

**FINAL INTERNAL AUDIT REPORT**  
**CHIEF EXECUTIVES DEPARTMENT**

**REVIEW OF PAYROLL-EXPENSES AUDIT FOR 2013-14**

**Issued to:** Sue Sydney, Assistant Director Human Resources  
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**Prepared by:** Principal Auditor

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**Report No.:** CX/007/01/2013.bf

## REVIEW OF PAYROLL-EXPENSES AUDIT FOR 2013-14

### INTRODUCTION

1. This report sets out the results of our systems based audit of Payroll Audit for 2013-14. The audit was carried out in quarter Q4 as part of the programmed work specified in the 2013-14 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on the 7<sup>th</sup> of January 2014. The period covered by this report is from 01/01/13 to 31/01/14.
4. The Audit examined a sample of 25 starters, 10 leavers, 25 deductions to pay, 25 overpayments, 20 amendments to pay, 8 Honorarium payments and 5 Emergency payments.

### AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

### AUDIT OPINION

6. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

### MANAGEMENT SUMMARY

7. Controls were in place and working well in the areas of:
  - Procedures in place for recruiting new staff are sufficient.

## REVIEW OF PAYROLL-EXPENSES AUDIT FOR 2013-14

- Access to sensitive data is restricted to authorised personnel.
  - Contractor performance is being adequately monitored
8. However we would like to bring to Management's attention the following issues:
- Insufficient controls are in place to prevent overpayments being made to staff. Controls are also not sufficient to ensure overpayments will be recovered.
  - Staff with access to Resourcelink are not complying with operational procedure and data protection principles
  - Additional payments and variations to pay are not accurately calculated and authorised.
9. It was also identified that of the ten leavers tested, three had left and still had an access card issued to them and three still had a mobile phone issued to them. A recommendation has been made in another audit investigation in relation to collecting mobile phones and controls relating to this are currently being implemented.

### **SIGNIFICANT FINDINGS (PRIORITY 1)**

10. There were no significant findings identified in the review.

### **DETAILED FINDINGS / MANAGEMENT ACTION PLAN**

11. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

### **ACKNOWLEDGEMENT**

12. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>Requirements of the data protection act are that data must be:                      used fairly and lawfully                      used for limited, specifically stated purposes                      used in a way that is adequate, relevant and not excessive                      accurate                      kept for no longer than is absolutely necessary                      handled according to people’s data protection rights                      kept safe and secure                      not transferred outside the UK without adequate protection</p> <p>As per the SLA, Liberata staff have to comply and their policies must comply with the Data Protection Act.</p> <p>Testing of the Bromley staff who have access to Resourcelink found that of the 90 staff who have access, all but 10 have taken the Information Assurance course (which mentions Data Protection).</p>	<p>Staff who have access to Resourcelink, might disclose information to external organisations.</p>	<p><b>Staff with Resourcelink access should undertake Information Assurance Training.</b></p> <p><b>Also consideration should be made into reviewing staff including Liberata staff, who have access to Resourcelink [Priority 3]</b></p>
2	<p>A sample of 20 amendments to pay have been selected and tested. It was identified that a claim had been approved by a fellow officer, who is not a Manager (the claim was for £671.76 for extra hours) . Three claim forms have been authorised but it is not clear who has authorised them (one payment to an</p>	<p>Deductions, payments and variations to pay are not accurately calculated.</p>	<p><b>Given the lack of controls around authorising manual payments, Management should consider introducing an</b></p>

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>officer for £79.74 for leave hours claimed, one for £48 for standby weekend and one sessional Officer who was paid £547.10. For two claims evidence hasn't been provided that they have been authorised. (One payment to an Officer for basic hours of £96.89 and one to an officer for sleeping in for £366.</p> <p>It was discussed with the Payroll &amp; Pension Service Delivery Manager that Liberata do not carry out any checks to make sure the person approving claims forms are sufficiently authorised. There is also no checking of these forms by Bromley staff, other than monitoring payments via EBM.</p>		<p><b>automated form/ system, which only allows Management to authorise claims.</b></p> <p><b>A process should be put in place to ensure claims for additional pay, are processed accurately and only if adequate supporting documentation is provided.</b>  <b>[Priority 2]</b></p>
3	<p>Testing of a sample of 25 overpayments to staff, where the over payment is still outstanding at 1/01/14 (out of a total of 103 overpayments that have been invoiced for), identified that 11 were caused by termination dates not being promptly processed, due to departments and schools (5 schools, 6 departments) not informing HR before the member of staff has left.</p> <p>Five overpayments were caused by inaccuracies with payroll calculations.</p>	<p>Overpayments to staff may not be recovered.</p>	<p><b>Departments and schools should be reminded to inform HR of staff who are leaving, before their last date of service.</b></p> <p><b>Payroll calculations should be checked back</b></p>

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	<p>Two were due to a member of staff leaving and thereby breaking terms for additional payments to them (professional training and retention allowance), 3 were due to deaths of pensioners, two incorrectly entered leavers dates and two due to former staff who have left, where it is unknown why the overpayment has occurred.</p> <p>It was also found that in 10 of the 25 overpayments identified, the invoice was not raised until 3 months after the member of staff had left.</p> <p>In six instances, no recovery of the overpayment had been made for at least three months and no action taken to recover this amount by the contractor.</p> <p>At the 13/01/14 there was £87,138.28 worth of outstanding payroll debt. Of this debt £63573.05 is older than one year old. Though this is a reduction from £116,589.19 of outstanding, at 31/01/13. It is identified that a high proportion of the debt outstanding is old debt. Including within the sample of 25, 7 debts were tested which were over a year old and three of these were over 3 years old.</p>		<p><b>to Resourcelink and other backing documentation and reviewed by a team leader to ensure accuracy.</b></p> <p><b>Ensure that where an overpayment to an individual has been identified, recovery of the amount overpaid should be initiated in a timely manner through Payroll deductions or through Debtors.</b>  <b>[Priority 2]</b></p>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p>Staff with Resourcelink access should undertake Information Assurance Training.</p> <p>Also consideration should be made into reviewing staff including Liberata staff, who have access to Resourcelink .</p>	3	<p>Agreed</p> <p>Access to RL is restricted to those people where their post requires them to either input or view modules within the system. People's profiles are individually tailored to ensure they only have access to the areas needed. This is controlled by HRIS who already carryout a quarterly review of operator profiles, including those for Liberata staff, amending and removing profiles as necessary.</p>	<p>Line managers with monitoring by HRIS</p> <p>Head of HR Strategic Services</p>	<p>Ongoing</p> <p>Quarterly ongoing</p>
2	Given the lack of controls around authorising manual payments, Management should consider introducing an automated form/	2	Recommendation agreed. Different versions have been considered, with no decision yet made. Implementation timescale	Head of Revenues and Benefits	December 2014

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	<p>system, which only allows Management to authorise claims.</p> <p>A process should be put in place to ensure claims for additional pay, are processed accurately and only if adequate supporting documentation is provided.</p>		<p>dependant on version adopted.</p>		
3	<p>Departments and schools should be reminded to inform HR of staff who are leaving, before their last date of service.</p>	2	<p>Agreed. HR will continue to give priority to terminating employees on Resourcelink to avoid overpayments wherever possible However there is some duplication between last year's sample and the current one (eg 236366) which found that not all of the overpayments were actually due to late notification of the termination date. In this respect Audit has</p>	<p>Assistant Director (HR) to issue reminder</p> <p>HRBS managers to continue to give priority to terminating leavers on Resourcelink.</p>	<p>May 2014</p> <p>Ongoing</p>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	<p>Payroll calculations should be checked back to resourcelink and other backing documentation and reviewed by a team leader to ensure accuracy.</p> <p>Ensure that where an overpayment to an individual has been identified, recovery of the amount overpaid should be initiated in a timely manner through Payroll deductions or through Debtors.</p>		<p>confirmed that the main focus from the current audit is the timeliness and follow-up of the recovery action rather than the reason why the overpayment occurred..</p> <p>List of overpayments is created and now received from payroll. Monitoring will be undertaken to ensure appropriate recovery action will be taken.</p>	<p>Head of Revenues and Benefits</p>	<p>July 2014</p>

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## OPINION DEFINITIONS

## APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

### **Assurance Level**

### **Definition**

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.