

REPORT TO: Audit and Governance Committee

MEETING DATE: 19 May 2015

BY: Depute Chief Executive – Resources and People Services

SUBJECT: Internal Audit Report – Payroll Overtime

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Payroll Overtime.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 A review of Payroll Overtime was undertaken as part of the audit plan for 2014/15.
- 3.2 The main objective of the audit was to ensure that the internal controls in place for Payroll Overtime were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

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DATE	7 May 2015

EAST LOTHIAN COUNCIL – INTERNAL AUDIT PAYROLL OVERTIME

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the internal controls surrounding the administration of Payroll Overtime was undertaken as part of the Audit Plan for 2014/15. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- The Council has in place a Management of Overtime Policy – the Policy sets out the Council's approach to approved overtime and provides guidance to both Managers and employees.
- For the sample of cases examined, the correct hourly rates were applied to the calculation of overtime payments.

1.3 Areas with Scope for Improvement

- An up to date list of authorised signatories and specimen signatures is not currently held by Payroll – in some cases we were unable to verify the validity of the authorised signatories. *Risk – errors and irregularities may occur and remain undetected.*
- There is a lack of a clear audit trail in respect of overtime hours worked – in four service areas reviewed, we found that employees were not recording the actual start and finish times of hours worked. *Risk – errors and irregularities may occur and remain undetected.*
- In some cases, overtime claim forms had not been fully completed or signed by the claimant, while in other cases claim forms had not been properly authorised by the relevant supervisor. *Risk – errors and irregularities may occur and remain undetected.*
- The existing procedures for checking overtime claims require review – errors were found in overtime claims submitted to Payroll by service areas. *Risk – over or under payments may occur and remain undetected.*
- The checking mechanisms in place for ensuring accuracy and completeness of all overtime payments processed by Payroll require review. *Risk – over or under payments may occur and remain undetected.*
- The arrangements in place for monitoring overtime for employees with multi-post contracts require review. *Risk – overtime hours claimed may be duplicated.*

1.4 Summary

Our review of Payroll Overtime identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main Audit Report.

Mala Garden
Internal Audit Manager

May 2015

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
PAYROLL OVERTIME**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.1	<p>An authorised signatory list should be established and distributed to all members of the Payroll Section who have responsibility for checking payroll documents.</p> <p>Procedures should also be put in place to ensure that all subsequent changes to authorised signatories are updated in a timely manner and re-distributed to all relevant staff.</p> <p>Budget holders/Managers should notify the Payroll Section of all changes to authorised signatories.</p>	Medium	Payroll Manager		Yes	
3.2.2	Management should ensure that overtime details submitted to Payroll in an electronic format are properly authorised by an appropriate officer within the service area.	Medium	Service Manager – HR and Payroll	Email alert to be sent to Service Managers.		May 2015
3.3.1	All overtime payments should be supported by a claim form which details the start and finish times of the hours worked – the standard overtime claim form available on ELNet should be used.	Medium	Service Manager – HR and Payroll	Email alert to be sent to Service Managers.		May 2015

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.1 (cont)	<p>All overtime claim forms should be completed and signed by the employee and certified as correct by an authorised signatory.</p> <p>Management should ensure that all overtime hours claimed are for work undertaken in addition to the employee's contracted hours.</p>					
3.4.1	<p>Management should review the current arrangements in place for checking overtime claims submitted by staff with multi-post contracts, to ensure that overtime hours claimed for one post are not overlapping with contracted hours in another post.</p> <p>Management should ensure that staff undertaking additional work as part of a separate post are properly set up for that post – under no circumstances should employees include hours worked in one post in their overtime claim for another post.</p>	Medium	Service Manager – HR and Payroll	Email alert to be sent to Service Managers.		May 2015
3.5.1	Payroll staff should only process overtime claims that have been properly authorised by service areas.	Medium	Payroll Manager	Agreed – Payroll team will review existing procedures and update where necessary.		June 2015

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.1 (cont)	<p>The existing arrangements in place for checking payroll information entered on to the CHRIS system should be reviewed.</p> <p>Management should ensure that evidence of all checks carried out by Payroll staff is retained on file.</p>					
3.6.1	Regular monitoring should be undertaken of the total number of hours worked by employees to ensure compliance with the EU Working Time Directive.	Medium	Service Manager – HR and Payroll	Email alert to be sent to Service Managers.		May 2015

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.