

**FINAL INTERNAL AUDIT REPORT**  
**CHIEF EXECUTIVE'S DEPARTMENT**

**REVIEW OF PAYROLL EXPENSES AUDIT FOR 2016-17**

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**Date of Issue:** 22nd June 2017

**Report No.:** CX/066/01/2016

## REVIEW OF PAYROLL EXPENSES AUDIT FOR 2016-17

### INTRODUCTION

1. This report sets out the results of our systems based audit of Payroll Expenses Audit for 2016-17. The audit was carried out in quarter 4 as part of the programmed work specified in the 2016-17 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 31/01/17. The period covered by this report is from 1<sup>st</sup> February 2016 to 1<sup>st</sup> February 2017.
4. At April 2016 there are 1767 Employees who work for Bromley, with total budgeted employee costs as £76,431,000.

### 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:
  - New starters procedures are robust.
  - Annual and Sick leave is being accurately recorded

## REVIEW OF PAYROLL EXPENSES AUDIT FOR 2016-17

- Tax, NI and pension contributions are correctly calculated
  - Reconciliations of payroll payments are accurately and regularly taking place.
  - Contract monitoring of the payroll contract is being undertaken.
  - Amendments to pay are correctly authorised and calculated.
8. However we would like to draw to Manager's attention the following issues:
- Recovery action on overpayments is not being recorded and debts not written off where unrecoverable.
  - Staff are not recording the hours worked when claiming for additional hours or overtime.
  - Equalities information has not been published on the Authority's website for over six months.
  - Documentation relating to deductions to pay is not being retained by the authority.
  - Leavers of the authority are not being removed from IT systems or returning equipment.

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

9. No significant findings were identified during the review.

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

10. 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**

11. 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>A sample of 25 amendments to pay were tested including 10 claims through the new online system of additional hours and overtime. It was found that all claims are authorised by the member of staff's Manager, except in one instance (sample 19). All fees are paid at the correct calculated rate, except one (sample 12).</p> <p>However testing of the sample of 10 claims through the new online system found that for 7 of the claims, times that staff work additional hours or overtime are not being recorded.</p>	<p>Deductions, payments and variations to pay are not accurately calculated.</p>	<p><b>Officers and Managers should be reminded to record the times, as well as dates, of periods of additional hours and overtime being claimed for.</b>  <b>[Priority 2]</b></p>
2	<p>The authority collects data about staff when they fill out their application form (as tested in the starters testing).</p> <p>Equalities Information is published every six months on the website, however it has not been published in October 2016 as expected.</p>	<p>Non-compliance with Public Sector Equality Duty.</p>	<p><b>HR should continue to publish Equalities information of staff.</b>  <b>[Priority 3]</b></p>
3	<p>25 deductions from pay were tested. It was found that for 3 of the samples, insufficient evidence was retained to substantiate how the deduction was calculated or who approved the deduction to take place.</p>	<p>Deductions, payments and variations to pay are not accurately calculated or correctly due</p>	<p><b>It should be resolved between HR and Payroll as to who will retain which documentation relating to deductions.</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>The 3 samples consisted of the following types of deductions:                      Other rent                      Rent Service tenancy                      NI wife contracted in</p>		<p><b>[Priority 3]</b></p>
4	<p>Testing of a sample of 25 overpayments (7 of which had been created since 1/01/16) found that insufficient recovery action is being taken to recover 8 debts, the last three of which have been created since 01/01/16 (sample 1 £3,869.88, sample 2 £3,700, sample 3 £3,604.14, sample 4 £3,519.90, sample 5 £956.56, sample 6 £432.54, sample 7 £380.57 and sample 8 £602.60).</p> <p>Three debts have been submitted to Bromley for write off, but have not been in over a year (sample 9 £2,226.16, sample 10 £3,219.69 and sample 11 £9,685). Additionally two debts have not been submitted for write off, though the debts are older than 7 years old now. (sample 12 £2,910 and sample 13 £3,699.59).</p> <p>The total amount of payroll debt at 13/02/17 was £100,638.10. At 12/05/16 this figure was £101,916.67. Debt from 2011 and before is £50,555.71 and is mostly been passed for write off.</p>	<p>Debts due to the authority may not be collected.</p>	<p><b>Debts that are not able to be recovered should be promptly written off.</b></p> <p><b>Action to recover debts should be prompt and supported by evidence.</b>  <b>[Priority 2*]</b></p>

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5	<p>The list of leavers was previously sent to the print team to enable them to cancel the access badges of staff who have recently left and where a workforce request has not been completed. This is no longer going to the Print team, who have recently been outsourced to Facilities Management Contractor.</p> <p>As part of the testing of leavers it was found that staff are leaving the authority without returning their access card or having them deactivated. (2 left with active access cards and 2 left where the card was cancelled but not returned).</p> <p>Of ten staff tested, 5 still have a live IT account. 3 staff may according to records still have a mobile phone or Ipad.</p>	<p>Staff could leave without handing back valuable items of equipment.</p>	<p><b>Ensure managers are reminded to complete Workforce Member Removal forms when staff leave the authority and ID cards, Safetokens, Purchase Cards and Assets are returned as per procedures.</b></p> <p><b>Given the findings, assets should be placed on Resource Link. Notification of leavers will be distributed to key staff to confirm system access is denied and assets are recovered.</b></p> <p><b>Action should be taken to ensure items outstanding are returned to Bromley and accounts closed off. [Priority 2*]</b></p>

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No.	Findings	Risk	Recommendation
6	Having viewed the Workforce removal form, a tick box for mobile phones, Ipads or laptops not been added.	Staff could leave without handing back valuable items of equipment.	<p><b>Ensure the Workforce Removal form is updated to include the mobile phone services to be terminated and Ipads and laptops are to be held securely by managers when staff leave the authority.</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	Officers and Managers should be reminded to record the times, as well as dates, of periods of additional hours and overtime being claimed for.	2	<p>Guidance was given when the system was introduced for some staff in November 2016 and the rest January 2017. A reminder has since been sent and managers reminded of the process at a recent Managers' Briefing.</p> <p>HR will use the next Managers' Briefing to issue another reminder to managers. This will be confirmed in the briefing note issued by the Chief Executive following the Managers' Briefing.</p>	Head of Pay and Reward / all managers	June 2017
2	HR should continue to publish Equalities information of staff.	3	This information is updated and published twice a year, unfortunately the October 2016 data did not get uploaded onto Bromley.Gov website. Additional check has now been put in place.	Head of Pay and Reward	April 2017 & ongoing

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
			Enhanced workforce profile including the recruitment selection equality profile is being developed for publication on the Council's internet, consistent with the Council's public sector equality duty.		
3	It should be resolved between HR and Payroll as to who will retain which documentation relating to deductions.	3	Two of these relate to appointments made in 1977 and the other in May 2000, the deduction would have been set up at that time. For several years now HR ensure that they retain a copy of any instruction to payroll on the personnel file.	Head of pay and Reward	Ongoing
4	Debts that are not able to be recovered should be promptly written off.	2*	The progress of recoveries will be continuously monitored and entered as a standard item on the service review agendas.	Head of Revenues and Benefits and Head of Exchequer	Ongoing

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	Action to recover debts should be prompt and supported by evidence.		A review of the write-off process will be undertaken by members of the Authority and Exchequer Contractor	Services	September 2017
5	<p>Ensure managers are reminded to complete Workforce Member Removal forms when staff leave the authority and ID cards, Safetokens, Purchase Cards and Assets are returned as per procedures.</p> <p>Given the findings assets should be placed on ResourceLink. Notification of leavers will be distributed to key staff to confirm system access is denied and assets are recovered.</p>	2*	ICT were discussing this with HR, unfortunately due to workload this was not able to be completed. We will revisit this with HR.	Head of ICT/ Human Resources	December 2017

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	Action should be taken to ensure items outstanding are returned to Bromley and accounts closed off.				
6	Ensure the Workforce Removal form is updated to include the mobile phone services to be terminated and Ipads and laptops are to be held securely by managers when staff leave the authority.	2*	This will be actioned.	Head of ICT	October 2017

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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.