

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	12 February 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2023 – Timesheets & Allowances
REPORT NUMBER	IA/AC2023
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Timesheets & Allowances.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. BACKGROUND / MAIN ISSUES

- 3.1 Internal Audit has completed the attached report which relates to an audit of Timesheets & Allowances.

3.2 Management Comments

- 3.2.1 The Chief Officer – Customer Experience is in agreement with the recommendations of this report and has already taken action to resolve many of the matters raised. It is welcomed that the report acknowledges that when new organisation-wide systems are introduced that all staff involved will take time to adapt to new processes being implemented during this period of transition. The audit has been a supportive and useful process to raise awareness to the wider business of the importance of the issues raised in the report.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

7. OUTCOMES

7.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place, or Enabling Technology, or on the Design Principles of the Target Operating Model.

7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

9.1 Internal Audit report AC2023 – Timesheets & Allowances.

10. REPORT AUTHOR DETAILS

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Internal Audit Report

Timesheets and Allowances

Issued to:

Andy MacDonald, Director of Customer Services
Steven Whyte, Director of Resources
Jacqui McKenzie, Chief Officer – Customer
Isla Newcombe, Chief Officer – Organisational Development
Mark Reilly, Chief Officer – Operations and Protective Services
Jonathan Belford, Chief Officer – Finance
Fraser Bell, Chief Officer – Governance
Andrea Garden, Team Leader (HRSC & Payroll)
External Audit

EXECUTIVE SUMMARY

The objective of this audit was to review a sample of timesheets to ensure that they had been completed and paid correctly.

In most cases timesheets had been completed correctly. Where errors have been made in the completion of timesheets, these should be identified by the officer approving them for payment. Where they are not identified, it suggests that appropriate scrutiny is not being applied. The move to on-line timesheets should resolve any underlying issues and reduce the risk of further errors being made in this regard in the future. However, three of the more significant errors identified related to one establishment and Customer Experience has met with management at that location to provide guidance.

During the review, twelve errors were identified in the input of hours being claimed by employees to the new payroll system, compared with one during the previous review. In addition, a number of ledger coding errors were identified. Each of these is being addressed by Payroll. Input errors impact on individuals' pay, affect the allocation of costs in the financial ledger, and result in corrections having to be made which is inefficient. Customer Experience has noted that the payroll system is new to staff and there are new processes to follow and has agreed to provide additional or refresher training to those staff who are responsible for the input of timesheets.

In addition to the above, a number of issues were identified with the payment of additional holiday pay. These related to the categorisation of hours between Regular and Irregular on timesheets, an error being made in the parallel run of payrolls in April 2019 resulting in overpayment of holiday pay against an allowance which doesn't attract such payments, and the holiday pay element not being attached to some individual employees resulting in payments not being made. Customer Experience is working to address the issues identified.

The Council's Financial Regulations require that a list of officers appointed by Directors to authorise payroll information be prepared and maintained within each Function and that these be submitted to the Chief Officer – Customer Experience or their authorised officer. This is not currently being done and there were also issues with some timesheets being processed for payment that had not been signed as authorised. Customer Experience has agreed to address these issues.

1. INTRODUCTION

1.1 Council employees under Equal Pay & Modernisation terms and conditions are paid for any hours worked as part of their contracted hours at plain time (normal hourly rate). Contracted hours are paid automatically having been set up on the payroll system whilst additional hours and enhancements have to be claimed on a monthly timesheet, or by direct input to the YourHR System.

1.2 Work in excess of an employee's contracted hours is paid as follows:

- Where the employee is contracted to work less than 37 hours per week, additional hours up to 37 hours per week are paid at plain time. Any hours over 37 hours per week, unless part of an agreed rota where the average weekly hours are 37 hours or less, are defined as overtime.
- Where an employee is contracted to work over 37 hours per week (this can be up to 45 hours per week), all hours over the employee's contracted hours (except where this is part of an agreed rota where the average weekly hours covering the rota period are below the employee's contracted hours) are considered to be overtime.
- Overtime is paid at the rate of time and one half. However, for employees paid above Grade 12, overtime payments are restricted to the flat rate equivalent of the top point of Grade 13.

1.3 Where additional hours / overtime is considered to be "regular" the payment made attracts an additional holiday entitlement of 8.3%.

1.4 Certain hours that are not paid at the overtime rate attract a non-standard working week enhancement:

- Hours worked between 2000 and 0700, Monday to Friday attract an enhancement of one third.
- Hours worked on a Saturday and Sunday attract an enhancement of 40%.

This Allowance is either paid automatically based on rotas that were migrated from the old to new payroll systems or by timesheet.

1.5 Casual Workers are paid all of their hours at the basic hourly rate for the job undertaken. An additional 12.07% of the hourly rate for each hour worked up to 37 hours per week is paid in respect of the workers entitlement to annual leave. These workers are not employees of the Council and there is no 'mutuality of obligation' to offer or accept work.

1.6 Employees providing the Out of Hours Service in Social Work do not claim the enhancements for unsocial hours. They are, instead, paid a composite rate of 25% on all hours worked in lieu of the non-standard working time allowances. This was approved by the Corporate Policy and Performance Committee in December 2011.

1.7 Craft Workers have a separate set of Terms and Conditions, which are currently under review. These were not covered in this audit.

1.8 The objective of this audit was to review a sample of timesheets to ensure that they had been completed, authorised and paid correctly. This was undertaken in the form of a "desk top" exercise, reviewing a sample of timesheets that had been paid in June 2019 for reasonableness (without initial reference to supporting documentation held by Services) and, where appropriate, seeking further information from Services to support and justify the hours being claimed. Due to delays in Internal Audit being provided with access to the payroll system, resulting from delays in setting up a secure login for Audit

purposes on the new payroll system, a further small sample of payments made in the September 2019 payroll was also tested.

- 1.9 The factual accuracy of this report and action to be taken with the recommendations made have been agreed with Jacqui McKenzie, Chief Officer – Customer, Jonathan Belford, Chief Officer – Finance, Isla Newcombe, Chief Officer – Organisational Development, Mark Reilly, Chief Officer – Operations and Protective Services Operations, and Andrea Garden, Team Leader (Payroll & HRSC).

2. FINDINGS AND RECOMMENDATIONS

2.1 Review of Timesheets

2.1.1 To establish compliance with the Council's terms and conditions, timesheets relating to payments made to 150 employees in June 2019, were examined. A further sample of 20 timesheets paid in September 2019 and 20 payments from each of the spreadsheets that were uploaded to the payroll system in June 2019 in relation to Roads and Waste Services employees were also tested. Whilst most timesheets appeared to be completed appropriately some were queried with authorising officers and / or People and Organisation / Payroll for a number of reasons and the outcomes are detailed below.

2.2 Errors in Timesheet Completion

2.2.1 During the review, six errors were identified where the employee claiming the hours had completed the timesheet incorrectly, compared to seven in the previous audit of this area completed in August 2018. Details of these are shown in Appendix 1, which also shows the actions taken by Payroll to rectify the situation.

2.2.2 Where errors have been made in the completion of timesheets, these should be identified by the officer approving them for payment. Where they are not identified, it suggests that appropriate scrutiny is not being applied. The move to on-line timesheets should resolve any underlying issues and reduce the risk of further errors being made in this regard in the future. However, three of the more significant errors identified related to one establishment. There may be a training need that needs to be addressed.

Recommendation

Customer Experience should work with management at the identified establishment to ensure that timesheets are completed accurately.

Service Response / Action

Agreed. The Payroll Team has sent an email with the Local Pay and Conditions of Service to the relevant establishment explaining that an overpayment is currently occurring with the timesheets and has subsequently met with the line Manager to provide further training.

Implementation Date

Implemented

Responsible Officer

Team Leader (Payroll)

Grading

Significant within audited area.

2.3 Errors in Data Input

2.3.1 During the review, twelve errors were identified in the input of hours being claimed by employees to the new payroll system, compared with one during the previous review. Details of these are shown in Appendix 2, which also shows the actions taken by Payroll to rectify the situation. In addition, a number of ledger coding errors were identified – see Appendix 2 and paragraph 2.13.6, below.

2.3.2 Input errors impact on individuals' pay, affect the allocation of costs in the financial ledger, and result in corrections having to be made which is inefficient. Whilst the move to on-line timesheets should resolve any underlying issues and reduce the risk of input errors being made in the future, the Service should determine what can be done to improve data input accuracy in the meantime.

Recommendation

Customer Experience should determine what can be done to improve data input

accuracy.		
<u>Service Response / Action</u>		
Agreed. It should be noted that payroll system is new to staff and there are new processes to follow. However, additional or refresher training will be provided to those staff who are responsible for the input of timesheets.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
February 2020	Business Services Manager	Significant within audited area.

2.3.3 Some of the input errors resulted in significant (in terms of employee's normal pay) overpayments. None of the employees contacted Payroll to advise that they had been overpaid.

<u>Recommendation</u>		
The Chief Officer – Customer Experience should ensure that all employees are aware of their contractual responsibility to inform payroll of any overpayment of wages.		
<u>Service Response / Action</u>		
Agreed. The Chief Officer – Customer Experience has issued a communication to Chief Officers reminding all managers and employees about their responsibility to inform Payroll of any overpayment.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented.	Chief Officer – Customer Experience	Significant within audited area.

2.3.4 When additional hours are paid in April, the rate of pay for the previous year is correctly applied to those hours. However, where additional hours which were worked before April were paid in June 2019, they were paid at the current year's rate of pay. Although the actual amounts were not material, if an employee submitted timesheets for a lot of hours, the amount would be more material.

<u>Recommendation</u>		
Customer Experience should determine what can be done to ensure that hours claimed are paid at the correct rate.		
<u>Service Response / Action</u>		
Agreed. This will be covered in the training referred to at 2.3.2 to remind those inputting the data that they must change the date where the timesheet is for a previous month.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
February 2020	Business Services Manager	Important within audited area.

2.4 YourHR Timesheet Data Input

2.4.1 Data input to YourHR is downloaded into a spreadsheet which is then uploaded to CoreHR. The Service has confirmed that there is a reconciliation of the number of records transferred from YourHR to CoreHR and that CoreHR highlights any leavers. Specific testing on this will be undertaken by Internal Audit in an audit of the Payroll System.

2.5 Roads and Waste Services

2.5.1 Roads employees record all their hours on a Roads Service – Weekly Timesheet. The

job that they are working on is recorded along with the time spent, split between basic and overtime hours. The overtime hours are then transferred to a spreadsheet which is sent to Payroll, where the data is uploaded to the Payroll System. Testing undertaken during this audit confirmed that the data contained in the May 2019 spreadsheet was accurately recorded in the Payroll System for the June 2019 payroll, and that a sample of entries were supported by timesheets that had been signed by both the employee making the claim and by an officer approving it for payment.

2.5.2 Waste Services employees overtime is recorded on a daily timesheet per crew. This is only signed by one of the employees detailed on the timesheet (compared to other timesheets which cover only one employee and are signed by them) and then initialled as certified. The data is then entered into a spreadsheet which is forwarded to Payroll for upload into the Payroll System. Testing undertaken during this audit confirmed that the data contained in the May 2019 spreadsheet was accurately recorded in the Payroll System for the June 2019 payroll.

2.5.3 In compiling the spreadsheet, one timesheet entry for 0.50 hours was incorrectly input as 2.5 hours and one entry for 0.25 hours was paid to the wrong employee. The Service agreed to adjust these errors in their next submission to Payroll. Although the identified errors are small, the level of manual intervention gives rise to a risk of error which, as the spreadsheet submitted for payment is not authorised (see below), may not be identified. Customer Experience has advised that there are no current plans to move these employees onto the CoreHR online overtime functionality.

2.6 Authorisation

2.6.1 Timesheets are required to be signed by the employee making the claim, whereby they state that *“I confirm that the hours were worked by me and that prior approval by the appropriate officer was obtained. I confirm that the hours have been claimed at the correct rate.”* The timesheets then have to be authorised for payment by the appropriate manager who states that *“I confirm that the hours have been claimed at the correct rate and are due for payment.”* There is a slight variation in the wording on the Casual Workers Monthly Timesheet. However, there are no such declarations on Roads or Waste Services timesheets, the latter of which can cover several employees with only one signing the form.

2.6.2 The Council’s Financial Regulations state that time records shall be in a form prescribed or approved by the Chief Officer – Customer Experience and / or the Chief Officer – Finance. The current timesheets have been in use for a number of years but it is unclear whether they have been approved as required by Financial Regulations

<u>Recommendation</u>		
Timesheets currently in use should be formally approved for use by the Chief Officer – Customer Experience and / or the Chief Officer – Finance.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
February 2020	Business Services Manager	Significant within audited area.

- 2.6.3 Financial Regulations require that all requests and / or information relating to pay information, whether in paper or electronic format, be authorised by an authorised signatory, and state that no pay related documentation shall be processed unless authorised by an authorised signatory.
- 2.6.4 Approximately 1,200 physical timesheets were processed into the June 2019 payroll. These were examined and the following was identified:
- 19 timesheets had not been signed by the employee making the claim. 11 of these had been signed on behalf of the employee, signified by the letters “pp” being inserted before the signature.
 - 25 timesheets had not initially been signed as approved for payment. 13 of these were returned by to the employing service area and were subsequently signed as approved before payment. 5 had been signed on behalf of an authorising manager, signified by the letters “pp” being inserted before the signature. 7 had been processed and paid with no authorising signature.
- 2.6.5 Whilst, in percentage terms, the numbers are low, it is important that officers making claims sign the timesheet so that they are accountable for what they have claimed and that they are authorised for payment by an authorised signatory in accordance with the requirements of the Council’s Financial Regulations.
- 2.6.6 As stated above, timesheets relating to Roads and Waste Services employees are collated on a spreadsheet by the employing service area and these are forwarded to Payroll to be uploaded into the Payroll System. The spreadsheets are not signed by, or forwarded to payroll from the email account of, an authorised signatory. Therefore, Payroll has insufficient assurance that the details included in the spreadsheet are approved for payment.
- 2.6.7 Five Roads and five Waste Services employees were selected from the processed spreadsheets. All of the Roads timesheets had been signed as approved. There were 48 timesheets covering the overtime worked by the five sampled Waste Services employees (along with others detailed on the sheets). Eleven of these were not signed as certified by an authorised signatory meaning that 141.75 hours of overtime (approximately £2,500) were paid without the required authorisation, in contravention of the Council’s Financial Regulations.

Recommendation

- (a) Only timesheets that have been signed by both the claimant and an authorised signatory should be processed for payment.
- (b) Adequate evidence of approval for payment made by way of spreadsheet uploaded to the payroll system should be retained by Payroll.

Service Response / Action

- (a) Agreed. This will be covered in the training mentioned at 2.3.2, above.
- (b) Agreed. The Services sending spreadsheets will be contacted to advise them that adequate approval for the spreadsheet is required as part of the submission.

Implementation Date

February 2020

Responsible Officer

Business Services
Manager

Grading

Significant within audited
area.

- 2.6.8 The Council's Financial Regulations require that a list of officers appointed by Directors to authorise payroll information be prepared and maintained within each Function and that these be submitted to the Chief Officer – Customer Experience or their authorised officer. Internal Audit requested that the current authorised signatory lists held by Customer Experience be forwarded so that those signing timesheets could be confirmed as having the necessary delegated authority.
- 2.6.9 Two lists were returned: one for Children's Services dated June 2018 and an undated one relating to Communities, Housing and Infrastructure which contained names of officers who no longer work for the Council.
- 2.6.10 Based on the above, the requirements of Financial Regulations in respect of maintaining lists of authorised signatories are not being complied with.

<u>Recommendation</u>		
The Chief Officer – Customer Experience should ensure that up-to-date lists of authorised signatories are provided by each Function.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2020	Chief Officer – Customer Experience	Major at a Service Level.

2.7 Overtime Paid to Employees Paid Above Grade 12

- 2.7.1 As stated in paragraph 1.2, above, overtime payments for employees paid above Grade 12 are restricted to the flat rate equivalent of the top point of Grade 13. The previous payroll system dealt with these payments automatically. However, CoreHR does not do so. In view of this, Payroll has to run a specific query to identify all staff in this category who have claimed overtime and manually adjust the payroll. Having to do this is inefficient and increases the likelihood of errors.
- 2.7.2 Customer Experience has advised that they will investigate the possibility of configuring this process along with the overtime project, although there is currently no planned timeline for this.

2.8 Additional Holiday Pay

- 2.8.1 Where employees work additional hours / overtime / public holidays, and it can be demonstrated that their working arrangements in respect of such hours is undertaken on a regular basis, and therefore constitutes part of their normal pay, they are entitled to Additional Holiday Pay at a rate of 8.3%. Where such hours are not regular, additional holiday pay is not payable. Hours are claimed on timesheets as either "Regular" or "Irregular" to determine whether additional holiday pay is paid. Additional Holiday Pay is also payable on all stand-by payments, Mental Health Worker Allowance, and Registrars' Allowance as there is regularity to such payments. Casual workers receive 12.07% Additional holiday Pay on all hours worked up to 37 hours in a week.
- 2.8.2 In this respect, HR has previously issued the following Additional Holiday Pay guidance to Services:

“The decision on whether the earnings form part of normal pay will be made by the managers concerned based on their knowledge and experience of the work. If the employee could reasonably expect those earnings on a regular or recurring basis then that would form part of normal pay. If they could have expected to earn that money had they been at work rather than on holiday then the hours are normal. Ad-hoc or one off occurrences would not be considered to be normal.”

- 2.8.3 Testing undertaken in previous audits identified that, whilst the majority of claims were being made correctly, there were occasions when staff were incorrectly claiming infrequent additional hours / overtime as Regular Hours and being paid Additional Holiday Pay. Conversely, some staff were failing to claim their additional hours / overtime against Regular Hours and were not being paid Additional Holiday Pay which they were entitled to. As a result, the above guidance was re-issued in order to make improvements with compliance. In addition, where additional hours / overtime is submitted to Payroll via YourHR, there is a “button” which provides a definition of “regular” which has to be chosen for Additional Holiday Pay to be made.
- 2.8.4 In response to a similar issue in Internal Audit report AC1909, issued in August 2018, the Service advised that implementation of the new CoreHR System was currently going through the testing phase and its capabilities regarding managing this aspect of payroll had yet to be explored. During this audit, the Service confirmed that, due to other priorities on the CoreHR project, the managing of this aspect of payroll has not yet been explored.
- 2.8.5 The results of testing in this audit have again identified similar issues to the above and it was also noted that all hours submitted by spreadsheet from Roads and Waste Services were set to be “Irregular” meaning that no Additional Holiday Pay is being made to these staff, despite many having regular claims for additional (overtime) hours.

Recommendation

- (a) Customer Experience should determine what can be done to improve accuracy in categorisation of additional hours claimed.
- (b) Roads and Waste Services should review their timesheet submissions to ensure that categorisation of hours is correct.

Service Response / Action

- (a) Agreed. As this is determined on a case-by-case basis, an email will be sent to all managers to remind them of the definition of Regular and Irregular in this regard.
- (b) Agreed. Operations and Protective Services will review timesheet submissions in conjunction with People and Organisation to ensure that they are appropriate and comply with Terms and Conditions.

Implementation Date

(a) February 2020

Responsible Officer

(a) Team Leader
(Payroll)

Grading

Significant within audited area.

(b) March 2020

(b) Chief Officer –
Operations and
Protective Services

- 2.8.6 One employee's pay for June 2019 included additional holiday pay of £2.69 against one of her posts where no additional hours were paid. This was queried with Payroll and the Service stated that they didn't know why this had been paid.
- 2.8.7 During testing it was identified that additional holiday pay had been calculated and paid on Non-Standard Working Week Allowance payments in the April 2019 payroll. Additional holiday pay was not paid on this allowance in previous or subsequent months.

<u>Recommendation</u>		
(a) Customer Experience should confirm why additional holiday pay was paid in these instances and identify whether other employees have been affected.		
(b) Where it is confirmed that additional holiday pay has been paid in error, this should be quantified and recovered.		
<u>Service Response / Action</u>		
(a) Agreed. A report will be created to find out if this issue has affected any other employees. During the parallel run in April 2019, an error was made in the configuration of the legacy system which resulted in the overpayment.		
(b) Agreed. The Payroll Team will review any payment adjustments required.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2020	Team Leader (Payroll)	Significant within audited area.

- 2.8.8 Three employees were identified in the sample tested where additional holiday pay was not paid in June 2019 for 4 additional regular hours, 14.90 and 30 relief hours respectively. The Service has confirmed that, in each case, the additional holiday pay or relief holiday pay element was not attached to the employee to trigger payment.

<u>Recommendation</u>		
Customer Experience should identify all affected employees and ensure that payments are made as appropriate.		
<u>Service Response / Action</u>		
Agreed. The Service will create a report to highlight any other non-payment of either of the elements listed above.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
April 2020	Team Leader (Payroll)	Significant within audited area.

2.9 Superannuation

- 2.9.1 Guidance on the North East of Scotland Pension Fund website regarding Pensionable Pay states that pensionable pay is an employees' normal pay and includes normal salary plus allowances, bonuses, and contractual overtime (but not other overtime).
- 2.9.2 In view of the above, Registrars Allowance was set up in the previous payroll system as pensionable pay as it is deemed to form part of normal pay for those in receipt. In the new payroll system, this is being treated as non-pensionable. The Service has confirmed that this was set up incorrectly in the new system and was not identified as part of testing undertaken. Customer Experience has confirmed that this element has now been amended and that affected employees have been contacted.

Recommendation

Customer Experience should ensure that all pay elements have been set up in the new payroll system correctly and that the treatment of each has been agreed with the North East of Scotland Pension Fund.

Service Response / Action

Agreed. All pay elements have been rechecked to ensure the appropriate application of pension payments. This was checked with the legacy system which had previously been checked with the NESPF.

Implementation Date

Implemented

Responsible Officer

Team Leader (Payroll)

Grading

Significant within audited area.

2.10 Working Time

- 2.10.1 The European Working Time Directive requires that employees receive certain rest breaks in and between their working hours. In general, although there are exceptions, if an employee works for continuous periods in excess of six hours, they should take a break of at least 20 minutes. Guidance relating to the Council's Working Time Policy states that a 30-minute break should be taken after 6 hours of work. The guidance goes on to state that whether such breaks are paid will depend on the terms of the employment contract. The timesheets for Casual Workers state that the minimum unpaid break if working more than six hours is 20 minutes.
- 2.10.2 During the 2015/16 and 2016/17 audits of Timesheets and Allowances, 18.5% and 7% of timesheets examined showed continuous periods in excess of six hours being recorded with no unpaid in-work rest break having been evidenced between the starting and finishing times recorded. This covered a range of staff in different Services. During the 2018/19 audit, following work having been undertaken by People and Organisation with Services, only timesheets relating to Children's Homes and the Aberdeen City Music School Halls of Residence showed continuous periods in excess of six hours being paid in full. People and Organisation advised that there may also be staff in the Criminal Justice Unpaid Work Service who are unable to take an unpaid in-work rest break.
- 2.10.3 When the 2018/19 audit was being completed in August 2018, People and Organisation were finalising arrangements in relation to these groups of staff which were to be included in revised Collective Agreements following implementation of the Target Operating Model. This work has not been concluded and a recommendation is made here to track progress.

Recommendation

People and Organisation should formalise arrangements regarding Working Time compliance in a collective agreement covering the affected employee groups.

Service Response / Action

Agreed. Arrangements will be made for a collective agreement to be compiled detailing the modifications and exclusions to the Working Time Regulations applying to specific groups of staff.

Implementation Date

September 2020

Responsible Officer

Policy and Advice Officer

Grading

Significant within audited area.

- 2.10.4 Regular monitoring of working hours in relation to the maximum of 48 hours per week over the appropriate reference period was agreed as part of Internal Audit report AC1705 (Roads Payroll). People and Organisation confirmed, as part of Internal Audit report AC1909, that this has been made the responsibility of managers who should be keeping

records of hours worked. As the Payroll System holds details of hours worked, it was recommended that the new Payroll system monitor working hours to ensure compliance with the 48-hour rule across the Council as it was considered that the control would be more robust and efficient if it could be digitised and would ensure a more consistent approach across the Council. The Service has confirmed that regular reports are now being produced and issued to Cluster contacts.

2.11 Non-Standard Working Week Allowance

- 2.11.1 Where staff work Non-Standard Working Week (NSWW) hours, ie between 2000 and 0700 on a weekday, or any hours at a weekend, they are entitled to payment of an enhanced rate. The additional payment made is 33% for the weekday hours and 40% for weekend hours. Where staff work such hours as part of a rota, they can be paid the additional allowances as a fixed element of pay so that they don't have to claim the enhancements on a timesheet. Whilst this is efficient in terms of processing, it does rely on People and Organisation and Payroll being advised of any changes to rotas so that adjustments can be made to fixed pay.
- 2.11.2 When this area was audited in 2016/17, there were 604 employees in receipt of a fixed NSWW Allowance each month, giving rise to payments of approximately £1 million per annum. Testing on a sample of 194 employees identified that 32% were being paid incorrectly. When tested again in the 2018/19 audit, significant improvements were noted but there were still errors and quarterly verification of the pre-set allowances had not been implemented as agreed. Due to the imminent change in payroll system, it was agreed that, as the replacement payroll system had rota management functionality, the Service would explore the full capabilities of monitoring this by December 2019, with verification of rotas being implemented from February 2020. In the meantime, there is a risk that rotas set up in the payroll system will not accurately reflect the working patterns of employees receiving the allowances.
- 2.11.3 During this audit it has been confirmed by Payroll that the rotas contained in the old system were migrated to the new one, meaning that any changes that had not been notified to Payroll would not be reflected in payments being made. Customer Experience has advised that they are currently exploring all options to allow managers to review employee rotas. Progress with this is being monitored by Internal Audit.

2.12 Standby and Disturbance Payments

- 2.12.1 Three employees contained in the sample of timesheets tested had been paid Standby Payments and one received Disturbance Payments. The documentation supporting these was obtained and the rates being paid were compared to COSLA Circular SJC-58 ("Salaries Agreement 1 April 2018 to 31 March 2021") and the Council's Local Terms and Conditions for Local Government Employees (August 2017) as updated for subsequent pay awards. The following issues were identified.
- 2.12.2 Where an employee is on standby for a complete week which includes a public holiday, an additional payment of £17.07 is payable in respect of the public holiday. One employee tested claimed separately for a public holiday that was included in a week on which he was on standby, and was paid an additional £52.57 (the rate for a public holiday not included in a complete week of standby is £26.28). As a result, the employee overclaimed and was overpaid £35.50 when compared to the COSLA rates. However, Payroll has confirmed that the rates paid are in accordance with the local agreement in place regarding public holiday payments and that they have discussed this with People and Organisation. In order to clarify what payments would be due, People and Organisation has agreed to update the Local Terms and Conditions, and Payroll is considering adding a new pay element to the system.

- 2.12.3 The same employee claimed for 3 disturbances whilst on standby. The rate payable for such instances in Circular SJC-58 is £14.52 per session. The payment made was £13.03 per session. Payroll has confirmed that the rate paid is the COSLA rate as at April 2013 which has not been updated by Payroll in line with subsequent pay awards. The rate has now been updated in the system and a report requested to determine amounts underpaid as a result.
- 2.12.4 One employee received payment for 6 Public Holiday Standby periods in the July 2019 payroll (regularly claims Sat / Sun Standby at £19.28 (x 6 = £115.68), paid £315.42). Payroll has confirmed that the claim related to Sat / Sun Standby and was processed in error as Public Holiday Standby. An overpayment letter is being sent to the employee to arrange recovery of the amount overpaid.

2.13 Other Payments

- 2.13.1 There are a range of pay elements through which employees can be paid. A majority of these relate to additional / overtime hours and enhancements on these. A sample of three payments made against each of the following sample of pay elements was tested to determine if the payments were appropriate and had been authorised:
- 2.13.2 Ex Gratia Payments. One payment related to a salary adjustment for higher grade duties that had not been processed timeously and the remaining two related to too many days being worked in the school year over a number of years. As these later two had a regularity to them, Additional Holiday Pay would have been payable in line with Regular Additional Hours being claimed.
- 2.13.3 Misc. Payment 2 (not pensionable). Payments being made to two employees relate to regular additional hours being worked as a result of Pupil Equity Fund activities. As the hours are regular, Additional Holiday Pay would have been payable in line with Regular Additional Hours being claimed.
- 2.13.4 The payment made to one employee was paid on the basis of an email. This stated that a number of employees were currently working for Finance on a casual basis to cover capacity issues arising in processing teams. Casual Worker timesheets are being completed by the employees and the number of hours transferred to a spreadsheet by Finance which calculates the amount to be paid based on various scale points on the grade for the work. Between April and September 2019, payments totalling £21,115 have been made but, because of the way they are being paid, Additional Holiday Pay of approximately £2,550, has not been paid.
- 2.13.5 It would be more efficient if the above employees were set up in the payroll system with casual worker posts relating to this work. The employees are also being paid at various points on Grade 9 as agreed between Finance and People and Organisation – casual workers are paid at the first point on a grade for the job.
- 2.13.6 The spreadsheet contains details of the ledger cost centre to be debited for this work. In the period from April to September, there were 57 payments made to 12 employees. 22 of these payments had been coded to the incorrect cost centre.

Recommendation

The Service should correct the mis-codings that have been made.

Service Response / Action

Agreed. These will be rectified through a journal posting to the E-Financial System.

Implementation Date

Implemented

Responsible Officer

Senior Development
Officer

Grading

Important within audited
area.

- 2.13.7 Misc. Payment 3 (pensionable). Payments being made for additional hours being worked by non-teaching staff as a result of Pupil Equity Fund activities. In two cases the hours are regular, so Additional Holiday Pay would have been payable in line with Regular Additional Hours being claimed.

Recommendation

(a) Customer Experience should ensure that, in the situations detailed above (paragraphs 2.13.2 to 2.13.7), employees are paid in accordance with the Council's Terms and Conditions.

(b) Customer Experience should ensure that the employees are paid any additional holiday pay to which they are entitled.

Service Response / Action

Agreed. Meetings will be arranged with the appropriate Managers to discuss the above issues and to determine the most appropriate way forward. Progress is being made with this and the issue at paragraph 2.13.4 has been resolved.

Implementation Date

June 2020

Responsible Officer

Team Leader (Payroll)

Grading

Significant within audited
area.

- 2.13.8 Payments made through Misc. Payments 3 are treated as pensionable whilst those made through Misc. Payments 2 are not. Payroll has advised that allocation of payments between these elements is based on the information provided on the payment request. Guidance on allocation is provided by the Senior Payroll Officer or Team Leader (Payroll).
- 2.13.9 Pay Protection. The three payments related to preservation of salary following redeployments that were effective in April and May 2019. The payments being made complied with Council Policy relating to Pay Transition Arrangements.
- 2.13.10 Pay Transition. The three payments were made following job matching exercises or successful redeployment trials in July and October 2018. Where an employee is matched to a post which has a lower salary than the one they were originally on, the Council's Pay Transition Arrangements effectively cap the employee's basic pay at their original pay, on a cash conservation basis, for the first six months and then at 50% of the difference between their original and new basic pay for the following six months. National pay awards will reduce the value of the transition payment which will cease if the new basic pay is increased above the original basic pay by a pay award. The payments made complied with Council Policy relating to Pay Transition Arrangements.
- 2.13.11 Offset. In the August 2019 payroll there were adjusting entries relating to 22.5 hours originally paid at £19.71 for one employee which should have been paid at £11.80. This resulted in a net pay of minus £172.12. To compensate for this, an "Adjustment Offset" of £172.12 is applied to the pay resulting in a net nil pay. The employee's next pay didn't have this amount deducted, but it was recovered from the subsequent payroll. An "Offset Adjustment" of £761.42 was paid in September 2019 for one employee. Payroll has

advised that an overpayment letter was sent to the employee on 4 September 2019 but no response has been received. An invoice will now be raised for this amount.

AUDITORS: D Hughes
G Flood

Appendix 1 – Errors in Timesheet Completion

- An employee totalled their timesheet as 21 hours but the detail only supported 20 hours. It was confirmed by the officer authorising the timesheet that an error had been made and the employee had overclaimed and been overpaid 1 hour in the June 2019 payroll. Payroll has confirmed that the employee has been advised and the overpayment will be recovered in January 2020.
- One employee completed their timesheet as follows:

TYPE OF OVERTIME CLAIMED	HOURS TO BE PAID AT TIME AND A HALF (17)	HOURS WORKED ON A PUBLIC HOLIDAY (Part of normal day)		HOURS WORKED ON A PUBLIC HOLIDAY OUTWITH NORMAL WORKING DAY (No time in LIEU) (24)	HOURS (Sat/Sun) TO BE PAID AT 40% (AD40)	HOURS (before 7am) TO BE PAID AT A THIRD (AD33)	ADDITIONAL HOURS TO BE PAID AT PLAIN TIME (65)	P/T EMPLOYEES Number of hours normally worked per week (*)
		PAID IN PLAIN TIME (Plus time in LIEU) (13)	PAID AT DOUBLE TIME (No time in LIEU) (14)					
Regular Hours* (RH)							18	
Irregular Non Sick Absence Hours (NI)								
Irregular Sick Absence Hours (SI)							✓(4)	

The 18 hours, which should have been in the right hand column as they relate to the employee's contractual hours, were input to the payroll system and paid in June 2019 instead of the 4 hours. Therefore, an overpayment of 14 hours plus additional holiday pay on 18 hours has been made. Payroll has confirmed that the employee has been advised and the overpayment will be recovered in January 2020.

- One employee submitted a timesheet for payment in the September 2019 payroll where 2 hours overtime were also included in the totals for hours to be paid at plain time and those attracting the weekend enhancement of 40%. The 2 hours have therefore been overpaid at a rate of 1.4. Payroll has confirmed that the employee has been advised and the overpayment will be recovered in January 2020. In addition, an email has been sent to the employee's line manager highlighting the relevant pay and conditions and offering a meeting.
- This same employee submitted a timesheet for payment in the August 2019 payroll where 6 hours overtime were also included in the totals for hours to be paid at plain time. 4 of the hours were also included in the total of those hours attracting the weekend enhancement of 40%. 4 hours have therefore been overpaid at a rate of 1.4, and a further 2 hours at plain time. Payroll has confirmed that the employee has been advised and the overpayment will be recovered in January 2020. In addition, an email has been sent to the employee's line manager highlighting the relevant pay and conditions and offering a meeting.
- A further employee at the same location submitted a timesheet for payment in the August 2019 payroll where 9 hours overtime were also included in the totals for hours to be paid at plain time. 7.5 of the hours were also included in the total of those hours attracting the weekend enhancement of 40%. 7.5 hours have therefore been overpaid at a rate of 1.4, and a further 1.5 hours at plain time. Payroll has confirmed that the employee has been advised and the overpayment will be recovered in January 2020. In addition, an email has been sent to the employee's line manager highlighting the relevant pay and conditions and offering a meeting.
- One employee submitted a timesheet for May 2019 which was paid in June 2019. The timesheet was incorrectly totalled by half an hour (12.5 hours rather than 12) resulting in a small overpayment. A further 3 hours was also paid for which no timesheet could be located by Internal Audit. Payroll has confirmed that the employee has been advised and the overpayment will be recovered in January 2020.

Appendix 2 – Errors in Data Input

- One employee submitted two timesheets – one for 7.5 additional hours as a PSA and one for 15.75 relief hours as an Escort. Both have been input to the June 2019 payroll against the Escort post which is paid at a lower rate than the PSA post. The Service has confirmed that this was a keying error. Payroll has confirmed that the employee has been advised and the underpayment will be paid in January 2020.
- One employee as paid 164.75 additional regular hours in June 2019. This was made up of three entries: 74.5 + 45 + 45. Internal Audit located two timesheets each for 45 hours (which appear to be copies of each other) but couldn't locate the one for 74.5 hours. The Service has confirmed that the employee has been overpaid by 45 hours and has subsequently obtained a copy of the timesheets totalling 74.5 hours from the employing establishment. Appropriate adjustments will be made.
- An employee was paid for two timesheets in June 2019, one of which was for 3.5 relief hours working as an Escort. This was paid through her PSA contract as she only appears to have one contract set up. The rate of pay for a PSA is higher than for an Escort. The Service has confirmed that the employee should have been set up in a separate post. Payroll has confirmed that an appropriate relief post has now been set up and correcting adjustments will be made through the payroll in January 2020.
- The timesheet for one employee had entries of 9.5 and 1 additional hours. Only the 9.5 hours was input to the payroll system resulting in an underpayment of 1 hour in June 2019. Payroll has confirmed that the underpayment will be corrected in January 2020.
- One employee was paid 121.50 additional regular hours in June 2019. This was made up of two entries: 81.25 + 40.25. Internal Audit located one timesheet for 81.25 hours but couldn't locate the one for 40.25 hours. The Service has stated that the timesheet has been scanned badly and that documentation supporting the payment of 40.25 hours has subsequently been obtained from the employing establishment.
- One employee submitted three timesheets as a relief Early Years Practitioner. One of these, for 46.25 hours, was input to the June 2019 payroll against her post as a Pupil Support Assistant, meaning she was paid for these hours at £10.49 per hour rather than £13.27. The Service has confirmed that an error has been made. Payroll has confirmed that the claim will be reversed and processed at correct Appointment ID in January 2020.
- An employee was for paid 60 relief hours in June 2019 based on two timesheets each for 30 hours being input to the system. These timesheets appear to be duplicates and, if so, she will have been overpaid for 30 hours. The Service has confirmed that the employee was overpaid by 30 hours and that this was recovered in the August 2019 payroll.
- One employee submitted four timesheets for relief work as a Casual Support Worker. She also has a contract as a Relief PSA which is paid at a higher rate. One of the timesheets, for 5.5 hours, was input to the June 2019 payroll against the PSA post. The Service has confirmed that this was a keying error. Payroll has confirmed that the claim will be reversed and processed at correct Appointment ID in January 2020.
- One employee's timesheet for 28.5 hours was input to the September 2019 payroll as 25.5 hours, resulting in an underpayment of 3.0 hours. The Service has confirmed that this was a keying error. Payroll has confirmed that this will be rectified in January 2020.
- One employee's timesheet for 8 hours overtime was input to the September 2019 payroll as 18 hours overtime resulting in an overpayment of 10 hours overpayment. The Service has confirmed that this was a keying error. Payroll has confirmed that the employee has been contacted and agreement reached to recover the overpayment over two months. In the same month's pay, a recovery of an overpayment that was made in the August payroll was being recovered (7.4 hours overtime had been input as 74.0 hours overtime resulting in an overpayment of 66.6 hours overtime).

- One employee submitted a timesheet containing a number of entries which included 36.5 additional irregular hours to be paid at plain time, with 14 of these hours to also receive the weekend enhancement of 40%. This was input to the September payroll as 36.5 hours being paid at the 40% enhancement only. Corrections were input to the payroll system to amend this in the October 2019 pay.
- This same employee submitted a timesheet for payment in the August 2019 payroll which included 6 hours overtime. These 6 hours were not input to the payroll system. There were errors in the completion of this timesheet which are detailed in Appendix 1, above.
- Coding errors were made in respect of two employees. This was confirmed by Payroll as a mis-keying. Payroll has confirmed that correcting entries will be made as detailed in paragraph 2.13.6 in the main body of this report.

Appendix 2 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
Significant within audited area	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.