

Final Internal Audit Report

Staff Expenses – Compliance Checks

October 2022

Distribution: Assistant Chief Executive
Chief People Officer
Corporate Director Resources and S151 Officer

Assurance Level	Issues Identified	
Limited Assurance	Priority 1	2
	Priority 2	6
	Priority 3	0

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

- 1.1 At the end of each tax year, Croydon Council (Council) like other employers has a legal requirement to submit a 'P11D' form to HMRC, notifying them of any taxable expenses paid to staff.
- 1.2 Within the Council, expense claims are submitted electronically via the My Resources system. In circumstances where the employee does not have access to My Resources, a paper expense claim form should be completed.
- 1.3 All expense claims must be reviewed and authorised by the employee's approving manager in accordance with the Council's Expense Management Policy. All claims must be submitted within 60 days of the expense being incurred, together with supporting documentation as verification of the expense. In instances whether the 60-day deadline has exceeded, the expense must be authorised by the relevant director. Expense claims made 90 days after they are incurred are not eligible for reimbursement.
- 1.4 The 2020/21 internal audit on 'Staff Expenses - Compliance checks' had a 'No' assurance opinion. One of the actions arising from this audit was a refresh and reissue of the Staff Expenses Policy, which occurred in September 2020 (and again in August 2021). More recently, from 1 March 2022, the 'expenses auditor' has been enabled, which requires that a member of the Corporate Management Team (CMT) second check any items of expenditure that exceed £50. It should be noted that the impact of the 'expenses auditor' is too recent to affect the results of this audit.
- 1.5 In conducting our review, Council staff were unable to provide a report of staff expenses, instead a report containing both staff expenses and procurement card expenditure for the period 1 August 2021 to 28 February 2022 was provided. This impacted on some of the testing results due to the fact the report did not explicitly distinguish the difference between some staff expenses and procurement card expenditure.
- 1.6 This audit was undertaken remotely as part of the agreed Internal Audit Plan for 2021/22.

2. Key Issues

- 2.1 Although most of the issues identified in both the 2019/20 and 2020/21 Expenses and Overtime Payments to Staff audits were also identified in this audit, there has been improvement in the extent of non-compliance. This is reflected in the priority assigned to the issues, with only two Priority 1 issues being identified in this report compared to the four in the 2020/21 audit (and five in the 2019/20 audit.) In addition, the 'expenses auditor' has recently been enabled, which should have a noticeable impact in helping prevent non-compliance, although this was too recent to affect the results of this audit. For these reasons, the overall assurance of the audit has been moved from 'No' to 'Limited' Assurance. Notwithstanding, if the same issues continue to be identified in future audits this assurance will be reviewed.

Priority 1 Issues

Testing of a sample of 30 approved expense items identified ten instances in which no documentation was provided, ten instances where the documentation attached was obscured or blurred, one instance where there was only partial documentation and three instances where the expense was incorrectly categorised. **(Issue 3)**

Examination of a sample of 15 expense claims that were submitted between 60 and 90 days after the incurrence of the expense found that none were evidenced as approved by an Executive Director as required. Furthermore, analysis of the PCard and expense report from August 2021 - February 2022 found that 234 expense items (97 expense reports), which were submitted 90 days after the incurred expense, were incorrectly approved. Last year's audit identified 240 expense items that were authorised outside of the 90 days eligibility timeframe **(Issue 7)**

Priority 2 Issues

A report of staff expense claims could not be provided. **(Issue 1)**

Testing of the documentation retained for a sample of 10 compulsory car users identified that there was missing documentation for three of these. **(Issue 2)**

Testing of a sample of 30 expense claims identified two claims which had 'Tax Classification Codes' of GB ZERO or GB EXEMPT, but the invoices/receipts attached to these claims demonstrated that VAT had been incurred. **(Issue 4)**

While the 'expenses auditor' should help to highlight any issues with expense claims directly with the member of staff that submitted the expense item, there was no evidence of the line managers who had already approved these claims also being notified. **(Issue 5)**

Eight (all for mileage claims) of the sample of ten potential duplicate expense items tested could not be resolved because of insufficient details and/or a lack of supporting documentation being attached to the claims. **(Issue 6)**

Analysis of the procurement card and staff expenses report for the period August 2021 to February 2022 found that 233 expense claims (31 Expense Reports) were approved by managers at least 30 days after the claim was submitted. **(Issue 8)**

No priority 3 Issues were identified.

3. Actions and Key Findings/Rationale

Audit Area: Each Claim is Appropriately Documented

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1
2	Actioned and completed – separate reports are now available for expenses and P-cards.	<p>The gov.uk website details that , ‘You’ll need to keep a record of: the date and details of every expense or benefit you provide; any information needed to work out the amounts you put on your end-of-year forms; any payment your employee contributes to an expense or benefit’ and that, ‘HM Revenue and Customs (HMRC) may ask to see evidence of how you accounted for each expense or benefit at the end of the tax year.’</p> <p>Although requested, a report of all expenses claimed and paid for a period could not be provided to Internal Audit for the purposes of this audit. The HR Systems and Project Manager explained that there was no specific expense report available, only a combined report of staff expenses and procurement card expenditure due to the fact that procurement card expenditure shares the module on Oracle used to process staff expenditure. A report that included both staff expenses and procurement card expenditure was therefore provided for the period August 2021 to February 2022.</p> <p>Furthermore, without this report Heads of Service may not able to confidently and accurately complete the P11D(b) ‘benefits in kind’ form for their staff and consequently there is a risk that the P11D(b) form sent to HMRC may not be accurate.</p>
Responsible Officer	Deadline	Where the Council is not able to extract a report of staff expenses specifically, there is a risk that an HMRC inspection would result in a lack of transparency and potential financial penalties. There is also the risk that useful and informative information cannot be accessed and analysed by the Council where required.
HR Systems and Project Manager	31/10/22	

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 2
2	<p>The Council is to use DAVIS greyfleet system which enables all car user data to be dealt within an automated basis. The system will also alert HR and line managers when officers have not provided all the required information. This will include that they cannot use their car for council business until fully compliant with the documents required.</p>	<p>The Council's 'Car Allowances' document details that, <i>'new car users and employees who change their vehicle provide their line manager with original copies of their vehicle registration document and insurance certificate for the vehicle they will be using for work purposes. Managers are responsible for checking this documentation before approving any mileage claims made for the vehicle.'</i></p> <p>Discussion with the HR Policy and Equalities Manager established that HR have been collating information from staff who have been claiming compulsory car users' allowance and requiring them to send in their details via their managers to verify and complete a form. This has been happening for the last few months. Although there is a deadline of the 18 March 2022 detailed on the Council's website for this information to be provided, it was explained that HR were extending the deadline to 30 March 2022.</p> <p>Examination of the records for a sample of 10 car allowance users out of 100 (who had been marked as submitting the relevant information on the spreadsheet held by HR) found that:</p>
Responsible Officer	Deadline	<ul style="list-style-type: none"> • For one car allowance user, the insurance document, driver's license and registration certificate were not provided;
Head of Human Resources / HR Policy and Equalities Manager	31/10/2022	<ul style="list-style-type: none"> • For one car allowance user, the driver's license and registration certificate were not provided; and • For one car allowance user, a driver's license was not provided. <p>Where car allowance users do not provide the required documentation, there is a risk that the users may not be entitled to claiming a car allowance or may not be licenced.</p>

Audit Area: Appropriate Supporting Documentation

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 3				
1	Communications have been sent to all heads of service advising them of the correct process. This has been supported by a presentation of the correct process at a CMT/directors/HoS event in June. Actioned/completed	<p>The Expense Management Policy details that, ‘Workers at every level are responsible for expense management. In particular,</p> <ul style="list-style-type: none"> Individuals submitting claims are responsible for ensuring that their claims are in accordance with the requirements of this policy. <u>Any misrepresentation of expenses may result in disciplinary action which could result in termination of employment.</u> Line managers approving expense claims are responsible for ensuring that expense claims are reviewed and approved in accordance with this document. This includes ensuring that a valid receipt is attached to the expenses claim prior to approving the claim and that the claim has been submitted within 60 days. Line managers approving expense claims are accountable for the appropriateness of the claim, any deviation from this process could lead to <u>disciplinary action which could result in termination of employment.</u> <p>Testing of a sample of 30 approved expense claims between August 2021 and February 2022 identified the following exceptions:</p> <ul style="list-style-type: none"> 10 car mileage claims with no supporting documentation detailing information about the car mileage: <table border="1"> <thead> <tr> <th>Expense Report Number</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>LBC-Expense Report000300021553</td> <td>Car Mileage expense claim dated 16/09/2021 for £4.23 had no supporting documentation.</td> </tr> </tbody> </table>	Expense Report Number	Description	LBC-Expense Report000300021553	Car Mileage expense claim dated 16/09/2021 for £4.23 had no supporting documentation.
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LBC-Expense Report000300021553	Car Mileage expense claim dated 16/09/2021 for £4.23 had no supporting documentation.					
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Responsible Officer	Deadline					
Chief People Officer	31/10/2022					

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LBC-Expense Report000305650061	Car Mileage expense claim dated 22/10/2021 for £1.08 had no supporting documentation.
LBC-Expense Report000305886253	Car Mileage expense claim dated 29/09/2021 for £2.08 had no supporting documentation.
LBC-Expense Report000309677188	Car Mileage expense claim dated 30/09/2021 for £7.04 had no supporting documentation.
LBC-Expense Report000313569660	Car Mileage expense claim dated 07/10/2021 for £1.52 had no supporting documentation.
LBC-Expense Report000303217585	Car Mileage expense claim dated 27/09/2021 for £225.12.
LBC-Expense Report000315143841	Car Mileage expense claim dated 15/12/2021 for £5.05 had no supporting documentation.
LBC-Expense Report000308066718	Car Mileage expense claim dated 30/11/2021 for £5.29 had no supporting documentation.
LBC-Expense Report000323547174	Car Mileage expense claim dated 06/01/2022 for £7.07 had no supporting documentation.
LBC-Expense Report000324109698	Car Mileage expense claim dated 23/12/2021 for £9.09 had no supporting documentation.

The above were all car mileage claims with no supporting documentation. The Expense Management Policy states: *'Authorised compulsory and casual car users can claim for necessary business mileage undertaken in using their own car. Employees must: Record sufficient details to support claims made, including start and finish locations, post codes, and purpose/client visit and attach this information to your claim/Expense Report in My Resources.'*

- Three expense claims which either omitted or had difficult to read receipts attached:

Expense Report Number	Description
LBC-Expense Report000313563397	This expense had a blurry receipt attached. This was an 'Eyesight Bi-Focal Lense' expense claim for £95.00 on 18/11/2021.
LBC-Expense Report000315604613	This Expense had multiple receipts attached but many were difficult to read. This was a 'car mileage' claim for £79.30 on 01/12/2021.
LBC-Expense Report000319267996	This expense was an 'Off street car parking/toll' expense claim with the description 'Dart charge to see A.D and Coffee with B.S'. This was for £11.80 made on 18/12/2021. This claim did have the receipt for the coffee attached, however, no 'Dart Charge' evidence was attached.

- Three expense claims where the expense items were incorrectly categorised:

Expense Report Number	Description
LBC-Expense Report000304402141	This expense had the description; <i>'NOT medical fees / GP certificates, but ESSENTIAL items for the Drop in facility at flat 23, Regina Road'</i> was put into the 'Medical Fees/GP Certificates' expense type.

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		<p>LBC-Expense Report000325308303</p>	<p>This Expense has the description; <i>'This is for headphones, not taxi, but no field provided'</i> was put into the 'Taxis" expense type.</p>
		<p>LBC-Expense Report000319267996</p>	<p>This Expense has the description; <i>'Dart charge to see A.D and Coffee with B.S'</i> was put as 'Off-street car parking/toll' however, only a coffee receipt was attached but no dart charge receipt, therefore this was the wrong expense type.</p>
<p>Where expense claims are submitted and approved despite not being in compliance with the Council's Expense Management Policy, there is a risk that these claims are inappropriately reimbursed and also of HMRC penalties should the Council's records be inspected.</p>			

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 4				
2	Communications have been sent to all heads of service advising them of the correct process. This has been supported by a presentation of the correct process at a CMT/directors/HoS event in June. Actioned/completed	<p>The Expense Management Policy details that, <i>'Workers should also endeavour to obtain receipts with the full name and address and the VAT registration number of the supplier to allow the Council to reclaim VAT and reduce the charges to service budgets. (Note, this does not apply to travel by public transport as this is a VAT-exempt category)'</i>.</p> <p>Inspection of 30 expense claims identified that two claims where VAT had not been claimed but had VAT included on the invoice/receipt, as follows:</p> <ul style="list-style-type: none"> LBC-Expense Report000303058044 - This was a 'Food and beverages' expense claim with the description 'JG food and beverages'. This claim was for the amount £32.54 and had VAT included of £1.40, however, the Tax Classification Code was GB ZERO. LBC-Expense Report000313563397 - This is a 'Eyesight Bi-Focal Lense' expense claim with the description 'Part payment request for new varifocal lenses. This claim was for the amount £95.00 and had VAT included of £13.60, however, the Tax Classification Code was GB EXEMPT. 				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Chief People Officer</td> <td>31/10/2022</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Chief People Officer	31/10/2022	
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		Where VAT is incurred, but not claimed on expense claims, there is a missed opportunity for the Council to recover reclaimable VAT.				

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Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 5				
2	Communications have been sent to all heads of service advising them of the correct process. This has been supported by a presentation of the correct process at a CMT/directors/HoS event in June. Actioned/completed.	<p>From 1 March 2022, the ‘expenses auditor’ has been enabled, which requires that a member of the Corporate Management Team (CMT) to second checking any items of expenditure that exceed £50.</p> <p>Examination of the Council’s MyResources system confirmed that expenses over £50 were subject to an ‘expense auditor’ check. However, while the ‘expenses auditor’ helps highlight any issues with expense claims directly with the member of staff that submitted the expense item, this does not automatically update the line manager who approved the expense claim. Any update to the line manager that they had inappropriately approved an expense claim is a manual process and discussion established that these line managers (and their managers) were not being routinely informed of their negligence in approving these expense claims.</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Chief People Officer</td> <td>31/10/2022</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Chief People Officer	31/10/2022	<p>Where line managers are not made of aware instances where they incorrectly approved of staff expense claims, there is a risk that they will continue to incorrectly approve future similar claims.</p>
Responsible Officer	Deadline					
Chief People Officer	31/10/2022					

Audit Area: Duplicate Claims

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 6								
2	<p>Communications have been sent to all heads of service advising them of the correct process. This has been supported by a presentation of the correct process at a CMT/directors/HoS event in June. Actioned/completed.</p> <p>A new expenses claim form is being designed with guidance to ensure a simpler process with greater compliance.</p>	<p>Staff expense claims should have valid and appropriate supporting documentation attached and any potential duplicates should be checked to ensure this is not the case.</p> <p>Analysis of the procurement card and staff expenses report for the period August 2021 to February 2022 by internal audit identified 197 potential duplicates within the expense types 'car mileage', 'parking', 'taxis' and 'public transport'.</p> <p>Testing of a sample of 10 of these potential duplicates could not resolve whether these were duplicates or not in eight instances, due to insufficient details and/or a lack of supporting documentation being included with the claims. These were as follows:</p> <table border="1" data-bbox="808 855 2018 1246"> <thead> <tr> <th data-bbox="808 855 1189 954">Expense Report Number</th> <th data-bbox="1189 855 2018 954">Description</th> </tr> </thead> <tbody> <tr> <td data-bbox="808 954 1189 1051">LBC-Expense Report000315125247</td> <td data-bbox="1189 954 2018 1051">Car Mileage expense claim dated 23/11/2021 for £16.42 had no supporting documentation.</td> </tr> <tr> <td data-bbox="808 1051 1189 1149">LBC-Expense Report000315125247</td> <td data-bbox="1189 1051 2018 1149">Car Mileage expense claim dated 19/11/2021 for £6.79 had no supporting documentation.</td> </tr> <tr> <td data-bbox="808 1149 1189 1246">LBC-Expense Report000315125247</td> <td data-bbox="1189 1149 2018 1246">Car Mileage expense claim dated 16/12/2021 for £6.79 had no supporting documentation.</td> </tr> </tbody> </table>	Expense Report Number	Description	LBC-Expense Report000315125247	Car Mileage expense claim dated 23/11/2021 for £16.42 had no supporting documentation.	LBC-Expense Report000315125247	Car Mileage expense claim dated 19/11/2021 for £6.79 had no supporting documentation.	LBC-Expense Report000315125247	Car Mileage expense claim dated 16/12/2021 for £6.79 had no supporting documentation.
Expense Report Number	Description									
LBC-Expense Report000315125247	Car Mileage expense claim dated 23/11/2021 for £16.42 had no supporting documentation.									
LBC-Expense Report000315125247	Car Mileage expense claim dated 19/11/2021 for £6.79 had no supporting documentation.									
LBC-Expense Report000315125247	Car Mileage expense claim dated 16/12/2021 for £6.79 had no supporting documentation.									

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		LBC-Expense Report000298341884 & LBC-Expense Report000298884230	Car Mileage expense claim dated 17/09/2021 for £1.59 had no supporting documentation in either expense report.
		LBC-Expense Report000308376050 & LBC-Expense Report000307413894	Car Mileage expense claim dated 26/10/2021 for £3.23 had no supporting documentation in either expense report.
		LBC-Expense Report000319339121	Car Mileage expense claim dated 10/11/2021 for £2.53 had no supporting documentation.
		LBC-Expense Report000315125247	Car Mileage expense claim dated 26/11/2021 for £2.04 had no supporting documentation.
		LBC-Expense Report000298341884 & LBC-Expense Report000298884230	Car Mileage expense claim dated 20/09/2021 for £1.41 had no supporting documentation in either expense report.
Responsible Officer	Deadline	Where sufficient details are not provided in expense claims, there is a risk that duplicate claims may be approved. Furthermore, in the event of challenge by HMRC the Council may have difficulty in demonstrating that these were incurred for business purposes.	
Chief People Officer / HR Systems and Project Manager	31/10/2022		

Audit Area: Timely Submission and Reimbursement of Claims

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 7				
1	<p>Communications have been sent to all heads of service advising them of the correct process, including the importance of staff and managers submitting/approving expenses in a timely way, before 60 days. This has been supported by a presentation of the correct process at a CMT/directors/HoS event in June. Actioned/completed</p>	<p>The Expense Management Policy details that, <i>‘Workers should submit expense claims as soon as possible after incurring the expense. Expense claims submitted no later than 60 days after the expenses are incurred may be reviewed and approved by their line manager (see below).</i></p> <p><i>Any expenses older than 60 days require the approval of the worker’s Executive Director and may not be reimbursed. Prior to submitting an expenses claim older than 60 days email approval should be sought from the departmental Executive Director setting out reasons why it was not possible to submit the claim earlier. The Executive Directors approval should be attached to the expenses claim.</i></p> <p><i>Expenses older than 90 days are not reimbursable. Line managers must not approve any expenses claims submitted which are older than 90 days. Any deviation from this process could lead to <u>disciplinary action and termination of employment.</u></i></p> <p>Analysis of the procurement card and staff expenses report for the period August 2021 to February 2022 found 656 expense claims (under the expense types 'Car Mileage', 'Eyesight Bi-Focal Lens', 'Eyesight Single Vision Lens', 'Eyesight Test Fees', 'Medical Fees/GP Certificates', 'Off street car parking/toll', 'On street car parking', 'Public Transport' and 'Taxis') were submitted between 60 to 90 days after the expense date.</p> <p>Examination of the documentation for a sample 15 (totalling £950.51) of these late expense claims found that none were evidence as approved by an Executive Director (either on the system or via an attached e-mail), as follows:</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Chief People Officer</td> <td>31/10/2022</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Chief People Officer	31/10/2022	
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Expense Report Number	Description
LBC-Expense Report000294068903	An 'Eyesight Bi-Focal Lense' expense claim for £90. Expense was incurred 04/09/2021 and was submitted 06/11/2021, 63 days difference. It was approved by a Service Manager.
LBC-Expense Report000308376190	A 'Car Mileage' expense claim for £82.82. Expense was incurred 01/09/2021 and was submitted 26/11/2021, 86 days difference. It was approved by Team Leader Grounds Maintenance.
LBC-Expense Report000312664239	An 'Overnight Accommodation – Evening Meal' expense claim for £17. Expense was incurred 09/09/2021 and was submitted 30/11/2021, 82 days difference. It was approved by a Team Manager.
LBC-Expense Report000314059367	A 'Car Mileage Claim' expense claim for £5.98. Expense was incurred 22/09/2021 and was submitted 27/11/2021, 66 days difference. It was approved by a Team Manager.
LBC-Expense Report000314352171	A 'Car Mileage Claim' expense claim for £129.37. Expense was incurred 02/09/2021 and was submitted 29/11/2021, 88 days difference. It was approved by a Service Development and Project Manager.
LBC-Expense Report000315125247	An 'On street car parking' expense claim for £4. Expense was incurred 02/09/2021 and was submitted 22/01/2022, 81 days difference. It was approved by a Service Manager.

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LBC-Expense Report000320713241	A 'Car Mileage Claim' expense claim for £292.19. Expense was incurred 05/10/2021 and was submitted 22/12/2021, 78 days difference. It was approved by a Team.
LBC-Expense Report000320713304	An 'Off street car parking/toll' expense claim for £3.58. Expense was incurred 07/10/2021 and was submitted 29/12/2022, 76 days difference. It was approved by a Team Manager.
LBC-Expense Report000320784762	A 'Car Mileage Claim' expense claim for £97.97. Expense was incurred 01/10/2021 and was submitted 29/12/2021, 89 days difference. It was approved by a Principal Building Control Surveyor.
LBC-Expense Report000322234958	An 'Eyesight Bi-Focal Lense' expense claim for £95. Expense was incurred 12/10/2021 and was submitted 30/12/2021, 79 days difference. It was approved by a Senior Digital Systems Officer.
LBC-Expense Report000322234958	An 'Eyesight Tests Fees' expense claim for £30. Expense was incurred 12/10/2021 and was submitted 30/12/2021, 79 days difference. It was approved by a Senior Digital Systems Officer.
LBC-Expense Report000325879611	An 'Eyesight Tests Fees' expense claim for £30. Expense was incurred 15/11/2021 and was submitted 14/01/2022, 60 days difference. It was approved by a Team Leader.
LBC-Expense Report000329071084	A 'Car Mileage Claim' expense claim for £3.64. Expense was incurred 22/11/2021 and was submitted 26/01/2022, 65 days difference. It was approved by a Team Manager.

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		<p>LBC-Expense Report000329732568</p>	<p>An 'Off street car parking/toll' expense claim for £3.96. Expense was incurred 17/11/2021 and was submitted 31/01/2022, 75 days difference. It was approved by a Service Manager.</p>
		<p>LBC-Expense Report000331446236</p>	<p>An 'Eyesight Single Vision Lense' expense claim for £65. Expense was incurred 28/11/2021 and was submitted 04/02/2022, 68 days difference. It was approved by a Support Services Manager.</p>
<p>Further analysis of the expense report from August 2021 - February 2022 and found that 234 expense items (97 expense reports) were submitted 90 days after the incurred expenses and were approved.</p> <p>Where expense claims are approved despite being an infringement to the Council's Expense Management Policy, there is a risk that invalid expense claims are being paid to staff, causing financial loss to the Council. There is also a risk that it encourages staff not to be strict and adhere to other policies from the Expense Management Policy, which in turn could lead to more risks.</p>			

Staff Expenses – Compliance Checks 2021-22

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 8				
2	Clear communications have been sent to all HoS of the importance of approving expenses in a timely way. We will report back on progress to CMT in August 2022	<p>Analysis of the procurement card and staff expenses report for the period August 2021 to February 2022 found that 233 expense claims (31 Expense Reports) were approved by managers at least 30 days after the claim was submitted. The longest that it took for a manager to approve an expense claim was 63 days after the submission on the expense claim.</p> <p>Where expense claims are not approved in a timely manner, any issues with the expense claim will not be addressed within a quick timeframe. Furthermore, this will delay the subsequent reimbursement of expense claims, which may cause staff frustration or may cause staff to alter their next expenses to compensate for the delay in repayments.</p>				
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AUDIT TERMS OF REFERENCE

Staff Expenses – Compliance Checks – 2021/22

1. INTRODUCTION & BACKGROUND

- 1.1 At the end of each tax year, the Council has a legal requirement to submit a 'P11D' form to HMRC, notifying them of any expenses paid to staff.
- 1.2 Expense claims are submitted electronically via the My Resources system. In circumstances where the employee does not have access to My Resources, a paper expense claim form should be completed.
- 1.3 All expense claims must be reviewed and authorised by the employee's approving manager in accordance with the Council's Expense Management Policy. All claims must be submitted within 60 days of the expense being incurred, together with supporting documentation as verification of the expense. In instances where the 60 day deadline has exceeded, the expense must be authorised by the relevant director. Expense claims made 90 days after they are incurred are not eligible for reimbursement.
- 1.4 The 2020/21 audit on 'Staff Expenses - Compliance checks' had a 'No' assurance opinion.
- 1.5 This audit is being undertaken as part of the agreed Internal Audit Plan for 2021/22.

2. AUDIT OBJECTIVES AND METHODOLOGY

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
 - Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE





3.1 The audit included the following areas (and number of issues identified):

Audit Area	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Appropriate Documentation	0	2	0
Appropriate Supporting Documentation	1	2	0
Duplicate Claims	0	1	0
Timely Submission and Reimbursement of Claims	1	1	0
Expense Management Policy	0	0	0
Totals	2	6	0

Definitions for Audit Opinions and Issues Identified

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are constantly applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to issues identified are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.

Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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