

Meeting	Audit, Risk and Assurance Committee
Date	6 May 2020
Location	By Teleconference
Title of Paper	Relocation Costs Internal Audit Report
Presented By	Gary Devlin, Partner, Scott-Moncrieff
Recommendation to Members	For Discussion
Appendix Attached	Relocation Costs Internal Audit Report

PURPOSE

This paper presents our final report on the review of Relocation Costs. The paper is presented for the Audit Committee to consider the report, findings and management responses. The paper is submitted for discussion.

1. BACKGROUND

- 1.1 The Scottish Police Authority (SPA) requested a follow up review of Police Scotland's progress in addressing the key findings emerging from previous audit reviews of the management of relocation costs. Our previous audit report identified several areas for improvement which, if addressed, would strengthen SPA and PS's relocation and assistance control framework.
- 1.2 These relate to improving the assessment, approval and payment of relocation claims to ensure all claims are:
- compliant with allowable conditions;
 - agree with approved allowance limits and deadlines;
 - appropriately authorised with clear approvals accurately recorded; and
 - paid through payroll with HMRC being appropriately notified of relocation expenses.
- 1.3 In line with the 2019/20 internal audit plan, we have reviewed the revised relocation expense policy and processes to ensure these are fit for purpose, aligned with best practice and Police regulations and, are being appropriately applied by the SPA Corporate, SPA Forensics and Police Scotland.

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 We have identified a number of internal control, policy drafting and policy compliance weaknesses within the current relocation process at Police Scotland. These weaknesses extend to failures in controls over expense claims, authorisation of payments, insufficient supporting documentation, and in the wider governance arrangements in place to monitor and report compliance.
- 2.2 We have identified a number of high priority improvement actions, nine of which have been assigned a Grade 3 Risk Rating, concerning the wider process and governance that the SPA and Police Scotland should implement as a matter of urgency.

3. FINANCIAL IMPLICATIONS

- 3.1 The Internal Audit Report considers the impact our review findings may have on organisational risk registers. Committee members should consider this section when considering the overall implications of our findings.

4. PERSONNEL IMPLICATIONS

- 4.1 The Internal Audit Report considers the impact our review findings may have on organisational risk registers. Committee members should consider this section when considering the overall implications of our findings.

5. LEGAL IMPLICATIONS

- 5.1 The Internal Audit Report considers the impact our review findings may have on organisational risk registers. Committee members should consider this section when considering the overall implications of our findings.

6. REPUTATIONAL IMPLICATIONS

- 6.1 The Internal Audit Report considers the impact our review findings may have on organisational risk registers. Committee members should consider this section when considering the overall implications of our findings.

7. SOCIAL IMPLICATIONS

- 7.1 The Internal Audit Report considers the impact our review findings may have on organisational risk registers. Committee members should consider this section when considering the overall implications of our findings.

8. COMMUNITY IMPACT

- 8.1 The Internal Audit Report considers the impact our review findings may have on organisational risk registers. Committee members should consider this section when considering the overall implications of our findings.

9. EQUALITIES IMPLICATIONS

- 9.1 The Internal Audit Report considers the impact our review findings may have on organisational risk registers. Committee members should consider this section when considering the overall implications of our findings.

10. ENVIRONMENT IMPLICATIONS

- 10.1 There are no environmental implications associated with this report. The Internal Audit Report considers the impact our review findings may have on organisational risk registers. Committee members

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should consider this section when considering the overall implications of our findings.

RECOMMENDATIONS

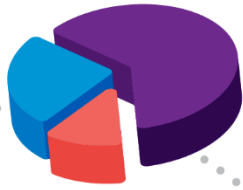
Members are requested to discuss the report.

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Scott-Moncrieff
business advisers and accountants

With **Campbell Dallas**
a Capital company



Scottish Police Authority

Internal Audit Report Relocation Costs

April 2020



Scottish Police Authority

Internal Audit Report 2019/20

Relocation Costs

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Audit Sponsor	Key Contacts	Audit team
<i>Lynn Brown, SPA Interim Chief Executive</i>	<i>Alasdair Corfield, PS Financial Controller Heather Cunningham, Head of Recruitment, Selection and Promotion</i>	<i>Gary Devlin, Relationship Partner Elizabeth Young, Head of Internal Audit Claire Beattie, Audit Manager Christopher Young, Internal Auditor Lewis McLachlan, Internal Auditor</i>

Executive Summary

Conclusion

We have identified a number of internal control, policy drafting and policy compliance weaknesses within the current relocation process at Police Scotland. These weaknesses extend to failures in controls over expense claims, authorisation of payments, insufficient supporting documentation, and in the wider governance arrangements in place to monitor and report compliance.

We have identified a number of high priority improvement actions, nine of which have been assigned a Grade 3 Risk Rating, concerning the wider process and governance that the SPA and Police Scotland should implement as a matter of urgency.

Background and scope

The Scottish Police Authority (SPA) requested a follow up review of Police Scotland's progress in addressing the key findings emerging from previous audit reviews of the management of relocation costs. Our previous audit report identified several areas for improvement which, if addressed, would strengthen SPA and PS's relocation and assistance control framework.

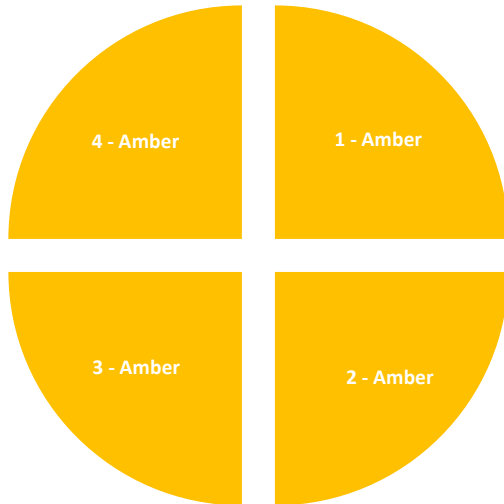
These related to improving the assessment, approval and payment of relocation claims to ensure all claims are:

- compliant with allowable conditions;
- agree with approved allowance limits and deadlines;
- appropriately authorised with clear approvals accurately recorded; and
- paid through payroll with HMRC being appropriately notified of relocation expenses.

In line with the 2019/20 internal audit plan, we have reviewed the revised relocation expense policy and processes to ensure these are fit for purpose, aligned with best practice and Police regulations, and are being appropriately applied by the SPA Corporate, SPA Forensics and Police Scotland.

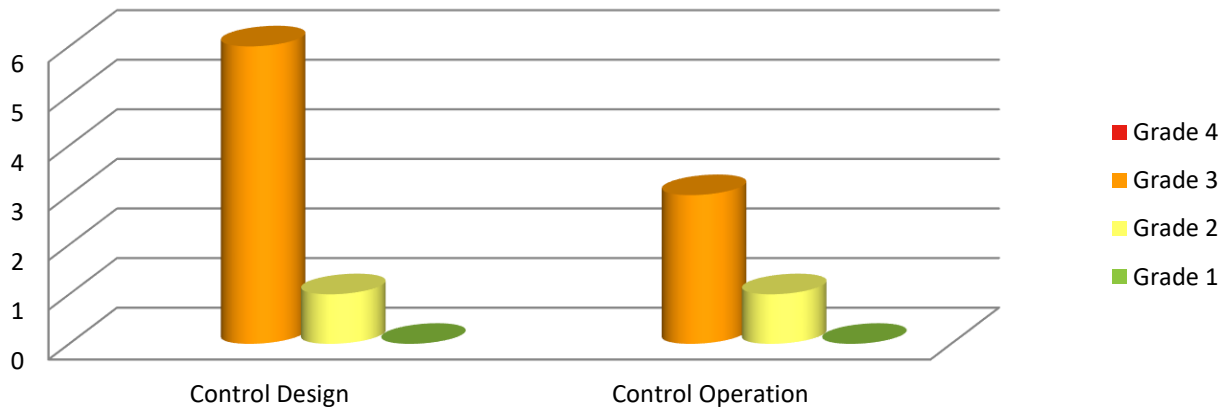
Control assessment

- 1. The relocation policy and procedures are clearly documented, aligned with best practice and Police regulations and, subject to regular review and approval;



- 2. There are effective controls in place within SPA Corporate and Police Scotland to ensure only valid and authorised relocation expenses are paid at the correct and approved rates;
- 3. Relocation expenses are paid via the staff payroll and the tax status of all payments are correctly treated for tax purposes; and
- 4. Relocation payments are reported to the SPA Board or a Board Committee on at least an annual basis.

Improvement actions by type and priority



Eleven improvement actions have been identified from this review, four of which relate to compliance with existing procedures, rather than the design of controls themselves. See Appendix A for definitions of colour coding.

Key findings

Good practice

We have gained assurance that SPA's procedures reflect good practice in the following areas:

- The SPA has two relocation Standing Operating Procedures (SOPs) in place, a Chief Officers SOP (for the ranking of Assistant Chief Constables and above) and a Staff and Officer SOP for all other employees, both SOPs have been communicated to relevant staff and are easily accessible to all staff via the staff intranet.
- The Staff and Officer SOP includes a three-stage authorisation process, that requires claimants to complete a relocation expense claim form that must be supported by appropriate receipts to evidence the amounts being claimed. Expense claim forms must then be reviewed and authorised by the claimant's line manager, People and Development (P&D), and Finance. The three stage authorisation processes ensure segregation of duties across each stage of the expense claiming process, reducing the risk of inappropriate, or fraudulent, claims being undetected, and payments being made.
- We noted that Police Scotland have been actively reviewing both the SOPs and supporting processes and controls to ensure these are robust and fit for purpose. This included commissioning a management review in late 2019; the recommendations of which are in the process of being implemented.

Areas for improvement

We have identified a number of areas for improvement which, if addressed, would strengthen SPA's control framework. These include:

- Relocation SOPs should be updated to give clearer guidance to staff as to the expenses types that can be reasonably reclaimed by staff relocating;
- An appropriate SPA governing group should be assigned responsibility for the ongoing review, scrutiny, and approval of SPA Relocation SOPs;
- The finance team should be reminded that no payments should be processed without the prior approval of P&D being obtained. In addition, the approval of expenses should be done by a single P&D individual of sufficient seniority to ensure better oversight of the claims being made.
- A Chief Officer claim form should be created for claiming reimbursement of costs. This should be signed by the person claiming the costs and passed over to P&D with the associated receipts of the costs which are being claimed.
- Chief Officers should be reminded that relocation costs should be met personally by the individual and then reimbursed by Police Scotland if appropriate.
- A register of all costs that have been requested and approved should be kept for each individual who is applying for relocation costs under the SOP. This will ensure that the six-month allowable period can be tracked and adhered to.

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- The relocation SOP should refer to housing allowance to ensure there is clarity if the individual is entitled to housing allowance or not during a period of relocation.
- The Chief Officer SOP must provide greater clarity on escalation processes and sign off requirements for requests of expenditure reimbursement out with policy and sufficient of the must be retained to support informed decision making.
- Documented discussions should take place to confirm individuals are aware of the costs which can be claimed during their relocation. This discussion should be formally acknowledged by the relocating individual to ensure there is appropriate accountability for the claims being made under the SOP.
- The SPA Board, or other nominated committee, should receive regular relocation cost updates to enable appropriate oversight and scrutiny of this expenditure.
- The SPA must ensure Relocation SOPs are continually followed and that all expense claims are appropriately classified and paid to claimants via the SPA payroll, ensuring continued compliance with HMRC relocation guidance.

These are further discussed in the Management Action Plan below.

Impact on risk register

This review is not directly linked to any of the identified risks within the SPA or Police Scotland Strategic and Operational Risk Registers, dated January 2020.

If robust relocation expenditure controls are not in place, there is an increased risk of error that could result in financial loss and reputational damage. There is also an increased risk of non-compliance with HMRC rules that could result in reputational damage and significant financial sanctions.

Acknowledgements

We would like to thank all staff consulted during this review for their assistance and co-operation.

Management Action Plan

Control Objective 1: The relocation policy and procedures are clearly documented, aligned with best practice and Police regulations and, subject to regular review and approval



1.1 Relocation SOP

The SPA has two relocation SOPs in place, a Chief Officers SOP (for the ranking of Assistant Chief Constables and above) and a Staff and Officer SOP for all other employees.

We undertook a review of both relocation SOPs and noted several examples where the SOPs were unclear and lacked examples of what specific costs can be reclaimed. These included:

- Whether it is acceptable to reimburse the Additional Dwelling Tax paid on second homes where the claimant does not intend to sell their former home;
- The circumstances in which mortgage interest and council tax would be paid on a former home not up for sale; and
- The nature of incidental, travel and accommodation expenses that might reasonably be reimbursed.

Risk

There is a risk that the SOPs are interpreted differently by individuals involved in the relocation process which could lead to significant financial outlay for Police Scotland. This could result in a continued financial impact on Police Scotland and further scrutiny from external parties.

Recommendation

We recommend that the SOPs are updated in respect of the areas noted above to give clearer guidance to staff as to the expenses that can be reasonably reclaimed by Chief Officers, officers, and staff when relocating.

Management Action

Agreed. PS Policy Team will commence work on the Staff/Officer Relocation SOP which should be completed by July 2020, COVID 19 dependent.

Action owner: Director of P&D

Due date: July 2020

Agreed. The SPA Relocation Procedure for Chief Officers, which will be going to the SPA Board for approval on 20 May, addresses the recommendation.

Police Scotland will be asked to undertake lessons learned that are applicable to procedures not related to Chief Officers to ensure the recommended improvements are applied across all relocation procedures, where relevant.

Action owner: Interim CEO

Due date: May 2020

1.2 Relocation Expense Policy Review

The SPA has two relocation policies in place, a Chief Officers SOP (for the ranking of Assistant Chief Constables and above) and a staff and officer policy for all other employees. Both Relocation SOPs are classified as HR policies, and the PS P&D has been assigned responsibility for the ongoing review and approval of the SOPs. We confirmed both SOPs have been reviewed and approved by P&D as required, on at least a biennial basis, however we noted that:

- Relocation SOPs are not subsequently reviewed, scrutinised or approved by the SPA Board or another independent governing group; and
- PS Finance and Payroll Teams are not actively involved in the SOP review process, even though both teams have active roles in the assessment and authorisation of relocation expenses claims. Finance advised that their input was sought by P&D during the latest review of the Chief Officers SOP, however it's unclear if this support function will continue during future policy reviews.

Risk

The SPA has inappropriate governance oversight over relocation policies, increasing the risk of expense claim processes being insufficient and not aligned with SPA expectations and/or regulations, leading to potential financial sanctions and the reputation damage of the SPA and PS. In addition, failure to consult relevant departments during the SOP review process, increases the risk of the SOPs failing to appropriately capture all elements of the current process, resulting in expense claims being inappropriately submitted and authorised.

Recommendation

We recommend an appropriate SPA governing group be assigned responsibility for the ongoing review, scrutiny, and approval of SPA Relocation SOPs. Also, P&D must ensure all key departments involved in the relocation claim process are consulted during the SOP review process, ensuring SOPs continue to reflect current practice and are aligned with applicable laws and regulations.

Management Action

Grade 3
(Design)

Agreed - The Succession Planning and Appointment Committee will provide ongoing oversight of matters relating to relocation costs ensuring appropriate input and consultation has taken place during the development of the SOP.

Action owner: Interim CEO

Due date: May 2020

1.3 Relocation Expense Authorisation

The SPA Relocation SOPs state that line managers (for Officer and staff claims), P&D and Finance are responsible for ensuring relocation claims are appropriately reviewed and authorised, however no specific individual or position within each authorising department has been assigned responsibility for the approval of relocation claims.

We undertook detailed testing of relocation claims and, from our sample of 19 expense claims we noted that the authorisation of the payments have been blurred across individuals, departments and hierarchy. Our findings included:

- One instance where we were unable to confirm P&D approval of a claimant's removal costs. The claim was submitted to P&D by email rather than via the required claim form, resulting in the claim taking four months to process and leading to an overpayment that was subsequently recovered by finance;
- Two instances where we were unable to confirm line manager approval for two claimants' removal costs;
- One instance where we were unable to obtain any evidence that a written confirmation of incidental expenses had been agreed by P&D, prior to the expense being processed;
- Six occasions where a payment request form had been signed as authorised by an individual who does not work within P&D. On four occasions the payment was authorised by an individual working for the claimant.

In one instance, the presence of multiple authorisation paths led to a claims being accepted independently, which would have not have been accepted in full had they been considered together, resulting in the processing of an overpayment.

Risk

The current approval process has led to issues with relocation payments. Without immediate action, there is a risk that inappropriate claims would be approved under the relocation SOPs. This would lead to potentially higher costs processed in error by Police Scotland than should be due.

Recommendation

The finance team should be reminded that no payments should be processed without the prior approval of P&D being obtained. We recommend that approval of relocation expenses should be done by a single individual of sufficient seniority to ensure better oversight of the claims being made.

The request form should be signed by the individual claiming for the reimbursement and authorised by those specified on the SOP before being passed to Payroll for processing.

Management Action

The Finance team have been reminded that no relocation expenses should be reimbursed without the appropriate P&D authorisation (Director of P&D). In exceptional circumstances, requests without the required P&D authorisation must be approved in writing, by either the Deputy Chief Officer, The Chief Finance Officer or the Financial Controller.

As noted above, a new, clear form has been designed for all Chief Officer relocation claims. This explicitly requires the signature of the claimant and the authoriser (Director P&D). Payroll have been instructed that such payments may only be processed when supported by an appropriately authorised form. Pending revision of the staff / officer policy, P&D will use this same form for all other (non-Chief Officer) claims.

Action owner: Director of P&D

Due date: June 2020

Control Objective 2: There are effective controls in place within SPA Corporate and Police Scotland to ensure only valid and authorised relocation expenses are paid at the correct and approved rates.

Amber

2.1 Evidence of Approval

The SPA Relocation Officer and Staff SOP sets out the expense claim authorisation process. A three-stage authorisation has been embedded that requires claimants to complete a relocation expense claim form that must be reviewed and authorised by the claimant's line manager, P&D, and Finance. The SPA Relocation Chief Officer SOP requires claims to be reviewed and approved by P&D and Finance prior to payment but doesn't require the completion of a claim form. Both SOPs require appropriate receipts to be provided to P&D and Finance to evidence the amounts being claimed.

From our sample of 19 paid claims submitted within the current financial year (100% sample), we found that we were unable to locate two expense claim forms and a further seven did not have evidence of review and approval by P&D. Our testing highlighted inconsistency in ensuring appropriate authorisation and approval of relocation expenses claims across both policies.

As noted above, there is no standard documentation to be completed when reclaiming Chief Officer relocation costs. The chief officer claims within our sample were submitted to various individuals for approval. This has led to inconsistent evidence of the costs that have been processed and the relevant approvals. Some requests for reimbursement have been informal in nature and therefore are difficult to track and monitor to ensure ongoing compliance with the SOP.

Risk

Without a standard form showing exactly what reimbursement the individual is claiming per the SOP, there is a risk that the process continues to be susceptible to human error and costs and claims are lost amongst the high level of financial transactions within Police Scotland. There is also a risk that claims are processed without appropriate levels of supervisory checks and sign off. In addition, failure to retain claim forms, increases the risk of the SPA and PS not being able to justify and support the approval of claims, particularly if claims come under scrutiny, leading to enhanced public scrutiny and the reputational damage of SPA and PS.

Recommendation

We recommend that a Chief Officer application form is created that individuals can use to claim reimbursement of costs. This should be signed by the person claiming the costs and passed over to P&D with the associated receipts of the costs which are being claimed. In addition, Officer and Staff claim forms must be fully completed for all expense claims and these should be submitted to, and fully completed by line managers, P&D, and Finance to record their review and approval.

Finally, all completed claim forms and supporting evidence must be appropriately retained and stored in an easily accessible manner, providing an appropriate audit trail of expenses paid. The SPA should consider implementing relocation claim spot checks to verify the consistency of compliance with relocation SOPs and

retention requirements. Spot-check outcomes could form part of the relocation expense report recommended at MAP 4.1.

Management Action

Grade 3
(Design)

Agreed.

A new relocation claim form has been created to ensure all relocation expenses are captured on the one form, showing approver, dates and full claim details. It will be sent to Finance from The Director of P&D only to ensure tight control and a robust approval process in place.

Action owner: Director of P&D

Due date: June 2020

Spot checks will be undertaken in respect of Chief Officer relocation claims. These will complement the annual assurance process implemented in the new procedure.

Action owner: Interim CEO

Due date: June 2020

2.2 Costs paid on behalf

The Chief Officer SOP explicitly states that costs for travel expenses, temporary accommodation, second homes and purchases of new homes should be paid by the chief officer and reimbursed if the appropriate requirements are met and a satisfactory claim has been submitted with relevant evidence. The SPA Relocation Officer and Staff SOP does not explicitly state this, however asks claimants to settle their costs in advance of making relocation claims wherever possible, with the option of a salary advance where this is not possible (rather than payment being made on behalf of the individual).

We undertook detailed testing of 19 claims and noted two instances where costs in connection with accommodation were paid on behalf of the officer concerned outwith the SOP, as opposed to being paid by the officer and subsequently reimbursed. We understand that costs have been recovered in relation to one of these payments. We also identified instances of relocation costs related to travel which were incurred through the Police Scotland internal travel unit, meaning costs were paid directly to Police Scotland's travel provider Capita. A consequence of booking travel in this way is that the flights taken and costs incurred were not monitored.

Risk

Costs paid on behalf of staff /officer are harder to track and analyse to ensure they are within the financial limits of the SOP. Therefore, if this is to continue, there is a risk this will lead to further financial loss for Police Scotland and errors with the remuneration report.

Recommendation

We recommend it is made clear to staff and officers claiming relocation costs under the SOP that costs should be met personally by the individual and then reimbursed by Police Scotland if appropriate. If paying costs on behalf of the individual is considered reasonable, the SOP should be updated to reflect this. This ensures that all costs can be processed in a systematic way to ensure they can be tracked by the P&D department.

Management Action

Grade 3
(Operation)

Agreed. The revised SOP requires claimants to meet costs personally and claim back costs using the relocation claim form. Appendix A of the SOP also reiterates that all expenditure be discussed with the Director of P&D before the cost is incurred

Action owner: Director of P&D

Due date: June 2020

2.3 Costs processed out with the six-month period

The Chief Officer SOP contains a timeframe of 26 weeks within which costs can be reimbursed by Police Scotland once the individual has relocated to Scotland. Our detailed testing identified a number of payments made outwith the timeframe of 26 weeks.

Risk

There is a risk that the lack of review on the relevant period of claims may lead to financial loss for the organisation, due to paying costs in excess of those due under the SOP.

Recommendation

We recommend that a log of all costs that have been requested and approved is kept per individual who is applying for relocation costs under the SOP. This will ensure that the six-month allowable period can be tracked and adhered to.

Management Action

Grade 3
(Operation)

Agreed. The new Chief Officer relocation claim form will track all costs under relocation for the individual and all rolling costs captured each time the claim form is submitted to Finance for payment. It will allow overall costs to be tracked and 26 week timeline will be clear and visible.

Action owner: Director of P&D

Due date: June 2020

2.4 Housing Allowance

During our detailed testing we identified that housing allowance has been paid to a claimant as part of a contractual arrangement. We have reviewed the relevant SOP relating to the allowance, and the details of the particular claim, and confirmed that the requirements for entitlement for the full allowance paid had not been met.

Risk

As individuals are entitled to a number of allowances throughout their career at Police Scotland, there is a risk that policies will contradict one another, and this goes unnoticed by Police Staff. This could lead to further financial loss for Police Scotland if an individual is able to claim for multiple allowances.

Recommendation

We recommend that the relocation SOPs reference housing allowance to ensure there is clarity if the individual is entitled to housing allowance or not during a period of relocation. This is important to ensure there is no confusion of the costs in future relocations.

Management Action

Grade 2
(Design)

Agreed. The revised relocation SOP (2.11.1) clearly details it is the responsibility of the claimant to ensure any necessary adjustments are made to Housing Allowance should other claims be made under this procedure

Action owner: Director of P&D

Due date: June 2020

2.5 Approval from SPA CEO

In certain circumstances P&D are required to submit a report to the SPA CEO for consideration and approval, prior to expense claims being approved and paid. We identified two expense claims where such a report should have been made. We have been able to obtain only one report to the SPA CEO, which was subsequently withdrawn before a decision had been made. Both of these claims were authorised by P&D despite being outwith their remit for the SOP.

Risk

There is a risk that the appropriate governance controls are not being followed and this leads to financial loss or reputational risk for Police Scotland if costs are reimbursed in error or out with policy.

Recommendation

We recommend that the SOP provides greater clarity on escalation processes and sign off requirements for requests for expenditure reimbursement out with policy. All such requests to the SPA CEO should have a standardised format which provides sufficient detail to support an informed decision.

Management Action

Grade 2
(Operation)

Agreed. The revised SOP clearly states the responsibility of the Director of P&D to request approval from the CEO SPA for anything out with policy.

Action owner: Director of P&D

Due date: June 2020

2.6 P&D responsibilities

As stated in paragraph 5.3 of the Chief Officer SOP, *'it is important that Chief Officers engage in early discussion with P&D to ensure there is a clear understanding as to what may be regarded as reasonable in the particular circumstances of their transfer. This will help to prevent any misunderstandings or unrealistic expectations.'*

We have been unable to identify any such agreement set out in advance of any of the Chief Officer expense claims sampled outlining the expectations of which costs would be incurred and reimbursed, though we understand that informal discussions had taken place.

As relocation costs are subject to additional scrutiny (for example, by Audit Scotland), it is important that all parties aware of what can and cannot be claimed as part of a relocation.

Our audit has included a review of emails associated with relocation claims. Our review highlights confusion with the application of the SOP and the responsibilities of those involved including the claimant, the P&D team, the finance team, and the SPA.

We identified an instance where Police Scotland P&D staff raised queries with the SPA HR Specialist by email about the appropriateness of relocation costs being claimed. The SPA HR specialist responded and provided an interpretation of the SOP and legislative requirements and referred to the areas of the guidance as required. The SPA email response also encouraged Police Scotland to formalise requests for approval to the SPA CEO as required by the SOP. The Police Scotland P&D team did not comply with or respond to the guidance in the email issued by the SPA HR specialist. Our understanding is that Police Scotland staff interpreted the discussion with the SPA as approval to pay the costs being claimed outwith policy.

Risk

There is a risk that, without formalising the role of the SPA in approving future relocation costs for senior officers, Police Scotland may approve costs out with policy.

Recommendations

We recommend that documented discussions take place which confirms that individuals are aware of the costs which can be claimed during their relocation. This discussion should be formally acknowledged by the relocating Chief Officer to ensure there is appropriate accountability for the claims being made under the SOP.

Furthermore, the arrangements in place between SPA and Police Scotland should be formalised to ensure the responsibilities of both organisations is clear for future expense claims.

Management Action

Agreed. The Director of P&D will arrange to have a formal conversation with the newly appointed Chief Officer to discuss any relocation expenses that may be sought as part of their appointment and ensure the outcome of the conversation is formally acknowledged by the relocating Chief Officer.

Action owner: Director of P&D

Due date: June 2020

Agreed. The SPA Relocation Procedure for Chief Officers, which will be going to the SPA Board for approval on 20 May, clarifies the roles and responsibilities across SPA and Police Scotland.

Action owner: Interim CEO

Due date: May 2020

Control Objective 3: Relocation expenses are paid via the staff payroll and the tax status of all payments are correctly treated for tax purposes

Amber

3.1 HMRC reporting

The SPA Relocation SOPs require all claims to be made to claimants via the SPA payroll, and explains that:

- some relocation costs up to £8,000 are exempt from HMRC reporting and won't incur personal tax and National Insurance payments for those relocating. These are called 'qualifying costs' and include the cost of buying or selling a home, moving costs, buying certain things for a new home, and bridging loans;
- There are also certain costs called 'non-qualifying costs', which include mail re-direction, council tax bills and purchasing new school uniforms, and these costs need to be reported to HMRC and will incur tax and National Insurance payments for those relocating. Where the total cost of relocation is under £8,000, there remains a reporting responsibility and tax implications for all non-qualifying costs; and
- The SPA will pay associated tax liability costs that may be incurred due to receiving removal expenses, even if the total cost exceeds £8,000 and for all non-qualifying costs, but there will be a reporting responsibility for all non-qualifying costs and qualifying costs over £8,000.

We have reviewed the Relocation SOPs and have confirmed these are fully compliant with HMRC relocation guidance.

We undertook detailed testing to assess the adequacy of the HMRC reporting controls and, from our sample of 19 expense claims, we noted:

- The controls in place for Officer and Staff expenses are robust and fully support compliance with SPA relocation policies. All relocation expenses were appropriately classed as either qualifying or non-qualifying costs and all non-qualifying costs were appropriately recorded within claimant's payroll, ensuring compliance with HMRC reporting and tax payment requirements.
- There were several instances where expenses were paid on behalf of a claimant by the SPA (MAP 2.2). As a result, these claims were not made to the claimant via the required payroll payment process. These included payment for taxable expenses paid on behalf of the claimant, resulting in non-compliance with HMRC guidance. There is a risk that the amount is not appropriately reported to HMRC.

Risk

There is a risk that failure to follow the SPA Relocation SOP will result in non-compliance with HMRC guidelines. Without adhering to SPA SOPs when approving future relocation costs, there is a risk that HMRC guidance will be breached, leading to potential financial sanctions and reputational damage of the SPA.

Recommendation

The SPA must ensure Relocation SOPs are continually followed and that all expense claims are appropriately classified and paid to claimants via the SPA payroll, ensuring continued compliance with HMRC relocation guidance.

Grade 3
(Operation)

Management Action

Agreed. A new Chief Officer relocation policy has been drafted and is pending approval. This has been drafted to address a range of known issues that have subsequently been raised in this report. In particular, the new policy requires all claims for reimbursement to be made on a form that must be authorised by the Director of P&D before passing to payroll for processing. The previous policy stated that all expenses were to be paid by the individual and claimed back, however this requirement has been emphasised in the new policy. By avoiding SPA direct settlement of costs, and processing all claims through payroll, the correct tax treatment will be applied in a systematic way. NB the correct tax treatment will be applied to the above noted claims.

Action owner: Director of P&D

Due date: June 2020

Control Objective 4: Relocation payments are reported to the SPA Board on at least an annual basis

4.1 Reporting of Relocation Expenses

The SPA Relocation SOPs allow relocation payments to be made to individuals who move home when joining the Force, or who transfer divisions and a relocation package is offered as part of the transfer. Individuals who are authorised to reclaim relocations costs, can incur expenses relating to the purchase/rental of a new residential property (e.g. removal costs, solicitor fees, council tax etc), educational cost for children, and travel costs.

Due to the nature and potential significant value of relocation expense claims, we would expect the SPA to be routinely overseeing and scrutinising relocation costs, however there is no formal reporting mechanism in place for the SPA Board, or other governing committee, to receive regular relocation expense reports.

Risk

The SPA Board is not adequately performing its governance duties by failing to actively oversee and scrutinise relocation expenses, resulting in the SPA not understanding the current position of relocation expenses being claimed or having knowledge of any expense movements in comparison with prior year amounts. This approach will undoubtedly result in reputational damage for the SPA if inappropriate, or fraudulent, expense claims are paid, and which became public knowledge.

Recommendation

We would recommend that the Board, or other nominated committee receive, on an annual basis at least, an update of the relocation expenses which are have been processed and paid. The reporting should include data such as volume of expenses processed and total amounts paid out, as well as detailing any expenses claimed above the £8000 threshold in the form of a running tracker maintained by P&D.

Management Action

Grade3
(Design)

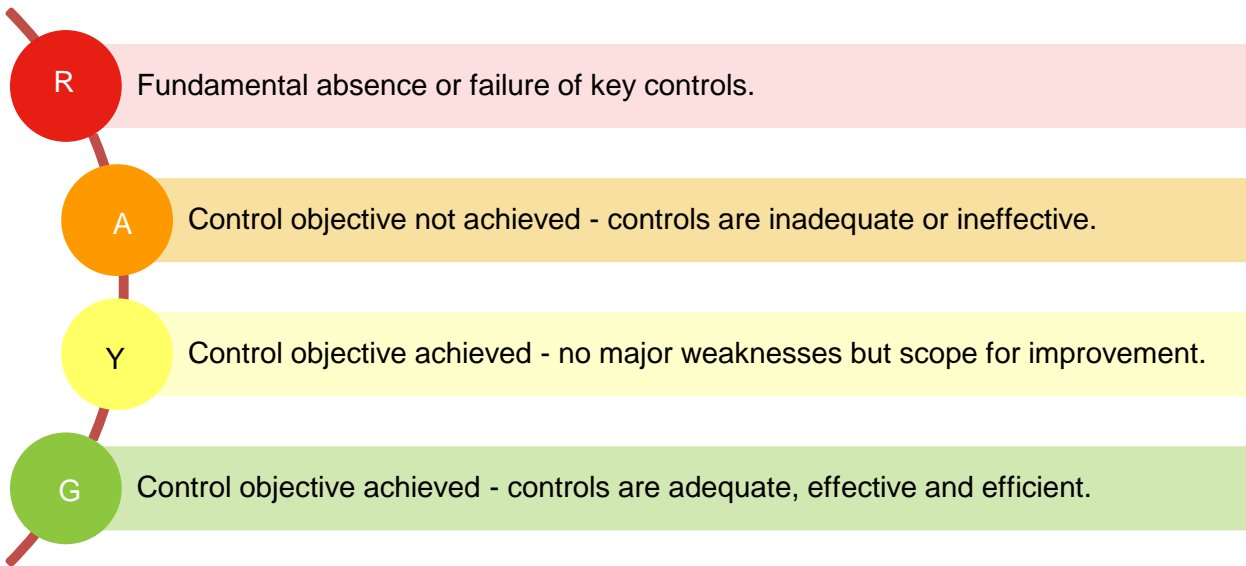
Agreed. The new Payroll system will support accurate reporting of relocation expenses from 1 April 2020. On an annual basis, shortly after year end, we will report to Resources Committee or any other committee considered appropriate by the Board, a summary of all relocation expenses paid during the preceding year. This will include (*inter alia*) the number of claims, the total value of reimbursements and details of any claims above the HMRC threshold of £8,000. A report for 2019/20 will be produced and arrangements made to present to Resources Committee on 16 June 2020

Action owner: Financial Controller

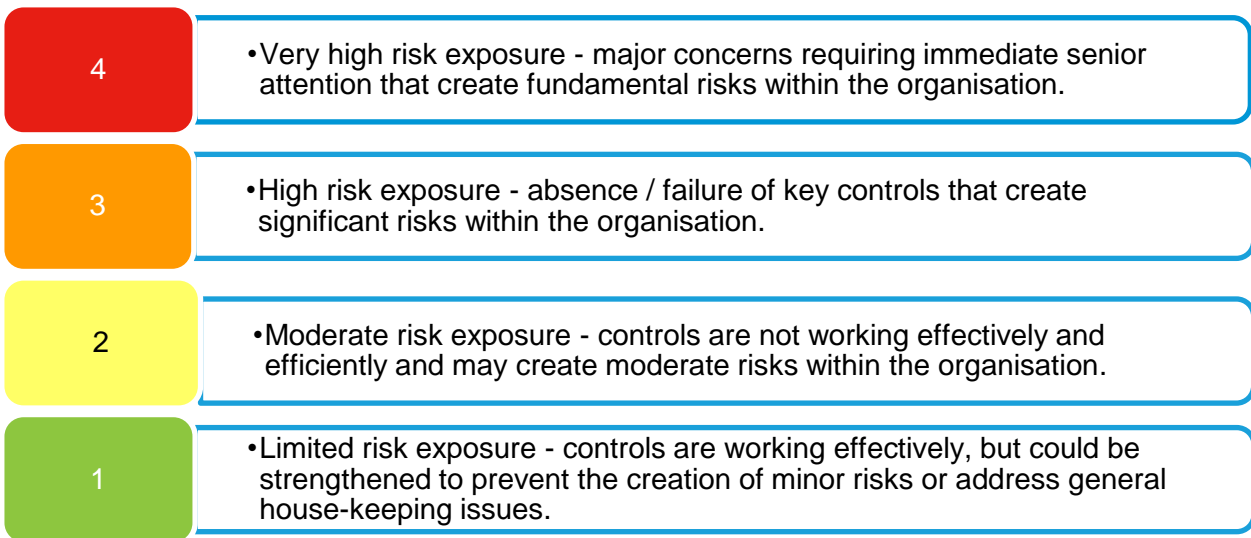
Due date: June 2020

Appendix A – Definitions

Control assessments



Management action grades



Appendix B – Action Plan Summary

Action No.	Recommendation	Management Response	Grade	Action Owner	Due Date
1.1	We recommend that the SOPs are updated in respect of the areas noted above to give clearer guidance to staff as to the expenses that can be reasonably reclaimed by Chief Officers, officers, and staff when relocating.	Agreed. PS Policy Team will commence work on the Staff/Officer Relocation SOP which should be completed by July 2020, COVID 19 dependent.	3	Director of P&D	July 2020
		Agreed. The SPA Relocation Procedure for Chief Officers, which will be going to the SPA Board for approval on 20 May, addresses the recommendation. Police Scotland will be asked to undertake lessons learned that are applicable to procedures not related to Chief Officers to ensure the recommended improvements are applied across all relocation procedures, where relevant.		Interim CEO	May 2020
1.2	We recommend an appropriate SPA governing group be assigned responsibility for the ongoing review, scrutiny, and approval of SPA Relocation SOPs. Also, P&D must ensure all key departments involved in the relocation claim process are consulted during the SOP review process, ensuring SOPs continue to reflect current	Agreed - The Succession Planning and Appointment Committee will provide ongoing oversight of matters relating to relocation costs ensuring appropriate input and consultation has taken place during the development of the SOP	3	Interim CEO	May 2020

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	practice and are aligned with applicable laws and regulations.				
1.3	<p>The finance team should be reminded that no payments should be processed without the prior approval of P&D being obtained. We recommend that approval of relocation expenses should be done by a single individual of sufficient seniority to ensure better oversight of the claims being made.</p> <p>The request form should be signed by the individual claiming for the reimbursement and authorised by those specified on the SOP before being passed to Payroll for processing.</p>	<p>The Finance team have been reminded that no relocation expenses should be reimbursed without the appropriate P&D authorisation (Director of P&D). In exceptional circumstances, requests without the required P&D authorisation must be approved in writing, by either the Deputy Chief Officer, The Chief Finance Officer or the Financial Controller.</p> <p>As noted above, a new, clear form has been designed for all Chief Officer relocation claims. This explicitly requires the signature of the claimant and the authoriser (Director P&D). Payroll have been instructed that such payments may only be processed when supported by an appropriately authorised form. Pending revision of the staff / officer policy, P&D will use this same form for all other (non-Chief Officer) claims.</p>	3	Director of P&D	June 2020
2.1	<p>We recommend that a Chief Officer application form is created that individuals can use to claim reimbursement of costs. This should be signed by the person claiming the costs and</p>	<p>Agreed.</p> <p>A new relocation claim form has been created to ensure all relocation expenses are captured on the one form, showing approver, dates and full claim details. It will be</p>	3	Director of P&D	June 2020

	<p>passed over to P&D with the associated receipts of the costs which are being claimed. In addition, Officer and Staff claim forms must be fully completed for all expense claims and these should be submitted to, and fully completed by line managers, P&D, and Finance to record their review and approval.</p> <p>Finally, all completed claim forms and supporting evidence must be appropriately retained and stored in an easily accessible manner, providing an appropriate audit trail of expenses paid. The SPA should consider implementing relocation claim spot checks to verify the consistency of compliance with relocation SOPs and retention requirements. Spot-check outcomes could form part of the relocation expense report recommended at MAP 4.1.</p>	<p>sent to Finance from The Director of P&D only to ensure tight control and a robust approval process in place.</p>			
		<p>Spot checks will be undertaken in respect of Chief Officer relocation claims. These will complement the annual assurance process implemented in the new procedure.</p>		<p>Interim CEO</p>	<p>June 2020</p>
<p>2.2</p>	<p>We recommend it is made clear to staff and officers claiming relocation costs under the SOP that costs should be met personally by the individual and then reimbursed by Police Scotland if appropriate. If paying costs on behalf of the individual is considered reasonable, the SOP should be updated to reflect this.</p>	<p>Agreed. The revised SOP requires claimants to meet costs personally and claim back costs using the relocation claim form. Appendix A of the SOP also reiterates that all expenditure be discussed with the Director of P&D before the cost is incurred</p>	<p>3</p>	<p>Director of P&D</p>	<p>June 2020</p>

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	This ensures that all costs can be processed in a systematic way to ensure they can be tracked by the P&D department.				
2.3	We recommend that a log of all costs that have been requested and approved is kept per individual who is applying for relocation costs under the SOP. This will ensure that the six-month allowable period can be tracked and adhered to.	Agreed. The new Chief Officer relocation claim form will track all costs under relocation for the individual and all rolling costs captured each time the claim form is submitted to Finance for payment. It will allow overall costs to be tracked and 26 week timeline will be clear and visible.	3	Director of P&D	June 2020
2.4	We recommend that the relocation SOP references housing allowance to ensure there is clarity if the individual is entitled to housing allowance or not during a period of relocation. This is important to ensure there is no confusion of the costs in future chief officer relocations.	Agreed. The revised relocation SOP (2.11.1) clearly details it is the responsibility of the claimant to ensure any necessary adjustments are made to Housing Allowance should other claims be made under this procedure	2	Director of P&D	June 2020
2.5	We recommend that the SOP provides greater clarity on escalation processes and sign off requirements for requests for expenditure reimbursement out with policy. All such requests to the SPA CEO should have a standardised format which provides sufficient detail to support an informed decision.	Agreed. The revised SOP clearly states the responsibility of the Director of P&D to request approval from the CEO SPA for anything out with policy.	2	Director of P&D	June 2020
2.6	We recommend that documented discussions take place which confirms that individuals are aware of the costs which can be	Agreed. The Director of P&D will arrange to have a formal conversation with the newly appointed Chief Officer to discuss any	3	Director of P&D	June 2020

	<p>claimed during their relocation. This discussion should be formally acknowledged by the relocating Chief Officer to ensure there is appropriate accountability for the claims being made under the SOP.</p> <p>Furthermore, the arrangements in place between SPA and Police Scotland should be formalised to ensure the responsibilities of both organisations is clear for future expense claims.</p>	<p>relocation expenses that may be sought as part of their appointment and ensure the outcome of the conversation is formally acknowledged by the relocating Chief Officer.</p> <p>Agreed. The SPA Relocation Procedure for Chief Officers, which will be going to the SPA Board for approval on 20 May, clarifies the roles and responsibilities across SPA and Police Scotland.</p>		<p>Interim CEO</p>	<p>May 2020</p>
<p>3.1</p>	<p>The SPA must ensure Relocation SOPs are continually followed and that all expense claims are appropriately classified and paid to claimants via the SPA payroll, ensuring continued compliance with HMRC relocation guidance.</p>	<p>Agreed. A new Chief Officer relocation policy has been drafted and is pending approval. This has been drafted to address a range of known issues that have subsequently been raised in this report. In particular, the new policy requires all claims for reimbursement to be made on a form that must be authorised by the Director of P&D before passing to payroll for processing. The previous policy stated that all expenses were to be paid by the individual and claimed back, however this requirement has been emphasised in the new policy. By avoiding SPA direct settlement of costs, and processing all claims through payroll, the correct tax treatment will be applied in a systematic</p>	<p>3</p>	<p>Director of P&D</p>	<p>June 2020</p>

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		way. NB the correct tax treatment will be applied to the above noted claims.			
4.1	We would recommend that the Board, or other nominated committee receive, on an annual basis at least, an update of the relocation expenses which are have been processed and paid. The reporting should include data such as volume of expenses processed and total amounts paid out, as well as detailing any expenses claimed above the £8000 threshold in the form of a running tracker maintained by P&D.	Agreed. The new Payroll system will support accurate reporting of relocation expenses rom 1 April 2020. On an annual basis, shortly after year end, we will report to Resources Committee or any other committee considered appropriate by the Board, a summary of all relocation expenses paid during the preceding year. This will include (inter alia) the number of claims, the total value of reimbursements and details of any claims above the HMRC threshold of £8,000. A report for 2019/20 will be produced and arrangements made to present to Resources Committee on 16 June 2020.	3	Financial Controller	June 2020

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