

ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	4 December 2019
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Report AC2009 – Travel Policy
<b>REPORT NUMBER</b>	IA/AC2009
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	David Hughes
<b>TERMS OF REFERENCE</b>	2.2

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**1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to present the planned Internal Audit report on the Travel Policy.

**2. RECOMMENDATION**

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

**3. BACKGROUND / MAIN ISSUES**

- 3.1 Internal Audit has completed the attached report which relates to an audit of the Travel Policy.

3.2 Management Comments

- 3.2.1 Management had no further comments to add.

**4. FINANCIAL IMPLICATIONS**

- 4.1 There are no direct financial implications arising from the recommendations of this report.

**5. LEGAL IMPLICATIONS**

- 5.1 There are no direct legal implications arising from the recommendations of this report.

## 6. MANAGEMENT OF RISK

- 6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

## 7. OUTCOMES

- 7.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place, or Enabling Technology, or on the Design Principles of the Target Operating Model.
- 7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

## 8. IMPACT ASSESSMENTS

Assessment	Outcome
<b>Equality &amp; Human Rights Impact Assessment</b>	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
<b>Privacy Impact Assessment</b>	Not required
<b>Duty of Due Regard / Fairer Scotland Duty</b>	Not applicable

## 9. APPENDICES

- 9.1 Internal Audit report AC2009 – Travel Policy.

## 10. REPORT AUTHOR DETAILS

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# **Internal Audit Report**

## **Travel Policy**

**Issued to:**

Steven Whyte, Director of Resources  
Andy MacDonald, Director of Customer  
Jonathan Belford, Chief Officer – Finance  
Jacqui McKenzie, Chief Officer – Customer Experience  
Fraser Bell, Chief Officer – Governance  
Carol Smith, Accounting Manager  
External Audit

## EXECUTIVE SUMMARY

At its meeting on 4 December 2018, the Audit, Risk and Scrutiny Committee expressed concerns relating to booked travel and requested that Internal Audit include an audit in the 2019/20 Internal Audit Plan in relation to the Council's Travel Policy to give assurance that the Council had appropriate arrangements in place.

The current Council Policies for Staff and Members' Travel were approved in February and March 2019 respectively and are considered to be comprehensive. They cover all travel undertaken (with the exception of Teachers on school trips) including that which is fully or partly funded from external sources. The Policies require that travel outwith the Council's boundaries involving flights, trains, inter-city buses, car hire, visa costs, and accommodation must be booked by the Business Services Team.

During 2018/19, the Council spent in excess of £600,000 on foreign and domestic air travel, accommodation, rail travel, and car hire. Internal Audit tested a sample of 2019/20 travel applications relating to these areas and this identified the following issues:

- A lack of advance Committee approval for some foreign travel;
- Foreign accommodation being booked in excess of 110% of the HMRC guideline rates without the required approval from the Chief Officer – Finance;
- A lack of evidence that requested travel linked to the Local Outcome Improvement Plan Themes as required by Policy;
- Travel applications not being submitted sufficiently in advance to benefit from cheaper travel options;
- A lack of justification supporting car hire in preference to scheduled public transport;
- Requests for booking of local accommodation did not provide details supporting the "exceptional circumstances" to justify the booking in terms of Policy.

Where the Service considers the travel arrangements to be complex or high risk, the Council utilises the services of a Travel Partner to book travel and accommodation. Other arrangements are booked direct by the Business Services Team. Payments made to the Council's Travel Partners and various other accommodation and travel providers exceed the Council's procurement thresholds and, therefore, require appropriate contracts to be in place. However, there are no framework agreements or contracts in place covering the related expenditure. The Service has agreed to work with Commercial and Procurement Services to ensure that appropriate arrangements are in place to secure best value. In order to do this, the Service has stated that it may wish to research options for some spend types in more depth and this will take until December 2020 to conclude.

During the audit, it was possible to check the value for money of some flight bookings that had, at the time of audit testing, been booked for future dates. Where the Council's Travel Partner had booked the flights and those same flights were still available at the time of testing, Internal Audit would have been able to book them at a cheaper price, closer to the date of travel. This was not the case where the flights had been booked by the Business Services Team. In most cases, Internal Audit was able to identify cheaper alternative flights than those that had been booked. The Service has stated that whilst it does not believe that the tests performed are wholly comparable, the points raised are acknowledged and it intends, in addition to reviewing the procurement arrangements regarding its Travel Partner, to enhance written procedures with additional value for money checks.

Whilst most of the travel applications were approved, an electronic signature of the approving officer had been appended to many. If this is then supported by an email from that authorised signatory's Council email account, sent by that officer, then this would, in Internal Audit's opinion, provide sufficient assurance that the application was being appropriately approved. This was not always the case and this process fails to provide sufficient assurance that travel applications are being approved in accordance with the Council's Travel Policies. The Service has stated that whilst it is considered that a level of authorisation was in place for each booking, staff will be reminded to ensure that there are appropriate approvals in place.

# 1. INTRODUCTION

- 1.1 Internal Audit report AC1814, reported to the Audit, Risk and Scrutiny Committee on 23 November 2017, related to a review of travel costs. This focused primarily on travel and subsistence claims submitted for payment by officers of the Council. However, the same audit also looked at booked travel to a lesser extent.
- 1.2 At its meeting on 4 December 2018, the Audit, Risk and Scrutiny Committee requested that Internal Audit include an audit in the 2019/20 Internal Audit Plan in relation to the Council's Travel Policy to give assurance that the Council had appropriate arrangements in place. The Committee approved the inclusion of the audit when it approved the Internal Audit Plan at its meeting on 14 February 2019.
- 1.3 In view of the above, the focus of this audit was on booked travel. In order to provide assurance over this area, Internal Audit reviewed the Council's policies, requested that the Business Services Team's written procedures relating to booked travel be provided, and reviewed a sample of travel applications covering foreign travel, accommodation (both abroad and in Aberdeen), domestic flights, rail travel, and car hire.
- 1.4 Following the above mentioned audit, the Council approved new Travel Policies – one for Staff (approved by the City Growth and Resources Committee on 7 February 2019), and one for Members (approved by Full Council on 4 March 2019). These Policies contained changes recommended by Internal Audit and were implemented from 1 April 2019.
- 1.5 The Business Services Team maintains detailed records of travel booked through them. This includes an overall spreadsheet with links to electronic folders for each booking made which hold details of the application, approval and bookings. These showed that the cost of travel and accommodation booked in relation to 2018/19 was as follows:

Category	Cost
Accommodation	£162,008
Bus	£6,743
Car Hire	£64,147
Flights	£161,258
Rail	£209,192
Total	£603,348

- 1.6 The factual accuracy of this report and action to be taken regarding the recommendations made have been agreed with Steven Whyte, Director of Resources, Andy MacDonald, Director of Customer, Jonathan Belford, Chief Officer – Finance, Jacqui McKenzie, Chief Officer – Customer Experience, and Fraser Bell, Chief Officer – Governance.

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Policy and Written Procedures

- 2.1.1 The current Council Policies for Staff and Members Travel were approved in February and March 2019 respectively. They cover all travel undertaken (with the exception of Teachers on school trips) including that which is fully or partly funded from external sources. The Policies require that travel outwith the Council's boundaries involving flights, trains, inter-city buses, car hire, visa costs, and accommodation must be booked by the Business Services Team.
- 2.1.2 Where foreign travel is involved, this must be approved in advance by the relevant Service Committee. All travel outwith the Council's boundaries requires full disclosure of the purpose and intended outcomes of the travel and the applicant must demonstrate that these link with the Local Outcome Improvement Plan Themes. Officers' travel must be authorised in advance by the relevant budget holder; Chief Officers' arrangements must be authorised by their Director; Directors by the Chief Executive; and the Chief Executive by the Chief Officer – Finance. Members' travel arrangements must be authorised by the relevant Chief Officer, although they can delegate this responsibility to a direct report.
- 2.1.3 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance that correct and consistent instructions are available to staff; important in the event of an experienced employee being absent or leaving. No such procedures were available during the audit.

#### **Recommendation**

The Business Services Team should develop written procedures / flowcharts which explain their processes.

#### **Service Response / Action**

Agreed. The travel policies include detailed guidance as an appendix that has been used by the team to administer travel arrangements. More detailed travel procedures and flowcharts will be written by the team. This will include references to any of the recommendations below.

#### **Implementation Date**

December 2020

#### **Responsible Officer**

Accounting Manager

#### **Grading**

Significant within audited area

### 2.2 Foreign Travel

- 2.2.1 Between implementation of the new Travel Policies on 1 April 2019, and commencement of this audit, fourteen applications relating to foreign travel had been processed. These were checked by Internal Audit to confirm whether they complied with the requirements of the revised Policies.
- 2.2.2 Nine of the fourteen bookings had been approved in advance by the relevant Service Committee as required, although one travel application referred to the incorrect Committee report reference.
- 2.2.3 Two further applications referred to Committee reports that did not give appropriate approval. One only gave approval for foreign travel in 2018/19 (travel booked related to 2019/20) and the other did not refer to the travel booked. The travel for both was booked by 10 April 2019 and was subsequently approved by the City Growth and Resources Committee on 25 April 2019.

- 2.2.4 Three were not approved by Committee. One related to a study visit where the travel costs were part funded by the Erasmus+ Programme, another related to taking a young person on holiday, and the third related to travel to a European project AGM where Committee approval had been obtained in relation to the project, but not the related travel.

**Recommendations**

- (a) Officers approving foreign travel requests should ensure that the travel has been approved in advance by Committee.
- (b) The Business Services Team should ensure that there is adequate evidence that foreign travel has been approved in advance by Committee before booking travel.

**Service Response / Action**

- (a) Agreed. Staff will be reminded of the importance of the Committee check. The process will be revised so that travel requests cannot be progressed without the appropriate Committee reference. Services will be reminded of the necessity of Committee approval.
- (b) Agreed. Staff will be reminded of the need to ensure there is adequate evidence. The process will be revised so that travel requests cannot be progressed without the appropriate Committee reference.

**Implementation Date**

**Responsible Officer**

**Grading**

(a) March 2020

(a) Accounting Manager

Significant within audited area.

(b) March 2020

(b) Accounting Manager

- 2.2.5 The Policy attempts to limit the cost of foreign hotel accommodation by allowing the Business Services Team to book accommodation that costs up to 110% of the HMRC guideline rates before having to obtain approval from the Chief Officer – Finance prior to making the booking.

- 2.2.6 On five occasions within the sample tested the cost of accommodation was more than 110% of the HMRC guideline rate. There was evidence that one had been referred to the Chief Officer – Finance, that the choice of accommodation had been challenged, and then approved following receipt of explanations. The Business Services Team has stated that another had been approved although the evidence to support this was not available. The other three instances did not have the required approval from the Chief Officer – Finance.

**Recommendation**

The Business Services Team should ensure that accommodation costing in excess of 110% of the HMRC guideline rate is approved by the Chief Officer – Finance prior to being booked.

**Service Response / Action**

Agreed as follows: The Business Services Team uses relevant searches to find the most cost-effective accommodation that is within a practical distance from the destination (to minimise on costs such as taxi fares). Business Services team members will be reminded of the importance of exceptions being reported to the Chief Officer – Finance. It is proposed that the 110% threshold set in the policy will be reviewed in cases where the accommodation is the most cost effective available.

**Implementation Date**

**Responsible Officer**

**Grading**

June 2020

Accounting Manager

Significant within audited area.



- 2.2.7 There is no reporting back to Committee to demonstrate the value gained from the travel that had originally been approved. It would be good practice to produce a post-trip evaluation report to demonstrate the value obtained compared to the cost incurred.

**Recommendation**

Post-trip cost / benefit reports should be presented to the Committee that approved the travel.

**Service Response / Action**

Agreed. A requirement will be added to the travel policy that cost/benefit reports will be presented annually to Committees. Relevant Committees will receive an annual report for approval of future programmes of foreign travel and summarising cost/benefit of those approved in the prior year.

**Implementation Date**

June 2020

**Responsible Officer**

Accounting Manager

**Grading**

Significant within audited area

**2.3 Domestic Flights**

- 2.3.1 The Policies allow the use of domestic flights within the United Kingdom, but outwith Scotland, taking into account the opportunity cost of time resource lost to other priority activities for staff.

- 2.3.2 Ten travel applications relating to domestic flights were examined relating to domestic air travel. All provided a detailed reason for the requested travel although none specifically linked these to the Local Outcome Improvement Plan Themes as required by the Policies.

**Recommendation**

The travel application form should be amended so that it is easier for applicants to comply with the Policy requirement of linking requested travel to the Local Outcome Improvement Plan Themes.

**Service Response / Action**

Agreed as follows: On reflection of the implementation of the new policy, it can be difficult to determine the appropriate link to the LOIP for certain types of travel or the link could just be defined as 'All' currently. Therefore, it is proposed that the policy be reviewed to clarify a more appropriate requirement to justify travel.

**Implementation Date**

June 2020

**Responsible Officer**

Accounting Manager

**Grading**

Important within audited area.

**2.4 Value for Money**

- 2.4.1 It is generally accepted that booking flights closer to the date of travel will result in higher costs being incurred. The Travel Policies state that the timeliness of travel booking is a key factor in cost effectiveness. Therefore, all travel applications should be completed as soon as the travel need is identified to make best use of cost effective travel options. Within the sample tested relating to air travel, there is evidence of delays between the date that it was known that travel would be required and that travel being applied for and approved. In one case where two officers were travelling together, but their applications were approved separately, the same flights were booked five days apart at a cost of £232.84 and £307.58 respectively. It was anticipated following the previous audit of travel costs that the revised Policies would help improve this area.



**Recommendation**

Services should be reminded to ensure that travel applications are forwarded to the Business Services Team as soon as possible to ensure that cost effective travel arrangements can be made.

**Service Response / Action**

Agreed. Staff will be reminded of the importance of ensuring applications are forwarded in a timely manner.

**Implementation Date**

March 2020

**Responsible Officer**

Accounting Manager

**Grading**

Significant within audited area.

2.4.2 At the time of Internal Audit testing, there were seven processed applications relating to future travel arrangements. It was, therefore, possible to determine whether the cost of flights booked was reasonable. The results of this testing show that:

- Where the Council's Travel Partner booked flights for the Council and those same flights were still available at the time of testing, Internal Audit would have been able to book them at a cheaper price, closer to the date of travel;
- In two of the three instances where the Travel Partner had booked flights, Internal Audit was able to identify cheaper alternative flights, closer to the date of travel;
- Where the Council booked flights direct and those same flights were still available at the time of testing, Internal Audit would not have been able to book them at a cheaper price;
- In three of the four instances where the Council had booked flights direct, Internal Audit was able to identify cheaper alternative flights.

2.4.3 The Business Services Team has stated that the Travel Partner is used where travel destinations are obscure or the requested travel requires many changes, and that they can also give support to travellers outwith office hours. However, it appears that this may be at additional cost which it might be possible to avoid if the in-house team were to complete all bookings.

2.4.4 Some routine hotel accommodation is also booked through a Travel Partner. There were a small number of future hotel bookings that had been made at the time of audit testing being undertaken. Three of these were examined and one appeared to be reasonable. For the remaining two (relating to accommodation in Inverness and Stirling), the Service could not provide any justification for the specific accommodation booked and Internal Audit could have booked similar alternative accommodation closer to the required dates at a cheaper price.

**Recommendations**

- (a) The Business Services Team should monitor prices quoted by Travel Partners to determine whether value for money is being obtained.
- (b) Should it be confirmed that value for money is not being achieved, alternative arrangements should be made for the booking of travel.
- (c) The Business Services Team should ensure that cheaper alternative flights or accommodation are booked where available, as long as these do not impact significantly on the applicant's travel arrangements.

(d) Evidence of available flights or accommodation should be retained to demonstrate that due consideration has been given and that best value has been obtained.

**Service Response / Action**

The Service believes that the tests performed by Internal Audit are not wholly comparable however the points raised are acknowledged and, in relation to all the above recommendations, the following action is proposed:

1) Value for money checks are currently undertaken and alternative quotes are sought when travel is booked, these also consider safety arrangements such as travel for a single lone female. Currently evidence for the checks is not retained.

More specific value for money checks will be written into the procedure guidance as set out in recommendation 2.1.3. These will include:

- Clearer criteria for travel types that will be referred to travel partners;
- Specified tests at the time of booking to check alternative travel quotes;
- Summary evidence of available quotes and other considerations in the booking of travel e.g. safety to be retained; and
- A quarterly management review of value for money of booked travel and secondary check of a sample of travel costs.

2) Ensuring value for money with the Travel Partnering arrangements and other significant supplies will be incorporated into the procurement compliance review set out in recommendation 2.4.8.

<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
1) December 2020.	1) Accounting Manager.	Significant within audited area.
2) December 2020.	2) Accounting Manager.	

2.4.5 Payments made to the Council's Travel Partners and various other accommodation and travel providers exceed the Council's procurement thresholds and, therefore, require specific governance arrangements to have been complied with.

2.4.6 The Commercial and Procurement Shared Service has confirmed to Internal Audit that there are no framework agreements or contracts in place covering this area of expenditure.

**Recommendation**

The Council should ensure that action is taken to comply with its Procurement Regulations in respect of travel related expenditure.

**Service Response / Action**

Agreed. There are payments made for a number of specific spend types in relation to booked travel, most significantly travel solutions providers, flights, train fares, hotels and car hire. During the booking process there are a number of value for money checks undertaken.

There has not been a recent review that the procurement arrangements for each type of spend comply with procurement regulations.

The Service has been advised by Commercial and Procurement Service that there are framework options that may be able to be put in place fairly quickly and we will address

this as soon as possible where appropriate. The implementation date has been set at December 2020 in the light of the fact management may wish to research options for some of the spend types in more depth in order to ensure that the procurement solution is best value based on future travel needs.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
December 2020	Accounting Manager	Significant within audited area.

## 2.5 Rail Travel

2.5.1 The Travel Policies have train travel listed as the first means of ground transport. Ten travel applications relating to rail travel in June 2019 were examined by Internal Audit and all provided a detailed reason for the requested travel although none specifically linked these to the Local Outcome Improvement Themes as required by the Policies. (See recommendation at paragraph 2.3.2, above.)

## 2.6 Car Hire

2.6.1 The Travel Policies state that car hire should be used where the cost of group travel by public transport is excessive, the destination is inaccessible by public transport, or personal safety, travel time, and weight of luggage are considerations.

2.6.2 The Policies also include a section on Environmental Impact of Travel which encourages travellers to use modes of transport that result in the least environmental impact. Scheduled trains and buses will be travelling according to their schedule, so, booking a hire car will have a greater environmental impact than travelling by public transport.

2.6.3 Ten travel applications relating to car hire in June 2019 were examined and only three provided an explanation regarding why a car was required rather than public transport.

### Recommendations

(a) Travel applications should provide an explanation regarding why a car is more appropriate for the required journey than public transport.

(b) The Business Services Team should ensure that there is appropriate justification prior to processing the application.

### Service Response / Action

(a) Agreed. Staff will be reminded of the importance of explanations. Often car hire is the most value for money option when compared to public transport.

(b) Agreed. Staff will be reminded to ensure there are appropriate justifications.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
(a) March 2020.	(a) Accounting Manager.	Significant within audited area.
(b) March 2020.	(b) Accounting Manager.	

## 2.7 Accommodation

2.7.1 In June 2016 the Travel Policy was amended to include a provision which allows the booking of local accommodation in exceptional circumstances where, because of operational needs, the traveller would be required to undertake travel during unreasonable

anti-social hours and / or where it could expose the employee to an inappropriate level of personal risk.

- 2.7.2 In the period April to June 2019 there have been a number of bookings made for accommodation in Aberdeen. Most of these related to bookings for a range of Social Work client issues or third party suppliers of services to the Council.
- 2.7.3 Four bookings related to employees of the Council. These were approved by the appropriate Chief Officer and gave reasons for booking the accommodation (attendance at meetings) but did not explain the exceptional circumstances that justified the booking in terms of the Policy provision.
- 2.7.4 A sample of bookings made in 2017/18 and 2018/19 was also examined and these did not provide details of the exceptional circumstances that justified the bookings. Although each was signed as authorised by someone other than the applicant, some were not authorised by a “budget holder” or “manager” as required by the Policy that was in place between 2016 and 2019. Such applications are now authorised appropriately.

**Recommendation**

Where accommodation is booked in Aberdeen for an employee of the Council the exceptional circumstances justifying the booking in terms of the Policy should be recorded.

**Service Response / Action**

Agreed. Staff will be reminded to ensure there are appropriate justifications

**Implementation Date**

March 2020

**Responsible Officer**

Accounting Manager

**Grading**

Significant within audited area.

**2.8 Authorisation**

- 2.8.1 Travel expenses are required to be approved by the approved budget holder although those relating to Members need to be approved by the relevant Chief Officer responsible for the budget to which the travel will be charged.
- 2.8.2 Whilst most of the travel applications were approved, an electronic signature of the approving officer had been appended to many (approximately 33% of the sample tested). If this is then supported by an email from that authorised signatory’s Council email account, sent by that officer, then this would, in Internal Audit’s opinion, provide sufficient assurance that the application was being appropriately approved. However, the Business Services Team has stated that as long as there is a signature on the travel application, they would not seek further evidence to support the authenticity of the authorisation, and there was no evidence available of who had sent the application. Within the samples tested, there were six travel applications that had no signature on them, four of which were supported by an email direct from an authorised signatory whilst two were supported by an email sent from the authorised signatory’s Council email account by another officer with delegated authority to access that account.
- 2.8.3 The process, as detailed above, fails to provide sufficient assurance that travel applications are being approved in accordance with the Council’s Travel Policies.

**Recommendation**

Appropriate arrangements should be put in place to provide assurance that travel applications are being approved as required by the Travel Policies.

**Service Response / Action**

Agreed. Whilst it is considered that there was a level of authorisation backing up each booking, staff will be reminded to ensure that there are appropriate approvals in place. This will include ensuring that it is the authorised signatory who has authorised travel and keeping records as evidence, whether electronic or paper

**Implementation Date**

January 2020

**Responsible Officer**

Accounting Manager

**Grading**

Significant within audited area

**AUDITOR:** D Hughes

## Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
<b>Major at a Corporate Level</b>	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
<b>Major at a Service Level</b>	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
<b>Significant within audited area</b>	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
<b>Important within audited area</b>	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.