

Report to the Audit and Governance Committee on 30th July 2021 on actions taken in relation to key recommendations made in the audit report relating to the audit of Expenses and Benefits.

Lead Officer: Colin Parkin, Head of Human Resources

Presenting Officer: As above

Summary of Audit Area

Gloucestershire County Council (GCC) reimburse travel and subsistence expenses incurred in the course of official business. Other reimbursements (e.g. eye tests) are also permitted in line with Council policy. Claims must be made monthly through SAP Employee Self Service (ESS) or hard copy submission to the Business Service Centre (BSC) with payments in accordance with locally and nationally agreed rates. Claim submission and authorisations are completed through the SAP payroll system.

Summary Terms of Reference of the Audit

The objective of the audit was to ensure that effective systems and controls were in place for the purpose of staff claiming expenses and controls were in place to scrutinise, approve and monitor expenses claimed by GCC staff. Staff expenses claimed within the scope of this audit include;

- Travel,
- Materials educational and training
- Accommodation, and
- Hospitality, Catering and Refreshments.

The review period for these expenses claimed was the 2019/20 financial year. This audit did not include the expenses and benefits incurred by Gloucestershire Fire and Rescue Service as this was covered during a separate review. The audit did not include expenses claimed by agency staff due to the difference in approach for claiming expenses. The use of P-cards also fell outside of the scope of this audit as a separate audit of P-card usage within GCC was undertaken and completed in 2019/20.

Risks

- Non-compliance with HMRC regulations resulting in financial penalties;
- Non-compliance with GCC policies and procedures;
- Fraudulent/inappropriate or duplicate expenses claimed; and
- Reputational damage to GCC for poor governance of county funds.

Key Findings

Internal Audit identified that there is a policy created by GCC that covers expenses and benefits that can be claimed by GCC staff. This policy covered staff employed with the terms and conditions of the 'Green Book' (Grades 1 to 11), 'Reward Band Employees' (JNC Chief Officers), 'Blue Book' (Soulbury), 'Burgundy Book' (Unattached Teachers), and 'Grey Book' (Gloucestershire Fire and Rescue Service). This policy is supported by Accounting Instructions 8 (Travelling and Meals Expenditure) and 17 (Tax and National Insurance Liabilities on payments and staff benefits) as well as a management guidance note on claiming expenses which were all available on Staffnet to assist employees and managers in ensuring that expenses are claimed correctly and that evidence/supporting documentation is gathered and stored as per HM Revenue and Customs (HMRC) guidance.

GCC expenses and benefits are reimbursed to staff either through an electronic claim via SAP (GCC Financial Management system) or through a manual hard copy claim form submitted to the BSC. In either instance the line manager of the staff member is responsible for authorising the claim. Claims are processed through Payroll and not Accounts Payable to ensure they are treated correctly for PAYE and National Insurance Contributions (NIC) purposes.

The emphasis is on the authorising manager to ensure the expenses incurred are legitimate, accurate and that supporting evidence (receipts where applicable) are retained for the required length of time (6 years plus present for HMRC and VAT compliance). Budget holders are also expected to carry out monthly budget monitoring that includes the Payroll and Expenses report whereby they are required to satisfy themselves that payments to staff are accurate, this includes expenses.

Internal Audit did identify that within the Expenses Policy, the rates of reimbursement for mileage were not fully aligned with HMRC guidance for reimbursement rates.

Evidence was seen by Internal Audit that expenses claimed by members of GCC staff either electronically or manually through a claim form were both subject to an authorisation process for which management authorisation was required prior to any expenses claim being paid by GCC. Internal audit also tested that all the claims paid in December 2019 (514 claims totalling £37,833.22) using data analytics and confirmed that no member of staff during that month had made more than a single expense claim nor had any staff within December 2019 been paid greater than the 45p per mile as per the Travel policy for GCC.

There were, however, breakdowns in the process in regard to the retention of receipts (including fuel receipts) for present and former GCC employees after the expenses had been claimed. The claims selected within the sample also did not always have enough detail recorded to be able to confirm that the mileage submitted in the claim was reasonable for the journey.

Non-compliance was also found when testing the safer driving at work checks that are required to be carried out by managers to confirm that staff are correctly insured for business use, have a valid driving license, and have a current MOT

when driving on behalf of GCC. Should an accident occur whereby it was found that the staff member did not have the above, the council would potentially become vicariously liable for any subsequent damages.

Action taken as at the end of June 2021 and/or proposed

The Internal Audit report raised four recommendations as follows:

Recommendation 1

Audit recommendation (Medium Priority):

To align GCC to HMRC fuel rate allowances, GCC should consider amending the current fuel rates used by county and introduce the 5p per passenger per mile. HR should also consider if the 13.7p fuel rate for training should be retained.

Original management response:

The 5p per passenger mile will be taken as a proposal via appropriate channels for consideration and potential adoption. We will seek views on the 13.7p training mileage rate with the options of either retaining this rate and using it consistently across the organisation or, alternatively, harmonising all business travel at the higher HMRC ceiling.

Management update as at June 2021:

The issue of mileage rates has been formally considered by the Council's Workforce Strategy Board which has agreed that the 13.7p training rate will be discontinued and that the use of the 5p passenger rate will be available and communicated. The local government trade unions ('Green Book') have been consulted and have endorsed the proposals, and HR and the BSC have met to discuss implementation. The CONCUR system accommodates this approach.

Recommendation 2

Audit recommendation (High Priority):

Staff should be reminded of the requirement to retain all receipts including fuel to support expenses claimed.

GCC managers should be reminded of their duties and responsibility in approving of expenses. If the employee is leaving GCC the manager should retain the receipts on behalf of GCC to ensure compliance with HMRC requirements.

Original management response:

*Officers are of the opinion that this objective will be best and realistically achieved via the roll out of the 'CONCUR' system. **Action:** As the CONCUR system will not be fully operational for some time it would be sensible to ask the Comms Team to include a reminder in an upcoming Managers' Bulletin about the importance of retaining expense receipts and that they might also include a brief article in Talksmart advising staff on the same issue.*

Management update as at June 2021:

We are advised that CONCUR is currently in trial use but is almost ready for

implementation across the whole organisation. We are waiting for notification of the final launch date which is expected shortly. In the meantime a Talksmart article is in preparation to inform the workforce about the changes and about evidence requirements, checking, etc. It should be noted that conditions of service relating to mileage and expenses are to be reviewed again in respect of the new approach to Hybrid/Agile working, and a working group has been established in HR to consider the issues and formulate proposals for consultation.

Recommendation 3

Audit recommendation (High Priority):

GCC staff must ensure that all journey details are recorded, including the start and end and any points in between. The reason for travel should also be recorded.

Authorising managers must ensure that they are satisfied that the claim is completed sufficiently prior to authorising.

Original management response:

*The CONCUR system is likely to address this issue in the medium term. **Action:** HR will refresh online advice to this effect in collaboration with Strategic Finance, it would also be sensible to ask the Comms Team to include a reminder in an upcoming Managers' Bulletin about the importance of ensuring that mileage checks are completed and reasonable and that they might also include a brief article in Talksmart advising staff on the same issue.*

Management update as at June 2021:

Please see the note under recommendation two.

Recommendation 4

Audit recommendation (High Priority):

GCC managers must be advised that checking the insurance, MOT and driving license of staff that travel on behalf of GCC for business using their own car is a requirement and should be undertaken at least annually.

A record to confirm this check has taken place must also be maintained by the manager.

Original management response:

HR and Strategic Finance will collaborate to ensure that appropriate advice is up to date and accessible on Staffnet and the GFRS intranet to this effect. A reminder in a managers' bulleting toward the start of the new financial year will also be considered. As the CONCUR system will not be fully operational for some time it would be sensible to ask the Comms Team to include a reminder in an upcoming Managers' Bulletin about the importance of driver checks for staff and that they might also include a brief article in Talksmart advising staff on the same

issue.

Management update as at June 2021:

Please see the note under recommendation two.