

Cyngor Sir Gâr Carmarthenshire County Council

Archwiliad Mewnol Internal Audit

MWWFRS

Travel & Subsistence

**Final Internal Audit Report
2023/24**

2nd January 2024

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1. INTRODUCTION

Background

Mid and West Wales Fire and Rescue Service (MWWFRS) employs over 1,300 people; the payroll is a centralised function, and the Fire Authority has an integrated Payroll and HR system operated through 'PeopleXD' (formally known as 'CoreHR'). The existing Payroll and HR system, 'PeopleXD', has been used for the processing of travelling and subsistence claims of MWWFRS since 2015.

MWWFRS pay travelling expenses and subsistence allowances based on claims made by employees, authorised by the respective line manager and submitted via manual claims for payment.

Scope and Objectives

The review covered the systems and procedures in operation to assess the extent to which: -

- Recommendations in the previous Internal Audit report have been actioned;
- There are adequate, documented policies and procedures in place for the processing of claims;
- Effective controls exist over payments made in relation to Travelling and Subsistence claims.

Associated Risks

The risks that were considered in the review are as follows:

- Incorrect / erroneous payments made;
- Payments being made to fictitious employees;
- Employees being reimbursed business miles whilst not having the appropriate insurance cover or a valid driving licence.

2. GENERAL OPINION

The existing Travelling & Subsistence Procedure was reviewed and amended in July 2022. The updated Travel and Subsistence rates were presented to the Service Leadership Team (SLT) in May 2023 by Finance; the SLT minutes noted that there were no changes other than updates to the subsistence allowances, which SLT were requested to note would be effective from 1st April 2023. It should be ensured that any updates to the Procedure including the Travel and Subsistence rates are approved on a timely basis.

The current Travel and Subsistence Procedure has been updated to state that *'all employees who use their own vehicle for business mileage, however occasionally, must ensure that their vehicle is correctly taxed, fully comprehensively insured with the appropriate business use cover, hold a current MOT certificate (if required), and be*

maintained to legislative and manufacturers standards'. The requirement for line managers to obtain evidence of such prior to the processing of claims has been removed, thus placing the responsibility to ensure these requirements are in place, with the relevant employee, rather than with the line manager. Testing of a sample of payments made, and the documentation available to support the claim entries, in relation to one month, for ten employees' travel and subsistence claims, identified that not all claims utilised have the relevant 'tick box' for staff to be able to confirm this. In addition, where claims do have the 'tick box' in place, it has not always been completed, when it would have been appropriate to do so.

There is also a requirement for employees to hold a current, 'full' motor car driving licence valid for use in Great Britain. The Fire Authority have implemented a new system to hold driving license information; the new system is called DAVIS, and is managed by the Corporate Risk Department. The DAVIS licence check system is used for fleet management, driving licence checks, and various other functions. The current documented procedure states that licence records will be held by the Corporate Risk Department, and that all licences will be examined periodically; the implementation of the new system means that licence checks are completed online and, therefore, the Corporate Risk Department no longer need to hold physical driving licence information. Testing confirmed that, for the sample of ten employees tested, all held the relevant driving licence, and all were appropriately recorded on the DAVIS system.

A review of the full process for the completion, checking, authorising and processing of travel and subsistence claims has identified that the 'Travel & Subsistence Policy' is not being fully complied with. It is of concern that, due to the issues detected throughout the process, assurance cannot be provided that all travel and subsistence payments made have been bona fide, accurate or appropriate. In addition, testing has identified a number of duplicate payments for mileage, subsistence and detachment hours, and overpayments of subsistence. The duplicate payments identified have resulted both from instances where employees have submitted duplicate claims for processing, and instances where the Payroll Section have processed claims twice.

Furthermore, appropriate VAT receipts were not always available to support claims, therefore, assurance cannot be provided that HMRC guidelines are being fully complied with.

The specific issues identified, together with the audit recommendations, are summarised in Section 5 of this report.

3. ASSURANCE RATING

The post review assurance level for systems relating to Travel & Subsistence is categorised as follows:

Assurance Level	Description for Assurance Level
Low	Inadequate controls. High Risk of not meeting objectives. High risk of fraud, negligence, loss, damage to reputation.

4. SUMMARY OF RECOMMENDATIONS

The audit findings and recommendations are detailed in Section 5, together with the management action plan and implementation timetable.

A summary of these recommendations by priority is outlined below:

Priority	3*	2*	1*	Total
Number of recommendations	1	1	0	2

5. FINDINGS AND ACTION PLAN

Finding 1: Documented Procedures

A review of the Travel & Subsistence Procedure identified that the updated Travel and Subsistence rates were not presented to SLT for approval until May 2023. The amendments to subsistence allowances were effective from April 2023, which was prior to the approval date. In addition, it was noted that a member of SLT had a query in relation to the subsistence allowances which needed to be explored.

Whilst the current Travel and Subsistence Procedure has been updated to place responsibility on employees, who use their own vehicle for business mileage, to ensure their vehicle is correctly taxed, fully comprehensively insured with the appropriate business use cover, has a current MOT certificate (if required), and is maintained to legislative and manufacturers standards, not all claims utilised have the tick box for staff to be able to confirm this. Where claims do contain the relevant tick box, testing found that this is not always completed by the claimant.

Recommendation 1

All future reviewed and updated Travel & Subsistence Procedures including travel and subsistence rates should be presented to SLT for approval promptly to ensure that all amendments are approved, and any queries may be resolved, prior to becoming effective.

All claims utilised should be the updated version which include the tick box to enable staff to confirm that their vehicle is correctly taxed, fully comprehensively insured with the appropriate business use cover, holds a current MOT certificate (if required), and is maintained to legislative and manufacturers standards. Subsequently, the tick box should be completed, when appropriate.

Priority level

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Management Response 1	Responsible Officer	
<p>The updates to the Travel and Subsistence Procedure referred to in July 2022 were minor updates to terminology, which did not require SLT approval. The next scheduled review is June 2024. The report to SLT in July 2022 was in relation to travel and subsistence rates, which had been updated, as was the report presented to SLT in May 2023. Whilst there is a clear link, the updating of the procedure and the review of travel and subsistence rates are separate matters, although the requirement for timely approval is noted.</p> <p>All staff have been advised that in order to ensure prompt and accurate payment of travel and subsistence claims, they must use the correct version of the form moving forward. Any claims received on the incorrect version or incomplete claims will not be processed, and will be returned to the approving manager for correction. In order for the consistency across the Service, claim forms have been revised and reissued to all employees.</p>	Senior Payroll Officer	
	<th data-bbox="1451 528 2013 600">Implementation Date</th>	Implementation Date
	31/12/23	

Finding 2: Travel & Subsistence Claims

Testing of a sample of payments made, and the documentation available to support claim entries in relation to one month, for ten employees' travel claims and ten employees' subsistence claims, identified that the MWWFRS Travel & Subsistence Procedure was not always being fully complied with, claims were not always completed appropriately or in full and the supporting documentation was not always sufficient to place an assurance that payments had been appropriately paid. In particular, the following was identified:

- Five instances (three individuals) where employees had not completed current forms, with old forms being utilised;
- Eleven instances (six individuals) where claims were not completed accurately, or with the full details required, to enable an assurance to be provided that mileage and subsistence allowances claimed and paid were accurate and consistent with the set policy;
- Two instances (two individuals) where VAT fuel receipts were not attached to the travel claim, as required;
- Three instances where receipts to support subsistence were not available; those that were available were not always consistent with claim details;
- Two instances (one individual) where claims had not been authorised for payment;
- Four instances (two individuals) where claims had not been signed by the Head of Section/Station, as required;
- Two instances (one individual) where claims had not been signed by the claimant;
- Four instances (three individuals) where dates and values on receipts to support subsistence payments being claimed were illegible and, therefore, it could not be confirmed that subsistence payments made were appropriate;
- Two instances (two individuals) where subsistence allowances had been overpaid due to the payments made being in excess of either the maximum allowance or the receipts provided, or due to mis-calculation by payroll staff;
- One instance (one individual) where a separate claim was not made for each calendar month;
- Fourteen instances (eight individuals) where the sections on the claims for 'Payroll Use Only' were not being completed as intended;
- Eighteen instances (eleven individuals) where claims were being 'checked by' and 'input by' the same member of staff, resulting in a lack of separation in duties.

Sample testing identified a potential duplicate payment had occurred; as a result, testing was undertaken of a further sample of five employees in receipt of potential duplicates. Of the five potential duplicates investigated, four were identified as actual duplicate payments; one instance had been identified by payroll staff and the duplicate payment in relation to mileage had been recovered accordingly, however the duplicate payment to the employee for passenger miles, in the same period, had not been recovered . Currently, there is no robust control in place for the identification of duplicate payments.

Testing identified three instances where duplicate payments of an expenses claim had occurred which included detachment hours, therefore, there has been a duplicate payment of hours in addition to the subsistence allowance.

Recommendation 2	Priority level
<p>The MWWFRS Travel & Subsistence Procedure should be fully complied with.</p> <p>All staff should be reminded of the importance of completing claims accurately, in full, and in accordance with the Travel & Subsistence Procedure, including maximum allowances, with all relevant documentation required attached, to facilitate the prompt and accurate payment of claims.</p> <p>Where appropriate, staff training should be provided to ensure there is a clear understanding of the requirements of the Travel & Subsistence Procedure.</p> <p>A review of expense claims paid should be undertaken to identify any further duplicate payments made.</p> <p>Appropriate action should be taken to address all duplicate payments identified.</p> <p>Procedures should be introduced to ensure there are robust controls in place for the identification of duplicate claims in the future.</p>	<p style="text-align: center;">***</p>

Action should be taken to ensure all staff with checking and authorising responsibilities are clearly aware of the functions they should be completing when passing and processing an expense claim for payment, to ensure only bona fide claims are paid and duplicate payments do not occur.

Claims should be 'checked by' and 'input by' different members of staff to ensure an adequate separation in duties is maintained. Where this is not possible, appropriate compensating controls should be introduced.

Management Response 2

Correspondence has been issued to all staff to remind them of the importance of completing claims accurately, in full and in accordance with the Travel & Subsistence Procedure, including maximum allowances, with all relevant documentation required attached, to facilitate the prompt and accurate payment of claims. In order for consistency across the service, claim forms have been revised and re-issued to all employees. The current Travel & Subsistence Procedure will be reviewed as a result of this IA report to ensure that procedures are clear and facilitate prompt and accurate payment of claims. Moving forward, any claims that are received that do not adhere to the Travel & Subsistence Procedure, will not be processed, and will be returned to the relevant manager for correction.

In addition to the communication referred to above, all incorrect forms will be monitored to identify any areas that, where appropriate, may need further staff training or guidance to ensure that there is a clear understanding of the requirements of the Travel and Subsistence Procedure.

Responsible Officer

Senior Payroll Officer

Implementation Date

30/04/2024

A review of the expenses paid will be undertaken to identify any duplication.

Any duplicate payments that have been identified will be addressed accordingly and a mileage and subsistence report will be run every three months to undertake spot checks to identify any potential duplicate claims.

Due to the structure of the payroll team, it is not always possible to have the claims 'checked by' and 'input by' different members of staff, to ensure an adequate separation in duties is maintained. However, the service is currently exploring the option of an Expenses module to PeopleXD, which will have controls built into the system. In the meantime, the introduction of a three monthly mileage and subsistence report will introduce compensating controls.

Audit Assurance Ratings

Assurance Level	Description for Assurance Level
High	Good controls consistently applied. Low risk of not meeting objectives. Low risk of fraud, negligence, loss, damage to reputation.
Acceptable	Moderate Controls, some areas of non-compliance with agreed controls. Medium / low risk of not meeting objectives. Medium / low risk of fraud, negligence, loss, damage to reputation.
Low	Inadequate controls. High Risk of not meeting objectives. High risk of fraud, negligence, loss, damage to reputation.

Recommendation Priorities

***** Priority 1 - Fundamental Weaknesses**

Control issues to be addressed as a high priority. These relate to issues that are fundamental and material to the system of internal control at a service level.

Recommendation should be introduced as a high priority.

**** Priority 2 - Strengthen Existing Controls**

Action required to avoid exposure to significant risks. These relate to issues that procedures do exist but require strengthening.

Implementation is strongly recommended.

*** Priority 3 - Minor Issues**

Action required which should result in enhanced control or better value for money. These are issues arising that would, if corrected, improve the internal control environment in general but are not vital to the overall system of internal control.

Implementation of recommendation is desirable to comply with best practice guidance.