



Internal Audit Report

Land and Property Assets

Cleaning Payroll

Issued to:

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EXECUTIVE SUMMARY

The Council's cleaning service is responsible for the cleaning of all Council Buildings including schools. The Service is made up of the Cleaning Manager who reports to the Facilities Manager, 8 team leaders, 12 cleaning charge hands, and 394 cleaning keyholders. The total staffing costs for 2015/16 was £4.3 million.

The objective of this audit was to consider whether adequate controls and procedures are operating in relation to new starts / leavers and levels of additional / overtime hours within the cleaning service, and to include the co-ordination of additional hours to minimise overtime costs.

There were issues identified during the course of the audit, which the Service has agreed to address, however recommendations on how to reduce the levels of overtime paid have not been agreed. These are discussed in the report.

1. INTRODUCTION

- 1.1 The Council's cleaning service is responsible for the cleaning of all Council Buildings including schools. The Service is made up of the Cleaning Manager who reports to the Facilities Manager, 8 team leaders, 12 cleaning charge hands, and 394 cleaning keyholders. The total staffing costs for 2015/16 was £4.3 million.
- 1.2 These staff are paid through the corporate payroll system (PSe) which is administered by the Payroll Section in Human Resources and Customer Service (HR&CS).
- 1.3 The objective of this audit was to consider whether adequate controls and procedures are operating in relation to new starts / leavers and levels of additional / overtime hours within the cleaning service, and to include the co-ordination of additional hours to minimise overtime costs.
- 1.4 The factual accuracy of this report and action to be taken have been agreed with Andy Campbell, Facilities Manager, Rose Turner, Cleaning Manager, David Cheyne, Payroll Manager, and Tracy Runcie, HR Team Leader.

2. FINDINGS AND RECOMMENDATIONS

2.1 New Starts

- 2.1.1 When a cleaning keyholder is appointed, and following receipt of a new start memo from the recruiting manager within the Service, a Notice of Appointment Form is completed by the HR Service Centre. This details the post information, salary point, continuous service details and working days to be worked, as well as annual leave entitlement. It is passed to Payroll for the first pay calculation to be completed and relevant details to be entered onto the PSe Payroll System.
- 2.1.2 The leave year for local government employees operates from January to December, and the employee's annual salary should be paid in 12 equal monthly instalments. Annual leave entitlement is dependent on an employee's length of service, starting from 27 days for those with less than five years' service; 32 days for those with more than five but less than ten years' service; rising to 35 days for those with ten years' service and above.
- 2.1.3 Cleaning keyholders may be employed either on a 52 week (full year) contract or a 41 week (term time) contract. The 41 week contract applies to cleaning keyholders in schools, and is made up of 39 school weeks and 2 weeks in the school holidays for deep cleaning. Annual leave is added to the term time contracts.
- 2.1.4 In the period between October 2015 and March 2016, 39 new cleaning contract appointments were made. (Some of the appointments were staff new to the Council, however others were staff who already had an existing part time contract, and were being appointed to an additional part time contract). The first month salary payment for thirty of these (twelve full year, eighteen term-time) was reviewed, and all were calculated and paid correctly.

2.2 Leavers

- 2.2.1 When an employee resigns from a post, their line manager should submit a Leavers Form to the HR Service Centre, who in turn will complete a Termination of Service Form which details the total days worked in the year and any accrued holiday entitlement. This is then passed to Payroll for final salary calculation and input.
- 2.2.2 26 cleaning contracts were terminated in the period October 2015 to March 2016. The final salary payment entitlements for fifteen of these contracts (eight full year, seven term-time) were calculated and compared to the salary payments made. Fourteen were paid the correct final salary, one was not.
- 2.2.3 The one error related to an employee who had three part time contracts, two of which were to be terminated in December 2015. However, in error, only one of these was terminated. This was identified by the Cleaning Manager In January 2016 as part of her budget monitoring process. The overpayment that arose was £530 basic pay and £125 Nonstandard Working Week Allowance (NSWW – this allowance is discussed in more detail in paragraph 2.3 below). Payroll instigated recovery of this overpayment in March 2016. The Service advised that the employee failed to notify their line manager, or the HR Service Centre of the overpayment.

Recommendation

The Service should determine why the employee involved failed to advise of the overpayment, and take action, if appropriate.

Service Response / Action

The Service has investigated this issue with the employee concerned. The employee

had transferred posts several times, had been doing periods of additional hours and the information contained on her payslip was confusing. The employee had resigned from two out of three contracts, wasn't aware of the error and wishes to repay.

For all future contract resignations, Cleaning Team Leaders have to consult the Cleaning Service employee database to determine if the employee who is resigning from a contract, has any other contracts with the service, highlighting to HR colleagues, which contract number the employee is resigning from.

Implementation Date

Implemented

Responsible Officer

Cleaning Manager

Grading

Important within audited area

- 2.2.4 This error arose as a result of the employee's Team Leader incorrectly using one Leavers Form to record the termination of two distinct contracts. The HR Service Centre misinterpreted the information on the form and only terminated one contract. The Leavers Form does not require contract number or contracted hours to be recorded. This type of error should not arise in the future as there is now an electronic online Leavers Form within the YourHR Portal. Instructions on the Zone were updated to reflect this change of form in April 2016. The online form does require the contract number.

2.3 Non Standard Working Week Allowance

- 2.3.1 The standard working week is Monday to Friday, 7am to 8pm. Hours worked outside of this are eligible for a non-standard working week (NSWW) allowance as follows:

Monday – Friday: 8pm – 7am	33% of salary	(NSWW33)
Midnight Friday – Midnight Sunday	40% of salary	(NSWW40)

- 2.3.2 Details of an employee's shift pattern is included in the new start memo. This is referred to by the HR Service Centre for calculation of NSWW entitlement for including on the Notice of Appointment Form. When line managers advise the HR Service Centre of a change in working hours, a Notice of Changes Form is completed including amendments to NSWW hours, for Payroll to input to PSe. NSWW is automatically paid on contracted hours that are eligible for the enhancement once input to PSe by Payroll. Where a contract is to be terminated, the monthly NSWW hours are already stored within the PSe system, Payroll use this information to calculate the payment due in the final month.
- 2.3.3 The NSWW payments made to the new starts and leavers examined in sections 2.1 and 2.2, above, were reviewed to ensure accuracy of calculation and correct payment. The findings are included in the paragraphs below.
- 2.3.4 Of the thirty new contracts reviewed, ten were contracted to work hours outside of the standard working week. Eight were entitled to an enhancement of 33% for working between 8pm and 7am (NSWW33), one was entitled to an enhancement of 40% for working at the weekend (NSWW40), and one was entitled to both. Six were paid NSWW payments correctly.
- 2.3.5 Two employees had been underpaid £205 (NSWW33) and £120 (NSWW33) respectively. These arose as a result of an error of omission by the HR Service Centre who failed to include the allowance on the Notice of Appointment Form. The second of the cleaners notified HR and a correcting payment was made. These errors were discussed with the Service during the audit, and management has since issued a reminder to staff to ensure that the NSWW hours are considered and input to the Notice of Appointment Form.
- 2.3.6 One employee had been underpaid £180 (NSWW33) because Payroll had missed the

NSWW allowance that the HR Service Centre had input on the Notice of Appointment form.

Recommendation

The HR&CS Service (Payroll) should ensure the above underpayments are paid to the cleaners involved.

Service Response / Action

Agreed. The underpayments were paid in the May 2016 Salary.

Implementation Date

Implemented

Responsible Officer

Senior Payroll Officer

Grading

Important within audited area

Recommendation

The HR&SC Service (Payroll) should remind staff to ensure NSWW hours are input to the PSe Payroll system, where noted on the Notice of Appointment Form.

Service Response / Action

Agreed. All staff have been reminded.

Implementation Date

Implemented

Responsible Officer

Senior Payroll Officer

Grading

Important within audited area

- 2.3.7 The remaining employee had been overpaid a net amount of £595 on two separate contracts. Following an appointment to a new contract, the employee had been overpaid £10 (NSWW33) due to a Payroll calculation error and underpaid £90 (NSWW40) due to the HR Service Centre missing the +40% hours on the new start memo. The employee's contracted days were Monday to Saturday and so was entitled to NSWW33 on qualifying weekday hours and NSWW40 on the qualifying Saturday hours.
- 2.3.8 The same employee changed her working hours on her original existing contract, in September 2014, which resulted in a loss of entitlement to NSWW allowance. The change of entitlement was not included in the Notification of Changes form submitted to Payroll by the HR Service Centre and the employee received the allowance for 20 months when not entitled to receive it. The employee did not highlight this error.

Recommendation

HR&CS (Payroll) should ensure the above overpayment is recovered from the employee involved and NSWW allowances are accurate going forward.

Service Response / Action

Agreed. Payroll has written to the overpaid employee.

Implementation Date

Implemented

Responsible Officer

Senior Payroll Officer

Grading

Important within audited area

Recommendation

The Service should determine why the employee involved failed to advise of the overpayment, and take action, if appropriate.

Service Response / Action

Agreed. This has been discussed with employee concerned. As the overpayment was a relatively small amount for each of the 20 months, it was not immediately obvious to the

employee that they were being overpaid. An arrangement is now in place for the employee to repay the overpayment over a period of months.

Implementation Date

Implemented

Responsible Officer

Cleaning Manager

Grading

Important within audited area

2.3.9

After these errors were highlighted to the HR Service, the process regarding changes to working hours, and NSWW allowances was reviewed and the following improvements agreed:

- A copy of the New Start Memo or Change of Details Form, sent by line managers, must be saved in HR file, not just an email;
- Development Team staff are exploring the possibility of automating the NSWW calculation within the Notice of Appointment / Notice of Changes Forms, in the meantime the calculation will be saved in HR file along with the rota;
- Staff will receive a copy of their rota, sent out with their contract;
- When signing to authorise forms, HR Co-ordinators must double check Notice of Appointment / Notice of Changes Forms to ensure NSWW is added, where applicable.

The Service use a checklist to ensure each step of the process is completed, and this should be updated to reflect the procedure changes agreed. A recommendation is included for tracking purposes.

Recommendation

HR&CS (HR Service Centre) should update their process checklist to include the new process requirements.

Service Response / Action

Agreed. The checklist will be updated. A copy of the rota will be required to be attached to the Notice of Appointment or Notification of Change document to allow for the calculation to be verified.

Implementation Date

July 2016

Responsible Officer

HR Team Leader

Grading

Important within audited area

2.3.10

Of the fifteen reviewed, eight terminated contracts were entitled to payment for contracted hours outside of the standard working week. Four were entitled to an enhancement of 33% for working between 8pm and 7am (NSWW33), three were entitled to an enhancement of 40% for working at the weekend (NSWW40), and one was entitled to both. Six were paid NSWW payments correctly.

2.3.11

One employee had been overpaid £125 NWW33 for two months as the contract had not been terminated, as highlighted within the leavers testing in paragraph 2.2.3 above. The overpayment calculation was checked and confirmed accurate. Recovery took place in February 2016.

2.3.12

The same cleaner had been underpaid £415 NWW40 on a second contract. This arose as a result of the calculation being incorrectly based on a term-time 41 week contract and not on the correct 52 week contract. This miscalculation occurred when the contract commenced in August 2014.

Recommendation

HR&CS (Payroll) should ensure the above underpayment is paid to the cleaner involved.

Service Response / Action

Agreed. The underpayment was paid in the employee's May 2016 Salary.

Implementation Date

Implemented

Responsible Officer

Senior Payroll Officer

Grading

Important within audited area

- 2.3.13 In light of the number of errors identified within the sample examined, there is a risk that there could be more errors in the NSW allowances paid and this requires further investigation.

Recommendation

HR&CS (Service Centre) should review all new starts / leavers where there has been a payment of NSW to determine if there are other errors that have been made but not identified through testing.

Errors identified should be corrected.

HR&CS (Service Centre) should understand the reasons for the errors, and take action where appropriate.

Service Response / Action

Partially Agreed. There are currently 595 contracts in receipt of this allowance therefore to check everyone would take significant resources. A sample of employees in receipt of NSW will be reviewed and the outcome discussed with audit. Should there be a significant number of errors identified then a wider review will be considered.

Implementation Date

September 2016

Responsible Officer

HR Team Leader

Grading

Significant within audited area

2.4 Additional Hours and Overtime

- 2.4.1 Council employees under EP&M 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.

- 2.4.2 Work in excess of an employee's contract 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) shall be considered as overtime.

- Overtime is paid at the rate of time and one half.

- 2.4.3 Certain hours that are not paid at the overtime rate attract an enhancement, as discussed in section 2.3 above.
- 2.4.4 A review of the overtime paid in 2015/16 showed a total of 1687.5 hours, £22,476 claimed by Cleaning Chargehands and 8289 hours, £98,066 claimed by Cleaning Keyholders.
- 2.4.5 It is incumbent on Team Leaders or Chargehands at larger sites to ensure that there is sufficient staff to fulfil the cleaning requirements of an establishment and where necessary arrange cover for absent employees or vacant posts. Cover for Chargehand vacancies or absences is commissioned by a Team Leader. The Service advised that whilst some overtime paid to Chargehands will relate to Chargehand duties there will also be instances where the cover is for a Cleaning Keyholder. The overtime paid for cleaning cover is at a Chargehand rate. HR advised that additional / overtime hours worked by a Chargehand undertaking cleaning duties should be paid at the lower Cleaning Keyholder hourly rate and not at the higher rate.

Recommendation

The Cleaning Service in conjunction with HR should undertake a review of the overtime rates payable to all staff, with a view to matching the rate payable to the job covered rather than the employees' regular hourly rate.

Service Response / Action

Cleaning

The Service has met with the Digital HR Project Manager, who shared the E&CS Supply Teacher availability module. It is thought that this system may be able to be adapted for Cleaning Service staff availability for working additional hours.

HR

The Service currently has a number of projects that will be looking further at overtime analysis and multiple contracts and it is anticipated that these issues will be picked up as a result. These are due to commence in June 2016.

Audit Response

Whilst it is acknowledged that the introduction of the new system will afford the Service greater visibility of staff available to undertake additional hours at the required rate, and that the projects planned within HR should help identify any anomalies going forward, the payment of overtime at the higher rate should cease immediately.

Implementation Date

January 2017 (following introduction of Your Overtime module, Trial commencing August 2016)

Responsible Officer

Cleaning Manager / Digital HR Project Manager

Grading

Important within audited area

January 2017 (in line with above)

HR Team Leader / HR Business Partner

- 2.4.6 It was noted that one Chargehand Cleaner was paid in excess of £10,000 overtime: this is three times higher than the second highest overtime paid to a Chargehand. Whilst it is recognised that obtaining cover may be problematic in this area, the Cleaning Service should ensure that every effort has been undertaken to offer the additional hours to existing cleaning keyholders to ensure that costs are minimised.

Recommendation

The Cleaning Service should undertake regular reviews of the overtime worked by Chargehands to understand the reasons for the additional hours worked, and where possible to take corrective action.

The Service should ensure that there is a robust process in place to ensure that all available additional hours and overtime are offered to appropriate Cleaning Keyholders.

Non-emergency cover for Cleaning Keyholders by Chargehands should be agreed in advance with a Team Leader.

Service Response / Action

The introduction of the system described in the response to recommendation 2.4.5 above will allow the Service to identify Cleaning Keyholder availability without the need to phone other teams each time the need for cleaning cover becomes apparent. Until this system becomes available the Service will continue to try to cover the any additional hours at the lowest possible rate using Cleaning Keyholders at flat rate as the first option.

Audit Response

In not reviewing and addressing the causes of overtime, the Service risks incurring additional costs when there may be alternative less expensive solutions available.

Implementation Date

January 2017 (following introduction of Your Overtime module, Trial commencing August 2016)

Responsible Officer

Cleaning Manager / Digital HR Project Manager

Grading

Significant within audited area

- 2.4.7 Were the hours identified in paragraph 2.4.4 to have been paid at the basic rate of £7.97, the reduction in cost to the Service would be £9,027 (Chargehand overtime) and £40,970 (Cleaning Keyholder overtime). Where there is regular and sustained overtime required it may be more cost effective to employ additional part-time staff. The Service anticipates that the downturn in the local economy will result in a reduction in the number of vacancies which should in turn result in a reduction in the amount of overtime required.

Recommendation

The Cleaning Service should consider the cost efficiency and effectiveness of employing more Cleaning Keyholders on part-time contracts rather than paying overtime.

Service Response / Action

Cleaning

Not agreed. Proportions of the overtime worked are for covering short or long term sickness absences and for covering short term additional work which the service is asked to take on. As there is no permanence of the work being undertaken, we could not justify permanent posts being created. The Service will continue to cover additional hours at the lowest possible rate by using Cleaning Keyholders at flat rate as the first option and has advised that overtime paid has reduced by £1,000 in the first month since the audit was completed.

HR

This would be for the Service to determine, however this may be reviewed as part of the overtime analysis and multiple contracts projects being undertaken by HR. These are expected to commence in June 2016.

Audit Response

Whilst it is recognised that the much of the overtime is on an "as and when required" basis, it would be prudent of the Service to review the overtime paid over the past 2 to 3 years, and consider in conjunction with HR whether the overtime costs could be reduced by the appointment of additional part time staff, failure to do this risks additional unnecessary costs being incurred.

Grading

Important within audited area

- 2.4.8 The overtime relating to two employees who had changed role from a Cleaning Keyholder to a Cleaning Chargehand during the year were reviewed to ensure that the overtime rates were paid at the hourly rate for the role within which the overtime was worked. One employee was paid correctly, the second employee had worked 10 hrs overtime as a Cleaning Keyholder. These hours were however paid at the incorrect higher rate of Cleaning Chargehand. This was a payroll input error.

Recommendation

HR&CS (Payroll) should recover the overpayment identified above.

Service Response / Action

Agreed. This will be recovered from the employees June 2016 salary.

Implementation Date

June 2016

Responsible Officer

Senior Payroll Officer

Grading

Important within audited area

2.5 Future Developments

- 2.5.1 Currently each Team Leader maintains a record of their own team's working patterns and hours in a spreadsheet, and the arranging of absence or vacancy cover is reliant on local knowledge or discussions with fellow Team Leaders, there is no centralised database maintained of available staff.
- 2.5.2 Staff working additional or overtime hours are required to complete a timesheet for each site that they work at, meaning that employees may have more than one timesheet each month. Where a cleaner works for a team that is not their base team, the team within which the overtime was worked is recorded at the top of the timesheet, this is used to record the additional hours and overtime worked within each team on a management information spreadsheet. All cleaning staff costs are coded to the same cost centre, thereby preventing monitoring of overtime through the financial ledger.
- 2.5.3 The Digital HR Project Manager advised of planned improvements and greater use of YourHR, which should be of benefit to the Cleaning Service. There are plans to pilot an online timesheet which will allow staff to update them as the hours are worked. These will be authorised monthly by Team Leaders and the Cleaning Manager, initially the employee will have to input their authorising manager, this will be replaced at a later date by a system based hierarchy. This online timesheet should allow for the calculation of any enhancements due, and should prevent hours being claimed for twice. There is also the functionality to allow the Service to record details of rotas, this is currently being used by the Catering Service, and may remove the need for Team Leaders to maintain separate

spreadsheets.

Recommendation

The Cleaning Service should liaise with the Digital HR Project Manager and explore the possibility of using YourHR to:

- monitor staff contracted hours and rotas;
- create a database of employees available to work extra hours at particular times;
- record the team that additional hours / overtime are worked in and provide data to cleaning management.

Service Response / Action

Agreed. See undernoted actions.

- Digital HR Project Manager will explore potential for a cost effective and practical means of monitoring staff contracted hours and rotas via YourHR.
- The recommendation to 'create a database of employees available to work extra hours at particular times' might be easily achievable through reusing the engine created for Supply Staff in schools. Digital HR Project Manager will explore this and if not practical will liaise with service to discover potential for a cost effective and practical solution via YourHR.
- The recommendation to 'record the team that additional hours / overtime are worked in and provide data to cleaning management'. Can be implemented as part of the launch of Online Overtime and Additional Hours Module as it is relatively straight forward and would benefit other services.

Implementation Date

January 2017 (following introduction of Your Overtime module, Trial commencing August 2016)

Responsible Officer

Digital HR Project Manager

Grading

Important within audited area

2.5.4

Timesheets may be authorised by either the Team Leader within whose team the hours were worked or they may be authorised by the employee's line managing Team Leader. The authorisation of additional or overtime hours worked should be authorised by the person who can substantiate that the hours have been worked.

Recommendation

The Service should ensure that timesheets are authorised by the Team Leader who can substantiate that the hours have been worked.

Service Response / Action

Agreed. The introduction of the overtime module in YourHR will ensure that all overtime being worked in a Team Leaders area of responsibility, will be input to Your HR by that Team Leader before being authorised for payment by the Cleaning Manager or Facilities Manager in the Cleaning Manager's absence. The existing method of authorisation will not be changed in the interim, as the trial for YourHR process commences in August 2016.

Implementation Date

January 2017 (following introduction of Your Overtime module, Trial commencing August 2016)

Responsible Officer

Cleaning Manager / Digital HR Project Manager

Grading

Important within audited area

AUDITORS: D Hughes, M Beattie and C Pirie

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.