SOP: Audit and Compliance Procedures for Expense Reports

This SOP details the **audit and compliance procedures for expense reports**, covering the submission, review, verification, and approval processes to ensure accuracy and adherence to company policies. It includes guidelines for documentation requirements, identification of discrepancies, audit trails, compliance with financial regulations, and reporting of irregularities. The goal is to maintain financial integrity, prevent fraud, and ensure transparent and accountable expense management across the organization.

1. Purpose

To establish standard procedures for the audit and compliance review of all employee expense reports, safeguarding the organization against errors, fraud, and policy violations.

2. Scope

This SOP applies to all employees, supervisors, finance staff, and auditors involved in the preparation, submission, review, approval, and auditing of expense reports.

3. Definitions

- **Expense Report:** A documented summary of expenses incurred by an employee for business-related activities, submitted for reimbursement.
- **Audit Trail:** A chronological record of actions taken during the submission, approval, or modification of expense reports.
- **Discrepancy:** Any difference between reported expenses and supporting documentation or company policies.

4. Roles and Responsibilities

Role	Responsibility
Employee	Accurately complete and submit expense reports with all required documentation.
Supervisor/Approver	Review, verify, and approve expense reports in compliance with policies.
Finance Department	Audit expense reports, verify compliance, process reimbursements, and maintain records.
Internal Auditor	Conduct periodic audits to ensure adherence to procedures and identify irregularities.

5. Procedure

1. **Submission of Expense Reports**
   - Employees must submit expense reports within 10 business days of incurring expenses.
   - Include all required receipts, invoices, and supporting documents.
   - Declare any advances received and reconcile against submitted expenses.

2. **Initial Review**
   - Supervisors check reports for completeness, accuracy, and policy adherence.
   - Identify and flag any discrepancies or missing documentation.

3. **Verification and Audit**
   - Finance department verifies the authenticity of attached documents.

- Cross-reference reported expenses with supporting receipts and company policies.
- Random or targeted audits performed by Internal Audit based on risk criteria.

4. **Approval**
   - Expense reports meeting all requirements are approved by authorized personnel.
   - Non-compliant reports are returned with explanations for correction.

5. **Documentation and Recordkeeping**
   - Maintain digital or physical copies of all reports and supporting documents for at least 7 years.
   - Ensure audit trails are securely logged and traceable.

6. **Reporting Irregularities**
   - Suspected fraud or policy violations must be reported to Internal Audit or Compliance immediately.
   - Document investigation steps, findings, and outcomes in the audit log.

6. Compliance and Regulation

- All procedures must comply with applicable financial regulations and tax laws.
- Regular training on expense policy and compliance is mandatory for all employees.

7. Audit Trail and Monitoring

- Implement systems to track the processing stages of each expense report.
- Periodically review logs for unauthorized changes or access.

8. Review and Updates

This SOP is to be reviewed annually or as needed to reflect changes in company policy, regulations, or operational processes.

9. Appendices

- Expense Report Template
- Checklist for Compliance Review
- Contact Information for Reporting Irregularities