

TEESDALE DISTRICT COUNCIL

INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

REPORT ON:	Travel & Subsistence
AGREED WITH:	Lauren Sweeting

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Auditor: Graham Jordan
Date Issued: 7/3/2008

1.0 INTRODUCTION

- 1.1 The audit examined the system in place for claiming travelling and subsistence allowances.
- 1.2 The audit work was undertaken during December 2007.
- 1.3 It should be noted that the establishment of adequate control systems is the responsibility of management, and that an internal audit review is conducted on a test basis and cannot therefore review every transaction. Thus, while the implementation of internal audit recommendations can reduce risk, and may lead to the strengthening of these systems of control, responsibility for the management of these risks remains with the service manager.

2.0 EXECUTIVE SUMMARY

The Council does not have an up-to-date formal policy in place for staff Travel & Subsistence. HR recommended a policy to Council in July 2005 but this was not approved. Examples of this include:

- Mileage rates are in accordance with current recommended standard rates
- Previously accepted standard rates of subsistence have not been updated or reinforced and the reasonableness of subsistence claimed is left to individual line managers.
- The policy of Staff having to supply VAT receipts for fuel with mileage claims has not been enforced as no deductions have been made from staff who do not supply receipts. HR initially calculated the requisite deductions and notified DCC to make them but it later transpired that they were not being made.
- The Travel & Subsistence process would benefit from a re-designed claim form.

OPINION

The overall audit opinion of the current systems for Travel & Subsistence is that they are **satisfactory**,

4.0 RISK ASSESSMENT OF WEAKNESSES

Finding Reference	Risk	Probability Score	Probability Commentary	Impact Score	Impact Commentary	Overall Score
3.1	Lack of Travel & Subsistence Policy	Very High	Little likelihood of being in place in near future.	High	The exception policy of no policy becomes the accepted policy with inevitable chaos at some point when a breach occurs and there isn't a formal policy in place for the Council to defend itself with.	20
3.4	Inconsistency on subsistence	High	Will not change until a formal stance is taken.	Medium	Open to criticism by monitoring bodies and adverse publicity if it came to light.	12
3.4	Lack of Internal Check and Control	Medium	The data supplied to Durham County Councils payroll needs to be double checked. Forms are authorised with indiscernible signatures or not at all and there is no means of matching the signatures with who is authorising claims. Similarly, the information coming back has proven to be insufficient to verify to a gross and VAT.	Medium	Errors will continue. Incorrect claims would be paid. Additional work carried out unnecessarily on VAT monthly and at year-end.	9
3.4	VAT investigation	Medium	Inevitable imbalance at year end when accounting for VAT that will be picked up by the Council instead of errant staff.	High	Incorrect accounting for VAT on mileage paid. Although not at a material level could result in a thorough and detailed examination by HMRC.	12

5.0 ACTION PLAN

Recommendation		Ranking	See Para	Management Response	To be actioned by:	
					Name	Date
5.1	A formal up-to-date Travel & Subsistence policy needs to be implemented as soon as possible – or in the first instance at least subsistence rates, mirroring the rates in place for members, ought to be circulated to all staff and introduced with immediate effect.	Essential	3.1	<p>A policy has been written by HR and needs to be taken forward by the Finance section as soon as possible.</p> <p>The HR section would welcome this as it would make the processing of expenses more straightforward and transparent.</p>	Chief Finance Officer	31/7/08
5.2	Management must take a view on the VAT receipts issue and the level of enforcement by HR and/or finance. Similarly, a decision is required as to whether HR/finance need to retrospectively calculate and recover the overpayments from the relevant staff prior to year-end and obtain the individual VAT calculations from DCC each month.	Important	3.4	<p>The HR section will speak to payroll at Durham and add the VAT deduction column back onto the current summary sheet.</p> <p>The Finance section need to make agreements with Durham to actually deduct these amounts.</p>	HR & Improvement Team Leader	31/3/08
5.3	HR need to implement more robust measures on the monthly submission to Durham CC, i.e. saved documents showing the month to which the claims relate, who has inputted the data and who has checked and when – this then becomes the prime document and any subsequent amendments ought to be entered by way of addendum sheets to that document.	Essential	3.1 to 3.11	The HR section will look into a way of signing off the payroll submission each month to ensure that it is checked by two people.	HR & Improvement Team Leader	31/3/08

Recommendation		Ranking	See Para	Management Response	To be actioned by:	
					Name	Date
5.4	<p>The Expenses claim form should be up-dated to encompass some or all of the following:</p> <ul style="list-style-type: none"> • The declaration should be amended to correct the spelling error and to include subsistence and other costs as it currently only relates to mileage. • Have the claimants signature below the declaration • Authoriser's be requested to print their name next to their signature. • Amend the reminder to "include all receipts" to include VAT receipts too. • A reminder to submit the claims monthly • A reference to HR web-notes covering completion guidance, what is/is not claimable, the 3 month rule, deadline dates, etc 	Essential	3.1 to 3.11	We will update the expenses form in line with the recommendations as soon as possible.	HR & Improvement Team Leader	30/6/2008