



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Head of Audit and Inspection

Contact: Duncan Black Ext: 74053

Item 7

4th March 2020

INTERNAL AUDIT – TRAVEL, EXPENSES AND PURCHASE CARDS

Purpose of Report:

To present the results of the Internal Audit review of travel, expenses and Purchase Cards within the Strathclyde Pension Fund Office.

Note:

In most cases one of four opinions is expressed:

1. The control environment is satisfactory i.e. audit testing found no concerns with the control environment.
2. A reasonable level of assurance can be placed upon the control environment i.e. audit testing found no major weaknesses in the control environment but some improvements could be made.
3. A limited level of assurance can be placed upon the control environment i.e. improvements are necessary to ensure the control environment is fit for purpose.
4. The control environment is unsatisfactory i.e. significant improvements are required before any reliance can be placed upon the control environment.

Recommendations:

The Committee is asked to note the contents of this report and **AGREE** the audit recommendation that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the Action Plan.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes No consulted: Yes No

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION COMMITTEE SUMMARY

Title of the Audit: Strathclyde Pension Fund – Travel, Expenses and Purchase Cards

1. Introduction

1.1 As part of the agreed Internal Audit plan we have carried out a review of travel, expenses and Purchase Cards (P-Cards) at the Strathclyde Pension Fund Office (SPFO).

1.2 Employees are permitted to claim expenses, such as mileage and subsistence, to undertake business which requires them to travel away from their normal place of work. Expense claims should be submitted and approved using MyPortal (the self service system for employees to enter requests for leave, payment of additional hours, mileage and expenses). Business travel and accommodation in excess of £25 should be arranged by the Council's Executive Compliance Unit (ECU), while travel bookings under this value should be arranged by the employee and reclaimed as an expense. In 2018/19 reimbursement to employees was approximately £1.5k, while expenditure through ECU bookings was approximately £12.5k.

1.3 Purchase Cards are charge cards, allowing for goods and services to be purchased, without the need for petty cash. The charges are paid for electronically, similar to a debit card, however purchases require approval from a supervisor or manager once the expenditure has been incurred. Purchases should only be made using P-Cards when no other procurement route is available, such as ordering through PECOS

using contracted suppliers. P-Card expenditure was approximately £1.9k for 2018/19.

1.4 The scope of the audit was to ensure there are sufficient and appropriate controls in place covering travel, expenses and P-Cards. The scope of the audit included:

- Reviewing the documented procedures relating to travel and expenses and P-Cards, ensuring that all relevant staff have access to the procedures;
- Ensuring that payments to staff for travel and expenses are administered in accordance with the procedures;
- Ensuring that the relevant documentation has been provided and verified before employees claim, and are reimbursed, for expenses;
- Ensuring that requests to ECU comply with the documented procedures;
- Ensuring that processes are in place for approval and the control of spend on purchase cards;
- Reviewing the arrangements in place for the administration of VAT; and
- Reviewing the arrangements in place for the issue of P- cards and managing the loss of P-cards.

2. Audit Opinion

2.1 Based on the audit work carried out a reasonable level of assurance can be placed upon the control

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environment. The audit has identified some scope for improvement in the existing arrangements and three recommendations which management should address.

3. Main Findings

3.1 We are pleased to report that the key controls are in place and generally operating effectively. There are sufficient and appropriate documented procedures in place covering travel, expenses and P-Cards. We found that all P-Card users have been suitably approved, have signed to agree to the associated terms and conditions and have received training. However, our audit testing found that there are some areas of non-compliance.

3.2 We reviewed a sample of 17 expenses claims, submitted in MyPortal, and 10 booking requests made to ECU between April 2018 and July 2019. We found that all claims and bookings sampled were compliant with the policy and procedures. From review of the hospitality register we identified 10 cases of accepted hospitality that may have involved travel and/or accommodation, and found that no inappropriate expenses claims or requests to ECU had been made. However, in two cases, the travel and accommodation element of the hospitality received had not been recorded on the register.

3.3 We reviewed all five mileage claims made between April 2018 and July 2019. We found that they had been submitted and approved via MyPortal as required. However, none of the cases complied with the documented VAT guidelines, although it should be noted that the amounts involved are not material.

3.4 We reviewed a sample of 11 P-Card transactions made between April 2018 and July 2019. We found that in two cases the purchase should have been made using an alternative procurement route. We also identified five cases of non-compliance with VAT guidelines, although the amounts involved are not material.

3.5 An action plan is provided at section four outlining our observations, risks and recommendations. We have made three recommendation for improvement. The priority of each recommendation is:

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Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	0
Medium	Less critically important controls absent, not being operated as designed or could be improved.	0
Low	Lower level controls absent, not being operated as designed or could be improved.	3
Service Improvement	Opportunities for business improvement and/or efficiencies have been identified.	0

- 3.6 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.
- 3.7 We would like to thank officers involved in this audit for their cooperation and assistance.
- 3.8 It is recommended that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

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4. Action Plan

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Business travel and subsistence costs and claims are booked, submitted, authorised and paid out through approved methods and authorisation processes.				
1	<p>We reviewed the hospitality register for the period April 2018 – July 2019 to ensure that any expenses claimed in conjunction with hospitality were appropriate and authorised. We identified 10 cases of accepted hospitality that may have involved travel, and found no inappropriate expenses claims or travel and accommodation requests had been made. However, in two cases, the travel and accommodation element of the hospitality received had not been included on the register. Where travel and accommodation forms part of an accepted hospitality offer, and it is not ultimately paid for by SPFO or the Council, it should be included in the gifts and hospitality register.</p> <p>This increases the risk that the gifts and hospitality register does not accurately represent the extent of hospitality accepted.</p>	<p>SPFO management should:</p> <ul style="list-style-type: none"> remind all relevant staff that travel and accommodation elements, which are not ultimately paid for by SPFO or the Council should be recorded and included in the gifts and hospitality register; and Ensure the register is updated to reflect the cases identified as part of this audit. 	Low	<p>Response: Accepted</p> <p>These cases relate to attendance at advisory board meetings. SPF attends a variety of these meetings as part of the governance arrangements in relation to its private markets investments including the Direct Investment Portfolio. Advisory boards are part of the management structure of these investments. Terms and responsibilities of the boards are set out in the contractual documentation, and routinely include provision for the investment vehicle to bear the costs of attendance. As such, they have not been treated as hospitality. The 2019/20 register will be updated to include these and similar cases, clearly indicating that they form part of</p>

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No.	Observation and Risk	Recommendation	Priority	Management Response
				contractual 3 rd party arrangements. Officer Responsible for Implementation: Director, SPFO Timescale for Implementation: 31 March 2020
2	<p>Staff at the SPFO do not undertake a significant volume of business travel using their own cars, resulting in only a small number of mileage claims. We reviewed all five mileage claims made between April 2018 and July 2019. We found that all claims had been submitted and approved via MyPortal as required.</p> <p>However, receipts for fuel had not been submitted to support any of the claims. Guidance states that receipts must be provided at the time a claim is made, including the VAT breakdown, and be emailed to Financial Services' Customer and</p>	<p>SPFO management should remind all relevant staff, including approvers, of the following:</p> <ul style="list-style-type: none"> • The requirement for VAT receipts for fuel to be submitted and reviewed before approval of mileage claims on MyPortal; and • That fuel receipts must be sent to CBS for retention in line with the relevant schedule. 	Low	Response: Accepted Officer Responsible for Implementation: Pension Scheme Manager Timescale for Implementation: 31 March 2020

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	<p>Business Services (CBS) for retention in line with the appropriate retention policy. VAT has been reclaimed for these journeys without supporting documentation. However, it should be noted that the amount reclaimed is not material.</p> <p>This increases the risk that VAT claims cannot be fully substantiated.</p>			
<p>Key Control: Arrangements are in place to ensure that P-cards are only used when there is no alternative method of procurement and that VAT is accounted for correctly.</p>				
3	<p>We reviewed a sample of 11 P-Card transactions made between April 2018 and July 2019. We found that in two cases the cost should have been met by the employee and reimbursed through the expenses process.</p> <p>Furthermore we identified two cases in which VAT was claimed without appropriate supporting documentation and three cases where VAT should have been claimed but was not. It should be noted that the amounts involved are not material.</p>	<p>SPFO management should remind all relevant staff, including approvers, of the following:</p> <ul style="list-style-type: none"> • P-Cards should only be utilised when there is no alternative procurement route; • P-cards should not be used as an alternative to MyPortal for payment or reimbursement of employee expenses; • VAT receipts must be obtained where possible; and • That VAT should be accurately recorded within MyPortal on all occasions. 	Low	<p>Response:</p> <p>Accepted.</p> <p>Officer Responsible for Implementation:</p> <p>Pension Scheme Manager</p> <p>Timescale for Implementation:</p> <p>31 March 2020</p>

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No.	Observation and Risk	Recommendation	Priority	Management Response
	This increases the risk that the SPFO is not achieving best value when purchasing and that VAT claims cannot be fully substantiated.			

5 Policy and Resource Implications

Resource Implications:

Financial: Internal Audit services are included within the Central Support Services cost.

Legal: None

Personnel: None

Procurement: None

Council Strategic Plan: To provide assurance on the controls in place covering travel, expenses and Purchase Cards.

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2017-21 Not applicable.

What are the potential equality impacts as a result of this report? No significant impact.

Please highlight if the policy/proposal will help address socio economic disadvantage. None

Sustainability Impacts:

Environmental: None

Social, including opportunities under Article 20 of the European Public Procurement Directive: None

Economic: None

Privacy and Data Protection impacts: None

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6 Recommendation

- 6.1 The Committee is asked to note the contents of this report and **AGREE** the audit recommendation that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the Action Plan.