

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 28 September 2010

**BY:** Chief Executive

**SUBJECT:** Internal Audit Reports

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**1 PURPOSE**

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

**2 RECOMMENDATION**

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan for the Payroll Overtime audit.
- 2.2 That the Audit and Governance Committee note the contents of the follow-up report on Trading Standards.

**3 BACKGROUND**

**Payroll Overtime**

- 3.1 A review of Payroll Overtime was undertaken as part of the audit plan for 2009/10.
- 3.2 The objective of the audit was to ensure that key controls were operating effectively and to provide Management with assurances that the systems in place are secure, controlled and effective.
- 3.3 The main findings from our audit work are outlined in the attached report.

**Trading Standards – Follow-up Report**

- 3.4 The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom requires that Internal Audit “follow-up” on Management action arising from its assignments.

3.5 As part of the 2009/10 Audit Plan a follow-up review was undertaken of Trading Standards.

3.6 The main findings from our audit work are outlined in the attached report.

#### **4 POLICY IMPLICATIONS**

4.1 None

#### **5 EQUALITIES IMPACT ASSESSMENT**

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

#### **6 RESOURCE IMPLICATIONS**

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

#### **7 BACKGROUND PAPERS**

7.1 Audit Committee, 31 March 2009 – Internal Audit Report

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<b>DATE</b>	16 September 2010

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

### **1. EXECUTIVE SUMMARY**

#### **1.1 Introduction**

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

#### **1.2 Areas where Expected Controls were Met**

- Policies and procedures are in place covering the management of overtime.

#### **1.3 Areas with Scope for Improvement**

- An up to date list of authorised signatories is not currently held by the Payroll Section – we were unable to verify the validity of the authorised signatories on payment records examined. *Risk – fraud and irregularity may occur and remain undetected.*
- There is a lack of clear audit trail in respect of overtime hours worked – in two areas reviewed, we found that employees were not required to complete the actual start and finish times of overtime hours worked. *Risk – errors and irregularities may occur and remain undetected.*
- The checking of overtime claims by departments was considered inadequate – errors were found in overtime claims submitted to Payroll for processing. *Risk – incorrect payments may be made.*
- The existing procedures in place for ensuring accuracy and completeness of all overtime payments processed by the Payroll Section require review – in some cases, overpayments and underpayments were found. *Risk – errors and irregularities may occur and remain undetected.*
- For some employees receiving standby payments, there was insufficient information on file to indicate their requirement to undertake standby duties. *Risk – inappropriate payments may be made.*
- The arrangements in place to ensure compliance with the EU Working Time Directive require review – no monitoring is currently undertaken of the total hours worked by employees in certain areas. *Risk – failure to comply with legislation.*

#### **1.4 Summary**

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

**Mala Garden**  
**Internal Audit Manager**

**September 2010**

## PAYROLL – OVERTIME

### ACTION PLAN

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.1	<p>An authorised signatory list should be established and distributed to all members of the Payroll Section who have responsibility for checking payroll documents.</p> <p>Procedures should also be put in place to ensure that all subsequent changes to authorised signatories are updated in a timely manner and redistributed to all relevant staff.</p> <p>Budget holders/Managers should notify the Payroll Section of all changes to authorised signatories.</p>	Payroll Manager	Agreed		March 2011
3.3.1	<p>All overtime payments should be supported by a claim form which details the actual start and finish times of the hours worked.</p> <p>The claim form should be completed and signed by the employee and certified as correct by an authorised signatory.</p> <p>Prior to authorisation, Management should ensure that the overtime claimed is for work undertaken in addition to the employees contracted hours.</p>	Landscape & Countryside Manager Waste Services Manager	Agreed Agreed		December 2010 January 2011

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.4.1	<p>All timesheets should be checked for accuracy and completeness by a Designated Officer.</p> <p>The timesheets should be signed as evidence of the check being carried out.</p>	Service Manager – Older People	Agreed		October 2010
3.5.1	<p>The existing arrangements in place for checking payroll information entered onto the CHRIS system should be reviewed.</p> <p>Consideration should be given to developing a detailed report which will enable all payroll entries to be checked for accuracy and completeness.</p>	Payroll Manager	Agreed		March 2011
3.6.1	<p>Regular monitoring should be undertaken of the total number of hours worked by employees to ensure compliance with the EU Working Time Directive.</p>	Head of Transportation	Agreed		October 2010
3.7.1	<p>Management should review the existing arrangements in place for employees receiving standby payments. Where employees are contractually required to undertake standby duties adequate supporting documentation should be held on file.</p>	Head of Transportation	Agreed		November 2010



# **EAST LOTHIAN COUNCIL – INTERNAL AUDIT FOLLOW-UP REPORT – TRADING STANDARDS**

## **INTRODUCTION**

In March 2009, Internal Audit issued a report to Management following a review of Trading Standards. A number of areas with scope for improvement were identified and detailed recommendations to address these were contained in our audit report.

This is a follow-up report outlining the progress made by Management in implementing the recommendations contained in our audit report.

## **FINDINGS**

Of the 12 recommendations agreed by Management, we note that action has been taken in fully implementing 2 recommendations:

- All high-risk businesses are inspected on an annual basis.
- Duplicate copies of all licences are now retained on file.

## **MANAGEMENT ACTION**

Of the 10 outstanding recommendations, we are informed by Management that one is no longer relevant and will not be implemented – this relates to a specific Statutory Performance Indicator which the Council are no longer required to report.

We found that some progress has been made towards implementing the remaining 9 recommendations, however they have not yet been fully implemented.

Management responses to the outstanding recommendations are detailed in the action plan that follows this summary.

**Mala Garden**  
**Internal Audit Manager**

**September 2010**

## TRADING STANDARDS

### Follow-up Report – Action Plan

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	REVIEW COMMENTS	AGREED DATE OF COMPLETION
3.1.2	<p>The Uniform system should include details of all businesses within East Lothian that are subject to Trading Standards and Consumer Protection legislation.</p> <p>On a regular basis, the Trading Standards Section should request details of all new businesses from the Economic Development Unit and the Non-Domestic Rates Section, to ensure that details recorded on the Uniform system are comprehensive and up to date.</p>	Trading Standards Manager	<p>Partly implemented.</p> <p>We have organised that the NDR team pass us details of new businesses and a comprehensive list of businesses they have. In addition we also have been receiving for the past 2 years information on new food businesses.</p>	Ongoing

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	REVIEW COMMENTS	AGREED DATE OF COMPLETION
3.1.3	<p>Changes in ownership and/or business activity should be promptly identified and updated on the Uniform system.</p> <p>To ensure that information held on the Uniform system is complete, all relevant fields should be fully completed by the Trading Standards Officers.</p> <p>Where incorrect data is identified on the Uniform system, it should be corrected promptly – where necessary the Support Services Administrator should be notified to allow the changes to be made.</p>	Trading Standards Manager	<p>Partly implemented.</p> <p>As officers do inspections and visits any new details will be recorded and changed on Uniform within 48 hours.</p> <p>Officers have been advised to fill out all fields and a random check will be undertaken to ensure this is done.</p>	September 2011
3.2.2	<p>The LACORS risk assessment model should be applied consistently to all businesses on the Uniform system.</p>	Trading Standards Manager	<p>Partly implemented – all officers are aware of the requirements of the LACORS risk assessment scheme and how to undertake this.</p>	September 2011

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	REVIEW COMMENTS	AGREED DATE OF COMPLETION
3.2.3	<p>The Trading Standards Manager should prioritise all high-risk premises with a local risk assessment and ensure that they are assessed under the LACORS risk assessment scheme.</p>	Trading Standards Manager	Partly implemented – work is currently being done to implement this recommendation.	Ongoing
3.2.4	<p>A review should be carried out of all risk assessments on the Uniform system to ensure that they have been properly recorded.</p> <p>Appropriate action should be taken to correct all errors identified – where necessary the software supplier should be contacted to facilitate the corrections being made.</p>	Trading Standards Manager	This is a very onerous task which I believe at this time is not a priority due to the fact that the SPI for inspections has now been removed. Where information has been incorrectly identified or recorded, this will be amended within 24 hours.	March 2012
3.3.2	<p>The Trading Standards Manager should review a sample of primary inspections entered on the Uniform system to ensure that all relevant details have been correctly updated.</p> <p>The Uniform system should be promptly updated with the risk assessment following the primary inspection.</p>	Trading Standards Manager	Partly implemented – work is currently being done to implement this recommendation.	September 2011

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	REVIEW COMMENTS	AGREED DATE OF COMPLETION
3.3.4	<p>All inspections should be carried out by the due dates recorded on the Uniform system.</p> <p>Checks should be put in place to ensure that all missed inspections are identified and included in the planned programme of inspections.</p> <p>Where missed inspections are identified, the actual risk assessment date should be entered on the Uniform system.</p> <p>The existing practice of entering a notional risk assessment date on the system to generate a due date of inspection should cease.</p>	Trading Standards Manager	<p>This is not achievable sometimes due to resources and workload. There will inevitably be premises which may not be inspected by the due date but still receive an inspection.</p> <p>All missed inspections will be reintroduced into the programme of inspections.</p> <p>Where no inspection takes place there is no actual risk assessment date.</p> <p>Where an inspection has been missed in order for that business to be reintroduced into the programme of inspections there has to be a date included for the report to pick it up.</p>	September 2011

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	REVIEW COMMENTS	AGREED DATE OF COMPLETION
3.3.4 (cont)			Alternatively a list of missed inspections is added to a monthly inspections sheet with no date and the officer inspects and then reintroduces into the system with the actual date.	
3.4.1	The Trading Standards Manager should review and monitor the data entered on the Uniform system to ensure that it is up to date, accurate and complete.	Trading Standards Manager	Partly implemented – work is currently being done to implement this recommendation.	December 2010
3.5.2	For all licences issued, the pro-forma sheet recording the fees received should detail both the receipt number and the licence number.	Support Service Administrator	Partly implemented – the licence number is being entered on the pro-forma sheet and the receipt will be attached to the sheet.	September 2010