CONCUR AUDIT: CLOSING THE GAPS IN COMPLIANCE

A Concur report on travel and expense audit best practices.
About this report.

At Concur, we receive a lot of questions about the best way to audit expense claims. Often the approaches to audit vary greatly by industry and company culture.

It doesn’t have to be confusing. In this report, we hope to provide a clear perspective that can help every business identify ways to improve their audit process.

Reducing costs and improving compliance.

When managing travel and expense programmes, you’re faced with different challenges every day. New employees, policies, acquisitions and ever-changing regulations need to be managed. As a result, controlling costs and compliance is a top priority.

You have a responsibility to follow accounting regulations. Traditionally capturing and substantiating expenditure details and receipts is an intricate part of the process. You then have a further responsibility to see that the T&E policies you’ve put in place are being followed. Throughout it all, you also have to ensure you are adhering to a range of ever-changing tax regulations.

Ultimately, with your audit programme, you should achieve internal oversight and control. It’s deciding where and how to put them into practice that can be tricky.
“How do you audit?” is the most common question we receive. But there are others that need to be considered...

**WHEN** SHOULD YOU AUDIT—AT WHAT POINT IN THE APPROVAL PROCESS?

**WHAT** SHOULD YOU AUDIT—HOW DO YOU PRIORITISE AND FOCUS?

**WHY** ARE YOU AUDITING—ARE YOU FOCUSED ON TAXES, COMPLIANCE OR FRAUD?

In this report, we’ll share answers to these questions, best practices and recommendations based on more than 10 years of experience.

CONCUR AUDITS MORE THAN 1 MILLION EXPENSE CLAIMS PER MONTH, IN MULTIPLE LANGUAGES INCLUDING FRENCH, GERMAN, CHINESE AND JAPANESE.
Question 1: When should you audit?

Timing is everything, and when it comes to auditing, you’re looking at three main points in the expense claim journey:

1. BEFORE MANAGER APPROVAL
2. AFTER MANAGER APPROVAL
3. AFTER PAYMENT

Here’s what your peers are doing.

The majority of our customers are auditing prior to manager approval because it gives them consistent controls across their business, avoids wasted time dealing with incomplete or inaccurate claims and allows managers to still review receipts if they’d like to.

We asked some of our customers when they require manager approval:

- **61.9%** MOST REQUIRE EXPLICIT MANAGER APPROVAL ON ALL CLAIMS.
- **9.52%** A FEW REQUIRE MANAGER APPROVAL WHEN EXPENSES ARE OVER A CERTAIN AMOUNT.
- **4.76%** A SMALL MINORITY REQUIRE MANAGER APPROVAL WHEN OUTSIDE POLICY.

So what about your business? Do managers actually have time to thoroughly review every expense report they receive? And are you sure they understand the intricate details of your travel and expense policy?
OUR BEST-PRACTICE RECOMMENDATION:

Audit before expense claims are approved.

- Give employees a chance to correct their expense claims before sending them for approval.
- Simplify the approval process, cut turnaround time and speed up reimbursements.
- Reduce the need for post-pay audits.

Auditing before approval also eliminates the problem of trying to recuperate funds you’ve already reimbursed. For example, if a certain amount of spending was not compliant, you’ll know about it before your travellers are reimbursed so you’ll avoid the hassle of getting that money back.

Another reason to audit before manager approval.

Many businesses feel early auditing is crucial because they want managers to be able to approve expense claims quickly. They don’t see the value in post-event approval. The prevailing opinion is that, despite their best intentions, managers don’t review, they simply approve.
Question #2: What should be audited?

With the amount of people and processes across your business, it can be difficult to decide who and what to check up on.

If you’re new to auditing, it’s best to start by evaluating your current situation. Take a thorough look at what’s working and what isn’t before building your plan. Then you’ll know how to measure success.

If you’re already auditing, make sure you’re targeting the right audiences; the teams and people who travel the most or have a history of non-compliance. And the right areas; expense types that because of their complexity or tax sensitivity represent a compliance risk.

Here’s what your peers are doing:

Different companies audit in different ways. Across the board, our customers audit anywhere from 10% to 100% of expense claims.

- A small number do back-office audits 100% of the time, but many review a portion of the expense claims based on specific groups or areas of risk.

- Companies in the pharmaceutical and financial industries don’t have a choice—industry regulations, government regulations and financial laws require 100% of expense claims to be audited, with severe penalties for non-compliance.

- To support VAT compliance, companies headquartered in the UK and throughout Europe strive to achieve 100% audit.
**OUR BEST-PRACTICE RECOMMENDATION:**

**Audit 100% now, then get selective.**

You need to consider your company’s unique goals and priorities, so we suggest auditing 100% of your expense claims when you begin your audit process. This will help establish a baseline understanding of how your policies are being followed.

**FOR 100% COMPLIANCE YOU NEED TO AUDIT 100%. THEN REVIEW AND EDUCATE TO CHANGE BEHAVIOURS.**

If 100% isn’t possible, consider focusing on traditionally challenging areas:

- Complex or tax sensitive spending
- Frequently non-compliant spenders
- Teams of managers who do not look at receipts
- New employees to ensure they understand policy
- New departments or teams

You can also focus on employees with expense claims that match certain criteria:

- High-value expenses
- Cash expenses
- Specific groups of employees or departments
- Certain expense types, such as business meals and flights

**Mandate your corporate card programme:**

You’ll capture more data and improve compliance.

**PUSH FOR 100% OF SPENDING ON CORPORATE CARDS, AND YOU’LL GET GREATER VISIBILITY INTO AND MORE CONTROL OVER T&E SPENDING.**
Most exceptions come from receipts.

According to Concur 2015 data, a majority of audit exceptions stem from receipt issues. So what do you do?

REQUIRE RECEIPTS TO BE ATTACHED AT THE LINE-ITEM LEVEL. This leads to faster processing, approvals and payments.

Here’s how simple it is:
• Employees take photos of receipts on their smartphones
• Capture those receipts at the line-item level
• Set limits for cash and cards to keep things in check
• Require justification for missing receipts
• Use Concur to automatically itemise claims

According to a recent study by Oversight Systems, the costs of inaction can add up quickly. Ten percent of travellers have at least one duplicate charge on their expense report. An additional 20% of employees have at least one non-compliant purchase on their expense report.¹

¹ 2015 T&E Spend report by Oversight Systems.
Question #3: Why should you audit?

1. **Drive policy compliance**
   To stay compliant, it’s important to establish policies, processes and end-to-end controls. You have policies for a reason and with a well publicised and enforced audit process you can make sure they’re being followed. Just as importantly, when you identify trends and knowledge gaps in specific areas, you’ll identify how to adapt your policies to match your business needs.

2. **Control costs**
   Your employees are spending money, and when your second largest financial line item is T&E, you need to be auditing to prevent them from overspending.

3. **Identify bad behaviour**
   You should take a zero tolerance approach to non-compliant spend. Auditing helps you identify and address out-of-policy spending immediately.

4. **Reduce your risk**
   When you audit, you can be confident that you are complying with a number of regulations. There are major consequences for individuals and businesses who are non-compliant including fines, confiscation of property and even imprisonment.

5. **Manage VAT reclaim**
   The majority of your employees will not know what a VAT receipt is or what HMRC regulations are. By auditing, you can capture the right amount of tax and improve compliance with various regulations.
THE ANSWER IS CLEAR: PINPOINTING PROBLEM AREAS THROUGH AUDITING AND MAINTAINING AN END-TO-END PROCESS KEEPS YOU IN CONTROL AND YOUR BUSINESS PROTECTED.

Here’s what your peers are doing.
Our customers understand the benefits of auditing. A few interesting and useful examples include:

- One business prevents fraud by scrutinising expenses that occur during weekends.
- Another has an audit pass rate of 80% due to education and visibility.
- Another has set up an automated programme to report anyone with issues on their corporate card.
OUR BEST-PRACTICE RECOMMENDATION:

Consider these tips.

1. **Build a three-step approach:**
   - **Reporting:** Spot issues, identify trends and prioritise auditing resources using your Concur reports.
   - **Configuration:** Build in spending limits and flag duplicate expenses by checking booked vs. expensed rates for travel charges. And be sure to map it all back to your policies and your business.
   - **Auditing:** Tap into third-party experts for efficiency, effectiveness and objectivity. Concur’s Audit service fills the gap and completes the feedback loop, so you can see the percentage of compliant claims, educate users or modify your processes.

2. **Send email reminders:**
   Consistently remind end users and their managers to get expense claims submitted on time.

3. **Triangulate your data:**
   Require three forms of verification for each expense: card data, receipt and itinerary. If they all match, you have less to worry about. Concur’s automated processes dramatically simplify this process.

4. **Communication is key:**
   We can provide a list of the most common audit questions to help you build or edit your travel policy. Then you can publicise your policy and audit programme so everyone is educated about how to be compliant.
Auditing works.

Your auditing approach will be unique to your business. The results, however, are consistent across every company:

EFFECTIVE AUDITING REDUCES COSTS, CUTS ADMINISTRATIVE TIME AND INCREASES SAVINGS.

Use the best practices outlined in this report to establish a clear plan for when, what and why you’re auditing your T&E spending, and remember that these practices are just the beginning. Consider using Concur Audit to build a custom programme around your needs and your policies leading to lasting improvements in T&E.

Why consider Concur Audit services?

Imagine tracking your senior executive’s spending and having to call out exceptions. Imagine your team spending days on tedious audits, knowing they could be spending time on more strategic tasks, but there aren’t enough hours in the day. Imagine not having to worry about it.

Concur’s Audit services provide a thorough, objective, third-party review without office politics or a strain on internal resources. Businesses have saved time and money by redirecting those resources into other valuable activities, while turning audits around efficiently and accurately.

Visit concur.co.uk/expense-audit or call 01628 645100 to learn more.
About Concur

For more than two decades, Concur, an SAP company, has taken companies of all sizes and stages beyond automation to a completely connected spend management solution encompassing travel, expense, invoice, compliance and risk. Our global expertise and industry-leading innovation keep our customers a step ahead with time-saving tools, leading-edge technology and connected data, in a dynamic ecosystem of diverse partners and applications. User-friendly and business-ready, Concur unlocks powerful insights that help businesses reduce complexity and see spending clearly, so they can manage it proactively.