



# Internal Audit

## Final Follow up Report

### Payroll

**Directorate:** Education, Leisure and Community Services  
**Date:** 22<sup>nd</sup> December 2005

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## **1. Introduction**

- 1.1. As part of the 2004/05 Internal Audit plan an audit was completed of the Education, Leisure and Community Services Directorate Payroll function.
- 1.2. A number of issues were raised during the audit and recommendations made where appropriate. The audit opinion in the original report was that the level of control was inadequate. For this reason, and the fact that this is a key system, a follow up audit has been completed as part of the 2005/06 audit plan.
- 1.3. This report sets out the findings of the follow up review and where applicable has removed those original recommendations that were confirmed as being in operation. All other recommendations remain within the management action plan at the end of this report.

## **2. Objectives of the Audit**

- 2.1. The main objective of the audit was to clarify the operations of the payroll function in the areas that recommendations were made. Re-testing was completed on the original sample selected during the audit where applicable. This was followed up with the testing of a new sample of starters, leavers, personnel files, etc.

### 3. Management summary

3.1 The following provides a summary of the status of the recommendations made in each area:

<b>Number made</b>	<b>Number Implemented</b>	<b>Number being Implemented</b>	<b>Number not Implemented</b>
6 Significant	-	5	1
6 Merits Attention	3	3	-

3.2 Based on the retesting of the sample selected during the original audit and further testing completed on a new sample selected, 75% (six significant and three merits attention), of the recommendations made during the original audit remain outstanding at the date of this follow up audit. For this reason, in our opinion the original report categorisation of inadequate must stand.

3.3 It was established that a number of the recommendations that remain outstanding have key risks associated with them. These include:

- Authorised signatory list not being up to date.
- Documentation relating to pre-employment checks remaining missing from files sampled during the original audit and from new files sampled during the follow up audit.
- The lack of a useable audit log.
- Notification information missing from the files of employees who have left the Authority.

3.4 Details of the testing completed and the associated recommendations, (either carried forward or amended to reflect new test results), are recorded below and in the attached management action plan.

#### 4. Findings

The **objective** column details the objective of the system being reviewed.

Risk may be viewed as the chance, or probability, of one or more of the organisation's objectives not being met. It refers both to unwanted outcomes which might arise, and to the potential failure to realise desired results.

The **recommendations** column is categorised on the following basis:

- Fundamental* - action that is considered imperative to ensure that the organisation is not exposed to high risks;
- Significant* - action that is considered necessary to avoid exposure to significant risks;
- Merits attention* - action that is considered desirable and should result in enhanced control or better value for money.

Rec No.	Original Recommendation	Management Comments	Date to be implemented	Findings	New Recommendation	Categorisation
1	Staff within Payroll ELCS should have access to an up to date authorised signatory list with specimen signatures to ensure all relevant documentation is checked for appropriate delegated signatories.  <b>(Significant)</b>	Arrangements will be made with finance office	Immediate  P Miles	When reviewing the authorised signatory files the following was noted: The schools files only contained eleven lists dating from October 2004 to June 2005. An older list of signatories therefore has to be referred to, dated mostly January 2004. The signatory on the starter form for one employee was checked against the only list held for that unit, dated March 2002. The signatory on the starter form is not contained on the old signatory list. A number of the lists held for other areas such as leisure facilities were also out of date. Some were dated May 2002 and did not reflect the current staffing structure. For example Bridgend Recreation Centre shows Nick Evans as the Manager and not Paula Kearns; Maesteg Pool show Eric Cheesman as Manager and not Greg Allen as Acting Manager; Bryngarw House shows Jason Parish as Manager and not Andrea Thomas, etc.	The outstanding authorised signatory lists for schools should be obtained. The current lists held for other establishments should be updated to reflect the current staffing structure.	Significant

Rec No.	Original Recommendation	Management Comments	Date to be implemented	Findings	New Recommendation	Categorisation
2	Clear procedures of what forms are needed and when should be documented.  <b>(Significant)</b>	Forms have already been developed	Already implemented  B Davies / C Ames	The department does have a number of forms that have already been developed, however it does not have any guidance or procedures for staff as to which forms need to be used and when. Working instructions have been developed for certain areas of work such as the issue and receipt of applications, the management of casuals, etc, however there are no overall procedures in place. Management feel that it will be difficult to fully formalise all process and that work in this area is unlikely to be fully completed until TRENT is more fully utilised.	Management should ensure that clear procedures are in place for the completion of forms and documentation with time scales set for each, in as many areas as possible. Over time, these can be collated to produce an overall set of procedures for the department.	Significant

Rec No.	Original Recommendation	Management Comments	Date to be implemented	Findings	New Recommendation	Categorisation
3	<p>All employee files should be available. Misfiled correspondence to be correctly filed. Pursue and obtain all appointment documentation. Contracts or terms and conditions of employment should be issued, signed, returned and held on file.</p> <p><b>(Significant)</b></p>	<p>All staff will work on filing system</p> <p>Already undertaking this</p>	<p>B Davies / C Ames</p> <p>Next school holiday period</p> <p>All personnel officers</p> <p>Already implemented</p>	<p>The files of the employees sampled during the last audit were re-examined for any missing information. The following was established:</p> <ul style="list-style-type: none"> <li>• 1/4 still had no TRENT checklist.</li> <li>• 2/4 still had no acceptance slip.</li> <li>• 2/4 still had no request for references.</li> <li>• 4/8 still had the incorrect number of references.</li> <li>• 6/7 still had no evidence of qualifications.</li> <li>• 2/6 still had no CRB check.</li> <li>• 5/6 still had no medical reference.</li> <li>• The misfiled correspondence on one employees file was found to sill be there.</li> </ul> <p>The Principal Officer has stated that work on chasing older outstanding information did commence, however the time this took meant other areas were neglected. A decision was therefore made to ensure that going forward all files would contain the correct information.</p> <p>A new sample of ten starter's files was examined. The following points were noted:</p> <ul style="list-style-type: none"> <li>• One file could not be traced.</li> <li>• TRENT checklist were seen on 5/9 of the files, only two had been signed and dated by the employee completing them and none contained the name of the employee that they related to.</li> <li>• 1/9 had no application form on file.</li> </ul>	<p>Pursue and obtain all outstanding key pre-employment documentation that has been identified as missing. Procedures should be put in place to ensure that such information is obtained and chased prior to an employee commencing in their post.</p>	Significant

3 (cont )	(continued)	(continued)	(continued)	<ul style="list-style-type: none"> <li>• 1/9 had no appointment letter.</li> <li>• 2/9 appointment letters were sent after the employee had commenced work.</li> <li>• 2/9 had no acceptance letter.</li> <li>• 1/9 had no statement of particulars.</li> <li>• 6/9 had no evidence of any references being obtained and 1 further file had only one reference. 7/9 of the files had no evidence to suggest that letters had been written to request references.</li> <li>• 4/9 had no evidence of qualifications.</li> <li>• 7/9 had no evidence of CRB check being performed.</li> <li>• 6/9 had no evidence of a medical reference.</li> </ul> <p>On two of the files letters were seen that had been sent to employees chasing outstanding items.          Staff have stated that the CRB currently has a four to six week delay in processing applications, this would explain why 4 of the missing 7 checks have not been completed.</p>	(continued)	(continued)
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Rec No.	Original Recommendation	Management Comments	Date to be implemented	Findings	New Recommendation	Categorisation
4	<p>a) Clear procedures on employment documentation needed and targets for timeliness of receipt should be put in place and monitored.</p> <p>b) All outstanding pre employment documentation should be identified, and pursued immediately, in particular for references, medical clearance and CRB checks.</p> <p>c) The agreement for the payroll run by the Authority on behalf of the Maesteg Town Hall and Llangeinor Swimming Pool should be documented with expectations of each party, charges to be levied and performance indicators to be adhered to. <b>(Significant)</b></p>	<p>Procedures are already in place and staff should review on a monthly basis</p> <p>As above</p> <p>Director to establish SLAs with manage com</p>	<p>Already implemented</p> <p>Personnel assistants</p> <p>As above</p> <p>G Avery / M Shephard</p>	<p>a) See comments made in recommendation 2.</p> <p>b) Each team within the personnel function maintains a spreadsheet of outstanding pre-employment documentation. It is the Personnel Assistants responsibility to perform monthly checks and chase the outstanding data. The spreadsheets of two teams were viewed and it was confirmed that they are being kept up to date. It was seen that the last reminder letters were sent on 15<sup>th</sup> August 2005.</p> <p>The issue of outstanding items is also a standing agenda item for the Personnel Officers Group meeting. Minutes of the meeting held on 30<sup>th</sup> June 2005 were reviewed where each team gave feedback on their pre-employment checks. A more comprehensive framework was also put in place detailing exactly when 1<sup>st</sup> and 2<sup>nd</sup> reminder letters should be sent and how the issue should be escalated after this point.</p> <p>c) No work has commenced on developing a SLA between the Authority and the establishments that it acts as a bureau for.</p>	<p>a) Management should ensure that clear procedures are in place for the completion of forms and documentation with time scales set for each, in as many areas as possible. Over time, these can be collated to produce an overall set of procedures for the department.</p> <p>b) Pursue and obtain all outstanding pre-employment checks. For non-respondents managers/head teachers should be contacted.</p> <p>c) The agreement for the payroll run by the Authority on behalf of the Maesteg Town Hall and Llangeinor Swimming Pool should be documented with expectations of each party, charges to be levied and performance indicators to be adhered to.</p>	Significant

<b>Rec No.</b>	<b>Original Recommendation</b>	<b>Management Comments</b>	<b>Date to be implemented</b>	<b>Findings</b>	<b>New Recommendation</b>	<b>Categorisation</b>
5	Ensure termination letters retained on file.  <b>(Significant)</b>	All staff have been informed that they should obtain termination letters.	Already implemented  All personnel officers	A sample of ten leavers were selected and their personnel files reviewed. The following was noted: <ul style="list-style-type: none"> <li>• Three had no documentation on file to confirm that the employee had ceased working for the Authority.</li> <li>• One had a letter from the school at which they were employed, but not the employee. Payroll have informed all schools that they wish to receive the original termination letter.</li> </ul>	Where an employee has left without submitting a resignation letter, a letter should be supplied by the relevant manager / head teacher and kept on the employee's file.	Significant

Rec No.	Original Recommendation	Management Comments	Date to be implemented	Findings	New Recommendation	Categorisation
6	<p>Audit logs should be maintained and reviewed.</p> <p><b>(Significant)</b></p>	<p>In the process of being implemented.</p>	<p>To be agreed by Trent Project Board</p> <p>P Miles / C Ames</p>	<p>Through discussions with the Principal Officer it was established that a system of completing checklists of the changes has been introduced. The checklist is signed by the person inputting the data, it is independently reviewed by the Personnel Officer and Payroll Manager. This procedure has only been fully implemented since mid August 2005, however none of the files sampled contained any changes therefore it could not be viewed in practice.</p> <p>Exception reports are received from central payroll detailing pay over £2000, variances of £300 and negative pay. In addition a full audit log is received every other day of all work done by the department. This log normally exceeds 11,000 lines in an excel report. As so much data is included in this report it is impossible for the managers to review it for changes to details such as bank accounts numbers. Whilst independent checks are made to the source documentation, the lack of an audit log of key changes made could result in the fraudulent changing of details such as bank account numbers going undetected.</p>	<p>A more user friendly audit log should be developed that details where changes to standing permanent data have been made to an employee's record. Sample checks should be undertaken by a senior member of the department. In the meantime the full audit log should be reviewed by the senior staff in the department for abnormalities and a record maintained of when checks are completed.</p>	<p>Significant</p>

<b>Rec No.</b>	<b>Original Recommendation</b>	<b>Management Comments</b>	<b>Date to be implemented</b>	<b>Findings</b>	<b>New Recommendation</b>	<b>Categorisation</b>
7	An updated overpayment spreadsheet should be maintained.  <b>(Merits Attention)</b>	A spreadsheet is already in existence and has been prior to this audit.	Already implemented  P Miles	The overpayments spreadsheet was viewed. This lists all cases where overpayment has occurred and the Finance department have been informed in order for an invoice to be raised. Where overpayments occur and the individual is still an employee of the Authority then the pay teams will phone or write to the individual and reach an agreement as to repayment. All correspondence relating to this remains with the pay team member until the issues is resolved. Only if the issue can not be resolved will the individual be invoiced and added to the overpayments spreadsheet. Evidence was seen of this working in practice.  When conducting testing on leavers, it was confirmed that none had received any undue payment after their leave date.	None	None
8.	Signatures and dates should be used to evidence checks performed by staff for new starters.  <b>(Merits Attention)</b>	Implemented following audit	Already implemented  Personnel Officers and Assistants	Signature and dates should be recorded on the TRENT checklist as evidence of the checks performed on new starters. Testing (see above) established that the TRENT checklist was not present on four of the nine files reviewed. On the five files where it was present, it had not been signed or dated on three occasions.	Signatures and dates should be used to evidence checks performed by staff for new starters.	Merits Attention

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9	Implement fully the payroll procedure and all appropriate documents should be completed and issued in a timely manner. Where correct NI Numbers are issued, these should be updated appropriately in Trent.  <b>(Merits Attention)</b>	Procedures already in place  Reports to be provided by payroll	Already implemented  ASAP  Personnel officers and assistants	See comments made under recommendation 2.	See comments made under recommendation 2.	Significant
10	Use the Payroll Bank Details Check List and complete signatures, dates, where appropriate in every case.  <b>(Merits Attention)</b>	Already implemented	Already implemented  P Miles and pay team	Through testing, it was confirmed that the Payroll Bank Details Check List had been completed in all cases and had been signed by the employee. Forms were signed to confirm the details had been input and countersigned by a senior member of staff once checked.	None	None

Rec No.	Original Recommendation	Management Comments	Date to be implemented	Findings	New Recommendation	Categorisation
11	<p>Consideration should be given to a checklist as part of the termination procedure that lists all documents/assets to be returned e.g. swipe card, keys.</p> <p>Introduce dates and signatures for TRENT input form and their action.</p> <p><b>(Merits Attention)</b></p>	<p>New documentation being created</p> <p>Already implemented</p>	<p>September 2005 B Davies / C Ames</p> <p>Already implemented Personnel officers and assistants</p>	<p>The Payroll Manager has devised a payroll termination checklist to ensure that all procedures relating to the termination of an employee on the TRENT system have been completed. The checklist will be introduced in the forthcoming weeks.</p> <p>The Principal Officer has stated that a similar checklist will be drawn up for the personnel aspects of terminating a post, however, ideally the department aims to combine the two checklists.</p> <p>When reviewing the termination documentation for leavers, it was established that for the six employee's where a letter was on file, two did not have the TRENT INPUT stamp and none had been signed or dated by any member of staff to confirm the input.</p>	<p>Ensure that termination notification is stamped once input and all documentation is signed and dated once checked.</p>	<p>Merits Attention</p>
12	<p>Procedures for the write off of debt should be documented.</p> <p><b>(Merits Attention)</b></p>	<p>A work instruction to be completed</p>	<p>Procedure already in place written document will be completed by end of May 2005</p> <p>W Davies</p>	<p>A suitable working instruction has been developed for the write off of overpayments.</p>	<p>None</p>	<p>None</p>

### 5.1 Management Action Plan

Rec. No.	Recommendation	Categorisation	Agreed	Management Comments	Officer Responsible	Date to be implemented
1	The outstanding authorised signatory lists for schools should be obtained. The current lists held for other establishments should be updated to reflect the current staffing structure.	Significant	Agreed	Work with Finance to develop a formalised procedure for production lists.	Chris Ames D,Exton	Dec 2005
2	Management should ensure that clear procedures are in place for the completion of forms and documentation with time scales set for each, in as many areas as possible. Over time, these can be collated to produce an overall set of procedures for the department.	Significant	Agreed	As previously stated work must have been developed in certain areas of work. Further developments are ongoing. Will not be completed until Trent is fully utilised.	Chris Ames	Dec 2005 March 06
3	Pursue and obtain all outstanding pre-employment documentation that has been identified as missing. Procedures should be put in place to ensure that such information is obtained and chased prior to an employee commencing in their post.	Significant	Agreed In Principle	Outstanding pre supply checks are chased monthly. Not always possible to obtain information prior to employee commencing work. Offers of appointments are conditional		Nov. 2005
4	The agreement for the payroll run by the Authority on behalf of the Maesteg Town Hall and Llangeinor Swimming Pool should be documented with expectations of each party, charges to be levied and performance indicators to be adhered to.	Significant	Agreed			
5	Where an employee has left without submitting a resignation letter, a letter should be supplied by the relevant manager / head teacher and kept on the employee's file.	Significant	Agreed	Forms devised and sent out to Managers for this purpose.	Chris Ames	Immediately

<b>Rec. No.</b>	<b>Recommendation</b>	<b>Categorisation</b>	<b>Agreed</b>	<b>Management Comments</b>	<b>Officer Responsible</b>	<b>Date to be implemented</b>
6	A more user friendly audit log should be developed that details where changes to standing permanent data have been made to an employee's record. Sample checks should be undertaken by a senior member of the department. In the meantime the full audit log should be reviewed by the senior staff in the department for abnormalities and a record maintained of when checks are completed.	Significant	Agreed  Agreed	This matter for the system integrity team. The matters have been raised at Trent user group and project board.	Chris Ames Paul Miles	Immediately
7	Signatures and dates should be used to evidence checks performed by staff for new starters.	Merits Attention	Agreed	Already actioned	All personnel staff	
8	Ensure that termination notification is stamped once input and all documentation is signed and dated once checked.	Merits Attention	Agreed	Will re-in force previous messages to staff.	Chris Ames	Immediate



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