

Kilkenny County Council

Internal Audit Report Review of Travel and Expenses Payments

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Report Distribution

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Introduction

Kilkenny County Council pays Travel and Expenses payments to staff who are required to travel on official business in connection with the performance of their duties. The reimbursement of these costs must be incurred ‘wholly, exclusively and necessarily’ in the performance of their duties of employment. The rates for Travel and Expenses payments are set out in Departmental Circulars. Payments of expenses are subject to compliance with Revenue legislation and guidelines. Claims are made by staff on the LGMA Travel & Subsistence System V5.3.

Objectives

The objective of the audit is to provide reasonable assurance that Travel and Expenses payments are paid in accordance with Department Circulars and in compliance set out in Kilkenny County Council’s Travel Expenses Policies and Procedures and that sufficient systems and controls are in place.

Approach

- Internal Audit spoke with staff processing Travel and Expense Claims to gain an overview of the process involved.
- Technical details of the Travel Software System were discussed with staff in the Information System’s Section.
- A total of 216 claims for Q1 2022 with a value of €189,734.19 were reviewed to check compliance with the relevant Departmental Circulars 03/2017 – Motor Travel Rates and Circular 13/2019 - Domestic Subsistence Allowances.
- 10 claims were also checked and verified to ensure that the correct insurance and vehicle registration details including the ‘engine capacity - cc band’ were on the Travel System.
- A cost comparison against other Local Authorities was also undertaken.

Scope & Limitations of scope

Internal Audit examined Travel and Expenses Claims for Q1 2022. The cost comparison data covered 2021.

Audit Risk

- Claim paid in the absence of a valid Insurance Certificate.
- Incorrect registrations entered on Travel System.
- Incorrect 'engine capacity – cc band' attached to some claimants.
- Kilkenny County Council not indemnified on Claimants Insurance Policy.
- Overnight Subsistence Claims paid for business journeys where the distance travelled was less than the 100km from the claimant's place of work which is a requirement in Kilkenny County Council's Travel Expenses Policies and Procedures.

Co-operation of Management and staff

Internal Audit received full co-operation from Council Management and Staff throughout the course of this review and would like to thank them for their assistance.

Internal Audit Opinion

Internal Audit's findings and recommendations are detailed below. Based on this audit of the Travel and Expenses Payment the audit opinion is reasonable assurance. There is a sufficient framework of key controls for objectives to be met. Risks are managed but could be stronger. Controls are generally applied but some lapses in the application of controls have been observed.

This report was distributed to the Finance Directorate and includes their Management Action Plan.

The report was approved by the Management Team on 14th February 2023.

The Audit Committee reviewed the Audit Report at their meeting of 6th March 2023.

Brigid Webster, Internal Auditor

Findings, Recommendations and Management Comments

Kilkenny County Council has a Travel Expenses Policy & Procedure Manual which applies to all employees of the Council who are required to travel on official business in connection with their employment. Staff are required to comply with the key principles in this document which include the following;

- Employees must be authorised to claim travel by the Chief Executive or relevant Director of Services.
- Travel on official business should be carried out in the most efficient and cost effective manner possible.
- Employees who claim travel expenses must retain appropriate records (log/diary).
- All employees must submit appropriate insurance for ‘business purposes’ and indemnify the Council against any claims for loss or damage incurred during the use of the vehicle for official business.
- The Vehicle Licensing Certificate indicating the ‘engine capacity’ of the vehicle must be submitted to the Finance Section.

<i>Findings</i>	<i>Implications</i>	<i>Recommendations</i>	<i>Management Action Plan & Timeframe</i>
<p>1. Claiming Mileage without valid Insurance Certificate</p> <p>Currently claimants are allowed in the LGMA Travel and Subsistence System to apply and process an application for expenses without a valid insurance certificate. The system flags in red to the Claimant that the insurance is invalid. The system also allows the Approver to approve the claim. When the claims are exported from the Travel System to Agresso for</p>	<p>Payments made to Claimants without valid Insurance.</p> <p>Kilkenny County Council may be liable in the event of a Third Party Insurance Claim, if a Claimant is involved in an accident</p> <p>In breach of one of the key principles in Kilkenny County</p>	<p>I recommend that the Finance Section endeavors to find a solution in the short term within the LGMA Travel & Subsistence System to ensure that when a person has no valid insurance that they are not permitted to proceed with a claim in the Travel System. The claimant must provide their up to date insurance details to the Finance</p>	<p>Currently this option is not available in the system. We will investigate with the LGMA if a flag can be developed and implemented. In the meantime, we will continue with the manual workaround.</p>

<p>payment all of the claims are exported. The report log for the run indicates the details of the claimants with invalid insurance. The claimant is informed that their claim will not be paid until a valid insurance certificate is submitted for verification. A list of these staff members is then given to staff in Accounts Payable with an instruction to withdraw them from the pay run and to continue to do so until they are informed that the insurance is up to date and it is now acceptable to pay the claimant.</p> <p>One Claimant was paid Travel Expenses in Q1 2022 despite having an invalid insurance certificate and this individual was also paid in Q4 2022.</p>	<p>Council's Travel Expenses Policy & Procedure Document.</p>	<p>Section for verification prior to the processing of a claim.</p> <p>This will ensure that the claim remains in the Travel System and does not export for payment to the Agresso System. It would alleviate the manual input to remove the claim from the payment run as is currently the situation.</p> <p>It will also stop the approval of the claim by the approver in the Travel System.</p>	
<p>2. Claimant has option to change 'engine capacity bands'.</p> <p>As part of the Travel Expenses Policy & Procedure Document a claimant has to submit their Vehicle Licensing Certificate to the Finance Section to enable</p>	<p>May result in claims submitted at a higher or lower engine capacity, thus resulting in incorrect payments being issued.</p>	<p>This drop down menu on the LGMA Travel & Subsistence System should be locked down so that the clamant does not have the option to change the 'engine capacity bands'</p>	<p>The flag on the system has been changed and tested and claimant can no longer change the engine capacity themselves.</p>

<p>verification of their vehicle including the engine capacity. In the current system these 'engine capacity bands' can be altered by the claimant.</p> <p>Three vehicles were found with incorrect engine capacities attached to them.</p>	<p>The check completed in Finance to ensure the correct 'engine capacity band' becomes redundant if the Claimant can change them.</p>		
<p>3. Incorrect Vehicle Registration Numbers</p> <p>Two incorrect Vehicle Registration Numbers were assigned to claimants in the system.</p>	<p>On first investigation the incorrect Vehicle Registration Numbers suggested that the incorrect 'cc bands' were applied. Therefore, an overpayment was assumed. However upon further investigation it was confirmed that the 'cc bands' were correct.</p>	<p>These Vehicle Registration Numbers should be amended to reflect the correct Registration Number and care should be taken when entering the data to ensure they are correct. A check should be completed in 2023 to ensure all Registrations are correct.</p>	<p>A check will be carried out in 2023 to ensure that all vehicle details are correct.</p>
<p>4. Incorrect Reconciliation Report/Report Logs</p> <p>A Report Log is printed as part of the weekly Travel & Expenses run by Finance indicating the value of claims paid that week.</p> <p>This Report Log is not matching the actual payments in Agresso</p>	<p>Incorrect information on file for the weekly payment runs.</p>	<p>Internal Audit notes that if software issues identified at No 1 above are rectified it will solve this issue. As the claims without valid insurance will remain in the LGMA system and not transfer to Agresso. In the interim a weekly</p>	<p>A weekly reconciliation will be carried out and signed off by a senior member of staff – Grade 6 or higher.</p>

<p>due to the manual input to hold payments that are removed from the run because of invalid insurance.</p> <p>Internal Audit also notes that no signed authorisation is in place by a Senior Staff member for these payment runs.</p>	<p>No formal sign off, lack of segregation of duties.</p>	<p>reconciliation between both systems should take place.</p> <p>Authorisation and sign off by a Senior Staff member with responsibility for these pay runs should be introduced and be evident for Audit purpose.</p>	
<p>5. Subsistence Claims</p> <p>██████████ overnight Subsistence Claims were processed in Q1 2022 for ██████████ Staff to attend ██████████</p>	<p>Kilkenny County Council's Travel Expenses Policies and Procedures states that 'overnight subsistence may be claimed for business journeys where the distance travelled is more than 100km from your place of work and overnight is necessary and the hotel/meal expenses are being paid for directly by the claimant'. The distance to ██████████ is approx. 63km one way.</p>	<p>Kilkenny County Council must ensure that it complies with its Travel and Expenses Policies and Procedures.</p> <p>Kilkenny County Council's Management should investigate alternative arrangements in this instance.</p>	<p>Finance are aware of this and have brought it to the attention of Senior Management.</p>

6. Kilkenny County Council not indemnified on some Insurance Policies

A random sample of 17 Insurance Policies were reviewed to ensure the appropriate Insurance for 'business purposes' and clearly 'indemnifying' Kilkenny County Council was in place.

In 6 cases it was unclear whether Kilkenny County Council was 'Indemnified'.

There is a risk that Kilkenny County Council would not be Indemnified against loss or damage if a claim occurred during the use of these vehicles while on official business.

Internal Audit recommends that all Claimants approved for travel and claiming travel/subsistence expenses must provide evidence of appropriate insurance for 'business purposes' and ensure that Kilkenny County Council is indemnified.

Travel and expense policy will be updated to clarify that Proof of indemnity must be provided in the form of either:

- A letter from the Private Motor Insurer.
- Cover noted on the Policy Schedule / Certificate of Insurance. (Use for Business)
- A signed declaration stating that the employee has arranged the relevant insurances with their motor insurers.

It will be the responsibility of the claimant to demonstrate that the relevant cover is in place and to highlight the relevant indemnification section in their policy, letter or declaration.

<p>7. Some travel claims paid outside of Travel System</p> <p>Internal Audit noted that some travel claims for 2022 amounting to €20,883 were processed and paid outside of the Travel System. The payments were processed after receiving ‘Agresso Supplier Invoice Payment Voucher’s’ in Accounts Payable. The claims were approved by the line manager.</p>	<p>All of the expenditure for travel claims are not captured in the Travel System.</p> <p>There is a risk that valid Insurance Certificates and valid Vehicle Registrations Certificates are not on file for these individuals, which may result in incorrect payments.</p>	<p>Internal Audit recommends that all Travel Claims should be processed through the LGMA Travel & Subsistence System. This will ensure that all required information is captured to ensure correct payments for travel claims are processed.</p>	<p>All claims from 2023 onwards will go through the travel expenses system.</p>
<p>8. Cost of Travel & Expenses Claims</p> <p>The cost to Kilkenny County Council for Travel & Expenses claims in 2021 is €1,131,997 (see Appendix 1 below).</p> <p>When compared with neighboring Local Authorities Kilkenny County Council has the highest expenses per WTE in 2021 (see Appendix 2 below).</p>	<p>There is a significant cost to Kilkenny County Council for Travel & Expenses Claims. Internal Audit notes that some of claims are recoupable from agencies such as Irish Water.</p>	<p>Kilkenny County Council’s Management should examine if hiring/purchasing Council vehicles would be more cost effective for the organisation.</p> <p>Approvers of Travel & Expenses claims must review and ensure only essential travel is undertaken. The Travel & Expenses claimed must have been planned and coordinated in a cost effective manner, using the</p>	<p>To be reviewed by Management Team.</p> <p>This obligation would be part of any supervisors duties.</p>

		most appropriate method of travel. This will ensure the most beneficial use of time and resources.	
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Appendix 1

Kilkenny Travel and Subsistence Expenses 2018-2021

Year	Travel & Subsistence	Annual % Increase
2021	€1,131,997	3%
2020	€1,101,078	-19%
2019	€1,360,188	9%
2018	€1,253,182	

Appendix 2

Comparison with other Local Authorities

Year	Kilkenny	Laois	Carlow	Waterford	Wexford	Tipperary
2021	€1,131,907	€392,398	€415,624	€666,446	€1,118,825	€1,631,307
2020	€1,101,078	€396,247	€454,708	€717,214	€1,165,658	€1,647,434
2019	€1,360,188	€672,466	€600,351	€1,160,509	€1,597,174	€2,598,662
2018	€1,253,182	€628,797	€577,146	€1,194,824	€1,733,321	€2,381,607
Staff WTE – 2020 (NOAC)	563	449	289	764	794	1069
Expenses per WTE - 2021	€2,008	€873	€1,436	€1,615	€1,409	€1,526

Expenses figures from Appendix 1 – Annual Financial Statements

WTE No.'s from NOAC Local Authority Performance Indicator Report 2020 (Numbers as at 31st December 2020)