



ORKNEY
ISLANDS COUNCIL

INTERNAL AUDIT

Resettlement Allowances Scheme

Audit Report

2014/15

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Distribution :

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EXECUTIVE SUMMARY

- The Resettlement Allowances Scheme is the system through which payments can be made to employees who have had to relocate in order to take up a post with the Council. The Scheme is an important element of the Council's recruitment process and must be applied fairly and correctly across all Council services. The Scheme sets out the allowances which can be paid to employees under different cost headings and the conditions attached to the allowances approved.
- The audit focussed on the commitments and payments that have been made under the Scheme over a 15 month period.
- The audit found that in general the Scheme is being applied consistently across all services of the Council. The allowances examined were approved and paid in accordance with the Scheme. There was an exception to the Scheme included in the audit testing which was subject to an additional approval process. A further 2 exceptions had been approved at manager level although this is not strictly in accordance with the current policy.
- All resettlement allowances are approved by Human Resources (HR) in writing to the employee setting out the amount and the date by which the payments must be claimed.
- The audit identified several issues which are mainly connected with the current policy which was found to be in need of updating and the lack of a corporate process for monitoring the payments approved.
- The report includes recommendations which have arisen from the audit. The numbers of recommendations are set out in the table below under each of the priority headings. The priority headings assist management in assessing the significance of the issues raised. The report includes 7 recommendations which have been made to address the medium priority issues identified. There were no high priorities identified.
- Responsible officers will be required to update progress on these agreed actions via Aspireview.

Total	High	Medium
7	0	7

- The assistance provided by officers contacted during the course of the audit is gratefully acknowledged.

INTRODUCTION

The Council has in place a Resettlement Allowances Scheme. This Scheme applies in whole or in part to new entrants to the Council's service when the employee has to move home into the County to take up post. Eligibility for each of the allowances is dependent on the circumstances of the particular employee and the post to which they have been appointed. The Scheme normally applies to posts of grade 9 and above although exceptions may be made for posts below this grade which are difficult to recruit to. The maximum total sum which is generally applied is £8,000.

AUDIT SCOPE

The purpose of the audit was to review the commitments and payments that have been made under the Resettlement Allowances Scheme. The specific objectives were to confirm that:-

- Resettlement allowances are being authorised appropriately;
- Payments are being made in accordance with the Scheme conditions; and
- The Scheme is operated in accordance with HM Revenue and Customs guidance.

Audit testing focussed on the period 1 April 2013 to 30 June 2014.

Audit Findings: Medium Priority**1.0 Policy**

- 1.1 The current Resettlement Scheme was approved in 2003. It is out of date and lacks detail on a number of provisions. Many of these are detailed further in this report.
- 1.2 In particular the Scheme should encompass all necessary provisions set out by HM Revenue and Customs including the qualifying and non-qualifying expenditure for tax and NIC purposes. Also, supplementary guidance on temporary appointments and probationary teachers has been issued since the Scheme was approved in 2003 and these should be incorporated into the updated Scheme.
- 1.3 The Resettlement Scheme should be reviewed to include all up to date provisions, then approved and circulated to all relevant staff.
- Recommendation 1**
- 1.4 The maximum total sum which will be reimbursed is £8,000. The Scheme does not detail whether the £8,000 limit for resettlement expenses is inclusive or exclusive of VAT amounts that have been charged on the costs. The limit is currently treated as being amounts exclusive of VAT. Upon investigation of this through the HMRC website it was found that the limit should be inclusive of any VAT charged. This has meant that an employee included in the audit sample was paid more than the £8,000 limit to which they were entitled when taking VAT into account.
- 1.5 The update of the Scheme should specify that the £8000 limit includes the VAT element of any costs being reclaimed.
- Recommendation 2**
- 1.6 It was found that in some cases costs are paid by employees and reclaimed whilst other costs are paid directly by the Council. The Scheme should specify the manner in which costs will be reimbursed. This requires to be clear to ensure that for monitoring purposes there are no costs omitted when determining the total paid.
- Recommendation 3**
- 1.7 The Scheme states that “any employee awarded resettlement allowances will be obliged to remain in the service of the Council for a minimum of three years or refund the allowances paid on a pro rata basis”. The Scheme should include details on the actual calculation that would be done to determine the amount repayable, for example it could be calculated on a multiple month, monthly, weekly, or daily basis, therefore this should be specified. The method of payment should also be detailed, e.g. whether this is via deduction from the final month’s salary payment or invoice.
- Recommendation 4**
- 1.8 A sample of leavers was tested to confirm whether any requirements to refund any resettlement allowance paid had been met. There were no cases identified where repayment was necessary. However, assurance was not obtained that there were procedures in place throughout the Council to ensure that repayment would be requested should it be due. This should be included as part of the employee exit procedures.
- Recommendation 5**

- 1.9 The audit testing identified an employee who had been overpaid due to a processing error which occurred when the claim was paid.
- 1.10 The Payments Section has been made aware of this overpayment and will try to pursue this although the employee's contract has now ended so a forwarding address may not be available.
- 1.11 The procedure to be followed in the event of an overpayment should be included in the Resettlement Scheme.

Recommendation 6

- 1.12 The Scheme does not detail the process for monitoring the allowances paid and who is responsible for this. There are varying systems in place within each Council Service for monitoring payments some of which are not robust. A corporate system should be established for the monitoring of all allowances approved and paid.

Recommendation 7

	Recommendation	Responsible Officer	Management Comments	Agreed Completion Date
	Policy			
1	The Resettlement Scheme should be reviewed to include all up to date provisions, then approved and circulated to all relevant staff. Medium Priority	Head of HR and Performance	The Scheme will be reviewed and updated and will be submitted to the HR Sub Committee for approval.	July 2015
2	The update of the Scheme should specify that the £8000 limit includes the VAT element of any costs being reclaimed. Medium Priority	Head of HR and Performance	This will be included in the update of the Scheme.	July 2015
3	The Scheme should specify the manner in which costs will be reimbursed. Medium Priority	Head of HR and Performance	This will be specified in the update of the Scheme.	July 2015
4	The Scheme should include details on the actual calculation that would be done to determine the amount repayable and the method of payment should also be detailed. Medium Priority	Head of HR and Performance	This will be included in the update of the Scheme. A procedure will also be put in place which will require employees to sign an agreement for their resettlement allowance which will include the method of repayment.	July 2015
5	The repayment of resettlement allowances should be included as part of the employee exit procedures. Medium Priority	Head of HR and Performance	This will be incorporated into employee exit procedures.	July 2015
6	The procedure to be followed in the event of an overpayment should be included in the Resettlement Scheme. Medium Priority	Head of Finance	Although there was an instance of an overpayment discovered during the audit it would not be material enough to warrant inclusion in the Resettlement Scheme. The procedure followed for salary overpayments will be followed where required.	-
7	A corporate system should be established for the monitoring of all allowances approved and paid. Medium Priority	Payments Manager	A system will be established to ensure that all costs can be monitored.	July 2015

Priority	Assessment
High	<ul style="list-style-type: none">• Key control absent or inadequate;• Serious breach of regulations;• Significantly impairs overall system of internal control;• No progress made on implementing control;• Requires urgent management attention.
Medium	<ul style="list-style-type: none">• Element of control is missing or only partial in nature;• Weakness does not impair overall reliability of the system;• Recommendation considered important in contributing towards improvement in internal controls;• Management action required within a reasonable timescale.

Note:

It should be recognised that where recommendations in the action plan are not implemented there may be an increased risk of a control failure. It should be noted however that it is the responsibility of management to determine the extent of the internal control system appropriate to their area of operation.