

Joint Audit and Governance Committee

Report of Interim Internal Audit Manager

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To: Joint Audit and Governance Committee

DATE: 28 September 2021

Internal audit activity report quarter two 2021/22

Recommendations

- (a) That members note the content of the report

Purpose of report

1. The purpose of this report is to summarise the outcomes of recent internal audit activity at both councils for the committee to consider.
The committee is asked to review the report and the main issues arising and seek assurance that action will be/has been taken where necessary.
2. The contact officer for this report is Richard Green Interim Internal Audit Manager for South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC), telephone 07849 574860.

3. Delivery of an effective internal audit function will support the councils in meeting their strategic objectives.

Background

4. Internal audit is an independent assurance function that primarily provides an objective opinion on the degree to which the internal control environment supports and promotes the achievements of the council's objectives. It assists the councils by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work and recommending improvements where necessary. After each audit assignment, internal audit has a duty to report to management its findings on the control environment and risk exposure and recommend changes for improvements where applicable. Managers are responsible for considering audit reports and taking the appropriate action to address control weaknesses.

5. Assurance ratings given by internal audit indicate the following:

Full assurance: There is a good system of internal control designed to meet the system objectives and the controls are being consistently applied.

Substantial assurance: There is a sound system of internal control designed to meet the system objectives and the controls are being applied.

Satisfactory assurance: There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

Limited assurance: There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

Nil assurance: Control is weak leaving the system open to significant error or abuse and/or there is significant non-compliance with basic controls.

6. Each recommendation is given one of the following risk ratings:

High Risk: Fundamental control weakness for senior management action

Medium Risk: Other control weakness for local management action

Low Risk: Recommended best practice to improve overall control

Completed audit reports

7. As at 17 September and since the last joint audit and governance committee meeting the following two audits and one follow up reviews have been completed:
8. A review of the recommendation database has also been undertaken and is included as an Appendix.

Audit Area	Assurance Rating	Total Recs	Agenda Item 7					
			High Risk	No. Agreed	Medium Risk	No. Agreed	Low Risk	No. Agreed
Audit Plan 2020/21								
Joint								
1. Housing Benefit & Council Tax Reduction	Limited*	4	1	1	2	2	1	1
2. Payroll	Limited	14	3	3	8	8	3	3
3. Covid 19 Response	Substantial							
SODC								
None								
VWHDC								
None								

* As these audits have findings relating to services provided by Capita, the interim internal audit manager will take away any questions the committee may have for Capita and will obtain responses in due course.

Follow Up Reviews

Audit Area	Initial Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing	No longer applicable
Joint							
HR Management & Reporting	Satisfactory	12	3	9			
SODC							
None							
VWHDC							
Moorings	Limited	8	2	2		4	

9. **Appendix 1** of this report sets out the key points and findings relating to the completed audits which have received limited or nil assurance, and satisfactory or full assurance reports which members have asked to be presented to committee.
10. Members of the committee are asked to seek assurance from the internal audit reports and/or respective managers that the agreed actions have been or will be undertaken where necessary.
11. A copy of each report has been sent to the appropriate service manager, the section 151 officer and the relevant member portfolio holder. In addition, reports are now published on the councils' intranet and limited assurance reports are reviewed by the strategic management team.
12. Internal audit continues to carry out a six month follow up on all non-key financial audits to establish the implementation status of agreed recommendations. All key financial system recommendations are followed up as part of the annual assurance cycle. **Page 36**

Financial implications

13. There are no financial implications attached to this report.

Legal implications

14. There are no legal implications attached to this report one.

Climate & ecological implications

15. There are no climate or environmental implications.

Risks

16. Identification of risk is an integral part of all audits.

Richard Green
INTERIM INTERNAL AUDIT MANAGER

Housing Benefits and Council Tax Reduction Schemes 2020/2021

MANAGEMENT SUMMARY

1. INTRODUCTION

1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to housing benefits (HB) and council tax reduction scheme (CTRS). The audit has been undertaken in accordance with the 2020//2021 audit plan agreed with the audit and governance committee of South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC). The audit has a priority score of 20. The audit approach is provided in the audit framework in Appendix 1.

1.2 The following areas have been covered during the course of this review to provide assurance that:

- the administration of benefits is up to date, including guidance, procedures and training for officers carrying out assessments, so the process runs smoothly;
- benefits assessments are correctly calculated, promptly undertaken and adequate quality checks take place;
- payments of housing benefits and CTRS are managed appropriately with suitable supporting documentation;
- there is a suitable mechanism to identify and recover benefit overpayments;
- there is an adequate audit trail to substantiate the figures on the housing benefits subsidy claim, the claim is properly completed, and the figures included are accurate;
- processes are in place to prevent and detect fraud and for fraud referrals to the Department of Work and Pensions (DWP); and
- performance is appropriately recorded, monitored and reported.

2. BACKGROUND

2.1 Housing benefits and CTRS are means tested schemes to help those on low income pay their rent and/or council tax. The DWP set the rules for the housing benefits calculations which is dependent upon income and prescribed needs allowances. CTRS is the councils' own scheme that utilises the same rules as for housing benefits. The DWP has been introducing Universal Credit to replace housing benefits and other state benefits with a single payment, at SODC and VWHDC since 2015.

2.2 Capita continues to provide the HB and CTRS service for the councils and, since 1 August 2016 this is delivered within the 5 Councils Partnership (5CP). A client team was in place providing HB and CTRS oversight for all of the 5CP councils at the outset of the 5CP contract. During November 2018, this was scaled down and resources returned to the council to retain oversight and perform functions that cannot be outsourced, such as 10% checks on assessments. The councils' now have an in-house revenues and benefits team and, as far as the 5CP contract overall, there is still oversight managed

through the Client Relationship Director. The councils' representative issues affecting all councils in the contract is the Head of Partnerships and Insight. Agenda Item 7

- 2.3 Housing benefits and CTRS is managed through the Capita ONE revenues and benefits system. As at March 2021 the cases were:

	SODC	VWHDC
Housing benefits	3,010	3,009
CTRS	5,159	5,212
Net (some claims are for both housing benefits and CTS)	8,169	5, 221

3. PREVIOUS AUDIT REPORTS

- 3.1 Housing benefits and CTRS was last subject to an internal audit review in March 2020 with the final report being issued in July 2020. Three recommendations were raised. All three recommendations were agreed. A limited assurance opinion was issued.
- 3.2 None of the three recommendations have been implemented. They are all restated as part of this review (Recs 1, 2 and 3).

4. 2020/2021 AUDIT ASSURANCE

- 4.1 **Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.
- 4.2 One recommendation has been raised and three previous recommendations have been restated in this review. One high risk, two medium risk and one low risk.

5.1 Procedures

- 5.1.1 Capita maintain a comprehensive set of 32 training manuals, which also act as procedures. The training manuals describe how to use the Capita ONE revenues and benefits system to process housing benefits and CTRS claims. Capita has a training programme ranging from full new starter training, an eight-week course provided by APT, to ongoing annual refresher training provided through Workday. In addition, for 2020/2021, all staff have received social distancing training. The five Councils Partnership (5CP) contract specification also sets out service delivery requirements including performance indicators.
- 5.1.2 The councils' revenues and benefits team maintain oversight of housing benefits and CTS service delivery, perform statutory checks and manage discretionary housing payments (DHP). It is noted that the DHP is an award to people in receipt of HB or the housing element of Universal Credit to help with housing costs where extra financial assistance is needed. The government allocates an annual allocation and sets a maximum that can be spent. The council's revenues and benefits team have procedures in place.
- 5.1.3 An online housing benefits and CTRS application form is made available through each council's website in addition to a PDF version of the application form. Claimants can apply for HB through DWP but that will not be a claim for CTRS. Therefore, claimants are asked to sign a single page stating their intention to claim CTRS as well as HB. It was noted that there is no reference to privacy notices or other data protection information on either the housing benefits/CTRS or DHP application or the councils' webpages.
- 5.1.4 Applicants are now encouraged, under Covid-19, to either email their sensitive documents to the council or to post them in.
- 5.1.5 Area assurance: Substantial
One recommendation has been restated as a result of our work in this area. (Rec 1).

5.2 Benefit assessments

- 5.2.1 All housing benefits and/or CTRS applicants are required to complete an application form and provide supporting evidence attached to help prove identity and financial status (see 5.1.3). This information is assessed and input onto the Capita ONE revenues and benefits system by Capita's benefits assessors' teams. Once the required financial information is entered onto the Capita ONE revenues and benefits system, it automatically calculates the housing and CTRS for approved claimants. The calculation of benefits depends upon specific values (benefits parameters) which are set by various government bodies. These are manually input and saved into the benefits system by Capita. The revenues and benefits team then check and sign off Capita input as being correct. The parameters are then used in benefit calculations, e.g. personal allowances for those aged 18-25. Internal audit selected a sample of 20 housing benefits uprating's from the signed off housing benefits parameters and review against the DWP housing benefits circular confirmed that the parameters had been correctly uploaded onto the Capita ONE revenues and benefits system for both SODC and VWHDC. Internal audit also selected a sample of 15 benefit ratings from the signed off

council tax scheme parameters and review against the DWP in Agenda Item 7 circular confirmed that they had all been correctly uploaded.

5.2.2 In 2020/2021 to date (September 2020), there were 1,802 (935 SODC and 867 VWHDC) new housing benefits and/or council tax reduction scheme (CTRS) claims. A sample of 40 (20 SODC and 20 VWHDC) new housing benefit claims and CTRS claims were selected to ensure that the assessments were undertaken in line with the relevant guidelines. For both councils, ten of the claims were selected on the basis of financial volume and the remained term were selected randomly. Review confirmed that all claim forms were signed accordingly by the claimant, adequate supporting documentation was submitted to support the claim, and, Capita assessed and responded to all claimants within 14 days of receiving all supporting documentation.

5.2.3 Each day Capita provide the revenues and benefits team with a report detailing the assessments which have been undertaken. Capita also undertake a random 10% check of the benefit assessments. This is reported to the revenues and benefits team on a monthly basis and details the percentage accuracy of benefit assessments. Review for one week in October 2020 identified that the 10% check had been undertaken. However, the revenues and benefits team no longer receive a breakdown of the reasons for the inaccuracies.

5.2.4 The revenues and benefits team undertake at least a 10% weekly quality check of capita benefit assessments. Review for one week in October 2020 identified that at least 10% had been checked and had been adequately recorded and signed off.

5.2.5 Area assurance: Substantial
One recommendation has been made as a result of our work in this area (Rec 4).

5.3 **Housing benefits and CTRS payments**

5.3.1 Payments of HB and CTRS are made via BACS or cheque at varying frequencies (e.g. fortnightly, four weekly or monthly) depending on the claimant. Payment runs are undertaken on a weekly basis and review of two (one SODC and one VWHDC) payment runs confirmed that there is adequate segregation of duties in place, as Capita process the payments and the councils' revenues and benefits team review and authorise the payment runs.

5.3.2 A review of the returned cheques process identified that a stop is placed when the cheque is not physically held and marked as void. Payments are re-issued where necessary once the stop has been confirmed by the bank. Internal audit is satisfied that all returned, and replacement cheques are dealt with appropriately with a satisfactory audit trail retained in the respective SODC and VWHDC benefits systems.

5.3.3 Area assurance: Substantial
No recommendations have been made as a result of our work in this area.

5.4 **Benefits overpayment recovery**

5.4.1 Overpayments may occur in cases where changes of circumstances that affect the previously awarded payments are not declared to the council in

timely manner by the claimant. At the time of the audit review (September 2020), there were 4,193 (1,987 SODC and 2,206 VWHDC) outstanding overpayment invoices. A sample of 40 (20 SODC and 20 VWHDC) overpayment invoices was selected to ensure recovery action had progressed in accordance with the timescales set out in the corporate debt recovery strategy (CDRS) and the benefits overpayment guide. The sample covered unpaid invoices from 2012 to 2020. For both council's ten were selected on the basis of financial volume and the remaining ten were selected randomly. It is noted that recovery action was ceased in March 2020 due to the pandemic. Review found that 26 (11 SODC and 15 VWHDC) invoices had not had recovery action taken in accordance with the councils' corporate debt recovery strategy and the benefits overpayment guide. Reasons for this included:

- Letters being issued late;
- Letters not being issued at all;
- Delay in progressing actions;
- Delay in sending the debt to legal for recovery;
- Delays in recommencing debt recovery following the outcome of an appeal;
- Delay between the customer agreement and the termination letter.

5.4.2 Furthermore, in eight of the 26 tests, warning letters were issued for customer agreements covering more than one invoice. Separate warning letters were sent out for each invoice rather than just one covering / detailing all the invoices covered in the customer agreement. This could be unhelpful and confusing for the customer.

5.4.3 Of the 40 overpayment invoices selected, one (SODC) was referred to the legal team for possible prosecution action. Review confirmed that appropriate and timely legal action had been taken to try and recoup the outstanding overpayment debt.

5.4.4 Not all debts are recoverable, e.g. low values which are uneconomical to pursue, and therefore may need to be written off. In 2020/2021 to date (October 2020), there were 111 (54 SODC and 57 VWHDC) overpayment invoices written off. A sample of 40 (20 SODC and 20 VWHDC) invoices were selected and review confirmed that all write offs were:

- reviewed by the councils' revenues and benefits team;
- authorised appropriately, in line with the councils' constitution.

5.4.5 Monthly reconciliations of overpayment invoices that have been written off by Capita in the Capita ONE revenues and benefits system are performed, once the councils authorise the write off. Review of the reconciliation process identified no issues.

5.4.6 Area assurance: Limited
One recommendation has been restated as a result of our work in this area (Rec 3).

5.5 Housing benefits subsidy claim

5.5.1 The councils claim government subsidy to cover eligible benefit expenditure. In 2019/2020, the councils' external auditors (Ernst and Young) gave both SODC and VWHDC an unqualified opinion on their subsidy return. As Ernst and Young review, the benefit claims for subsidy purposes as prescribed by the Department of Works and Pensions (DWP), no additional checks have been made as a part of this review.

5.5.2 Area assurance: Full
No recommendations have been made as a result of our work in this area.

5.6 Prevent and detect fraud

5.6.1 The councils follow the guidance provided in the following policies regarding detection and referral of fraud:

- joint anti-fraud and corruption policy;
- joint anti-fraud and corruption policy response plan;
- joint prosecutions and sanctions policy (specifically for benefit fraud).

Internal audit reviewed each policy and concluded they are adequately detailed and provide details of the key decision makers and tools available for council prosecutions.

5.6.2 There are three ways the councils' fraud and investigation team are notified of any suspected fraud either by:

- National Fraud Initiative (NFI);
- Capita benefits assessors; or
- members of the public.

Both councils also publicise the council's stance against benefit fraud and encourage members of the public to report any suspected fraud on their respective websites. Capita benefits assessors refer any potential fraud to the fraud and investigation team either via I@W (electronic document and records management system) or email for further scrutiny. It is noted that housing benefit fraud is investigated by DWP's single fraud investigation service; however, are routed through the councils' fraud and investigation team and checked for any potential work regarding CTRS prior to passing the referral to the DWP.

5.6.3 A data sharing agreement is in place between DWP and the councils in Oxfordshire, and any information required is requested by completing a local authority information exchange form, if DWP require information, or a single fraud investigation referral, if the councils require information from DWP.

5.6.4 The fraud team maintain a record of successful council tax sanctions and prosecutions which records the future weekly benefit saving to the council.

5.6.5 Area assurance: Substantial
No recommendations have been made as a result of our work in this area.

5.7 Performance

5.7.1 The councils send their performance statistics (i.e. performance indicators that measure the speed and accuracy with which applications are administered) obtained from the Capita ONE revenues and benefits system and report these monthly to the DWP. The DWP also publish the councils' performance statistics (e.g. speed of processing) on their website. From 1 August 2016, Capita provide the benefits service under the 5CP contract and there is an output specification, key performance indicators (KPI's) and performance indicators (PI) for the services within the contract. These targets are a part of managing the contract with Capita who provide benefits services to both SODC and VWHDC. The November 2020 report was reviewed and found that there is no explanation for any variances occurred.

5.7.2 Area assurance: Substantial

One previous recommendation has been restated as a result of **Agenda Item 7** this area (Rec 2).

6. ACKNOWLEDGEMENTS

- 6.1 Internal audit would like to take this opportunity to thank all staff involved for their assistance with the audit.

7. CATEGORISATION OF RECOMMENDATIONS

- 7.1 To assist management in using our reports, we have categorised our recommendations according to their level of priority as follows:

High risk	Fundamental control weakness for senior management action	Rec 3
Medium risk	Other control weakness for local management action	Recs 1 and 4
Low risk	Recommended best practice to improve overall control	Rec 2

RESTATED RECOMMENDATIONS

POLICIES & PROCEDURES

1. GDPR compliance

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Application forms and website information for DHP, housing benefits and CTRS contain, or link to, GDPR information and privacy notices.</p> <p><u>Findings</u> There is no reference to data protection privacy notices or the councils' data protection information on the following:</p> <ul style="list-style-type: none"> • DHP application form; • Council webpages for applying for DHP or housing benefits and CTRS. <p>It is noted that this has been a recommendation in the last two years audits and is yet to be implemented.</p> <p><u>Risk</u> Non-compliance to GDPR legislation, which could result in fines and reputational damage.</p>	<p>Review and update housing benefits/CTRS and DHP information on the councils' webpages and on application forms to include GDPR information, e.g. privacy notices.</p>	<p>Revenues and Benefits Manager</p>
Management Response		Implementation Due Date
<p>Recommendation is Agreed</p> <p>We are currently completing the RoPA which will be used to inform individual privacy notices. We have certain information included in privacy statements which are on the web e.g. NFI and data sharing etc but the notices will be more conclusive.</p> <p>Management response: Revenues and Benefits Manager</p>		<p>30 September 2021</p>

PERFORMANCE MONITORING AND REPORTING

2. Performance reports

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The councils receive regular reports on all agreed performance indicators with explanations of variances.</p> <p><u>Findings</u> A monthly spreadsheet is provided by Capita recording performance for housing benefit and CTRS as well as council tax and NNDR. However, review of the November 2020 spreadsheet found that explanations of variances are not provided.</p> <p><u>Risk</u></p>	<p>Monthly performance reports should include explanations of variances.</p>	<p>Revenues and Benefits Manager and Capita Contract Director</p>

Areas of underperformance may remain unidentified and uncorrected.		Agenda Item 7
Management Response		Implementation Due Date
<p>Recommendation is Agreed in Principle</p> <p>Our councils are now part of the 5C's arrangements, and the performance reports are produced in accordance with those governing requirements. Saying that, a shortened bespoke report similar to what we received in the past (under the previous stand-alone South and Vale contract was reintroduced but Covid workloads de-prioritised it. This would provide commentary on performance and I will ask for it to be produced again.</p> <p>Management response: Revenues and Benefits Manager</p>		31 October 2021

BENEFITS OVERPAYMENT RECOVERY

3. Recovery process

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All overpayments are progressed through the recovery process outlined in the corporate debt recovery strategy and the benefits over payments guide in a timely and efficient manner.</p> <p><u>Findings</u> In 2020/2021 to date (as at October 2020), there were 4,193 (1,987 SODC & 2,206 VWHDC) outstanding housing benefits overpayment invoices totalling £5m (£2.5m SODC and £2.5m VWHDC).</p> <p>A sample of 40 (20 SODC and 20 VWHDC) outstanding housing benefits overpayment invoices was selected. Testing identified that 26 (11 SODC and 15 VWHDC) overpayment invoices had not been progressed through the recovery process efficiently and in line with the corporate debt recovery strategy.</p> <p>Reasons for this included:</p> <ul style="list-style-type: none"> • Letters being issued late; • Letters not being issued at all; • Delay in progressing actions; • Delay in sending the debt to legal for recovery; • Delays in recommending debt recovery following the outcome of an appeal; • Delay between the customer agreement and the termination letter. <p>Furthermore, in eight of the 19 tests, warning letters were issued for customer agreements covering more than one invoice. Separate warning letters were sent out for EACH invoice rather than just one covering / detailing all the invoices covered in the customer</p>	<p>Capita to review their procedures to ensure that they comply with the actions and timescales set out in the corporate debt recovery strategy and the benefits overpayment guide. This will include reviewing their procedure for issuing warning letters to clients.</p>	<p>Revenues and Benefits Manager</p>

agreement. This could be unhelpful and confusing for the customer. <u>Risk</u> Debts are not recovered resulting in debt write off at a loss to the authorities.		Agenda Item 7
Management Response		Implementation Due Date
<p>Recommendation is Agreed</p> <p>I absolutely agree that the failure to collect overpayments poses a risk a to the councils and their finances. However, it should be noted that the councils took the decision not to pursue formal recovery through the courts and the DWP stopped processing deductions from social security benefits – both due to the pandemic. We did continue to issue invoices and first reminders and continued to send DEA’s to employers. We also began to send new instructions to DWP when the suspension was lifted. We also continued to recover over overpayments from ongoing HB throughout the pandemic.</p> <p>For the last few months, we have been designing a new final notice process with Capita to progress to county court hearings, which will take place via Video Platform (CVP) but unfortunately due mainly to annual billing priorities this has not been finalised.</p> <p>We are also due to have a review of the overpayment function and resources and hopefully this will help to gain ground lost through the pandemic</p> <p>So, although failure to collect is high risk, I would probably challenge the categorisation that there are fundamental weaknesses at this moment in time for a revenue stream which is notoriously difficult to collect - and we are still going through the pandemic.</p> <p>Management response: Revenues and Benefits Manager</p>		30 November 2021

2020/2021 AUDIT RECOMMENDATIONS

ASSESSMENTS

4. Quality checks of assessments

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Quality checks are undertaken of assessments and the results are fully reported to enable corrective action to be taken to prevent errors in the future.</p> <p><u>Findings</u> Capita undertake monthly quality checking. However, the reasons for any errors are not currently reported back to the councils.</p> <p><u>Risk</u> Errors continue to be made.</p>	The revenues & benefits manage considers whether Capita should re-convene sending the quality check data alongside the monthly summary report.	Revenues and Benefits Manager
Management Response		Implementation Due Date
Recommendation is Agreed in Principle		30 September 2021

The councils team undertakes a statutory check of assessments and feeds back on errors to Capita. Capita also undertakes its own quality checks before payments are made. Statistical data is provided to the councils on this. Reasons for errors were also previously given. I will consider whether this additional information should be requested once again.

Management response: Revenues and Benefits Manager

Agenda Item 7

Payroll 2020/2021

MANAGEMENT SUMMARY

1. INTRODUCTION

- 1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to payroll. The audit has been undertaken in accordance with the 2020/2021 audit plan agreed with the audit and governance committee of South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC). The audit has a priority score of 22. The audit approach is provided in the audit framework in Appendix 1.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:

Obj1: Policies and procedures	<ul style="list-style-type: none"> • Policies and procedures are in place, regularly reviewed, updated, and communicated.
Obj2: System parameters	<ul style="list-style-type: none"> • System access rights are appropriately controlled to relevant officers.
Obj3: Amendments to standing data	<ul style="list-style-type: none"> • Checking processes are in place to identify and review payment anomalies over tolerance.
Obj4: Data and information sharing	<ul style="list-style-type: none"> • Access to personal information is restricted to relevant authorised individuals.
Obj5: Pay calculations	<ul style="list-style-type: none"> • A formal review of pay calculations is conducted prior to the approval of transactions for payment.
Obj6: Payroll reconciliation	<ul style="list-style-type: none"> • A formal reconciliation of payroll is completed to ensure the accuracy of payments and associated transactions.
Obj7: Establishment listings	<ul style="list-style-type: none"> • The HR establishment listings are in place, up-to-date and accurate.

2. BACKGROUND

- 2.1 On 1 April 2020, the payroll service transitioned in-house from the previous service provider (Capita). A 5 councils partnership entered into a contractual agreement with Zellis UK, for the provision of the HR and Payroll system ResourceLink. South Oxfordshire District Council is named as the contracts lead client, in partnership with Vale of White Horse District Council, Mendip District Council, Havant Borough Council, and Hart District Council.
- 2.2 This is the first review of payroll since the service returned in-house. A review of travel and expenses, pensionable pay and annual leave has been included within this review, where previously, these areas have been reported on separately.

- 2.3 The south and vale payroll function is managed by the strategic HR department (with associated responsibilities split across both the HR advisory and HR payroll teams) and is delivered under corporate services. The team has undergone a period of embedding the new payroll system, where initial focus has been to deliver the payroll service accurately and on time.
- 2.4 In March 2021, a total of 611 officers (388 SODC and 223 VWHDC) were processed through payroll. Basic salary payments in March 2021 amounted to £1,169,366.19 (£762,348.36 SODC and £407,017.83 VWHDC).

3. PREVIOUS AUDIT REPORTS

- 3.1 Payroll was last subject to an internal audit review in March 2020 and eight recommendations were raised and all were agreed. A limited assurance opinion was issued.
- 3.2 Of the eight previous recommendations, seven were associated to the previous payroll provider's procedures (Capita). A review of those recommendations has therefore not taken place. The one remaining recommendation has been updated as part of this review (Rec 1).

4. 2020/2021 AUDIT ASSURANCE

- 4.1 **Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.
- 4.2 14 joint recommendations have been raised in this review. Three high risk, eight medium risk and three low risk.

5.1 Policies and procedures

- 5.1.1 HR policies are published on the council's intranet, Jarvis, where 20 policies are associated to employee payments and leave entitlements. Of these 20 policies, two had recently been reviewed and implemented, two were not dated, and the remaining 18 were last evidenced as being reviewed between 2011 and 2016.
- 5.1.2 As reported within the recent HR Management audit 2020/2021, there is a process currently underway to review and revise HR policies. However, there is no timescale currently in place for completion of this process.
- 5.1.3 Recommendations relating to the HR payroll policy review process have been reported within successive annual payroll audit reports since 2014/2015; and have been updated within this review. Similarly, a recommendation has also been raised within the recent HR Management audit 2020/2021.
- 5.1.4 Procedural guidance for payroll routines is not currently documented. This is acknowledged by the team and has been proposed that this will be developed following closure of the first year-end and reporting process.
- 5.1.5 Initial systems training was provided to the team by the software provider, Zellis, and further support is provided remotely for queries upon request. Additionally, in-house support is provided to the team by officers with previous knowledge and experience of the payroll systems, who have joined the councils from the previous payroll service provider. The immediate payroll team has also attended a payroll and HR management course, hosted by an external provider. This focused on the legal aspects of payroll processing, associated HR management, and current legislation. There is currently no formal in-house training in place for processing payroll and associated system procedures.
- 5.1.6 Area assurance: **Satisfactory**
One recommendation has been updated from the last review (Rec 1) and two recommendations have been made as a result of our work in this area (Recs 2 and 3).

5.2 Systems

- 5.2.1 System user access permissions are not unique to each member council and currently allow approved users, (within the 5 councils partnership), access to each council's personal data held within the Resourcelink system. As a result, data sharing agreements and a fair use processing notice are in place across the member councils. This includes a statement to work towards the eventual segregation of individual council's data, ensuring data is restricted only to employees of that council and strengthening adherence to data protection legislation.
- 5.2.2 The original timeframe was expected to encompass the April, May and June 2020 pay runs, with the expectation that visibility would be restricted by July 2020. The deadline of which has passed.
- 5.2.3 Testing of new user access profiles is ongoing, with a view to eventually limit access to other council's data. There are currently challenges, where limiting such access, results in restricting the individual councils from running

calculations and accessing critical screens and reports at month end. The review of these user profiles is projected to reconvene in June 2021, with an aim to restrict employees seeing data across all councils (S&V officers only see S&V data).

- 5.2.4 A system 'MOT report' was provided to the councils by the payroll software provider, Zellis, in October 2020. The report contains 24 recommendations within an action plan to explore opportunities to develop and optimise the ResourceLink system, to both improve service delivery, and system performance. Internal audit was provided with a status update, demonstrating the progress being made. As at 10 March 2021, eight actions were currently under review with Zellis Payroll Advisory Service (PAS). Once confirmed whether work can be carried out by PAS, this is to be included on a wider data cleanse project plan. Further actions were also recorded as underway.
- 5.2.5 Area assurance: **Substantial**
One recommendation has been made as a result of our work in this area (Rec 4).
- 5.3 **Amendments to standing data**
- 5.3.1 Checks are in place by the HR payroll team to ensure that employee details are entered onto the ResourceLink payroll system in a timely manner and that personal details are accurate. Through our review, it was identified that where omissions in supporting new starter and leaver documentation was evident, this had not been highlighted and referred back to the HR advisory team and service managers to complete.
- 5.3.2 Checks were generally completed by a secondary officer, however, on 28% (11 occasions) for new starters, 15% (three occasions) for pay adjustments/contract variations and 8% (two occasions) for leavers, this task had been completed by the same individual that had entered the original details onto the Resourcelink system, and does not provide suitable segregation of duty.
- 5.3.3 Documentation to support eligibility of the right to work in the UK was not available on file for eight VWHDC tupe'd employees. The details of which have been raised with the HR advisory team to review. Non-compliance within this area presents an exposure to potential fines of up to £20,000 for each illegal worker, where sufficient checks are not completed prior to offering employment.
- 5.3.4 The ResourceLink system requires all overtime, standby and on-call payments to be reviewed and approved by managers, prior to being released for payment. Currently, there is no report available to the HR payroll team that provides an overview of overtime, on-call and standby payments to ensure visibility of all transactions, claim periods and approvals.
- 5.3.5 Per our review, 27 (68%) overtime, on-call and standby payments (15 SODC and 12 VWHDC) could not be reconciled to system entry, where dates had not been entered against the individual claim periods (days) and multiple claims had been grouped together.
- 5.3.6 Supporting overtime and standby claim forms were also not routinely available to support the submitted claims. It is not currently a requirement for supporting claim forms to be submitted to the HR team, (or attached to individual claims within the system). As a result, there is a greater risk of Page 52

misappropriation where there is no visibility of supporting records and an absence of suitable management checks. **Agenda Item 7**

- 5.3.7 Mileage claims are currently submitted with a supporting VAT fuel receipt by officers within the Myview HR portal. However, officers are not routinely submitting full travel details to support their business mileage claims, including starting and end locations. 23 (nine SODC and 14 VWHDC), or 92% of mileage claims reviewed within the sample, did not have supporting journey details recorded within the system.
- 5.3.8 Internal audit is therefore unable to validate that the total amount of business miles claimed reconciles to individual officer claims. This again presents a risk of misappropriation where there is no visibility of supporting records and an absence of suitable management checks. There is also a risk that current controls may impact the council's responsibility to ensure accuracy and compliance with HMRC regulations, to enable the councils to claim back VAT on business related mileage.
- 5.3.9 Annual leave entitlement is allocated within the ResourceLink system, as per the employee's contractual agreement and working conditions. Per our review of annual leave entitlements, one VWHDC new starter had a different value of annual leave entitlement entered onto the Resourcelink system, to that recorded on the employee's Statement of Terms/contractual agreement. A supporting manual leave calculation was requested from the HR payroll team, but this had not been provided at the time of audit completion.
- 5.3.10 Furthermore, the final holiday balance payment for one SODC employee could not be reconciled to the ResourceLink termination balance. On discussion with the HR payroll coordinator, it is believed that the remaining annual leave balance may not have triggered due to a system issue for this individual.
- 5.3.11 Area assurance: **Limited**
Six recommendations have been made as a result of our work in this area (Recs 5-10).
- 5.4 **Data and information sharing**
- 5.4.1 Security measures are in place between the councils and Zellis (payroll processor) for both the holding and transferring of payroll data. Payroll reports and personal information sent electronically between the councils and Zellis is sent via password protected, encrypted files, with pre-determined access codes required to view documents. Password are changed on a monthly basis to enhance security protocols. All payroll reports, associated information and payment approvals are retained within folders on the accountancy shared drive and folder access is restricted to authorised officers.
- 5.4.2 The interim strategic finance manager authorises the monthly payroll run, following their own checks, and those made by both the HR team. It is noted that the authorisation of the pay run is completed by electronically signing and dating the Bacs release form. This form does not contain any personal data and is sent to the payroll processor (Zellis) via standard unencrypted email, however, consideration should be given to the potential risk of fraud by misrepresentation, if accessed by an unintended party; given the authorising signature being attached to the form.

5.4.3 Payroll queries and document requests by ex-employees are managed by the HR team. Where ex-employees can no longer access the Myview system themselves, the HR team have the capability to access historic information, (within the retention period), to resolve queries. Documentation is sent electronically to the individual's; however, this is not currently sent securely via encrypted, password protected files, which presents a risk to data security due to the sensitive personal information contained within.

5.4.4 Area assurance: **Satisfactory**
Two recommendations have been made as a result of our work in this area (Recs 11 and 12).

5.5 Payroll reconciliation

5.5.1 The interim strategic finance manager undertakes monthly payroll reconciliations to ensure accuracy of finalised calculations and reports, prior to authorising payments. This also includes checks on payments made to both HMRC and third parties, i.e. Oxford County Council (LGPS), Prudential ACV (Pension fund) and Unison. Internal audit sampled a three-month period and reconciled final calculations, reports and payment authorisations. All were evidenced as being reviewed and authorised prior to payment and reconciled to the final calculated payroll reports for both SODC and VWHDC.

5.5.2 A review of monthly Bacs authorisation forms from April 2020 to February 2021, found that 19 (30%) of the 62 Bacs payment forms, contained date errors for the payroll processing period to which they related. Additionally, final payroll and third-party payment authorisation forms for both SODC and VWHDC in July 2020 and August 2020, were not retained on file. At the time of review these forms could not be provided.

5.5.3 Once payments have been approved and processed, the accountancy team complete a monthly reconciliation across associated payroll and finance systems, and council bank accounts. Any anomalies or queries are raised for the HR payroll team to review and provide explanation, prior to any corrections being applied to balance the accounts.

5.5.4 Per our review and analysis of the payroll reconciliations and balance sheets for October 2020, November 2020 and December 2020, review found that all reports reconciled for both SODC and VWHDC and explanations to support adjustments appeared reasonable. At the time of review, a variance of £15.57 is noted for the final year end reconciliation for SODC, of which the value reported is not of material concern and is awaiting review. The final year end payroll reconciliation for VWHDC balanced to zero.

5.5.5 Area assurance: **Substantial**
One recommendation has been made as a result of our work in this area (Rec 13).

5.6 Establishment listings

5.6.1 The establishment list is maintained by the HR payroll team and is sent to service managers for review on a bi-monthly (every other month) basis. The document is currently an excel based spreadsheet that requires manual intervention to update and amend employee details across all service teams. This relies on the service managers conducting a thorough review of their team's employment details and communicating back to the HR team where changes are required. Changes and amendments are then uploaded to the

master file document and retained on the HR shared drive. This **Agenda Item 7** involves a significant amount of administration and coordination to complete.

5.6.2 Previously, a system based copy of the Establishment Listing was produced, managed, and retained by Capita (the previous payroll service provider). As reported in the last audit, the report was found to be wholly unreliable due to the councils' service restructure in 2017, and development of the excel based spreadsheet is in response to this issue. The HR payroll team are looking to further develop an accurate system based Establishment List report, to aid accessibility and management of records by service managers directly, in turn, reducing the time spent administering this document.

5.6.3 Area assurance: **Full**
One recommendation has been made as a result of our work in this area (Rec 14).

6. ACKNOWLEDGEMENTS

6.1 Internal audit would like to take this opportunity to thank all staff involved for their assistance with the audit.

7. CATEGORISATION OF RECOMMENDATIONS

7.1 To assist management in using our reports, we have categorised our recommendations according to their level of priority as follows:

High risk	Fundamental control weakness for senior management action	Recs 7, 8 and 9
Medium risk	Other control weakness for local management action	Recs 1, 2, 3, 4, 6, 11, 12 and 13
Low risk	Recommended best practice to improve overall control	Recs 5, 10 and 14

Recommendation is Agreed	31 December 2021 Agenda Item 7 (for existing payroll-related policies)
Management response: This overlaps with a recommendation from the HR Management audit and is already an ongoing action.	

2020/2021 audit recommendations:

2. Procedural guidance

(Medium Risk)

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Findings</u> Procedural guidance documents are not currently in place. On discussions with the HR Operational Lead, formal in-house payroll procedures are currently not documented to assist officers' complete payroll duties. This has been acknowledged by the team, where focus has been to deliver the payroll service accurately and on time within the first year. It has been proposed this will be addressed following completion of the first year-end processing and reporting period to ensure any issues experienced are identified, appropriately resolved, and documented.</p> <p><u>Risk(s)</u> Without procedural guidance officers do not have a reference document to ensure they are following correct procedures whilst conducting their duties. No reference for new staff members to follow may lead to incorrect practices.</p>	<p>a) Develop formal procedural guidance to assist officers and ensure compliance in all aspects of the payroll function.</p> <p>b) Ensure that procedural guidance reflects the council's own HR policies where appropriate.</p> <p>c) Ensure that procedural guidance is maintained, and version controlled with a review date.</p>	Strategic HR Manager
Management Response		Implementation Due Date
Recommendation is Agreed		31 December 2021
Management response: To achieve good quality procedure documents, the team needs to undertake process mapping activities (i.e. current / future state etc.) This needs to be a physical activity and so has been delayed by the ongoing lockdown / office closure.		(COVID restrictions permitting)

3. Training

(Medium Risk)

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Findings</u> There is currently no formal in-house training in place for officers processing payroll and associated system procedures.</p> <p>As part of the transition process, the HR operational lead and both HR coordinators attended initial training sessions provided by Zellis, the systems host and provider, but further 'refresher training' has not taken place at this time.</p> <p><u>Risk(s)</u> Without formal training, there is a higher risk of potential errors,</p>	<p>a) Develop formal training to assist officers in all aspects of the payroll function.</p> <p>b) Ensure that the training programme reflects the council's own HR policies where appropriate.</p> <p>c) Ensure that regular refresher training is in place to maintain knowledge across the team; and</p> <p>d) There is regular review of training materials following any updates to</p>	Strategic HR Manager

inconsistencies and a lack of accountability. No reference for new staff members to follow may lead to incorrect practices.	associated legislation and systems.	Agenda Item 7
Management Response		Implementation Due Date
<p>Recommendation is Agreed</p> <p>Management response: This overlaps with recommendation number 2, as the process mapping / procedure documents will provide the basis for instructions for current and new payroll team members.</p> <p>The Zellis training is very generic (i.e. it doesn't look like our version), so I would question the value in anyone attending as a refresher, but certainly will be considered for new team members in the future.</p>		31 December 2021

SYSTEMS

4. Data security controls

(Medium Risk)

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Findings</u> The current user access profiles for ResourceLink (back office) were inherited from Capita and the associated system security controls/settings currently allows access by authorised HR payroll officers across the 5 councils to access each council's personal employee data.</p> <p>This presents a greater risk to data protection. Data sharing agreements and a fair-use processing notice have been implemented appropriately as a result, across the five councils.</p> <p>The data sharing agreements are intended to be a temporary measure, with officers of the respective councils agreeing to work towards the eventual segregation of their data and ensure visibility of an individual council's data, is restricted only to employees of that council.</p> <p>The original timeframe was expected to encompass the April, May and June 2020 pay runs, with the expectation that visibility would be restricted by July 2020. This deadline of which has passed.</p> <p>The HR systems lead officer has been testing a new user profile, which will limit access to other council's data, but it hasn't yet been rolled out. There are currently challenges where limiting access results in restricting the individual councils' from running calculations and accessing critical screens and reports at month-end.</p> <p>The HR systems lead officer advised internal audit that testing has not progressed due to this reporting issue and has indicated that this is now</p>	<p>a) Continue development of the new user profiles and system enhancements to ensure access to sensitive personal information is restricted to officers of their own council and that access to such data is appropriate to the user's needs.</p> <p>b) Ensure officers are aware of their personal responsibility in handling personal data, especially where it relates to other councils.</p> <p>c) Continue to progress and implement appropriate recommendations contained within the Zellis systems review report to explore opportunities to develop and optimise the ResourceLink system to both improve service delivery and system performance.</p> <p>d) Explore whether system enhancements can be applied to provide an email alert/confirmation of change communication to officers where significant amendments to their personal data is completed within both the ResourceLink and MyView systems.</p>	Strategic HR Manager

<p>projected to reconvene in June 2021, following the first year-end process.</p> <p>The new test profile being worked on will restrict employees seeing data across all councils (S&V officers will only see S&V data).</p> <p>A systems MOT report was provided by Zellis to the councils HR Projects Lead in October 2020. The report contains 24 recommendations within an action plan. The HR Projects Lead provided internal audit with a status update, demonstrating the progress being made. As at 10 March 2021, eight actions were currently under review with Zellis Payroll Advisory Service (PAS). Once confirmed whether work can be carried out by PAS, this is to be included on a wider data cleanse project plan. Further actions were also recorded as underway.</p> <p><u>Risk(s)</u> A greater risk to the mishandling of personal data and data breach is present as a result of unrestricted access across all 5 council's employee data.</p>		Agenda Item 7
Management Response		Implementation Due Date
<p>Recommendation is Agreed</p> <p>Management response: We had hoped the user profiles would be in place before the audit, but there was an issue with the new profile created when it came to running reports. This is because the database is shared between all councils.</p>		31 December 2021

AMENDMENTS TO STANDING DATA

5. Secondary checks against data entry

(Low Risk)

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Findings</u> Per our review of the Payroll Actions Tracker, secondary checks of personal data entry onto the ResourceLink system were completed by the same individual on:</p> <ul style="list-style-type: none"> • 28% (11 occasions) for new starters (three SODC and eight VWHDC); • 15% (three occasions) for pay adjustments/contract variations (1 SODC and two VWHDC); and • 8% (two occasions) for leavers (1 SODC and 1 VWHDC). <p>It is noted that in all instances, these checks had been completed on a different date to that of original system entry.</p> <p><u>Risk(s)</u></p>	<p>All secondary checks to verify the accuracy of system data entry is completed by a different individual to ensure suitable segregation of duty.</p>	<p>Strategic HR Manager</p>

There is a risk that errors may be missed and not be identified where there is no clear segregation of duty.		Agenda Item 7
Management Response		Implementation Due Date
Recommendation is Agreed		30 September 2021
Management response: N/A		

6. Employee management records

(Medium Risk)

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Findings</u> A review of documentation to support employee changes applied within the ResourceLink payroll system provided the following findings:</p> <p>New Starters:</p> <ul style="list-style-type: none"> • 58% (23) Notification of Appointment (NOA) forms completed by recruiting managers (eight SODC and 15 VWHDC), did not display the correct job post number and seven SODC forms did not record the new starter's work pattern. • 60% (12) VWHDC NOA forms were not signed/dated by the recruiting manager (it is noted that all 12 were tupe'd employees within the technical services team). • Two SODC NOA forms were noted with authorising signatory/date omissions and one VWHDC NOA form was omitted from a new starter's file. • Five (four SODC and one VWHDC) new starter Statement of Terms contained anomalies to the employment information entered onto ResourceLink (including start dates, working hours and pay rate). • Bank details forms were not present on file for 10 (five SODC and five VWHDC) new starters, although bank details had been declared and entered accurately onto ResourceLink from accompanying New Starter forms. <p>Leavers:</p> <ul style="list-style-type: none"> • 88% (23) Notification of Leaver (NOL) forms (14 SODC and nine VWHDC) had not been signed and dated by the finance HR business partner (service accountant). • One SODC NOL form displayed a different last working day to that entered onto ResourceLink (+/- 1 day). <p><u>Risk(s)</u> There is a lack of accountability and greater risk for error where employee management documentation is</p>	<p>a) Where anomalies are noted and supporting documentation is incomplete, the HR payroll team are to refer the documentation back to the HR advisory team and/or service manager to complete and ensure appropriate authorisations are documented, prior to adding/amending data on the ResourceLink system.</p> <p>b) Review the anomalies identified within this review and action any amendments accordingly, where required.</p> <p>c) Review associated HR employee management documents, ensuring that all forms are relevant and appropriate for the task, limit duplication, and service managers have access to the appropriate information to fully complete all related documents.</p>	Strategic HR Manager

<p>incomplete and not suitably authorised. Errors and anomalies within employee records may cause issue where there are disputes relating to contractual matters. Duplication of forms requesting the same information presents time management inefficiencies and a greater risk to the mishandling of personal data.</p>		Agenda Item 7
Management Response		Implementation Due Date
<p>Recommendation is Agreed</p> <p>Management response: This link to recommendation number 2, where the process mapping / procedural notes will ensure checks and controls are built into the payroll processes.</p>		31 December 2021

7. Right to Work Checks

(High Risk)

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Findings</u> Evidence of eligibility to work in the UK was not available on request for eight tupe'd VWHDC employees. Copies of passports to support the right to work (RTW) were not present on file and suitable alternative RTW documents (including visa's, entry clearance or full birth certificates and supporting official National Insurance documentation) were not held on personnel files. It is noted that for one VWHDC employee, a copy of their UK passport was present, but on review, personal details were blurred and unidentifiable.</p> <p><u>Risk(s)</u> There is a risk to potential enforcement and fines of up to £20,000 for each illegal worker where sufficient checks are not completed prior to offering employment.</p>	<p>Ensure right to work checks are completed for all new starters, prior to their start of employment. Complete checks for the eight VWHDC employees highlighted within this review and ensure sufficient documentation to support eligibility to work is retained on file.</p>	Strategic HR Manager
Management Response		Implementation Due Date
<p>Recommendation is Agreed</p> <p>Management response: This was affected by the difficulties in meeting people and scanning documents during lockdown. However, we accept this should have been retrospectively actioned.</p>		30 September 2021

8. Overtime/On-call and Standby payments

(High Risk)

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Findings</u> Per our review of 40 (20 SODC and 20 VWHDC) overtime/on-call and standby payments, the following findings are noted:</p>	<p>a) A system-based report should be developed that details overtime, standby and on-call payments to ensure visibility of all transactions, claim</p>	Strategic HR Manager

<ul style="list-style-type: none"> • A specific system report that provides visibility to the HR team of all payments and authorisations for overtime, standby and on-call claims is not currently available. • Per our review, 27 (68%) standby/overtime payments (15 SODC and 12 VWHDC) were not supported by a sufficient audit trail, where records provided did not document the date for which the individual claims had been submitted, or the approving/authorising manager. • Five SODC (25%) overtime claim forms had not been evidenced as reviewed/signed as authorised by a line manager and two VWHDC (10%) overtime claim forms had not been signed by the claimant. • Four (20%) VWHDC overtime claims were supported by individual officer timesheets (rather than an overtime claim forms). Internal audit was unable to reconcile two payments to the timesheets submitted, one including additional overtime hours of 88.88 hours, the other claiming 38.75 hours above standard contractual hours for the period. • Two versions of the excel based claim forms are in circulation and have been submitted by officers within the sample. One of these forms is not approved, as per the guidance available to officers on Jarvis (HR Template forms/Overtime claim form). • It is not currently a requirement for supporting claim forms to be submitted to the HR team, (or attached to individual claims within the system). Sense-checking of claims lies with the service managers, prior to authorising claims. An Independent sample based review is not currently conducted. <p><u>Risk(s)</u> There is a greater risk of misappropriation where there is no visibility of supporting records and an absence of suitable management checks.</p>	<p>periods and approvals. A sense-check of claims may then be introduced by the team and shared with service managers on a regular basis to identify any trends and anomalies.</p> <p>b) Consider requiring a copy of the authorised claim form to be attached to the claim submission within the MyView system, ensuring claim documentation is supported, easily accessible and provides a suitable audit trail within the system.</p> <p>c) Communicate to service managers that officers may only submit approved overtime claim forms to support claims.</p>	<p align="center">Agenda Item 7</p>
<p>Management Response</p>		<p>Implementation Due Date</p>
<p>Recommendation is Agreed</p> <p>Management response: N/A</p>		<p>31 December 2021</p>

9. Travel and subsistence claims

(High Risk)

Rationale	Recommended Action(s)	Action Owner(s)
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Findings

As per the Travel and Expenses Policy, officers are required to submit a VAT receipt for fuel that is broadly related to the dates of journeys and is for an amount that covers the total miles claimed.

Per our review of 40 (20 SODC and 20 VWHDC) expense claims, the following findings are noted:

- Officers did not routinely submit full travel details to support their mileage claims, including starting and end locations. 23 (nine SODC and 14 VWHDC), or 92% of mileage claims reviewed, did not have supporting journey details recorded within the system. Internal audit is therefore unable to validate that the total amount of miles claimed for business reconciles to the individual officer claims.
- A VAT fuel receipt was submitted for each mileage claim reviewed during the sample. On review of mileage expense claims it would appear reasonable that the fuel receipts may support the mileage claims submitted within the sample, however, without supporting journey and vehicle details, internal audit are unable to validate the accuracy of mileage claims.
- Three fuel receipts submitted to support a business mileage claim by one VWHDC officer had the date of transaction obscured. Internal audit was unable to validate the receipts were claimed timely and are valid for the claim period.
- Items not specifically approved within the Travel and Expenses Policy were claimed within the sample period, although the claims appear reasonable in their nature, including:
 - Postage (x2 claims valued at £15.57);
 - Stationary (x2 claims valued at £21.00);
 - Parking (x1 claim valued at £6.00);
 - Household items (for homeless housing x1 claim valued at £33.00); and
 - PPE (boots and gloves for planning officer, x1 claim valued at £19.98).

Risk(s)

There is a greater risk of misappropriation where there is no visibility of supporting records and an absence of suitable management checks.

- a) **System changes or additional documentation is provided to allow mileage claims to be verified and substantiated. Consider introducing a standardised business mileage log that details full journey details, (including start and end locations), vehicle details (make model/engine size) and a claimant declaration that can be reconciled to route planners as part of a review process.**
- b) **Consider requiring a copy of the mileage log to be attached to the authorised claim submission within the MyView system, ensuring claim documentation is supported, easily accessible and provides a suitable audit trail within the system.**
- c) **A sense-check of claims may then be introduced by the team and shared with service managers on a regular basis to identify any trends and anomalies.**
- d) **Consider expanding the Travel and Expenses Policy to cover all aspects of approved business expenditure (parking, postage, stationary etc), with appropriate control measures documented to assist management review and approval.**

There is also a risk that current controls may impact the council's responsibility to ensure accuracy and comply with HMRC regulations to enable the councils to claim back VAT on business related mileage.		Agenda Item 7
Management Response		Implementation Due Date
Recommendation is Agreed		31 December 2021
Management response: Although I agree with the recommendation, please note the expenses process is self-service, so the Payroll team cannot easily intervene in the given month and can only see the numbers, not the details. Therefore, the onus needs to be on training / educating managers, along with updating the policy, which will need to be carried out in conjunction with the Finance team.		

10. Annual Leave

(Low Risk)

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Findings</u></p> <p>Per our review of 40 new starters (20 SODC and 20 VWHDC) a check was completed to ensure that the correct annual leave entitlement was applied to the ResourceLink system, as per the individual's Statement of Terms. The following findings are noted:</p> <ul style="list-style-type: none"> One VWHDC new starter had a different value of annual leave entitlement entered onto the payroll system, ResourceLink, to that recorded on the employee's Statement of Terms/contractual agreement. A supporting manual leave calculation was requested from the HR payroll team, but this had not been provided at the time of audit completion. <p>Per our review of 26 leavers (16 SODC and 10 VWHDC) a check was completed to ensure that the correct annual leave payment was applied within ResourceLink and appeared on the employee's final payslip. The following findings are noted:</p> <ul style="list-style-type: none"> The final holiday balance payment for one SODC employee could not be reconciled to the ResourceLink termination balance. On discussion with the HR payroll coordinator, it is believed that the remaining balance did not trigger within the system for this individual. <p><u>Risk(s)</u></p> <p>There is a risk to inaccuracies within payments where annual leave entitlements are not accurately applied on the system.</p> <p>If manual records are not retained on file there is no audit trail to support amendments to individual leave entitlements.</p>	<p>a) Review the highlighted annual leave transactions to establish if system issues have caused inaccuracies in leave balances and investigate if a fix is required.</p> <p>b) Ensure where manual adjustments have been applied to leave balances, that these are supported with manual leave calculations and retained on file.</p>	Strategic HR Manager

Management Response	Implementation Due Date
Recommendation is Agreed Management response: N/A	31 October 2021

DATA AND INFORMATION SHARING

11. Data access management

(Medium Risk)

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Findings</u> Internal audit obtained confirmation from the IT support officer of personnel currently authorised to access the hadminandpayroll@southandvale.gov.uk mailbox. Review highlighted that an individual not known to be working directly for the council, had access rights to view potentially sensitive information contained within the mailbox. The HR operational lead confirmed that access was removed once informed.</p> <p><u>Risk(s)</u> There is a risk to the mishandling of personal data and GDPR where access to sensitive information is not suitably managed.</p>	<p>a) Access rights to be regularly reviewed and updated ensuring access is only applied to current, approved individuals.</p> <p>b) Liaise with the IT and data protection teams to determine whether there has been a reportable exposure to personal data.</p>	Strategic HR Manager
Management Response		Implementation Due Date
Recommendation is Agreed Management response: N/A		30 September 2021

12. Transferring sensitive information

(Medium Risk)

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Findings</u> BACs release forms are sent from the council's approving officer to the payroll provider, Zellis, via standard unencrypted emails on a monthly basis. It is noted that the BACs release forms do not contain any sensitive personal information; however on review, they do contain an electronic signature of the senior finance business partner (or authorising individual) approving payment. Consideration should be given to the potential risk of fraud by misrepresentation if accessed by an unintended party.</p> <p>The HR coordinator advised that the HR payroll team may be contacted and are able to access historic information that can be sent to ex-employees (payslips etc). This is sent electronically via PDF document,</p>	<p>a) Explore system capabilities and establish whether a secure system based check and approval process may be implemented to authorise the BACs payment run with Zellis.</p> <p>b) In the interim, it should be considered that Bacs release payment authorisation forms sent between the councils and Zellis are protected with the agreed pre-determined document password to mitigate the risk of fraud by misrepresentation, if accessed by unintended parties.</p> <p>c) Officers to consider applying password</p>	Interim Strategic Finance Manager

<p>however, is not currently sent securely or password protected, which may present a risk to data protection due to the sensitive personal information contained within.</p> <p><u>Risk(s)</u> There is a risk to potential fraud by misrepresentation where personal information may be used to manipulate documentation for personal gain. There is a risk to the mishandling of personal data and GDPR where access to sensitive information is not suitably managed.</p>	<p>protection/encryption to all personally identifiable information sent electronically to external contacts to enhance data protection controls. Access passwords to be sent separately.</p>	<p>Agenda Item 7</p>
<p>Management Response</p>		<p>Implementation Due Date</p>
<p>Recommendation is partially Agreed The ability to authorise payroll remotely online would be ideal and allow very secure authorisation. However this may well not currently be possible.</p> <p>As stated in the audit report:</p> <p>'BACs release forms do not contain any sensitive personal information'</p> <p>The risk of fraud by misrepresentation is considered to be minor. Submission of the bacs release form is the last action before the monthly payroll is paid. It's crucial that the authoriser can submit the form and the payroll provider receive and action it without unnecessary security. The risk of payroll once checked and agreed being delayed and staff paid late must be absolutely minimal.</p> <p>Richard Spraggett, Strategic Finance Manager</p>		<p>Will discuss with Zellis before 31 October 2021</p>

PAYROLL RECONCILIATION

13. BACS payment approvals

(Medium Risk)

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Findings</u> Per our review of SODC and VWHDC BACS Release Forms (payment authorisation sign-off) records for 2020/2021, the following findings are noted:</p> <ul style="list-style-type: none"> Date errors were recorded on 19 (30%) of the 62 Bacs release forms (eight SODC and 11 VWHDC) reviewed within the sample for April 2020 to February 2021. This was where the incorrect date was applied to the Bacs release form by Zellis, prior to being sent to the councils for review and authorisation; and BACS release forms for June and July 2020 for both SODC and VWHDC had not been retained on file. <p><u>Risk(s)</u> Inaccuracy in supporting records does not provide assurance that suitable</p>	<p>The interim strategic finance manager (or designate in absence) should be reminded to:</p> <ol style="list-style-type: none"> Ensure correct dates are entered onto the Bacs Release Form submitted by Zellis to ensure an accurate audit trail; and Sign and date (electronically) the Bacs Release Form following review and approval, and ensure a copy is retained on the accountancy shared drive (payroll files). 	<p>Interim Strategic Finance Manager</p>

checks have taken place and may cause issue in the event of a dispute.		Agenda Item 7
Management Response		Implementation Due Date
<p>Recommendation is Agreed</p> <p>The forms from Zellis were defaulting to today's date rather than the date of their submission. They have been told about this error. However the date serves no purpose in relation to the actual sending of the bacs payroll payment to employees which will be 3 days before the 21st regardless.</p> <p>The BACS release forms for June July were submitted by the previous temporary Strategic Finance manager who has since left. All forms since have been retained.</p> <p>Richard Spraggett Strategic Finance Manager</p>		Immediately

ESTABLISHMENT LISTINGS

14. HR managed records

(Low Risk)

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Findings</u> The HR payroll team have now developed their own Establishment Listings report, as a result of a significant labour-intensive piece of work. This is issued to service managers to review accuracy of their team's details on a bi-monthly (every-other-month) basis.</p> <p>Per discussion with the team, there are plans to explore the feasibility of integrating and updating the establishment listings within the payroll system (ResourceLink), making the lists more accessibility for service managers and to reduce the margin for error through the current manual process.</p> <p>Copies of monthly payroll reports are not currently distributed to heads of service/service managers to aid review and scrutiny of their service team payments.</p> <p><u>Risk(s)</u> If the establishment list does not reconcile with the payroll, there is a risk of ghost employees being set up and paid, resulting in a financial loss to the council.</p>	<p>a) Continue to explore developing system based automated Establishment List reports to aid service manager accessibility to review, manage and monitor their team structures against current posts and budget, and to reduce HR time spent administering these records.</p> <p>b) Consider distributing a suite of monthly payroll reports to HOS/service team managers to aid visibility in reviewing payments specific to their team and budget, preferably prior to authorising BACS payments.</p>	Strategic HR Manager
Management Response		Implementation Due Date
<p>Recommendation is Agreed</p> <p>Management response: N/A</p>		31 October 2021

