

**INTERNAL
AUDIT
REPORT**



TRAVELLING EXPENSES

GWE

2019/20



TRAVELLING EXPENSES GwE

1. Background

1.1 Gwynedd Council, GwE's host Authority, has adopted a new procedure where employees with an IT account can claim travel and subsistence expenses through a self-service system. As part of this procedure, travel details are submitted online and does not require authorisation by a manager in order for the payment to be processed, but they do have the ability to refuse claims if they consider it inappropriate or incorrect. The purpose of the new procedure is to reduce the administrative burden related to the previous paper based procedure that required authorisation by the line manager, certification by the budget holder and then inputted by administrative officers into a system to produce the payment

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure that an efficient and effective process is in place for claiming travel expenses through the self-service system, which reduces the administrative burden and maintains the risk of loss by mistake or fraud to appropriate levels. The audit encompassed the frequency of managers' reviews and verifying a sample of submitted travel claims.

3. Audit Level of Assurance

3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
LIMITED	Although controls are in place, compliance with the controls needs to be improved and / or introduce new controls to reduce the risks to which the service is exposed.

4. Current Score Risk

4.1 The matrix below shows the number of risks identified with the corresponding risk score. Reference should be made to the supplementary document for a full description of likelihood and impact definitions. Based on the risk matrix the level of assurance of the audit was provided.

		Impact			
		Catastrophic 5	Destructive 4	Very substantial 3	Significant 2
Likelihood	Happening Now 5			1	
	Very likely 4				1
	Likely 3				
	Unlikely 2				

5. Main Findings

- 5.1 The process of submitting applications through self-service significantly reduces administration workload. The responsibility for reviewing claims remains with the managers, so the risk of costly errors or fraud depends on how thoroughly managers review the claims. In this sense, the procedure has not changed in comparison with paper travel expenses claims, but the new procedure is dependent on management's commitment to login to the self-service system on a monthly basis to carry out the reviews.
- 5.2 The procedure assumes that managers review the applications and reject inappropriate ones. A report was produced showing which managers have, and have not reviewed claims in recent months, and found that most claims from GwE staff are not reviewed, even though the system generates e-mails to managers who have not logged into the self-service system to review travel expenses, and notes the need to *'review your staff travel expenses in the self-service system before the release date'*, noting the relevant release date. In addition, a reminder appears in the Self Service system.
- 5.3 It was discovered that errors can be processed (e.g. a claim for 800 miles was made for a 80 mile journey) and this was brought to GwE's attention for correction. It therefore shows that obvious errors can fall through the net if managers do not carry out reviews.
- 5.4 It was therefore seen that there is a risk of improper travel claims being processed, but it is not significantly higher when compared to the paper travel claims procedure, as both procedures depend on the officer's honesty and the manager's willingness to review and challenge where appropriate.
- 5.5 On the 13th March 2018, Gwynedd Council's Cabinet amended the rules for claiming travel expenses. With effect from 1st July 2018, officers (GwE included) can only claim reimbursement for the miles traveled that exceed the number of miles the officers would normally travel between their home and usual place of work. According to the Travelling And Subsistence Policy; *"If the business journey starts and finishes at the employee's home, then staff should subtract from the claim the total number of miles that are travelled to and from the normal place of work."* The purpose of the change in Policy is to save money, but it was found that GwE's expenditure on expenditure code 2GWR 2710 (general car allowances, less train costs) had increased between 2017/18 and 2018/19. GwE's outturn accounts show a reduction in travel costs that's funded from the core budget, i.e. the core work of improving schools on behalf of the 6 local authorities, from £123,391 in 2017/18 to £122,416 in 2018/19. According to GwE, there has been an increase in the service's travel costs for the wider works, i.e. because of Welsh Government grant requirements specifically during this significant period of education reform in Wales.
- 5.6 Following discussions between GwE and the Corporate Support Department, it was agreed that GwE was to review their staffs' official work location, with effect from 1st July 2018. A number of staff had wished to change their official work location to the nearest offices to their homes. The fact that this may have happened in response to the change in Policy and the effect this has on officers' travel costs cannot be ruled out, rather than for practical reasons for GwE. This is based on the fact that officers' travel claims suggest that there has been no change to their day to day working arrangements, but the changes have obviously impacted on officers' travel costs by reducing the element they have to subtract from their claims, as well as enabling officers to claim for travel beyond their new, official location.
- 5.7 The nature of GwE's work means that there is a very large element of travel involved, including regular visits to different schools, or to the various offices across the North. Officers are now entitled to claim travel expenses for any journey that exceeds the distance between their home and official place of work, which means officers can now claim travel expenses to go to their usual or 'normal' place of work, which is not necessarily their official work location. As

GwE has access to a number of offices, it is possible for staff to work in the offices nearer to their homes from time to time through 'hot desking'. Such an arrangement benefits GwE and its officers, but does not require changing their official work location to achieve this.

- 5.8 Among the discussions to change official work locations, it was discovered that GwE had tried to move some staff to 'virtual' locations, as they did not have offices in the locations staff wanted to move to. Nearby hot desking facilities were eventually used as an official place of work as a physical location is required for the system. Again this has the effect of enabling the officer to claim travel expenses (and time, if relevant to the terms of the job) for any journey that exceeds the distance from home to this official place of work.
- 5.9 Whilst reviewing officers' travel claims, it appears that those who have changed their official work location have benefited financially, whether by claiming for the journeys they make to their usual place of work, or by reducing the loss associated with the distance from home to their official work location - or a combination of both.
- 5.10 GwE's Value for Money Policy states that *"VFM is a term used to assess whether, or not, an organisation has obtained the maximum benefit from the services it both acquires and provides, within the resources available to it. Achieving VFM is also often described in terms of the 'three Es' - economy, efficiency and effectiveness:*
(i) economy - minimising the cost of resources for an activity ('doing things at a low price');
(ii) efficiency - performing tasks with reasonable effort ('doing things the right way'); and
(iii) effectiveness - the extent to which objectives are met ('doing the right things').
...Value for Money must be a routine part of the decision-making process at all levels of staff throughout GwE. This is particularly important in planning or reviewing activities with significant financial implications... The Business Quality Board will need to be satisfied that VFM issues are being adequately addressed and that all major areas of expenditure, including staff costs, are being properly scrutinised." Due to the financial implications of moving employees' official work location, it is reasonable that a business case is in place to justify the changes and highlight the benefits to GwE of the proposed arrangements. A report to the GwE joint committee was drawn up on the 22nd May 2019 with the purpose of presenting and approving staff work locations. However, the report does not mention the fact that work locations have changed, or the financial implications. Following advice from the Monitoring Officer, the report was not presented to the Joint Committee as the change of individual working conditions is an issue for management, also the fact that the changes have already been implemented since 1st July 2018.
- 5.11 GwE's Value for Money Policy states that *"although internal audit has a primary responsibility for assessing the internal control system, the internal auditors are frequently well placed to assess and comment on VFM in the areas reviewed"*. To this end, Internal Audit cannot provide assurance that value for money has been taken into account when changing work locations.

6. Actions

GwE has committed to implementing the following steps to mitigate the risks highlighted.

- **Remind managers to review travel expenses claims.**

ACKNOWLEDGMENT

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The auditor would like to thank the relevant officers for their co-operation in preparing this audit report.

LUNED FÔN JONES
Audit Manager
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**AGREED ACTION PLAN
TRAVELLING EXPENSES**

No.	Risk to be Mitigated	Agreed Action	Responsibility for Action	Implementation Timetable	Risk Score
R01	Inappropriate or incorrect claims being processed.	Remind managers to review travel expenses claims.	Business and Finance Manager GwE	30/06/2020	8