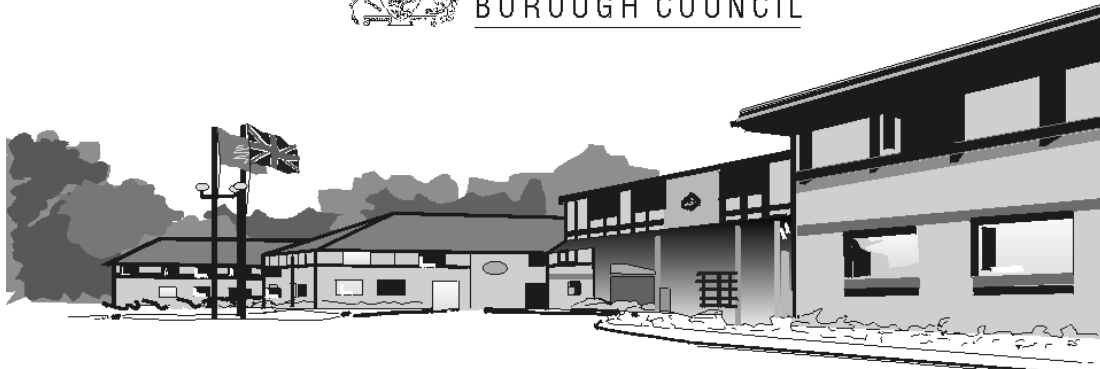




**GEDLING**  
BOROUGH COUNCIL



# INTERNAL AUDIT

# *Report*

2004-2005

## Officers Disbursements

Key Financial System

Chris Ellis

October 2004.

**GEDLING BOROUGH COUNCIL**  
**INTERNAL AUDIT REPORT**  
**KEY FINANCIAL SYSTEM AUDIT**  
**OFFICER DISBURSEMENTS**

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## **1. INTRODUCTION**

- 1.1 An audit of the system for reimbursing Officer Disbursements has been carried out in accordance with the 2004/05 Audit Plan. The audit reviewed the procedures in place for the completion and authorisation of claims by Finance, Housing and Direct Services departments and employees at the Leisure Centres. In addition the audit reviewed the procedures in place for the processing of claims centrally by Finance through the payroll system.
- 1.2 The review established the current procedures and controls in place and evaluated their effectiveness in ensuring the following control objectives were achieved.
- The car loan scheme is properly operated and administered in accordance documented procedures and policies.
  - Subsistence and mileage payments are appropriately supported, authorised, accurately calculated and paid and recorded through the payroll.

## **2. CONDUCT OF AUDIT**

- 2.1 Control matrices were reviewed and expected controls established. Against these were recorded the actual controls and related procedures.
- 2.2 Policies and procedures for the operation of the car loan scheme were established and loans granted in the current financial-year were checked to ensure compliance.
- 2.3 Discussions were held with the departments selected for detailed review and procedures for completing and authorising claim forms were established. Claim forms were sampled and checks carried out to ensure compliance with procedures, effective authorisation and completeness and accuracy of completion. Claims were also checked for accuracy and agreed to amounts paid via the payroll.
- 2.4 Procedures operated by the central Payroll function of Finance were also reviewed to establish if controls existed to ensure that claims were accurately processed into the payroll system in accordance with set timescales.
- 2.5 Additional work was also undertaken to review the basis for awarding essential user status to employees. Likewise review of casual user status was undertaken to ensure value for money was being obtained where high mileages were being undertaken.
- 2.6 The assistance and co-operation of all staff involved in this audit assignment is acknowledged and appreciated.

### **3. EXECUTIVE SUMMARY**

- 3.1 As a result of the work undertaken during the audit, it was concluded that the system for the authorisation of car loans is well controlled. However the controls surrounding the authorisation of Officer disbursements need to be more rigorously applied by departments. The authorisation process also needs to be linked at departmental level to the checking of the validity of licence, insurance and MOT information.
- 3.2 The following specific areas of weakness have been identified and recommendations are made in the following areas:
- Documentation setting out car loan requirements.
  - Claim form completion.
  - Claim form authorisation.
  - Checks on licence, insurance and MOT validity.
- 3.3 It is also felt that there is a need for a review of the application and operation of the essential car user scheme within the Council.
- 3.3 The recommendations made have been based on the review of claims for the departments covered by the audit. The recommendations should be implemented across all departments of the Council.
- 3.4 The Audit Commission Fraud checks for the applicable aspects of Officer disbursements were also reviewed as part of the audit. Specific tests were included within the testing carried out to detect cases of fraud. No such cases were detected.
- 3.5 The recommendations made are considered to relate to findings that represent a low to medium risk to the Council.

## ACTION PLAN

REC (Risk)	RECOMMENDATION	RESPONSIBLE OFFICER	MANAGEMENT COMMENT	IMPLEMENTATION DATE
Prev recs.	It is suggested that Management should consider whether continuing with the existing forms, and the associated reduction in controls, is justified against the cost of reprinting the claim forms at an earlier date.	Head of Finance/Financial Services Manager	HOF agreed to review stocks held and ensure that the revised form is in use from April 2006. Revision to include all amendments identified to date.	By April 2006
5.2.2 Low	It is <b>recommended</b> that the details of the operation of the car loan scheme in Appendix 10 of the employee handbook and those accompanying the application form should be aligned so as to ensure there is no confusion as to the terms and conditions that the loans are made under.	Assistant Accountant Financial Services/Personnel Manager.	Agreed.	April 2005
5.3.2 Med	It is <b>recommended</b> that Finance should write a letter to all Departments to clarify the authorisation process. The letter should include the following. <ul style="list-style-type: none"> <li>• Agreement to Head of Department delegation of claim authorisation as supported by the annual authorised signatories list, subject to approval by the Head of Finance.</li> <li>• The requirement for the supervisor and approval signatures to be independent.</li> <li>• Where no direct supervisor exists, approval by a HOD acceptable.</li> <li>• HOD's to seek approval from another HOD or the Chief Executive/Deputy.</li> </ul> Forms received not complying with the above will be returned to the department.	Head of Finance/Financial Services Manager.	Recommendation agreed as a result of discussion of the draft report.	April 2005
5.3.4 Low	It is <b>recommended</b> that Finance should write and remind all departments of the correct use of the columns on the claim form.	Financial Services Manager.	Agreed	April 2005.
5.3.6 Med	It is <b>recommended</b> that Heads of Department, and persons with delegated approval authority, are provided with lists of Officers in their department who have not presented valid current documents for inspection. Any such officers should have their claims returned to them unsigned until they have presented appropriate documentation.	Heads of Department.	Agreed by head of Finance.	April 2005.

<b>5.3.7 Med</b>	It is <b>recommended</b> that the Assistant Accountant FS initiates a monthly check with departments to confirm that valid documents have been sighted where expiry was due. This will provide assurance for the Head of Finance that all claimants have appropriate valid documents for use on Council business.	Assistant Accountant(FS)	HOF requires Assistant Accountant to maintain a monthly check with departments that valid documents have been sighted where expiry was due.	April 2005.
<b>5.4.2 Med</b>	It is <b>recommended</b> that personnel carry out a review of the essential car user scheme. The review should ensure that current guidelines and best practise are being followed in the operation of this scheme and that the payment of the allowance can be justified in all cases.	Head of Personnel & Organisational Development.	The Head of Personnel & Organisational Development has responded setting out reasons why she felt there was no merit in a review. The HOF feels that a short report setting out the current position should be taken by the HOP&OD to SMT for their view on any further action to be taken.	April 2005.
<b>5.4.4 Low</b>	It is <b>recommended</b> that the policy of limiting casual claimants to reimbursement of the first hundred miles at casual rates, with excess paid at essential rates, is reviewed to ensure there is a sound basis for this and to ensure that NJC conditions are being complied with.	Head of Personnel & Organisational Development.	The Head of Personnel & Organisational Development has responded to the draft report that this was approved by Committee as a local variation to NJC rules. The relevant Committee minute was dated 1989 and related to use of public transport for journeys over 100 miles. HOF feels this policy should be reviewed and Committee opinion sought on its current relevance.	April 2005.