



## INTERNAL AUDIT REPORT – TRAVEL, SUBSISTENCE & MOBILE PHONES

<u>Auditor:</u>	<u>Internal Auditor</u>
<u>Distribution:</u>	Audit Committee Chief Executive Director of Corporate Services Chief Finance Officer Head of ICT Payroll & Pension Manager
	<u>October 2018</u>

All matters contained in this report came to our attention while conducting normal internal audit work. Whilst we are able to provide an overall level of assurance based on our audit work, unlike a special investigation, this work will not necessarily reveal every issue that may exist in the Council's internal control system.

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## Executive Summary

This internal audit was completed in accordance with the approved annual Internal Audit Plan for 2018/19. This report summarises the findings arising from a review of the Travel, Subsistence & Mobile Phones which was allocated 7 days.

Through the audit I found the following examples of good practice:

- Receipts are approved and submitted when required and amounts claimed for are considered reasonable.
- All claims are approved by the relevant manager prior to processing the payment of expenses.
- There are adequate segregation of duties when processing claims and payments and claims are accurately input and processed onto the finance and payroll systems.
- Checks are in place to ensure duplicate travel and subsistence claims have not been submitted and paid in a previous claim and standard distances are used for calculating mileage.
- There is a CCAG mobile phone policy in place outlining the allocation of work related mobile phones and the terms and conditions of use.
- Mobile phone bills and trends are reviewed on a regular basis

Three areas where controls could be enhanced was noted during this review.

The following table summarises the total number of recommendations from our audit (all recommendations being accepted by management):

Risk	Number of recommendations & Priority rating		
	1	2	3
Completion, Approval & Recording of Travel & Subsistence Claims	1		
Review of Mileage Claims	1		
Mobile Phone Policy & Procedures		1	
<b>Total recommendations made</b>	<b>2</b>	<b>1</b>	<b>-</b>

Based on our audit testing we are able to provide the following overall level of assurance:

### Satisfactory

Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

The Mobiles Operations Officer has made exceptional progress in relation to moving all mobiles under the one network, assigned phone numbers to named members of staff and is currently updating all records prior to renewing the tender. The Payroll & Pension Manager has also made exceptional progress in relation to streamlining all the travel & subsistence claims to the electronic format.

## Objective

The overall objective of this audit is to consider the main risks in relation to travel, subsistence and mobile phones and to review the key systems and controls in place to address these.

## Background

The Council reimburses travel and subsistence expenses to staff and Councillors for work related journeys using their private cars. Staff and Councillors complete a travel and subsistence form, which must be authorised by the appropriate Line Manager/Director before payment of expenses can be processed within the Finance Section. All travel and subsistence forms must be supported by relevant documentation to enable the finance section to process for payments. Any missing documentation results in that part of the claim being disallowed. Mileage outside the local area is checked by Finance section to the AA Route planner to ensure the amount claimed is reasonable.

The Council uses the travel and subsistence rates provided by the National Joint Council for Local Government Services when reimbursing Staff/Councillors for business mileage travelled using private cars. Travel expenses are paid to staff monthly via BACS payment, whilst Councillors receive travel expenses via the monthly payroll run.

A Council staff have a Council-owned mobile phone to enable them to carry out Council duties together with the Mayor. All mobile phones are issued directly from ICT after the request for a mobile phone form is received and approved by the relevant line manager/director. Mobile phone bills are paid for by the Council and these are checked and paid by the finance section. There is a mobile phone policy in place to ensure there are clear internal arrangements for the effective management of mobile phones. Approximately 500 mobile phones have been issued to employees.

## Risks

The risks identified relating to the Travel, Subsistence and Mobile Phones and agreed with management are as follows:

1. Travel and subsistence claims are not completed, approved and recorded accurately leading to incorrect or unapproved payments.
2. Mileage claims are not reviewed on a regular basis in relation to essential car users leading to additional and unnecessary costs to the Council.
3. There may be a lack of policies and procedures of mobile phone usage leading to unnecessary costs and payments of personal calls not being made.

## Audit Approach

The audit fieldwork comprised:

- Documenting the systems via discussions with key staff
- Consideration of the key risks within each audit area

- Examining relevant documentation
- Carrying out a preliminary evaluation of the arrangements and controls in operation generally within the Council
- Testing the key arrangements and controls
- Testing the completeness and accuracy of records.

The table below shows the staff consulted with and we would like to thank them for their assistance and co-operation.

Job title
Chief Finance Officer
Payroll & Pension Manager
Senior Payroll Officer
Head of ICT
Mobile Operations Officer

## Findings and Recommendations

This section of the report sets out our findings in relation to control issues identified and recommendations. A summary of all the key controls that we considered is included in Appendix II to this report.

### 6.1 Risk 1 – Completion, Approval & Recording of Travel & Subsistence Claims

Travel & Subsistence Policy
<b>a) Observation-</b> It was noted that Council has guidelines in place for claiming mileage & subsistence which refer to the finance department for input. However, Council does not have an approved Travel & Subsistence Policy in place. It was noted during audit testing that the claim forms are not being accurately completed as per details on claim forms nor being accurately calculated prior to reaching the finance department for processing. It was also noted that Councillors have to submit their claims within a 3 month period, but staff can submit claims in excess of 7 months.
<b>b) Implication-</b> Potential inaccurate under or over payments
<b>c) Priority Rating-</b> 1
<b>d) Recommendation 1-</b> Council should put in place an approved travel & subsistence policy for all staff and councillors.
<b>e) Management Response-</b> Policy for staff to be tabled at Dec Corporate, Policy and Resources Committee. Members payments already governed by the scheme of allowances which is published annually
<b>Responsible Officer &amp; Implementation Date-</b> Chief Finance Officer – Dec 2018

## 6.2 Risk 2 – Review of Mileage Claims

Mileage Costs
<b>a) Observation-</b> It was noted during 2017/18 the Council paid £551,037.05 in travel and subsistence allowance to employees and Councillors. This mostly related to mileage claims.
<b>b) Implication-</b> There may potentially be some unnecessary relocation of some employees, or changes in essential and non-essential users that may have increased the overall travel costs of the Council.
<b>c) Priority Rating- 1</b>
<b>d) Recommendation 2-</b> Council should consider a complete review of essential and non-essential car users including the location of employees with a view of reducing overall travel costs to Council.
<b>e) Management Response-</b> Essential User policy currently being reviewed, once implemented any assessment of essential user status can be carried out in accordance with the terms of the revised policy
<b>Responsible Officer &amp; Implementation Date-</b> Chief Finance Officer – January 2019

## 6.3 Risk 3 – Mobile Phone Policy & Procedures

Approval for Mobile Phone
<b>a) Observation-</b> Council has a robust mobile phone policy in place which was approved by Council in 2015 and is available on the staff portal. However, whilst there is normally an email request from relevant management, it was noted that forms requesting a new mobile phone are not always being signed off by line managers or heads of service and the Mobile Operations Manager is not being informed by HR when staff have left the Council.
<b>a) Implication-</b> Potential poor effective management of mobile phones and unnecessary charges and costs to Council
<b>b) Priority Rating- 2</b>
<b>c) Recommendation 3 –</b> The mobile phone policy should be reviewed to include ICT being informed by HR when an employee ceases employment to enable accurate records to be held. This policy should be adhered to on all occasions.
<b>d) Management Response-</b> The policy will be updated to reflect the requirement for ODHR to communicate with ICT on the departure of staff.
<b>Responsible Officer &amp; Implementation Date-</b> Head of ICT, October 2018.



## **Appendix I: Definition of Assurance Ratings and Hierarchy of Findings**

### **Satisfactory Assurance**

Evaluation opinion: Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

### **Limited Assurance**

Evaluation opinion: There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

### **Unacceptable Assurance**

Evaluation opinion: The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

## **Hierarchy of Findings**

This audit report records only the main findings. As a guide to management and to reflect current thinking on risk management we have categorised our recommendations according to the perceived level of risk. The categories are as follows:

**Priority 1:** Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.

**Priority 2:** Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.

**Priority 3:** Failure to implement the recommendation could lead to an increased risk exposure.



## Appendix II: Summary of Key Controls Reviewed

Risk	Control issues
<p>Travel and subsistence claims are not completed, approved and recorded accurately leading to incorrect or unapproved payments.</p>	<ul style="list-style-type: none"> <li>• The Council has a travel and subsistence policy which has been distributed to all staff and Councillors</li> <li>• An appropriate claim procedure is in place to facilitate reimbursement of work related travel and subsistence (in line with Council's policy)</li> <li>• Claims are accurately completed, calculated and submitted in a timely manner</li> <li>• Receipts are approved and submitted when required</li> <li>• Amounts claimed for are considered reasonable (e.g.+ shortest route claimed, car sharing where more than one person goes to the same place)</li> <li>• All claims are approved by the relevant manager prior to processing the payment of expenses</li> <li>• There are adequate segregation of duties when processing claims and payments</li> <li>• Claims are accurately input and processed onto the finance and payroll systems</li> <li>• Checks are in place to ensure duplicate travel and subsistence claims have not been submitted and paid in a previous claim</li> </ul>
<p>Mileage claims are not reviewed on a regular basis in relation to essential car users leading to additional and unnecessary costs to the Council.</p>	<ul style="list-style-type: none"> <li>• Standard distances are used for calculating mileage</li> <li>• Rates used to calculate mileage are in line with Council Policy</li> <li>• Evidence that total mileage travelled by staff has been considered by management in relation to essential and non-essential car users with a view to reducing overall travel costs of the Council</li> </ul>
<p>There may be a lack of policies and procedures of mobile phone usage leading to unnecessary costs and payments of personal calls not being made.</p>	<ul style="list-style-type: none"> <li>• There is a CCAG mobile phone policy in place outlining the allocation of work related mobile phones and the terms and conditions of use</li> <li>• The policy contains appropriate criteria or circumstances for issuing of a mobile phone</li> <li>• Appropriate approval is obtained for issuing a work mobile phone</li> <li>• There is a signed agreement in place between council and staff/councillor who are provided with mobile phones</li> <li>• Procedures are in place to manage reimbursement to Council by employees for personal call payments.</li> <li>• Mobile phone bills and trends are reviewed on a regular basis</li> </ul>

## Appendix III: Points for the Attention of Management

### Mobile Phone Tender

It was also noted that the current tender for mobile phones has expired in August 2018 although Council are still obtaining the same level of charges. However, Council should review their mobile phone tender as a matter of urgency to ensure they are obtaining the best value for money.

### Management Response-

Currently reviewing mobile phone tender. There were substantial savings on mobile phone charges made in the 2015 tender process due in part to more favourable negotiating situation because of the larger number of units involved and in improving on several of the legacy mobile phone contracts. Initial market indicators suggest that savings in the next round of contract reviews will be much more modest.