



INTERNAL AUDIT

FINAL REPORT

Title: Officer & Member Disbursements

Report Distribution

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EXECUTIVE SUMMARY

Introduction

By the powers conferred on Local Authorities within the Members' Allowances (England) regulations 2003, Gedling Borough Council has established its scheme of allowances. The scheme may be amended and revised from time to time in accordance with the regulations in force under Section 99 of the Local Government Act 2000 and by the authority's Remuneration panel.

The authority ensures that all employees are made aware of the general terms and conditions under which they are employed. These are provided in the Employee Handbook, which is available to all employees.

The Payroll section processes all allowances, travelling and sundry expense claims. The Assistant Accountant administers the assisted car purchase scheme.

Officers and members are permitted to claim expenses incurred in travelling on council business and any sundry expenses by completing a Travelling & Sundry Expenses claim form. Regulations for the reclaiming of expenses are set out in the employees' handbook and are governed by National Joint Consultative (NJC) regulations. Guidance notes, for the completion of the claim form is provided in the cover of the claim form booklets. Rates of allowances are published each year and again these are aligned to NJC regulations.

Part 6 of the constitution outlines the scheme in detail, along with an attached schedule for the current period detailing allowance rates as agreed by the independent remuneration panel. The allowances are applied in respect of individual positions within the council and through membership of specific committees. In addition, certain Special Responsibility allowances are paid as outlined in the schedule.

The Council offers car loan facilities to employees in the posts designated as 'essential' or 'casual' users. The scheme is outlined in appendix 10 of the Employee Handbook. An employee wishing to take advantage of the facility completes an application for a loan obtained from the Assistant Accountant (Financial Services) to purchase a vehicle. The detailed terms and conditions are provided with the form including a table showing the typical monthly payment amount for the duration of the loan and the current interest rate. All loan applications require approval by the respective Head of Service and The Head of Corporate Services.

The purpose of the review is to provide assurance that procedures for the processing of allowances and expense claims, and the administration of the assisted car purchase scheme are effective in providing adequate control to ensure only valid and accurate payments and deductions are processed.

Principal Findings

	High	Medium	Low
Number of recommendations	0	0	3

The detailed findings and associated recommendations are provided in the second part of the report. There were no high or medium risk recommendations made within the report.

Assurance Statement

Internal Audit can provide **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

INTRODUCTION

Objective & Scope

To ensure the authority pays the correct subsistence and mileage payments to the officer or member for the claims made, which are adequately authorised in accordance with established policy and that these are accurately and correctly accounted for.

The scope of the review encompassed the car loan scheme facility, travel and subsistence claims and members' allowances.

The key risks associated with the system objectives are:

- The car loan scheme does not comply with the council's policy and legal requirements.
- Unauthorised car loans are processed or not disclosed.
- The loan terms applied are not in accordance with the authority's policy.
- Inability to recover outstanding loans.
- Travel and expense claims fail to comply with the authorities policy and procedures and Inland Revenue requirements.
- Incomplete and unauthorised claim forms processed.
- Allowance claims fail to meet the established policies and procedure.
- Failure to comply with VAT legislation.

The control areas included within the scope of the review are:

- The car loan scheme facility is operated and administered in accordance with the authority's pay policy.
- Subsistence allowance and mileage claims are approved and paid only in respect of legitimate business costs.
- Members' allowances are disbursed in accordance with established policies and regulations.

This audit report is presented on an exception basis. The detailed findings include only those areas where controls should be enhanced to improve their effectiveness and mitigate the risks that affect the authorities objectives for the system reviewed. Controls and risks identified in the scope that are not mentioned in the detailed findings were considered to be adequate and operating effectively.

Acknowledgement

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.

DETAILED FINDINGS

Observation	Risks	Recommendation	Management's Response
Recommendation 1 - Officers Disbursements (Authorisation) Level of Risk - Low			
<p>Travelling & Sundry (T&S) Expense claim forms require authorisation by Line Managers and respective Departmental Heads prior to processing by Payroll.</p> <p>Payroll staff undertake checks to ensure forms are authorised in line with the authorised signatory list.</p> <p>Of the 21 claims reviewed it was found that:</p> <ul style="list-style-type: none"> One authorised signature was not on the signature list due to a name change. <p>Private mileage claims are currently subject to a different process, whereby, claim forms stipulate that authorisation is required by the head of section or department.</p>	<p>Failure to observe the appropriate authorisation procedure and to prevent payments without proper authorisation.</p>	<p>The signature list maintained by payroll should be updated and claims not appropriately authorised should not be processed.</p> <p>The authorisation requirements for private mileage claim forms should be amended in line with standard T&S expense claim forms.</p> <p>Action: Alison Ball – Financial Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: 2008/2009 lists were issued to Departments 01/05/08. Payroll will ensure only authorised signatures approve claims.</p> <p>Finance will amend the Private Mileage claim forms in line with the T&S forms.</p> <p>Timescale: Immediate.</p>

Observation	Risks	Recommendation	Management's Response
Recommendation 2 - Car Loan Facility (Vehicle Documentation) Level of Risk - Low			
<p>Guidance issued with the assisted car purchase scheme requires that the applicant produces a registration document, however, copies of these are not currently filed with the application.</p> <p>Of the 11 applications reviewed it was found that only two applications had copies of the required documents.</p>	<p>Failure to comply with the car loan policy terms and conditions.</p>	<p>Copies of vehicle registration documents should be obtained and filed with the car loan application.</p> <p>Action: Alison Ball – Financial Services Manager</p>	<p>Management Comment: All vehicle Registration documents should be kept on file.</p> <p>Planned Corrective Action: Finance have written to all relevant officers requesting a copy of the missing Registration documents (14/05/08). Finance will continue to request copies of these documents for all new loans.</p> <p>Timescale: Immediate.</p>

Observation	Risks	Recommendation	Management's Response
Recommendation 3 - Members Disbursements (Verification) Level of Risk - Low			
<p>Testing was carried out on 21 member claim forms to confirm that allowances paid were correct. The following issues were identified:</p> <ul style="list-style-type: none"> A member's claim form submitted included journeys in excess of 100 miles, and the reduced rate for the excess miles was not applied, resulting in an overpayment of approx £25.00. Of the 21 claims reviewed, 2 claims covered a period of 8 and 10 months respectively. 	<p>Incorrect payments made to members.</p> <p>Failure to comply with the policy.</p>	<p>All claims processed should be examined carefully to minimise any errors or overpayments.</p> <p>A reminder should be issued to Members to ensure they submit claim forms on a quarterly basis.</p> <p>Action: Alison Ball – Financial Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Payroll will continue to check all claims for anomalies and adjust where required. Any future claims greater than 3 months old will be passed to Head of Corporate Services for authorisation. A reminder will be issued to all members reminding them of the importance in submitting their claims on a regular basis.</p> <p>Timescale: Immediate.</p>

ANNEX A

Risk & Assurance – Standard DefinitionsAudit Recommendations

Audit recommendations are categorised, depending upon the level of associated risk, as follows:

Level	Category	Definition
1	High	Action is essential to manage exposure to fundamental risks.
2	Medium	Action is necessary to manage exposure to significant risks.
3	Low	Action is desirable and should result in enhanced control or better value for money.

Assurance Statement

Each report will provide an opinion on the level of assurance that is provided with respect the risk emanating from the controls reviewed. The categories of assurance are as follows:

Category	Definition
No	The majority of the significant risks relating to the area reviewed are not effectively managed.
Limited	There are a number of significant risks relating to the area reviewed that are not effectively managed.
Substantial	The risks relating to the objectives of the areas reviewed are reasonably managed and are not cause for major concern.

What Happens Now?

The final report is distributed to those involved with discharging the recommended action, the Head of Finance, Audit Commission and, where applicable, the relevant Heads of Service.

A synopsis of the audit report is provided to the authority's Audit Sub-Committee. Internal Audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The on-going progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit Sub-Committee.

Any Questions?

If you have any questions about the audit report on any aspect of the audit process please contact the auditor responsible for the review or Vince Rimmington, Resource Services Manager on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk