



Internal Audit Report  
Chief Executive's Service – Finance Division  
Rail Warrant Administration  
Assignment No. 12-18  
May 2013  
**Final Report**

Chief Executive's Service  
Finance Division  
Perth & Kinross Council  
2 High Street  
Perth PH1 5PH



## Background and Introduction

This audit considers the control environment in relation to Rail Warrant Administration in the Chief Executive's Service only. The audit was carried out as part of the approved audit plan for 2012/13.

Rail Warrants are used by employees and elected members to access rail transport, when travelling on business to attend courses or meetings without having to seek reimbursement through Travel and Subsistence or by purchasing those services by credit card payment. Total expenditure on Rail Warrants by Chief Executive's Service for 2012/13 was £6,000.

The Council's Travel and Subsistence Policy states that "Employees who are authorised to incur additional expenses in the course of carrying out their duties of employment are entitled to be reimbursed for these costs subject to certain criteria set by the Council." The criteria refer to adequate evidence of the expense and that the employee should ensure that the expense was incurred wholly, exclusively and necessarily in the pursuit of their employment.

Historically, rail warrants have been used in order to relieve pressure on petty cash and to minimise the expense to employees who are required to travel in the course of their duties for the Council.

## Acknowledgements

Internal Audit acknowledges with thanks the co-operation of members of staff of Central Accounting section of the Finance Division during this audit.

## Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A 'control objective' is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective: To ensure that adequate arrangements are in place for the administration of rail warrants
Auditor's Comments:  There are no written procedures listing controls over purchasing and delivery, issuing, cancelling and reconciling of rail warrants and they are not specifically listed as controlled stationery in the Financial Regulations.  Rail warrants were found to be held in an unlocked drawer in the open-plan office where the officer who administers the warrants works.  Whilst in practice a limited number of staff issue travel warrants there is no written restriction on who, in the Service, may authorise a rail warrant and the terms of the

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agreement with the Association of Train Operating Companies (ATOC) imposes a reliance on controls being in place with the warrant issuers.

There is no requirement for warrant issuers to confirm that travel is approved by line management prior to issuing a rail warrant.

Strength of Internal Controls:

Moderately Weak

Control Objective: To ensure using rail warrants represents the best use of Council resources

Auditor's Comments:

Prior to issuing rail warrants there is no check to confirm that other options in the travel hierarchy, which lists travel options in order of preference and costing, has been exhausted.

There was, however, no evidence to suggest that for the train journeys purchased in this way, the cheapest tickets were not provided for the journeys undertaken.

Strength of Internal Controls:

Moderate

### Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

### Feedback

Internal Audit welcomes feedback from management, in connection with this audit or with the Internal Audit service in general.

## Distribution

This report has been distributed to:

B Malone, Chief Executive;

J Symon, Head of Finance;

S. Walker, Chief Accountant;

A. O'Brien, Corporate Accounting Manager;

C. Robertson, Assistant Exchequer Manager;

S. Scott, Systems and Payroll Manager;

G. Parr, Budget Monitoring Officer;

P Dickson, Complaints & Governance Officer;

S Hendry, Team Leader, Committee Services

External Audit

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## Authorisation

The auditor for this assignment was A Gallacher. The supervising auditor was D. Farquhar.

This report is authorised for issue:

D Farquhar

p.p.Jacqueline Clark  
Chief Internal Auditor  
Date: 1 May 2012



## Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1.	<a href="#">Rail Warrant Security</a>	Medium
2.	<a href="#">Warrant Stock Records</a>	Low
3.	<a href="#">Procedures for the administration of Rail Warrants</a>	Medium
4.	<a href="#">Approval to issue Rail Warrants</a>	Low
5.	<a href="#">Hierarchy of Transport Methods</a>	Low
6.	<a href="#">Authorising Signatories</a>	Low
7.	<a href="#">Management Oversight</a>	Low





## Appendix 2: Action Plan

### Action Point 1 - Rail Warrant Security

Rail Warrants were not being stored securely. This situation was rectified after it had been brought to the attention of the Budget Monitoring Officer.

Unused rail warrants were being stored in an unlocked desk drawer in the open-plan office where the authorising signatories work.

### Management Action Plan

Unused rail warrants will be stored in the department safe.

Importance:	Medium
Responsible Officer:	G. Parr, Budget Monitoring Officer
Lead Service:	Chief Executive's
Date for Completion (Month / Year):	Completed
Required Evidence of Completion:	n/a

### Auditor's Comments

Satisfactory

## Action Point 2 - Warrant Stock Records

No stock records for rail warrants are maintained.

Current stocks are not subject to any reconciliation against records, and there is no independent check to ensure that the sequence of unused vouchers in books is complete.

## Management Action Plan

A log will be maintained within the Central Accounting Team for rail warrant books held within the Chief Executive Service. This will be reconciled on an annual basis and the reconciliation will be signed by a manager within the team.

Importance:	Low
Responsible Officer:	C Robertson, Assistant Exchequer Manager
Lead Service:	Chief Executive
Date for Completion (Month / Year):	July 2013
Required Evidence of Completion:	Signed reconciliation

## Auditor's Comments

Satisfactory

### Action Point 3 - Procedures for the administration of Rail Warrants

Whilst procedures exist for use by officers in respect of the selection of rail travel and the consequent choice of requesting a rail warrant, there are no written procedures for the administration of rail warrants for use within Chief Executive's Service.

The auditor found that there was no written guidance on controls on ordering, issuing, cancellation, stock control, security and reconciliation of rail warrants within the service for use by officers who administer rail warrants or by members of staff and elected members to whom warrants are issued.

### Management Action Plan

Written guidance will be prepared on all aspects of the rail warrant process for the Chief Executive Service.

Importance:	Medium
Responsible Officer:	C Robertson, Assistant Exchequer Manager
Lead Service:	Chief Executive
Date for Completion (Month / Year):	August 2013
Required Evidence of Completion:	Guidance note

### Auditor's Comments

Satisfactory

## Action Point 4 - Approval to issue Rail Warrants

The Travel and Subsistence Policy includes guidance on booking arrangements for travel and accommodation. This states that on approval by line management an employee should apply to their finance section for a rail warrant. However, there is no requirement to provide evidence that such approval has been given.

### Management Action Plan

The written guidance will detail that prior to issue of a rail warrant the officer's line manager is required to email the Central Accounting Team to approve the issue and confirm that this is the best value option.

There is currently a similar process in place for elected members where member services email a form to the Central Accounting Team detailing the reason for the journey dates and this will also be included within the guidelines.

Importance:	Low
Responsible Officer:	C Robertson, Assistant Exchequer Manager
Lead Service:	Chief Executive
Date for Completion (Month / Year):	August 2013
Required Evidence of Completion:	Guidance note

### Auditor's Comments

Satisfactory

## Action Point 5 - Hierarchy of Transport Methods

The Council's Travel and Subsistence Policy, describes a hierarchy of transport methods and states that managers and employees should consider the options before undertaking business trips. The hierarchy provides for a number of options for sourcing sources of vehicle and public transport which is ranked 5<sup>th</sup> of the 6 options to consider.

The guidance is clear that managers should first consider the necessity of travel and, if travel is unavoidable, that the arrangements should be made in advance to ensure that the most reasonable choices for travel are made and that the costs to the Council are minimised.

More detailed guidance states that where rail travel is selected, a rail warrant should be applied for from the Service finance section.

## Management Action Plan

The written guidance will detail that prior to issue of a rail warrant the officer's line manager will be required to email the Central Accounting Team to approve the issue of the rail warrant and confirm that this is the best value option. For elected members, Members' Services will also be required to confirm that rail is the best value option.

Importance:	Low
Responsible Officer:	C Robertson, Assistant Exchequer Manager
Lead Service:	Chief Executive
Date for Completion (Month / Year):	August 2013
Required Evidence of Completion:	Guidance note

## Auditor's Comments

Satisfactory

## Action Point 6 - Authorising Signatories

There is a lack of documentation, within the Service, identifying who may provide an authorising signature when issuing rail warrants.

The Association of Train Operating Companies (ATOC) guidance determines that there is no means by which stations can confirm the validity of an authorising signature and therefore the Service would be liable for the value of all tickets issued under the account.

By naming only those individuals who were eligible to provide authorising signatures for rail warrants the Service would provide control over the requirements for their issue.

### Management Action Plan

The authorised signatories list will be updated with the named individuals who can authorise rail warrants for the Chief Executive Service.

Importance:	Low
Responsible Officer:	S Scott, Systems and Payroll Manager
Lead Service:	Chief Executive
Date for Completion (Month / Year):	June 2013
Required Evidence of Completion:	Authorised Signatory

### Auditor's Comments

Satisfactory

## Action Point 7 - Management Oversight

The Budget Monitoring Officer administers rail warrants by performing the following tasks: holding stocks, authorising and issuing rail warrants in addition to confirming charges and recharging to the various cost centres across Chief Executive's Service. During periods of absence, warrants are issued by other members of staff in the Central Accounting team.

There is no management oversight over these activities.

## Management Action Plan

The written guidance will detail the roles and responsibilities of the officers involved in the process and management will sign the rail warrant reconciliation log (as detailed in action point 2) annually and undertake a periodic review of the recharges.

Importance:	Low
Responsible Officer:	C Robertson, Assistant Exchequer Manager
Lead Service:	Chief Executive
Date for Completion (Month / Year):	August 2013
Required Evidence of Completion:	Signed reconciliation

## Auditor's Comments

Satisfactory

