



CHIEF CONSTABLE OF STAFFORDSHIRE

Expenses

Item 5 (v)

Internal audit report 3.21/22

Final

19 November 2021

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

1. EXECUTIVE SUMMARY

Why we completed this audit

A review of Expenses was undertaken as part of the approved internal audit periodic plan for 2021/22.

Claimants input their own mileage and expenses claims using the 'My Expenses' system within the ORIGIN portal on the Force intranet. The system operates on a basis of self-authorisation which means that claims will be processed without authorisation by a line manager. The onus is therefore on the individual to submit a legitimate claim within a timely manner, but no longer than 3 months from the date of the event and in line with the Mileage & Subsistence Policy.

All expenses are paid through the Force's payroll system. All expense claims must be accompanied by supporting receipts.

Expenses paid from 1 April 2020 to 31 July 2021 (16 months) totalled £768.5k.

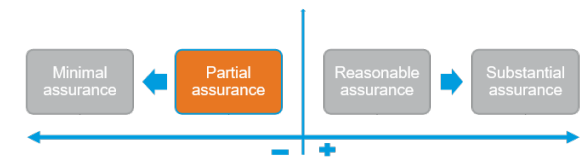
Conclusion

Both the design and the application of the current control framework needs to be reviewed and strengthened in order to transparently demonstrate accountability, oversight and compliance with the expenses system and its associated payments.

In addition, our audit has clearly highlighted that there is a need to focus on and re-align accountability and ensure that there is routine scrutiny and review of expense claims by line managers who will be best placed to know that the expense claim submitted is accurate, relevant and timely. Where expenses submitted are not periodically checked by line managers there is a risk that reimbursements will be paid which are not related to costs incurred during work or authorised in accordance with Policy.

Internal audit opinion:

Taking account of the issues identified, the Chief Constable can take partial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.



Action is needed to strengthen the control framework to manage the identified risks.

Data Analytics

As part of the audit we have completed various testing on the data that we received (expenses paid from 1 April 2020 to 31 July 2021). In addition to the analytics included at Appendix A, we reviewed the complete data and filtered the data to ascertain if any duplicate expense payments had been made.

We shared the expense payments that had the same transaction number, employee name, amount and journal description (a total of 38 transactions) with the Payroll Team to investigate. The Payroll Team confirmed that each of the transactions were appropriate and was not a duplicate payment.

Key findings

The following aspects of the control framework were found to be operating effectively:



Expenses are claimed through the ORIGIN system Self-Service Portal. Access to the system is limited to current employees only and access is provided by authorised individuals. We were advised that the Force Systems Administrator runs a bulk termination report on the last day of each month which sets an individual's security status as 'inactive'. This prohibits access to the ORIGIN expenses system. As part of our testing, we have selected a sample of five leavers between 01 April 2021 and 31 August 2021 our testing confirmed that the leaver had been appropriately made inactive on the ORIGIN system.



A Credit Card Policy Document is in place which is regularly reviewed and maintained up to date. The policy is available to all relevant staff to read and understand and is designed to ensure that corporate credit cards are used in line with financial regulations. The Policy requires all authorised credit card holders to submit invoices and receipts on a monthly basis to substantiate the expenditure. We selected a sample of five transactions from the August 2021 statements and verified the expenditure to supporting receipts and invoices.



All authorised credit card holders are required to sign a declaration form following the application process. We were advised that there are 14 authorised credit card holders across the Force. We selected a sample of five credit card holders and confirmed that in each case there was a signed declaration from was retained on file.



The Payroll Officer conducts monthly audits by selecting a random sample of expense claims and investigating the reimbursement. This is documented and kept on file. Individuals chosen will be required to submit their envelopes/ receipts within 14 days to the Payroll Team for inspection. As part of the routine the Payroll Team also scrutinise the expenses submitted that month and may contact the individual for further explanation.



We obtained copies of the documented audits completed in May, June and July 2021. Due to resources we established that there are only around 10 claims that are being selected for audit each month. However, it was noted that for the claims selected the Team had received the relevant receipts to support the expenditure being claimed.



To meet payment deadlines claims are usually required to submit claims by 9am on the 5th of the month. As per the Policy claims will be paid with salaries on or around the 16th of the month. As part of our testing we selected a sample of 10 claims and reviewed the corresponding payslips to ensure that payment was timely and accurate.

Expenses are claimed using the correct rates in line with the roles outlined in the Mileage and Expenses Policy Document. We selected a sample of ten mileage claims (comprising of essential, special and casual users) to confirm that the claim was accurate in accordance with with the mileage group. We did not identify any exceptions.

We identified the following key weaknesses / exceptions within the established control framework:



It is common practice to have a self-approval system in place for claiming expenses such as mileage and subsistence. However, what is usually expected is for there to be a limit in which anything over that value is automatically required to be approved by the line manager. This is not in place and currently, there is minimal oversight of expenses being claimed, minimal oversight in relation to the timeliness of the claim (i.e. confirming that it is no later than 3 months since the event) and minimal oversight of the appropriateness of the expense claim. **(High)**



Individuals are required to retain their own receipts in respect of mileage and subsistence. Envelopes are available for this purpose and can be obtained from the Payroll department at the start of the financial year. At the end of the financial year, the envelopes containing the receipts should be submitted to the Payroll department. We were informed by the Payroll Team that for 2020/21 they had received 201 envelopes from an expected 1844 – equating to a 89% non compliance rate with claimants failing to submit their receipts to the Payroll Team.

In our view this is an ineffective control because requesting the receipts at year end is after the expense has been incurred, claimed and reimbursed and therefore provides little value or control. In addition, the administration burden to review the receipts

at year end would be extensive if 1844 envelopes are expected to be received. Receipts should be collected at source. **(High)**



We contacted 35 individuals to request a copy of the receipt that supported the expenditure claimed and we received responses from just nine individuals (25%). Of those nine responses, in seven cases we received booking confirmation, order confirmation and a VAT invoice. In the remaining two cases there was a discrepancy between the value of the receipts and the claim submitted. There is a need to remind all officers and staff of the requirement to retain and submit receipts to support claims. In addition, there is currently a risk that the Force can not substantiate any VAT claimed in relation to mileage and subsistence expenditure. **(High)**



We were informed that the Force do not currently complete any checks to ensure that claims are made by individuals with a valid UK driving license and for vehicles insured for business use. It is our understanding that the Force is currently exploring different options for their expenses system and would suggest that this requirement (a self declaration) is included within that system. In the meantime, it is suggested that for all new joiners to the Force that clarification is sought to confirm that they have a valid driving license and that their vehicle is insured for business use. **(Medium)**

2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Area: Framework – Policy and Procedure			
Control	A Mileage and Expenses Policy is in place which is regularly reviewed and maintained up to date. The policy is available to all staff to read and understand.	Assessment:	
		Design	x
		Compliance	✓
Findings / Implications	<p>We obtained a copy of the Mileage and Expenses Policy published on 01 April 2018. We were informed by the Payroll Manager that the Force are currently in the process of developing a new Mileage and Expenses Policy for which we obtained a copy of the draft version. On review of the draft version, it was noted that the contents included but was not limited to the following:</p> <ul style="list-style-type: none"> • Purpose of the policy; • Responsibilities under the policy; • Categories of expenses and limits for claims, including: <ul style="list-style-type: none"> ○ General Travel (including toll charges and car parking), Mileage Allowance, Seconded Officers, Police Officer 30 mile rule ○ Police Staff Redeployment, Taxis, Travelling by train, Air Travel, Accommodation, Subsistence, Incidental Expenses, Ex-Gratia Payments, Driving Licences, Imprest, Foreign Business Travel ○ Special Constabulary, Police Support Volunteers • Individuals with special requirements; • Payment of expense claims; and • Monitoring arrangements <p>In addition, we completed a benchmarking exercise comparing the Policy to other Emergency Services expense policies. Although overall the coverage of the Policy was aligned, we have highlighted the following that could be included to enhance the document further;</p> <ul style="list-style-type: none"> • Unique reference number; • Version number and document history section/ amendment table; • Date of ratification and who the policy was ratified by; • Date of last review; • Review frequency; • A statement that the electronic version is the definitive version; and • Equality impact assessment completed 		

Area: Framework – Policy and Procedure

Management Action 1	<p>The Force will update the current Mileage and Expenses policy to include coverage of the key themes arising from the audit, together with the following details:</p> <ul style="list-style-type: none"> • Version number and document history; • Date of ratification and who the policy was ratified by; • Date of last review; • Review frequency; • A statement that the electronic version is the definitive version; and • Equality impact assessment completed <p>The updated Policy will be appropriately approved and communicated to all relevant staff.</p>	Responsible Owner: Deputy Chief Finance Officer	Date: January 2022	Priority: Low
----------------------------	--	---	------------------------------	-------------------------

Area: Framework – Policy and Procedure

Control	Claimants must ensure they hold a current driving licence and that the vehicle for which they are claiming a mileage allowance has, a current MOT certificate and valid road licence, is in a roadworthy condition and is insured for business use.	Assessment:		
		Design	✗	
		Compliance	✓	
Findings / Implications	As per the Mileage and Expenses Policy, the claimant must obtain a valid driving license and the vehicle for which they are claiming for is insured for business use. We were informed that the Force do not currently complete any checks to ensure that claims are made by individuals with a valid UK driving license and for vehicles insured for business use. The driving licence details and Insurance provider needs to be populated on Origin by the user, but there is not a confirmation of “insurance for business use”. It is our understanding that the Force are currently exploring different options for their expenses system and we would suggest that this requirement (a self decalation) is included within that system. In the meantime, it is suggested that for all new joiners to the Force that clarification is sought to confirm that they have a valid driving license and that their vehicle is insured for business use.			
Management Action 2	An annual self-declaration form (preferably as part of ORIGIN or any future expenses system) to confirm that claimants hold a valid UK driving license and claims are only submitted for vehicles insured for business use will be introduced and implemented. In the meantime, for all new joiners (where their roles is appropriate), confirmation will be sought to confirm that they have	Responsible Owner: Deputy Chief Finance Officer	Date: December 2021	Priority: Medium

Area: Framework – Policy and Procedure

a valid driving license and that their vehicle is insured for business use. This is the responsibility of the Claimant's Line Manager. However, the communication will be shared by the DCFO.

Area: Completeness, Authorisation and Review

Control	Claims operate on a basis of self-authorisation by the individual and are processed without authorisation by a Line Manager.	Assessment:		
	Managers have authority to check all submitted claims and are encouraged too periodically do so. Any errors are sent back to the individual for amendment.	Design		x
		Compliance		x
Findings / Implications	On review of the Mileage and Expenses policy, section 7.1.1 states that managers shall have the authority to check all submitted claims and are encouraged to periodically do so. We were advised by the Payroll Manager that due to the ORIGIN system allowing expenses to be self-authorised, line mangers are not completing any checks.			
	Where expenses submitted are not periodically checked by line managers there is a risk that reimbursements will be paid which are not related to costs incurred during work or authorised as per the policy. It is also stated in the Policy that all claims must be submitted within three months from the date of the event. There is currently no way of confirming this as the claims are not subject to review (unless they are selected as one of the 8-10 claims that are selected each month for review by the Payroll Team).			
	It is common practice to have a self-service/approval system in place for claiming expenses such as mileage and subsistence. However, what is usual practice is for there to be a financial limit in which anything over that value is automatically required to be approved by the line manager, prior to payment. As this is not in place, there is minimal oversight in expenses being claimed, minimal oversight in relation to the timeliness of the claim (i.e confirming that it is no later than 3 months since the event) and minimal oversight of the appropriateness of the expense claim.			
Management Action 3	The ORIGIN system (or any future system) will allow self-authorisation of expenses up to the amount of £100 (or an appropriate level to be determined). Expenses above this amount will require line manager review and approval. For the current system this will be explored to ascertain if this functionality exists. For the future system this option will be included in the system requirements.	Responsible Owner:	Date:	Priority:
	The system should have the functionality to reject expense claims that are in excess of 3 months.	Deputy Chief Finance Officer	January 2022	High

Area: Completeness, Authorisation and Review

Control	All expenses claims should provide sufficient detail of the reason for the expense and a vat receipt should be attached or explained why it is not.	Assessment:	
		Design	✓
		Compliance	×
Findings / Implications	A sample of 35 expense claims were selected from a system produced report of claims processed between April 2020 and July 2021. The sample of claims included the following:		

- Toll expenses;
- Refreshment expenses;
- Casual and special mileage expenses;
- Travel expenses;
- Telephone call expenses;
- Non-standard accommodation expenses;
- Out of Pocket expenses;
- ETAP expenses; and
- Taxable expenses

As part of our testing, we contacted expense claim holders, via email, requesting evidence of receipts relating to the sample of claims selected. Our testing identified the following:

- In 9/35 cases we received a response from those contacted. In 7/9 cases we were provided with evidence corresponding to the claim reimbursement for which the amount matched that on the expenses report. The evidence provided included, travel booking confirmations, VAT invoices and order confirmations.
- In the remaining 2/9 cases the order confirmation and bank statements provided did not correspond to the amount reimbursed as per the expenses report.

In addition, as per the policy a Special Constable is permitted to claim subsistence allowance when being retained for duty or engaged on duty beyond their normal daily period of duty. It is considered that a normal period of duty will equate to 4 hours. As part of our testing, we selected a sample of ten Special Constable claims for refreshments, to confirm the following:

- The claimant is listed as a Special Constable according to HR records;
- Sufficient evidence is available to demonstrate that the Special Constable was retained for duty for the expected number of shifts as per the reimbursement amount.

Our testing, identified the following:

- In 10/10 cases the Special Constable claim was confirmed to Human Resource records;
- In 10/10 cases the Special Constable reimbursements could be evidenced via shift schedules from the previous month due to expenses being paid a month in arrears.

There is a need to remind all officers and staff of the requirement to retain and submit receipts to support claims. In addition, there is currently a risk that the Force can not substantiate VAT claimed in relation to mileage and subsistence expenditure, in the event of any HMRC inspection.

It would be efficient and effective if the current system can be explored or for any future system to include the functionality to be able to upload receipts at the point of claim. In the meantime, consideration should be given to introducing a designated expenses email inbox for which claimants will be required to email in scanned receipts to collect and obtain the receipt at source.

Management Action 4	The Force will remind all officers and staff of the requirement to retain and submit receipts to support claims and the importance of submitting receipts to support expenditure incurred. In addition, the Force will explore the current functionality of the ORIGIN system (and any future system) to understand if receipts can be attached at source and in the meantime explore the viability of introducing a designated expenses email inbox for which claimants will be required to email scanned receipts to support the expense claim.	Responsible Owner: Deputy Chief Finance Officer	Date: January 2022	Priority: High
----------------------------	--	---	------------------------------	--------------------------

Area: Completeness, Authorisation and Review

Control	Individuals are required to retain their own receipts in respect of mileage and expenses claims. At the end of each financial year, the envelopes containing the receipts should be submitted to the Payroll Department.	Assessment: Design x Compliance x
Findings / Implications	We were advised by the Payroll Manager that for the financial year 2020/21 the Force received 201 envelopes containing receipts corresponding to expenses claimed throughout the financial year. We were advised by the Team that the expected number of envelopes to be returned was 1844, this results in 89% non-compliance as per policy guidelines. We were also informed that the current ORIGIN system does not have the functionality to upload receipts. For any new expenses system, the functionality and ability to scan and upload receipts should be a priority.	

We concluded that this is an ineffective control as expense receipts are reviewed at the end of the financial year following payment of claims. The Force, therefore, faces a risk that where envelopes are not submitted, they will not be able to verify expense payments as legitimate where required. In addition, the Force will be unable to evidence the VAT element of the mileage and subsistence claim in the event of a HM Revenue and Customs inspection.

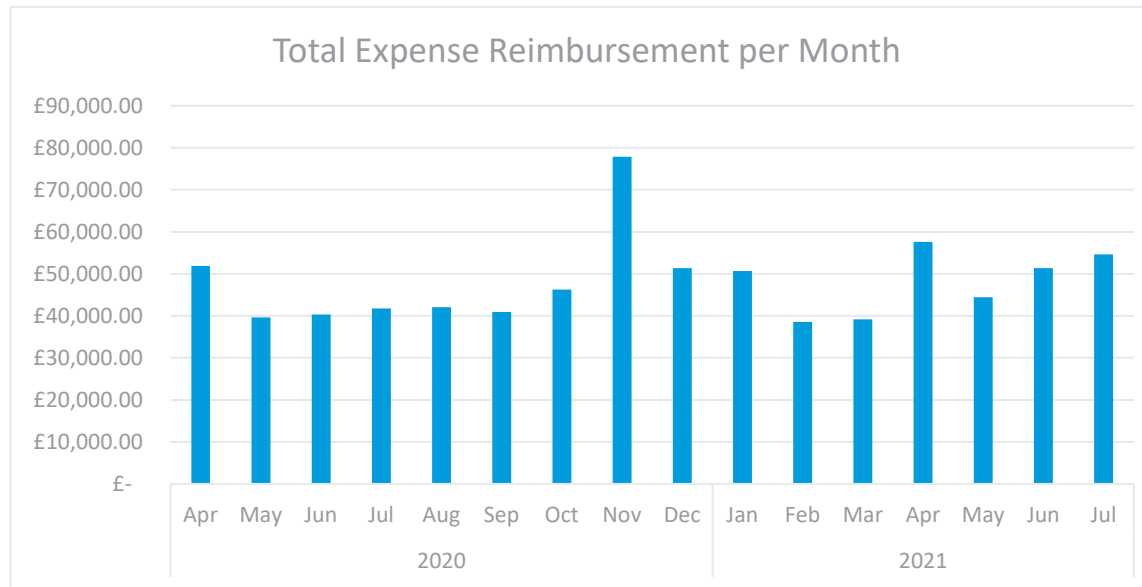
Management Action 5	For any new expenses system the ability to scan and upload receipts to support expense claims should be a priority. In the meantime, the Force will explore the viability of introducing a designated expenses email inbox for which claimants will be able to upload receipts at source and therefore will remove the need to submit receipts in envelopes each year.	Responsible Owner: Deputy Chief Finance Officer	Date: January 2022	Priority: High
----------------------------	---	---	------------------------------	--------------------------

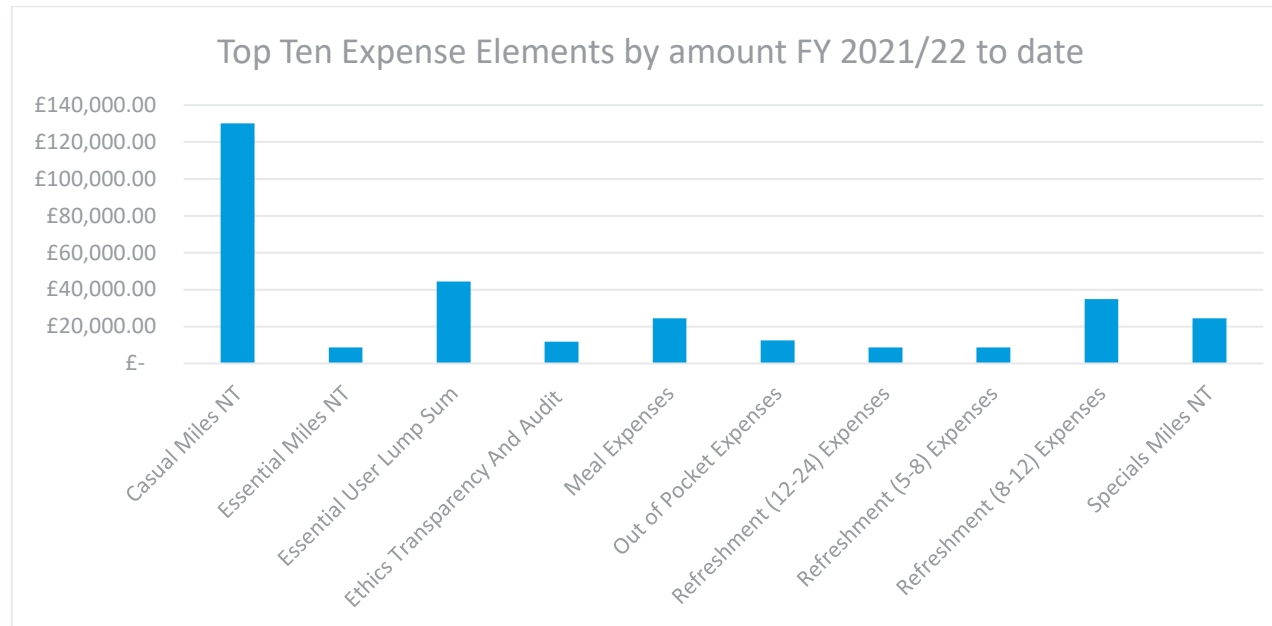
Area: Completeness, Authorisation and Review

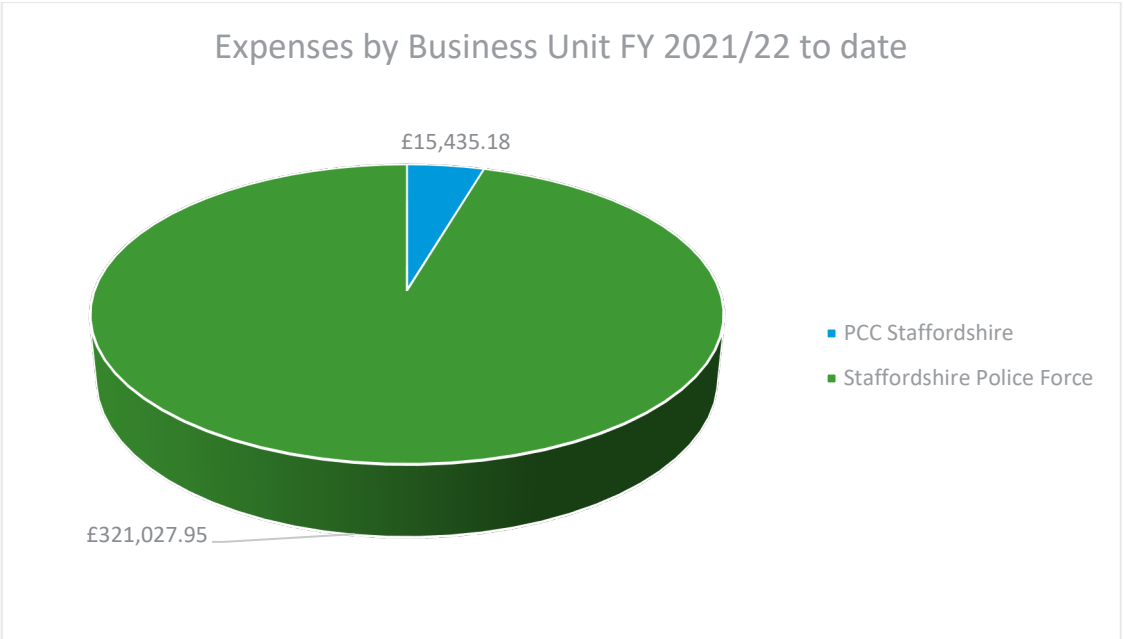
Control	Expenses are reported on an annual basis to ETAP where they include a summary of expenses paid.		Assessment:	
			Design	✓
			Compliance	x
Findings / Implications	We were advised by the Payroll Team that an annual report is presented to the ETAP Board providing a summary of expense reimbursements across the Force. However, we were unable to obtain a copy of the latest report. It would therefore be beneficial to reintroduce the report to provide insight into trends and compliance.			
Management Action 6	The Force will produce and re-introduce the annual report providing a summary of expense reimbursements occurring across the year. The report will provide insight into trends occurring and compliance rates.	Responsible Owner: Deputy Chief Finance Officer	Date: 30 September 2022	Priority: Low

APPENDIX A: DATA ANALYTICS

The following is a summary of findings from our analytical work which we have discussed with management







APPENDIX B: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Risk	Control design not effective*		Non Compliance with controls*		Low	Agreed actions	
						Medium	High
To provide assurance over the key controls in place over the expenses system and to ensure robust arrangements are in place, claims are supported by receipts and are in line with the policies / guidance.	2	(13)	4	(13)	2	1	3
Total					2	1	3

APPENDIX C: SCOPE

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following risks:

Objective of the risk under review

To provide assurance over the key controls in place over the expenses system. All claims are currently self-approved and a very small sample of these are currently checked randomly (approx. eight per month) by the Payroll team. We will provide assurance that robust arrangements are in place, claims are supported by receipts and are in line with the policies / guidance.

When planning the audit, the following areas for consideration and limitations were agreed:

The audit will consider the following;

- Policies and procedures are in place which detail the expense claim process. We will ensure there is clarity regarding what expenditure types are appropriate for reimbursement.
- Expense approval thresholds have been clearly documented and maintained up to date.
- Although the Force has currently adopted a self-approval process for expenses, we will review the current procedure in place to ensure it is fit for purpose, any vulnerabilities that the current process may pose.
- A sample of expense approvals will be selected and reviewed to ensure that the expenditure was appropriate (as per policy and procedure guidelines), approval was in line with set approval thresholds and that supporting documentation such as receipt have been maintained on file and that the amounts tally.
- Spot checks of expenses are being completed in a timely manner and that evidence of those expenses reviewed, as well as compliance or any exceptions noted has been retained on file.

Limitations to the scope of the audit assignment:

- Testing undertaken will be compliance based and on a sample basis.
- We will not comment on the contents of the expenses policy, only that expenditure has taken place in line with its requirements.
- We will not confirm the amount paid for goods and services reflect value for money.
- The results of our work are reliant on the quality and completeness of the information provided to us.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Debrief held 12 October 2021
Draft report issued 19 October 2021
Responses received 19 November 2021

Final report issued 19 November 2021

Internal audit Contacts Daniel Harris, Head of Internal Audit
Daniel.Harris@rsmuk.com / 07792 948767
Angela Ward, Senior Manager
Angela.Ward@rsmuk.com / 07966 091471

Client sponsor John Bloomer / Chief Finance Officer
Corrina Bradley / Deputy Chief Finance Officer

Distribution John Bloomer / Chief Finance Officer

rsmuk.com

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Chief Constable Of Staffordshire, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM UK Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.