

# REPORT

**BY: DIRECTOR OF RESOURCES**  
**TO: CORPORATE MANAGEMENT BOARD**  
**SUBJECT: SPECIAL AUDIT INVESTIGATION**  
**DATE: 7<sup>TH</sup> SEPTEMBER 2007**

## BACKGROUND

1. A special audit investigation is one that falls outside the planned programme of audit work, usually to assist an investigating officer establish the facts of a matter before deciding what if any course of action needs to be taken.
2. A protocol has been established for making sure any weaknesses in the internal control environment identified as a result of special audit investigations are reported to:
  - CMB for action as appropriate; and
  - the Audit & Corporate Governance Committee.
3. This report has been prepared in line with the agreed reporting protocol.

## DETAILS

4. Audit Services recently carried out a review of a senior officer's travelling and subsistence claims. The review was requested by the Director of Resources in order to inform the overall investigation into serious allegations made about the senior officer. The review was subsequently extended to include travelling and subsistence claims made by the senior officer's direct reports.
5. The review identified non-compliance with the Council's existing policies for:
  - claiming and reimbursement of travelling and subsistence expenses;
  - employee conduct;
  - declaration of gifts and hospitality.
6. The attached table sets out the key audit findings and the actions necessary to ensure the integrity of the Council's internal control environment across all Directorates.

7. The actions outlined in the attached table will strengthen the existing internal control arrangements for travel and subsistence claims and employee conduct. Whilst it is important that our policies and codes are as clear and as concise as possible, it is just as important employees are aware of and are reminded of the standard of behaviour expected of them and what is an allowable expenses claim. This process begins with employee induction and continues through effective supervision and management. To this end, Corporate Management Board should also ensure that:
- the induction process is effective [**ACTION: Head of HR**];
  - the communications process continually reinforces the message about standards in public office in an appropriate way (e.g. building on the Values work) [**ACTION: Head of Communications**];
  - access to the Council's policies and codes via the Intranet is easy; [**ACTION: Acting Head of ICT**]; and
  - compliance with the Council's code of conduct and financial regulations is a non-negotiable [**ALL**].
8. It is worth noting that the functionality required from the IT platform supporting Herefordshire Connects will assist in managing compliance with these and many other Council policies. This in turn points to the fact that most if not all our existing policies and procedures will need an overhaul as part of that programme.
9. Finding non-compliance with internal controls in one part of the Council raises the concern about compliance elsewhere. Routine audit activity planned for this year will be prioritised to provide the Director of Resources (and the Audit Commission) with speedy assurance that similar problems do not exist in other areas. The audit sample will be drawn from travel and subsistence claims paid to employees on the Key Managers list since 1 April 2006. The audit fieldwork will be completed by early September.
10. CMB are advised that the external auditor may wish to comment on the non-compliance issues highlighted by this special audit as part of the Annual Governance Report for 2006/07 and the 2007 Use of Resources assessment.

**SONIA REES**  
**DIRECTOR OF RESOURCES**  
**10<sup>TH</sup> AUGUST 2007**

<b>Audit finding</b>	<b>Internal control mechanism</b>	<b>Suggested action</b>	<b>Responsible officer(s)</b>	<b>Date</b>
Claims paid and pending for entertaining suppliers, Council employees and Council contractors.	Code of Conduct for Employees	Review the Code of Conduct for Employees to ensure the Council's expectations on the required standard of conduct on giving hospitality are clear.	Head of HR	Sept 2007
Claims paid and pending for alcoholic beverages for meetings with suppliers, employees and contractors during office hours.	Code of Conduct for Employees	Review the Code of Conduct for Employees to ensure the Council's expectations on the required standard of behaviour in relation to consumption of alcohol during office hours and whilst representing the Council after office hours is clear.	Head of HR	Sept 2007
Claims paid for mileage following business meetings at which significant amounts of alcohol were purchased.	Code of Conduct for Employees	Review the Code of Conduct for Employees to ensure the Council's expectations on the standard of behaviour regarding working under the influence of alcohol is clear.	Head of HR	Sept 2007
Claims paid and pending for overnight accommodation costs within the Council's area without prior authorisation or clear business need.	Travel & Subsistence Policy Terms and Conditions of Employment	Revise guidance on travelling claims to require separate confirmation by attaching a signed memorandum that the line manager certifies overnight stays within the Council's area.  Payroll to reject all claims for overnight stays in the Council's areas that are not accompanied by separate written authorisation by Head of Service and Director.	Head of HR	Sept 2007
Failure to supply VAT receipts for over half of the claims made.	Terms and Conditions of Employment	Payroll to reject all claims that do not have the correct supporting documentation.	Payroll Manager	Immediate

Audit finding	Internal control mechanism	Suggested action	Responsible officer(s)	Date
Failure to submit claims in a timely manner.	Travel & Subsistence Policy	<p>Revise guidance on travelling claims to require monthly submission of travel and expenses claims within a month of the period they relate to.</p> <p>Payroll to reject claims that are received after the deadline indicated in the Councils' Travel &amp; Subsistence Policy.</p>	Head of HR	Sept 2007
Claims authorised for payment although incomplete and in contravention of the Council's policies.	<p>Travel &amp; Subsistence Policy</p> <p>Travel &amp; Subsistence Claim Form</p>	<p>Payroll to reject claims that are incomplete and in contravention of the Council's policies unless all exceptions are individually certified by the relevant Head of Service and Director in writing.</p> <p>Travel &amp; Subsistence Claim Form to be reviewed to ensure the disclaimer the claimant and authorising officer make on signing the form is clear that failure to comply with the Council's policies on travel &amp; subsistence could lead to disciplinary action.</p>	<p>Head of HR</p> <p>Head of Benefit &amp; Exchequer Services</p>	Sept 2007

<b>Audit finding</b>	<b>Internal control mechanism</b>	<b>Suggested action</b>	<b>Responsible officer(s)</b>	<b>Date</b>
Failure to declare hospitality received in line with the Council's policies.	Code of Conduct for Employees	Reminders from the Head of Legal & Democratic Services to all Key Managers to be issued biannually. Head of Legal & Democratic Services to confirm 100% return rate to include nil returns.	Head of Legal & Democratic Services	Sept 2007
		Biannual assurance statements to be extended to all Key Managers and to include confirmation that systems are in place to promote compliance with the Council's policies on the declaration of gifts and hospitality offered whether accepted or not.	Audit Services Manager	Sept 2007
Discrepancies between claims for overnight stays and subsequent declarations of hospitality.	Travel & Subsistence Policy Code of Conduct for Employees	Audit Services Manager to ensure test checks are carried out as part of planned audit work on travel & subsistence.	Audit Services Manager	Sept 2007
Questionable value to the Council of a three-day conference attended by an agency & contracted member of staff in Paris that was run by a Council supplier. Costs reimbursed included travel, accommodation and entertaining expenses.	Travel & Subsistence Policy	Travel & Subsistence policy to be revised to so that all overseas trips are authorised at Director level.	Head of HR.	Sept 2007
Claims for travel and subsistence expenses made by Council contractors not itemised in detail in their invoices.	Contract arrangements.	Contractors should support charges for travel and subsistence included in their invoices with a completed travel and subsistence claim form where the contract allows for reimbursement of costs as incurred.	Key Managers.	Sept 2007