

## INTERNAL AUDIT – MONITORING REPORT 31<sup>st</sup> January 2019

REPORT OF: Audit and Risk Manager  
Contact Officer: Gillian Edwards  
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Wards Affected: All MSDC Wards  
Key Decision: No  
Report to: Audit Committee  
25<sup>th</sup> February 2019

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### Purpose of Report

1. The purpose of this report is twofold; to update the Committee on the progress of the 2018/2019 Internal Audit Plan and to report on the progress made in implementing previously agreed recommendations.

### Recommendation

2. The Committee is asked to receive this report.

### Background

3. Work Completed

Since the last meeting of this Committee in November, we have completed the following audits:

#### Payroll

High Priority findings – 2 – please see section 5 for details.

Medium Priority findings – 5

The medium priority findings that we identified related to the following:

- Job descriptions need to be updated to reflect the changes made by the introduction of the new Payroll system – *agreed implementation date - 28<sup>th</sup> February 2019*
- Training of additional staff on the Payroll system is needed to provide cover if the Payroll Manager is absent – *agreed implementation date - 31<sup>st</sup> March 2019*
- Checks are not being made on overtime to ensure that if paid, flexi leave is not also claimed – *agreed implementation date - 31<sup>st</sup> January 2019*  
**Status of agreed action –implemented.**
- We identified on example where a person working at the Council had approved the overtime of a close relative – *agreed implementation date – 31<sup>st</sup> January 2019*  
**Status of agreed action – implemented.**
- Payroll checklists are not signed by the Payroll Manager and the Payroll Officer to confirm the checks that they have made – *agreed implementation date – 31<sup>st</sup> January 2019*  
**Status of agreed action –implemented.**

### **Income Collection**

There are no findings to report.

### **Payments (Creditors)**

Medium Priority findings – 1

This medium priority finding related to the absence of an independent check when an invoice is received that contains different bank details than those recorded on the Payments system. In such cases, the bank details are changed by Finance staff to that shown on the invoice. This is an area that is vulnerable to fraud.

It was confirmed that all relevant staff have been advised of the requirement to independently confirm with the business that the changes to bank details are genuine, and to make a record of this check.

**Status of agreed action – implemented immediately.**

### **Treasury Management**

There are no findings to report.

### **Housing Benefits**

High Priority findings – 1 – please see section 5 for details.

Medium priority findings – 3

The medium priority findings that we identified related to the following:

- Procedure notes for the Housing Benefits section have not been updated to reflect the new structure and processes that are not in place – *agreed implementation date – ongoing. Whilst a date for completion had not been set, this is an ongoing piece of work, and we will report progress towards this at the next meeting of this Committee.*  
**Status of agreed action – work in progress.**
- From a sample of 20 overpayments reviewed, we identified that two were not pursued in a timely manner. This was due to other priorities during the restructure – *agreed implementation date – 31<sup>st</sup> January 2019.*  
**Status of agreed action –implemented.**
- Whilst a review is currently being undertaken to confirm that access to the Housing Benefit system is appropriately restricted, this is not yet complete - – *agreed implementation date – 18<sup>th</sup> March 2019.*  
**Status of agreed action – not yet due for implementation.**

#### 4. Work in Progress

The reviews in progress and other work that has been undertaken in the period are shown at Appendix A.

All work has been planned and allocated to Audit staff and we are confident that the audit plan will be substantially complete by 31<sup>st</sup> March 2019.

#### 5. High priority findings in this period

##### **Payroll Audit 2018/2019**

##### High Priority Finding 1

During our previous audit for 2017/2018, an agreed action in the Management Action Plan for Payroll was that procedures would be completed was that the Payroll Manager should update her written or electronic files with the changes in the Payroll routines following the introduction of XCD in 2017. The Management Response stated that there was a plan to combine the procedures that the payroll consultant provided and information available through salesforce (XCD); and local requirements. This agreed action was originally due for implementation by 20<sup>th</sup> September 2018.

However, during our 2018/2019 Internal audit, we found that this agreed action has not been completed and therefore written Payroll procedures are not in place to include the new XCD system. This exposes the Council to the risk of disruption to the Payroll process if the Payroll Manager is absent for the Payroll processing to be completed. The Payroll Manager has advised that in the event of her absence the Council could engage staff from XCD to produce the Council's Payroll or use existing HR or Systems staff. However without any Council specific Payroll procedures in place this would be difficult.

Action has been agreed, to be implemented by 28<sup>th</sup> February 2019, that the Payroll Manager should update her written or electronic procedures with the changes in the Payroll routines following the introduction of XCD in 2017. This should be completed as a matter of urgency.

##### High Priority Finding 2

There is not a separate audit trail for when the Payroll Manager and the Payroll Officer makes a change to their salaries or benefits which under the XCD system are referred to as the Rewards. We were advised that there is an "unwritten rule" that neither of these employees can change their Rewards in the XCD system. However there is a risk that such changes could be made without any Management approval. The only compensating control is that Finance monitor the budget versus cost for each Business Unit at a post level but there is no guarantee that any unauthorised salary payments would be detected by this control.

As a final check, we tested the Payroll transactions for both the Payroll Manager and the Payroll Officer and that nothing untoward was found.

Action has been agreed, to be implemented by 28<sup>th</sup> February 2019, whereby the BUL HR, Training and Payroll should work with XCD to create a report that would run whenever there are any changes to the Rewards module for the two staff responsible for Payroll data input and checking.

It was also agreed that the BUL HR, Training and Payroll would work with XCD to create a report that would run whenever there are any changes to the Rewards module for the two staff responsible for Payroll data input and checking.

Progress towards implementation of these will be reported at the next meeting of this Committee.

### **Housing Benefits 2018/2019**

#### High Priority Finding 1

We reviewed the Declaration of Interests forms completed by Revenues and Benefits staff to prevent them from processing any claims for a known associate or relative. Whilst we are advised that they were last completed in 2017, we cannot confirm this as the records were not available for review, and the most recent ones on file relate to October 2017. We understand that more recent declarations were shredded in error.

New forms were issued to all Academy users on 12<sup>th</sup> December 2018 to be completed by 4<sup>th</sup> January 2019 and this has now been done.

#### 6. Follow Up of Audits Previously Reported to the Audit Committee

None.

#### **Background Papers**

- Internal Audit reports relating to 2018/2019
- Working papers relating to 2018/2019

## Internal Audit Plan 2018/2019

Progress Report as at 31<sup>st</sup> January 2019

Audit	Audit Plan Year	Audit Opinion-Assurance	Number of High Priority Findings	Comments
<b>A. Work Completed in the Current Period</b>				
Payroll	2018/19	Satisfactory	2	
Income Collection	2018/19	Substantial		
Payments (Creditors)	2018/19	Substantial		
Treasury Management	2018/19	Substantial		
Housing Benefits	2018/19	Satisfactory	1	
<b>B. Work In Progress</b>				
XCD Post Implementation Review	2018/19			
Sundry Debtors	2018/19			
Capital Accounting and Asset Management	2018/19			
Council Tax	2018/19			
NNDR	2018/19			
<b>Follow Ups</b>				
Payroll	2018/19			
Housing Benefits	2018/19			