



## INTERNAL AUDIT REVIEW

**Confidential**

To: Corporate Management Team

cc: Human Resources Manager

From: Service Manager - Internal Audit

### Relocation Policy – Corporate Review

#### 1. Executive Summary

- 1.1 This is a Corporate Review of the Council's Relocation Policy which was revised in December 2009. The main findings were:
- A relocation payment totalling £8,000 has been made outwith policy
  - In 36% of cases the Agreement for the Repayment of Relocation Expenses had not been signed
  - There have been payments made outwith policy guidelines.
  - In 2 cases repayment of relocation expenses had not been made or requested. This totalled £5,967.89
- 1.2 In addition we believe that there is scope for the Corporate Management Team to consider reducing benefits paid out under this policy while taking due cognisance of the requirement to attract high calibre employees to Shetland.
- 1.3 Human Resources are in agreement with the findings of this review.
- 1.4 It is for Corporate Management Team to decide what action is to be taken.

#### 2. Background

- 2.1 This review of the Relocation Policy has been undertaken as part of Internal Audit's programme of corporate reviews.
- 2.2 Shetland Islands Council is committed to recruiting and retaining high calibre employees to deliver its services. The Council recognises the particular financial problems that can be associated in relocation to Shetland and is committed to assisting new employees of the Council with their move.
- 2.3 New employees will be eligible for relocation expenses if their post attracts it and they have to relocate from outside Shetland, but still from within the



UK. All expenditure must be approved by the relevant Budget Responsible Officer (BRO) and meet the rules outlined in the policy.

- 2.4 The policy provides guidance on financial support available to assist new staff in their relocation to Shetland and closely follows the rules and guidance laid down by the HM Revenue and Customs.
- 2.5 The policy states that the Council will reclaim the cost of assistance provided if an employee leaves the Council within 2 years. Reimbursement claimed is based on a sliding scale to reflect the benefit obtained by the Council from the employee's service. An Agreement for the Repayment of Relocation Expenses form should be signed by all employees.

### **3. Audit Scope / Methodology**

- 3.1 This review has been carried out on relocation payments made to staff since the inception of the new revised policy in December 2009.
- 3.2 In addition, individuals who had received payments under the policy and had left within 2 years were identified to determine whether repayments had been made as per policy requirements both pre and post December 2009.
- 3.3 The following methodology was used:
  - 3.3.1 Administrative staff within the Council were contacted to identify all employees who had been paid relocation expenses since the inception of the current policy in December 2009. Fourteen staff (Appendix 1) were identified and accordingly all were reviewed to ensure compliance with the policy. This covered validity of claims and that they were appropriately authorised. A check was also made to ensure that employees had signed a form acknowledging that if they left within 2 years a proportion of expenses paid would require reimbursed on a sliding scale.
  - 3.3.2 A report was produced from CHRIS identifying all employees who had started employment with the Council and had left within 2 years. This was reviewed and possible cases where relocation expenses should have been reimbursed were identified (Appendix 2). This identified 3 cases where reimbursement should have been obtained from the departing employee.

#### **4. Audit Findings / Concerns and Risks**

- 4.1 In 1 case an £8,000 relocation payment was made to an individual where the advertised post clearly stated a relocation package did not apply to this post. The manager made payments from another budget.
- 4.2 In 5 cases (36%) the form acknowledging the policy requirements for the repayment of expenses had not been signed by the employee.
- 4.3 In 1 case records maintained by the department administrator did not match records on Integra and accordingly were not being adequately monitored. It is possible total payments exceed the limit of £8,000.
- 4.4 From the 23 claims reviewed, in 8 cases errors were identified in relation to authorisation and appropriate form completion. The 2 main concerns, however, were payments made for items which are not considered eligible under the policy.
- 4.5 Of the 3 employees identified who should have made repayment, this had only happened in 1 case. Funds not reclaimed totalled £5,967.89 and in 1 of these cases we paid a claim for £350, submitted after the employee had resigned. Legal advice was sought and, in light of the information provided, including the fact that a form acknowledging policy repayment requirements had not been signed, in both cases, the advice was that claims should not be pursued through the court. It is pleasing to report, however, that a letter sent by the relevant service following the conclusion of Internal Audit's review has been successful in obtaining full repayment of £1,200 from one of the individuals.

#### **5. Recommendations**

- 5.1 Corporate Management Team require to decide what actions should be taken in the instance where a relocation payment totalling a maximum of £8,000 has been made where this was outwith policy.
- 5.2 The Agreement for the Repayment of Relocation Expenses form must be signed in every instance.
- 5.3 Adequate records of payments made require to be kept on all occasions and if it is ascertained payments in excess of £8,000 have been made this should be reclaimed.
- 5.4 Forms require to be adequately completed and authorised. The payments made outwith the policy should be reclaimed from the individuals.
- 5.5 In accordance with legal advice received, repayment of funds not reclaimed should not be pursued through the court. This further emphasises the requirement to ensure forms acknowledging policy repayment requirements are signed.
- 5.6 We note that this policy has been identified as a potential area where savings can be made. Consideration could be given to, for example,

reducing the period for which rental is paid, reducing the maximum payment of £8,000 and/or removing payments for domestic goods. This would require to be balanced against the requirement to attract suitable employees to Shetland.

## **6. Observations**

- 6.1 We would like to take this opportunity to thank the staff in all Services for the time, patience and assistance afforded to Internal Audit during the course of this review.

## **7. Conclusion**

- 7.1 It is for the Corporate Management Team to consider the findings from this report and decide what actions require to be taken. Requirements to adhere to policy should be communicated to all staff, in the Chief Executive's name.

## **8. CMT Agreed Course of Action**

- 8.1 The recommendations were agreed with CMT Members responsible for ensuring issues identified in their area are resolved.
- 8.2 CMT will consider, as part of the budgetary savings process, what amendments could realistically be made to the policy.
- 8.3 The administration of the Relocation Policy is to be centralised.
- 8.4 Human Resources will prepare a memo to be issued, in the Chief Executive's name, reminding management of the salient points within the policy. This will be prepared by 31<sup>st</sup> May 2011.

Date: 13 May 2011

Report No: IAR/CR/RP