



**INTERNAL AUDIT  
FINAL REPORT**

**Title: Officer & Member Disbursements**

**Report Distribution**

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## **EXECUTIVE SUMMARY**

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### **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 are 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	5

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

A review of progress against the 5 low risk recommendations made in the preceding review (IAR0809-20) was undertaken. It was confirmed that two recommendations had been fully implemented, with the remaining three outstanding. These are reiterated in the current report (recommendations 1, 3 and 5).

**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**

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### **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
<p><b>Recommendation 1 - Officers Disbursements (Verification)</b>  <b>Level of Risk - Low</b></p>			
<p>Travelling &amp; Sundry (T&amp;S) expense claim forms require completion in accordance with the guidance notes provided in the cover of the claim form booklets.</p> <p>A review of a sample of claim forms revealed a number were incomplete. Errors and omissions included:</p> <ul style="list-style-type: none"> <li>• The approved base not specified.</li> <li>• Columns A (where appropriate) and / or B are not always completed.</li> <li>• A number of claims included journeys from / to Home with Column B not completed.</li> <li>• Claims are not completed and submitted monthly, and in certain cases include more than 2 months.</li> <li>• Errors identified in calculating miles recorded (e.g. miles recorded in column B is subtracted from column A, resulting in an overpayment).</li> <li>• Return journeys are not properly recorded and split in some cases. For casual and occasional users this results in overpayment.</li> </ul>	<p>Failure to comply with the authority's policy and procedures and Inland Revenue requirements.</p>	<p>Travel and Sundry Expense claim forms should not be authorised for payment or processed by payroll if they are not fully completed in accordance to the guidance notes.</p> <p>Authorising officers should ensure that all claim forms are completed in accordance with the guidelines. Payroll should return the claims to the authoriser if they are incorrect or incomplete.</p> <p><b>Action: Alison Ball – Financial Services Manager</b></p>	<p><b>Management Comment:</b> Recommendation agreed.</p> <p><b>Planned Corrective Action:</b> Payroll will continue to monitor all travel claims and return any where columns B &amp; C have not been complete – as per guidance from Inland Revenue.</p> <p>Note. These fields will be made mandatory for MyView phase 2.</p> <p><b>Timescale:</b> Immediate</p>

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<ul style="list-style-type: none"><li>• A Travel and Sundry expenses form included travel on a Sunday. This is not a normal working day, therefore these miles should be claimed on a different form (Private mileage claim).</li></ul> <p>The officer authorising the claim should ensure that the form is correctly completed before forwarding to payroll.</p> <p>Similar issues were raised in the previous report (IAR0809-10 – recommendation 2). However, Internal Audit are aware that the Payroll team have taken action by issuing periodic reminders regarding completion of T&amp;S claim forms.</p>			
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Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 2 - Officers Disbursements (Subsistence)</b>  <b>Level of Risk - Low</b></p>			
<p>Travelling &amp; Sundry (T&amp;S) expense claim forms should be completed in accordance with the guidance notes provided.</p> <p>Receipts should support subsistence allowance claimed, with a letter indicating the type of expenditure (e.g. B, L, T or E) and total for the period.</p> <p>A subsistence claim has been submitted for an amount of £102.94 for trophies, purchased via the internet, and stationary. These are not subsistence expenses and the VAT on these purchases could not be recovered because it was processed through payroll.</p>	<p>Failure to comply with policy and procedures.</p>	<p>Only subsistence allowances as specified in the guidance notes should be claimed and paid.</p> <p>Other expenditure should be recorded against the relevant expenditure code.</p> <p><b>Action: Alison Ball – Financial Services Manager</b></p>	<p><b>Management Comment:</b> Recommendation agreed.</p> <p><b>Planned Corrective Action:</b> Payroll have been reminded of the correct procedures and will check each claim for non subsistence items every month.</p> <p><b>Timescale:</b> Immediate</p>

Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 3 - Officers Disbursements (Authorisation)</b>  <b>Level of Risk - Low</b></p>			
<p>Travelling &amp; Sundry (T&amp;S) Expense claim forms require authorisation by their Line Managers prior to processing by Payroll.</p> <p>Payroll staff undertake checks to ensure forms are correctly authorised in line with the authorised signatory list.</p> <p>The Direct Services section failed to submit an updated authorisation signature list following a request from the Payroll team.</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 to include an up to date list for Direct Services.</p> <p><b>Action: Alison Ball – Financial Services Manager</b></p>	<p><b>Management Comment:</b> Recommendation agreed.</p> <p><b>Planned Corrective Action:</b> 2010/2011 revised lists sent to all Departments April 2010. A follow-up reminder will be issued during June, if still outstanding the matter will be passed to the Principal Accountants.</p> <p>Payroll will ensure only claims authorised by officers on these forms will be processed, all others will be returned.</p> <p><b>Timescale:</b> Immediate</p>

Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 4 - Officers Disbursements (Vehicle Documentation)</b>  <b>Level of Risk - Low</b></p>			
<p>Travelling &amp; Sundry (T&amp;S) Expense claim forms should be completed in accordance with the guidance notes provided, including verification of vehicle (MOT and Business Insurance) and driver (validity of licence) details.</p> <p>Responsibility rests with individual Departments to maintain copies of the required documents and undertake periodic checks to confirm these are valid.</p> <p>A review of Departmental records revealed that:</p> <ul style="list-style-type: none"> <li>Corporate Services (with the exception of the IT section) do not maintain any documentation.</li> <li>Direct Services have not reviewed and updated their documents during 2009-10.</li> </ul> <p>All other departments, including the Chief Executive Office, do maintain documentation, however the following issues were identified:</p> <ul style="list-style-type: none"> <li>An insurance certificate within Planning and Environment did not provide business cover.</li> </ul>	<p>Failure to comply with policy and procedures.</p> <p>Business users are driving uninsured vehicles and / or without a valid driving licence.</p>	<p>It is essential that the necessary supporting documents are maintained and kept up to date by all departments to support the travel claims made by business users.</p> <p>This allows the authoriser of the claim form to verify that claims are valid, drivers are covered for business use and have a current and valid licence to drive their vehicle for business purposes.</p> <p><b>Action: Alison Ball – Financial Services Manager</b></p>	<p><b>Management Comment:</b> Recommendation agreed.</p> <p><b>Planned Corrective Action:</b> It was agreed that within Corporate Services each section head would maintain their own staff documents as detailed below</p> <p>JV – Revenue Services  AB – Financial Services  VR – Audit &amp; Risk Services  ML – IT &amp; Efficiency</p> <p><b>Timescale:</b> Immediate</p>

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<p>The Planning and Environment and the IT section within Corporate Services' records are particularly well maintained.</p> <p>This issue was raised in the previous report (IAR0809-20 – recommendation 3), issued in April 2009, and the outstanding issues reiterated in this report.</p>			
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Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 5 - Car Loan Facility (Vehicle Documentation)</b>  <b>Level of Risk - Low</b></p>			
<p>Guidance issued with the assisted car purchase scheme requires that the applicant produce a registration document and insurance certificate; however, copies of these are not currently filed with the application.</p> <p>Of the 5 applications reviewed for the year 2009/2010 and 3 applications for the previous year only one had the registration document attached and none were supported by a copy of the insurance certificate.</p> <p>This issue was raised in the previous report (IAR00809-20 – recommendation 4), issued in April 2009. Internal Audit recognise the action taken by the Payroll team since the previous review, and the associated improvements achieved in maintaining adequate documentation.</p>	<p>Failure to comply with the car loan policy terms and conditions.</p>	<p>Copies of vehicle registration documents and insurance certificates should be obtained and filed with the car loan application.</p> <p><b>Action: Alison Ball – Financial Services Manager</b></p>	<p><b>Management Comment:</b> Recommendation agreed.</p> <p><b>Planned Corrective Action:</b> Request for outstanding documents sent 26/05/10. To-date 6 out of 15 have returned their documents. A reminder will be sent in June 2010, If still outstanding the matter will be passed to the Principal Accountants.</p> <p><b>Timescale:</b> Immediate</p>

**ANNEX A**

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**Risk & Assurance – Standard Definitions**Audit Recommendations

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

Level	Category	Definition
1	<b>High</b>	Action is essential to manage exposure to fundamental risks.
2	<b>Medium</b>	Action is necessary to manage exposure to significant risks.
3	<b>Low</b>	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
<b>No</b>	The majority of the significant risks relating to the area reviewed are not effectively managed.
<b>Limited</b>	There are a number of significant risks relating to the area reviewed that are not effectively managed.
<b>Substantial</b>	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 Corporate Services, Audit Commission and, where applicable, the relevant Heads of Service.

A synopsis of the audit report is provided to the authority's Audit 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 Committee.

### **Any Questions?**

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