

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	29 September 2021
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2114 – Timesheets and Allowances
REPORT NUMBER	IA/AC2114
DIRECTOR	N/A
REPORT AUTHOR	Colin Harvey
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 and 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 and Allowances.

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 Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.
- 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
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

9. APPENDICES

- 9.1 Internal Audit report AC2114 – Timesheets and Allowances.

10. REPORT AUTHOR DETAILS

Colin Harvey, Chief Internal Auditor (Interim)
Colin.Harvey@aberdeenshire.gov.uk
(01467) 530701



Internal Audit Report

Timesheets and Allowances

Issued to:

Andy MacDonald, Director of Customer Services

Steven Whyte, Director of Resources

Jacqui McKenzie, Chief Officer – Customer Experience

Isla Newcombe, Chief Officer – People & Organisational Development

Jonathan Belford, Chief Officer – Finance

Fraser Bell, Chief Officer – Governance

Neil Yacamini, HR and Payroll Service Centre Manager

External Audit

EXECUTIVE SUMMARY

Background

The Council employs over 6,600 full time equivalent salaried staff. Additional hours, enhanced pay for working non-standard working hours, and allowances, may be claimed via timesheet. During 2020/21 £223.6 million was paid in gross salary and wages payments, including £6.6 million on the basis of 22,753 timesheets processed.

Objective

The objective of this audit was to provide assurance that payments for timesheets and allowances paid to Council staff including Craft Workers, but excluding Teachers, are accurate and justified, and that improvements recommended in previous reviews have been fully implemented.

Assurance

In respect of a sample of timesheets and allowances, all timesheets and allowances had been processed accurately in line with the information contained within them.

However, in breach of the Council's Financial Regulations, 40% of 20 manual timesheets reviewed had been approved by a manager not included on the Council's list of authorised signatories. 15% contained errors resulting in incorrect payments; and management approved variations in practice are not being recorded centrally to ensure consistency in their application.

Findings and Recommendations

Following the last audit of this area in 2020 training was rolled out and a list of authorised signatories implemented, to address instances of claims for payment being processed without appropriate authorisation. As this continues to be the case for a substantial proportion of the sample reviewed, a recommendation graded as Significant within audited area has been made to implement additional controls to ensure only approved payments are processed.

Authorised signatories are not only approving payment, they are declaring that they have reviewed and are satisfied that the hours, figures and calculations presented on timesheets are accurate. Cases were identified where these were incorrect and this had not been identified, indicating insufficient checks are being carried out prior to approval and processing. Whilst in the cases identified in the sample only small underpayments had arisen, if timesheets are not being fully checked there is a risk of more substantial errors arising and not being detected and corrected. This was not the case for online timesheets, for which the system limits the opportunity for errors in calculation.

Whilst the majority of staff follow the Council's corporate guidelines on claiming allowances, variations in practice apply in specific situations, which have been agreed locally between management and staff in particular services. These are not currently set out alongside the standard practice on the Council's People Anytime portal. Recommendations graded as Significant within audited area have been made to ensure the basis for all variations is recorded centrally, and to revise forms to ensure consistency. Without clear and accessible information to support the basis for payments and variations in agreed practice, there is a risk of errors being made, or unapproved practice applied, and that this will not be identified by staff or management.

Management Response

The HR & Payroll Service Centre will remind all Services of the requirement to ensure their authorised signatory lists up to date and reviewed on a regular basis and to ensure only those listed approve and submit timesheets for payment. Application of the Council's requirements rests with line management within the individual functions. The

Business Services Team will carry out periodic reviews of timesheet submissions to identify and help Services address potential authorisation control issues.

Work is continuing to set up and implement a new system and supporting workflow to manage claims and approval for additional hours and overtime. The requirements and process for checking timesheets prior to authorisation will be reiterated to Services.

Work is ongoing to develop and document future working styles, and as part of this it will be recorded where agreed variations apply to particular profiles.

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 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 or claimed 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.

1.8 The objective of this audit was to provide assurance that payments for timesheets and allowances paid to Council staff including Craft Workers, but excluding Teachers, are accurate and justified, and that improvements recommended in previous reviews have been fully implemented.

1.9 In order to do so, a sample of manual and online timesheets that had been paid to thirty different employees in January 2021 was selected and reviewed to ensure that they had been completed, authorised and paid correctly. Where necessary, further information was

sought from Services to support and justify the hours being claimed.

- 1.10 The factual accuracy of this report and action to be taken with the recommendations made have been agreed with Jacqui McKenzie, Chief Officer – Customer Experience, Jonathan Belford, Chief Officer – Finance, Isla Newcombe, Chief Officer – People & Organisational Development, and Neil Yacamini, HR and Payroll Service Centre Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Procedures and Policy

2.1.1 Procedures, terms and conditions have not changed substantially since they were reviewed in the previous year's audit. However, due to Covid 19 restrictions, and to improve efficiency, Services are now scanning timesheets and sending them to the Business Services Team, with email authorisation. The Team has asked authorisers to ensure each claim form attached to the email covers an individual employee, as receiving one file (e.g. PDF) with multiple claims within it was making processing inefficient.

2.1.2 Additional holiday pay is being paid in line with the process and amounts noted in 1.3 and 1.5 above.

2.1.3 There are a number of areas in which practice may vary depending on the needs of the employing Service:

Public Holidays

2.1.4 According to information on 'People Anytime' (the Council's employee HR information portal) Public Holiday dates are fixed each year for all staff. However, due to these falling on weekends in December 2020 and January 2021 the Chief Officer - People and Organisational Development sent out an email in November 2020 asking Chief Officers to designate specific alternate days for public holidays for staff working on a shift rota basis only, on an employee group basis (rather than individuals) and ensure this was documented and discussed with trade unions. There was no requirement to share this with People and Organisational Development, or the HR & Payroll Service Centre.

2.1.5 There was no central record of the selected and agreed dates, and payroll processed payments for staff working on public holidays on the basis that the timesheets had been approved by line managers. Internal Audit requested Chief Officers to provide copies of the documented agreements to facilitate checks that public holidays had been paid as agreed. None were available, however informal arrangements had been made to adjust the dates for children's homes, social care and environmental services, and where agreed by management were being consistently applied.

2.1.6 Whilst for a sample of claims reviewed locally agreed dates had been consistently applied, in the absence of documented records of the agreed dates for public holidays, there is a risk of error in respect of applying and granting the correct public holiday entitlement.

Vehicle Checks

2.1.7 The Council's Craft Workers agreement sets out that 15 minutes per day will be allowed to operatives for undertaking vehicle checks. It also sets out that the rate of pay is all inclusive for the job, and the Council will not make additional payments except as set out in the agreement. Whilst practice varies, it was identified that many staff are claiming an additional 15 minutes of additional time at plain time every day to carry out vehicle checks. As they are not being paid overtime rates, this is effectively an increase in contracted hours, without a change in contract.

Tool Allowance

2.1.8 Craft Workers are paid a tool allowance. From review of payroll data there are 3 rates: 5.63; 9.45; and 10.88 per month. Documentation in respect of craft worker tool allowances is not clear: the source and level is not declared / easily accessible on People Anytime alongside other pay information, to aid employees in understanding what they should be

paid. The rates no longer match national rates (last agreed in 2005), and it was not possible to determine how and when agreement to vary them had been reached.

- 2.1.9 In the absence of clear and accessible information to support the basis for payments and variations in agreed practice and the specific circumstances in which they should apply, there is a risk of errors being made, or unapproved practice applied, and that this will not be identified by staff or management.

<u>Recommendation</u>		
There should be a central record of all dates, allowances and variations therefrom, to which staff and management can refer when requesting and authorising timesheets and allowances. These should be supported with documentary evidence showing how they have been arrived at.		
<u>Service Response / Action</u>		
Agreed. Work is ongoing to develop and document future working styles, and as part of this it will be recorded where agreed variations apply to particular profiles.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
December 2021	Employee Relations & Wellbeing Manager	Significant within audited area

- 2.1.10 There are two timesheets in operation - one for casual (no fixed hours) staff, and another for those with regular contractual hours. The former indicates that a 20 minute break should be deducted where over 6 hours has been worked, to comply with the Working Time Regulations rules, whilst the latter indicates a 30 minute break should be deducted. Whilst the former is correct in terms of the legal requirements, the Council applies the latter requirement, and in the sample reviewed casual staff were normally deducting 30 minutes. As these are minimum requirements, People and Organisational Development has confirmed that application of 30 minute deductions is appropriate where this aligns with Service requirements. Following the previous audit a Working Time collective agreement detailing exclusions and modifications to the Working Time Regulations was issued to the trade unions for consideration and sign off in March 2021. Progress with concluding agreement with the Unions is being tracked by Internal Audit and reported to the Audit, Risk and Scrutiny Committee.

2.2 Manual Timesheet Completion

- 2.2.1 All of the timesheets reviewed had been paid in accordance with the information provided and approved thereon by the relevant Service.
- 2.2.2 However, during the review three errors were identified where the employee claiming the hours had completed manual timesheets incorrectly, compared to six in the previous audit of this area completed in January 2020. Whilst this is a reduced number, the sample size for 2021 (20) was smaller than that reviewed in 2020 (150), therefore a larger proportion of errors was identified.
- 2.2.3 The errors had arisen due to employees miscalculating totals, and recording incorrect dates or allowances. Two had been underpaid due to incorrect calculations by the employee: in one case they had recorded 4 hours but had only included this as 1 hour in the total; and in the other the employee had recorded minutes instead of decimal parts of an hour, had not deducted a lunch break between shifts in excess of 6 hours, and had claimed Overtime instead of a Public Holiday
- 2.2.4 In another case, an employee covering a position in another Service had incorrectly recorded the dates and times worked, making it appear that they had claimed for working

in another job at the same time as they were scheduled and paid to work in their substantive post. The line managers have since advised that the dates, which had been authorised by the other manager, were not accurate. Whilst the payment was therefore correct, this indicates a lack of scrutiny over dates and times claimed.

2.2.5 Whilst in the cases identified in the sample, only relatively small underpayments had arisen, this demonstrates that timesheets are being approved and processed with errors. This indicates that the requisite level of scrutiny is not being undertaken by service management prior to authorising timesheets, or that it is insufficient to identify and correct errors before they are processed.

2.2.6 This was not an issue in online timesheets reviewed. Continued moves to online timesheets should reduce the risk of further errors being made in this regard in the future. Until this is the case, it may be necessary to implement additional controls to ensure timesheets are being checked before processing them for payment. In the absence of controls built in to the process, there remains a risk of further errors being made and not identified.

<u>Recommendation</u>		
a)	The Service should consider whether the opportunity for errors could be reduced by further automating the timesheet process for all staff.	
b)	In the interim controls should be reinforced to ensure timesheets and calculations are checked for accuracy before they are authorised and passed for processing payment.	
<u>Service Response / Action</u>		
a)	Agreed. The Service has considered further automation as part of developing plans to set up and implement a new system and supporting workflow to manage claims and approval for additional hours and overtime. While at this stage it is not possible to determine whether the final system will include all of the proposed functionality, it remains the intention for the system to be used by the majority of staff currently submitting timesheets.	
b)	Agreed. The requirement to apply the existing controls will be reiterated to Services on a regular basis.	
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
a) Implemented	HR & Payroll Service	Significant within audited area
b) October 2021	Centre Manager	

2.3 Timesheet Authorisation

2.3.1 In the last audit of this area in 2020 it was recommended that “Only timesheets that have been signed by both the claimant and an authorised signatory should be processed for payment.” It was agreed that this would be covered in training. The Service had advised training was completed. A central list of authorised signatories was also set up to assist in ensuring only approved officers could sign relevant paperwork.

2.3.2 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.

2.3.3 Six of twenty manual timesheets reviewed for the current audit had either not been signed, or the signatures had been copied and pasted from another source, limiting verification of their authenticity in respect of the specific claim. However, physical timesheets are not

currently being passed due to Covid-19 restrictions: the Business Services Team confirmed that all timesheets had to be provided by email from the line manager / authorised signatory, and they have recently reminded authorisers to ensure each claim is provided in a separate file (e.g. PDF) to facilitate checking and filing. The email record therefore provides an audit trail of approval in place of signatures.

2.3.4 Eight timesheets (40% of the sample) had been signed by managers who do not appear on the authorised signatory master list. Three further timesheets were not sufficiently clearly recorded on the timesheets to determine whether they were on the list. Whilst these managers may be in an appropriate position to approve timesheets, this is only confirmed when they are recorded on the list. Financial Regulations have therefore been breached, and training may not have addressed the previously reported issues.

2.3.5 As these have been paid, it indicates that the Business Services Team is not checking that only timesheets approved by authorised signatories are processed. Whilst this could be difficult to apply given the number of timesheets processed, in the absence of controls built in to the process there remains a risk of further breaches of the Council's Financial Regulations through unauthorised payments. There is also a fraud risk if unauthorised timesheets can be submitted and paid – although in the cases reviewed those submitting timesheets were not unreasonable: they were just not registered as signatories.

<u>Recommendation</u>		
a) Timesheets should only be authorised and submitted by managers recorded on the authorised signatory list.		
b) Timesheets should only be processed where they have been approved by managers recorded on the authorised signatory list.		
<u>Service Response / Action</u>		
a) Agreed. Services will be reminded of the requirement.		
b) Due to the volume of claims prior to payroll cut-off dates additional audit checks will be completed after processing. As timesheets are submitted by email, a comparison between those submitting timesheets and the authorised signatory master list will be undertaken periodically, and Services will be asked to review variations and update the list / take appropriate action.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
a) October 2021	HR & Payroll Service Centre Manager	Significant within audited area
b) December 2021	Business Services Manager	

2.4 Online Timesheets

2.4.1 For a sample of ten online timesheets, all complied with the relevant rules and had been completed and paid accurately. The system limits the opportunity for errors in manual calculations, selection of the appropriate rates of pay, and ensures authorisations are recorded.

2.4.2 Time has been recorded for public holiday hours in both YourHR and on paper timesheets for several employees. From a sample of these it has been confirmed that the claims relate to different days. YourHR has the Council's standard public holiday dates coded into it, to ensure claims can only be submitted for those. Where the dates applied by the Service vary from these (e.g. due to weekend working being standard in those areas) alternative dates had to be recorded, and claimed via paper timesheet.

2.4.3 As identified in section 2.2 above, there is an increased risk of error when using manual claims. It is also less efficient if alternative online options are available. There is also a risk of duplicate claims being processed where there is more than one source of timesheet data. If public holiday dates could be amended on the system for employees / positions where alternative dates have been formally agreed, control over the process could be enhanced, and efficiencies obtained.

Recommendation

The Service should consider amending online timesheet processing to reflect where alternative public holiday dates have been agreed.

Service Response / Action

Agreed. This has been considered but it is not technically feasible to implement a system solution at this point. The HR & Payroll Service Centre will however ensure details of variations are obtained from People and Organisational Development annually (see agreed action at paragraph 2.1.9) to ensure these are being applied correctly.

Implementation Date

Implemented

Responsible Officer

HR & Payroll Service
Centre Manager

Grading

Significant within audited
area

AUDITORS: C Harvey

Appendix 1 – 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.