

UK managers wrongly approve around £2bn for employee expenses

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ENTERTAINING WAYS FOR BUSINESSES TO LOSE MONEY

UK managers wrongly approve around £2bn for employee expenses

British businesses are bleeding around £2 billion¹ for wrongly approved employee expense payments at the same time as they cut back on staff working hours and salaries in order to survive the recession, according to a new report from GlobalExpense, the UK's largest employee expenses service provider.

The annual research contradicts a recent survey conducted by the Chartered Institute of Personnel and Development and consultants KPMG in which companies claim to have cut spending on business travel and entertaining because of the recession.

The GlobalExpense Employee Expenses Benchmark Report, which is based on actual payments to employees rather than a survey of personnel departments, shows no evidence of any reduction in payments to employees. This is both because many basic items, such as mileage, have increased while many managers continue to be happy to approve "out of policy" expense claims.

GlobalExpense estimates that 11 percent of all employee expense claims (around £923 million) should never be paid because the items purchased are not covered by company policy, but managers approve the payments anyway. On top of which an estimated £1.08 billion fiddled expense claims are wrongly approved for payment.

The 2009 GlobalExpense Employee Expenses Benchmark Report draws on over 4.8 million expense claims from over 150,000 UK-based employees resulting in over £270 million in payments to employees during 2007 and 2008.

Claims outside company policy in 2008 included: handcuffs; a bribe to border guards to get out of Iraq; nine personal massages charged to a hotel room bill because the claimant had had: "a really stressful day", renewing a passport and the old faithful, condoms.

David Vine, GlobalExpense managing director, said: "The number one objective for most businesses right now is to control costs and conserve cash to prevent profits being further eroded. Employee expense payments come out of a company's bottom line and directly affect cash flow. Many companies may believe they have cut spending on employee expenses by changing policy, but the reality is that out of policy claims are routinely approved for payment.

"The single most important thing companies can do to stop wasting money on employee expenses is to make sure that company policy is consistently adhered to. Managers that authorise expense payments must be trained so they know when to challenge a claim. Redundancy, particularly at middle-management level, as a result of the recession will make this problem worse over the coming months."

Watch your mileage:

Around 40 percent of mileage claims do not have a receipt – up from 25 percent in 2006. As a consequence and no doubt much to the delight of the treasury, companies with high mileage costs are missing out on thousands of pounds of recoverable VAT.

Cut out luxury travel:

Only about eight percent of flights were business class but these tickets account for nearly 40 percent of costs. Clear savings can be made by travelling economy or by budget airline.

The vast majority of flights bought by employees were for other UK destinations, going by car would be a cheaper alternative, especially if more than one person is travelling.

Monitor big spenders:

Almost 30 percent of employees received more than £1,500 in expenses in 2008 and 15 percent of individual claims were for £100 or more. GlobalExpense research shows that 30 percent of employees think it is fine to exaggerate expense claims. Companies should identify who the big claimers are and make sure that large claims are scrutinized.

Other findings in the report:

- Approximately £8.3bn was paid to UK employees for expenses in 2008.
- The average expense claiming employee will have claimed £49.32 for business mileage, spent £185 on flights, and taken about 2.4 train journeys at an average cost of £42.06.
- The largest single paid expense claim was £38,179 as compensation for a cancelled holiday!

The GlobalExpense Employee Expenses Benchmark Report 2008 includes a breakdown of expense claims by gender, size of company, industry sector and company department. There is also data on business travel and accommodation which accounts for more than 50 percent of all employee expenses.

Copies of the 2009 GlobalExpense Employee Expenses Benchmark Report are available from www.globalexpende.com.

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Issued by Kelso Consulting on behalf of GlobalExpense.

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Notes to editors:

[1]GlobalExpense processes expense claims for 1.83 percent of the working population which gives an estimated £8.3bn in paid expenses for the whole UK workforce (1.83 percent x £152,682,000 paid by GE in 2008). 11 percent of employee expense claims are outside company policy (£922,766,623) and we estimate that £1,079,411,680 was paid for fiddled expenses that were within company policy (based on Gallup research looking at the percentage of the population that would fiddle expenses by certain amounts).

The 2009 GlobalExpense Employee Expense Benchmark Report draws on more than 4.8 million individual expenses claims by over 100,000 UK-based employees over the past two years, from a wide range of organisations in all sectors. Our analysis draws on claims made by employees which are subsequently approved (or rejected) and then paid by employers between December 2006 and November 2008. It covers all expenses claimed, including those claimed by UK-based employees while overseas in more than 160 countries. This data represents over £270 million in payments to employees, and was collated in association with ASQ Analytics and analysed with Kelso Consulting.

About GlobalExpense

GlobalExpense provides an individually tailored expense management service for businesses across the Europe. This enables organisations to outsource their entire expense process to an expert third party and benefit both from increased accuracy and reduced administration costs.

Founded in 1999, the GlobalExpense service was designed by a specialist team with expert knowledge of accounting and tax. Their services relieve clients of the high volume, low value time-consuming duty of processing employee expense claims and complying with the law. At the same time, GlobalExpense's economies of scale allow them to pass on direct savings, improved management information and an excellent service to their clients and their employees.

www.GlobalExpense.com