue date: 20 May 2022

Distribution list:	<p>Payments Manager</p> <p>Interim Head of Finance</p> <p>Corporate Director for Strategy, Performance and Business Solutions</p> <p>Corporate Director for Enterprise and Sustainable Regeneration</p>
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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 and level of recommendations is shown at the end of this report.

Executive Summary

Our review of the system of internal controls in place over the booking of travel and accommodation and the completion, processing, and payment of Officer expenses are operating effectively with several areas of good practice evident. For example:

- The implementation of the Integra2 software module to automate processing of expense claims.
- Good guidance notes have been developed and are available to staff for the usage of the Integra2 expenses module.
- A central booking process for approval for out of Orkney travel, accommodation and subsistence costs.
- All expenditure claims being subjected to checks and authorisation.
- A template comparison for out of Orkney cost of flights to other methods of transportation.

The report includes 5 recommendations which have arisen from the audit. The number and priority of the recommendations are set out in the table below. The priority headings assist management in assessing the significance of the issues raised.

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

Total	High	Medium	Low
5	0	0	5

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

Introduction

Travel and accommodation costs are incurred by the Council where a journey is necessary in carrying out official business by officers.

The Council plans out of Orkney travel and expenditure arrangements for staff centrally, with the aim of keeping total expenses to the minimum taking account of business needs.

Staff may also be reimbursed expenses when they incur additional and necessary expenditure in carrying out official business.

The Council processes expenses claims electronically, using a model within its accounting software system, Integra2.

This review was conducted in conformance with the Public Sector Internal Audit Standards.

Audit Scope

The scope of this audit includes a review of the following:

1. That travel and accommodation is carried out in accordance with Council policy.
2. That the requirement for travel and accommodation is recorded and approved by an authorising Officer, in advance of it taking place.
3. That the most efficient, economic, and environmentally sound means of travel is chosen, considering all costs, and circumstances, including subsistence costs and Officer time.
4. That expenses are reimbursed only where additional expense is necessary and actually incurred in carrying out official business.
5. That all expenses are approved by an authorising officer and as far as practical in advance of any expenditure.
6. That all expenses are receipted, and VAT recovered as far as practical.
7. That the accuracy and completeness of all expenses are checked.
8. That expense claim forms are submitted by Officers within required timeframes.
9. That expenses are reported to HMRC by P11D listing where required to do so.

Audit Findings

1.0 Policy and Procedures.

- 1.1. The Council's current Travel Policy is dated 11 October 2018. The Policy states that it should be reviewed every three years.
- 1.2. The Current version of the Council's Travel Policy was written pre pandemic. A particular area of the Travel Policy that may be considered within the review is the usage of remote meeting solutions. Currently the Council's Travel Policy requires Officers "to check the availability of and consider attending meetings via video conferencing or tele conference before making any travel request". With the growth in usage of Microsoft Teams, potentially there may need to be a business case made and approved to incur travel and subsistence costs where remote attendance is an available option.
- 1.3. At the time of this report the Council was in the process of considering post covid working arrangements for staff. Once the Council determines the post pandemic working arrangements for staff, clarity should be provided around claiming mileage allowances from the place of work, should working from home be an option provided to staff. This may potentially have a consequence to the car insurance cover required to be held by staff.
- 1.4. The Council's Travel Policy should therefore be reviewed.

Recommendation 1

- 1.5. The Council's current Travel Guidance Document is dated 11 January 2019.
- 1.6. Prior to the travel guidance document there was a de facto practice in the Council that relevant staff received memos to clarify and detail the travel policy and the updating of rates.
- 1.7. Many of these memos are not included or referred to within the Council's travel guidance document. It is therefore not clear whether many of these remain in use or not. The memos are paper documents and so may not have been retained by staff making or approving expenditure claims within the Council.
- 1.8. One example of this relates to day subsistence rates and specifically the time periods over which the Council allows, breakfast, lunch, tea or dinner allowances to be taken.
- 1.9. Another example would be to update guidance notes to the place that business mileage may be claimed to or from should it become allowable for staff to continue to work from home post lockdown.
- 1.10. The Council's current policy and travel guidance relates in the main to out of Orkney travel. Whilst this has been effective in managing out of Orkney expenditure, detailed guidance is also needed for travel and subsistence costs within Orkney.
- 1.11. Together with the Council's policy, its current travel guidance document should therefore be reviewed to provide further clarity, for example clarity over when subsistence allowances detailed at 1.8 can be claimed.

Recommendation 2

- 1.12. It should be considered whether the Council's Sharepoint portal could facilitate the Council's travel guidance being more dynamic to rates and matters of clarity.

Recommendation 3

- 1.13. VAT charged on the fuel element of mileage claims is potentially recoverable from HMRC providing all the conditions for reclaim are met.
- 1.14. The VAT element on fuel for each mile allowance of 45 pence per mile equates to 2.2 pence or just under 5%.
- 1.15. Taking mileage claims made through the Council during the 2021 to 2022 financial year the potential VAT recoverable would be £12,320 over all mileage claims.
- 1.16. The Council does not attempt to recover VAT on the fuel element within mileage claims. The practice within the Council generally has been that fuel receipts are not submitted with mileage claims.
- 1.17. The Council's Travel Policy requires actual and itemised receipts to be provided in respect of any item of expenditure incurred and subsequently claimed on official Council business. Strictly speaking, the policy does not allow exception for mileage reclaims. However, collating VAT fuel receipts for all mileage reclaims is administratively burdensome and therefore would incur additional cost if this were to be done.
- 1.18. It is therefore recommended that the Council considers the cost effectiveness should processes change for VAT on the fuel element of car mileage to be recovered where allowable. It is anticipated that the main cost of this activity would be in collecting and ensuring valid VAT receipts for each mileage claim.

Recommendation 4

- 1.19. All expense claims reviewed during the audit were signed by the officer making the claim, either on a hard copy document or on the electronic system.
- 1.20. All expenditure claims reviewed were subjected to a process of suitable checks carried out by another Officer and then approved by a further Officer.
- 1.21. When expense claims are entered directly onto Integra, the employee is required to complete the Council's standard declaration. In some instances, the process is that the employee completes a paper form which is sent to an administrator who then checks the claim and adds the values to an electronic document. This electronic document is digitally uploaded onto the expenses ledger within integra. Some of the forms in use within the Council do not include the standard declaration that the claimant is certifying, inter alia, that the claim relates to approved official duties and was of benefit to the Council, that they were actually incurred and reimbursement will not be received from any other person or body and if mileage the claimant certifies that they hold a driving licence and that their motor insurance covers use of the vehicle for Council purposes.
- 1.22. The Council's standard declaration should be included on all expense claim templates in use within the Council.

Recommendation 5

Action Plan

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
1) The Council's Travel Policy should be reviewed.	Low	Agreed – the Council's Travel Policy will be reviewed.	Corporate Director of Strategy, Performance and Business Solutions	31/03/23
2) The Council's current travel guidance document should be reviewed.	Low	Agreed – the Council's current travel guidance document will be reviewed.	Corporate Director of Strategy, Performance and Business Solutions	31/03/23
3) It should be considered whether the Council's Sharepoint portal could facilitate the Council's travel guidance being more dynamic to rates and matters of clarity.	Low	Agreed – consideration will be given to using the portal to facilitate the access to current travel guidance.	Corporate Director of Strategy, Performance and Business Solutions	31/03/23
4) The Council should consider the viability of recovering the VAT for the fuel element of mileage reclaims.	Low	A review will be carried out of the HMRC guidance and the practicalities of reclaiming VAT as detailed.	Payments Manager	31/12/2022
5) The Council's standard declaration should be included on all expense claim templates in use within the Council.	Low	Agreed – the Council's standard declaration will be included on all expense claim templates.	Corporate Director of Strategy, Performance and Business Solutions	31/03/23.

Key to Opinion and Priorities

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.