

Internal Audit Report 2022/23

West London
Waste Authority

Final Report
September 2022

HR and Payroll

Classification	Trend	By type	Control design	Operating effectiveness	Total
Limited Assurance	N/A				
	We have not previously reviewed the area	Critical	0	0	0
High		1	2	3	
Medium		1	1	2	
Low		0	0	0	
Advisory		0	0	0	
Total findings: 5					



West London Waste

Treating waste as a valuable resource

Executive summary (1 of 2)

Summary of findings

This audit has been undertaken as part of the West London Waste Authority (WLWA) 2022/23 Internal Audit Plan.

The purpose of the audit was to review the robustness of the WLWAs controls in place in relation to Human Resources and Payroll processes with a focus on Payroll, HR Policies and Procedures, Recruitment (including checks), Absence Management Reporting and Wellbeing.

We found significant weaknesses in relation to the HR processes and procedures. The payroll process was found to be satisfactory and provided a valuable level of control to ensure that unauthorised payments were not processed. The weaknesses in relation the HR which have been raised in the report.

Management have advised that the last few years has been tough for essential businesses who have kept operating during the COVID global pandemic. Human Resources have been under additional pressure with the need to provide help with working arrangements and well-being support for of all the WLWA staff whether they have been working in Abbey Road or at home.

We have raised actions to mitigate three High Risk findings and two Medium Risk findings.

Key findings

High Risks

- **Document compliance** – Employee files do not contain the required documents needed to meet compliance and protect the WLWA if legally challenged, staff are being provided with contracts without two references being received and references are not always chased.
- **Amendments to payroll** – Requests for amendments to the payroll are being submitted when changes are either not authorised, incorrect or very incomplete in the detail. It is, however, noted that these are not processed by finance who undertake checks prior to submission to payroll.
- **DBS checks** – DBS checks are not being performed.

Medium Risks

- **Policies and procedures** - Reviews on policies and procedures have not been undertaken for over six years
- **Monitoring** – Sickness monitoring triggers needs to be actioned and monitored, training and skills need to be examined and gaps highlighted to plan training and the role responsibilities for wellbeing champions needs to be down scaled if no volunteers are found.

Executive summary (2 of 2)

- 1** *Amendments to Payroll* **High**
- 2** *Missing Documentation / Non - Compliance* **High**
- 3** *DBS and Qualification Checks* **High**
- 4** *Policies and Procedures* **Medium**
- 5** *Monitoring and Support* **Medium**

By Scope Area

	Critical	High	Medium	Low	Advisory
Payroll Processing	0	1	0	0	0
HR System	0	0	0	0	0
HR Services	0	2	2	0	0
Total	0	3	2	0	0

Background and scope (1 of 2)

Background

West London Waste Authority (WLWA) have a small Human Resources (HR) team to manage and help the employees from when they are recruited, to when they leave their employment. The payroll for the forty employees is undertaken predominately by Ealing Council. Some tasks such as adding or amending information is completed by the Finance team after instructed by the WLWA HR Manager and others. This review will look at the controls in place in some services provided by HR and the payroll process.

The purpose of this audit is to assess the management of HR compliance and Payroll.

Background and scope (2 of 2)

Scope

The audit work focused on the following areas –

- **Payroll processing including –**
 - correct payments to employees
 - self-employment status check
 - starters and leavers and role adjustment
 - payroll processing and adjustments such as honoraria bonus or other payments
 - segregation of duties
 - reconciliation of data.
- **HR System including –**
 - access to HR data is restricted
 - standing data amendments within itrent.
- **HR Services including procedures for HR services such as -**
 - procedures for HR services such as payroll processing guides
 - employee HR policies procedures management
 - recruitment including reference checks and DBS etc
 - contracts
 - training
 - sickness monitoring
 - management reporting
 - wellbeing

Limitation of scope

Our work was limited to the sub-processes and control objectives outlined above. The scope of our work also did not cover IT controls and processes, such as interfaces.

Management should be aware that our internal audit work was performed in accordance with Public Sector Internal Audit Standards 2017 (PSIAS) and the Local Government Application. The assurance grading provided in our internal audit reports are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. Our internal audit testing was performed on a judgemental sample basis and focussed on key controls mitigating risks. Our testing was designed to assess the adequacy and effectiveness of key controls in operation at the time of the audit.

Please note that in relation to the scope above, whilst our internal audit assessed the efficiency and effectiveness of key controls from an operational perspective, it is not within our remit as internal auditors to assess the efficiency and effectiveness of policy decisions.

Current year findings (1 of 5)

Document Compliance

Operating Effectiveness

1

High

Finding and root cause

Each employee will have their own file held with Human Resources. The files should contain all documents pertaining to employment such as contracts and role change letters and recruitment documents. There is regulatory requirement to retain HR documents for recruitment for twelve months and other documents such as contracts and job evaluations for the entire length of service.

It is company policy to accept two references before contracts can be signed.

We requested recruitment documents for six employees and found documents were either not provided or could not be located in the HR files examined. All job specifications were on file but there were issues with the following:

- Application forms – only one out of six application forms were on file. One individual moved from temporary agency to permanent which could explain one of the outstanding five missing forms.
- Test questions – of the six employees, five were required to be tested at the interview. Records of test questions for two employees were provided but three employee files did not hold the records.
- Interview notes – three employee files from the six examined held no interview notes.
- Interview score sheets – three employee files from the six examined held no interview score sheets.
- References – two of the six files held the required two references. One employees file held no references, but they had a signed contract. We were informed that the references for another employee were lost, and he had not been given a contract. The employee started in September 2021. Two employees had one reference on file and they both started working full time for the WLWA in May. We were advised and provided evidence to show that the reference for one of two employees was only requested after Audit were asking to see it. The employee already had a signed contract. One employee gave a company referees contact details, and a reference was obtained but the company was in fact her own company. This was spotted and two further references were obtained from other companies.
- Job evaluations – Only four of the six employees had records of job evaluations on file, but we were informed that they all had been through the process.

- Contracts – There were two signed contracts and two unsigned contracts on file. Two of the employee files did not have a contract on file but these employees did not have references on file which could be the reason.

We requested the signed contracts for a further five employees who had been with the company for more than twelve months and we were advised that the contracts were in the office. We were never provided with these signed copies so cannot give assurance that they exist.

We noted on the 30th June 2022, that the main HR email account had just under 400 unopened emails which could be where some of the documents are. It is not clear if the opened emails held in the email account had their attachments filed in employee records.

We were unable to determine if itrent standing data amendments were monitored as itrent do not have this reporting functionality.

Implications

- Legal challenges for recruitment practices will be indefensible if recruitment documents are not retained.
- Breaching regulatory compliance where regulatory time periods have not been observed leading to reputational damage.
- Employees may breach the terms and conditions of employment as they are unaware of terms documented in contracts.
- Unsuitable candidates are provided with permanent contracts without obtaining references.

Action plan

- 1) HR will start to use checklists to ensure the recruitment process is followed and documents are not overlooked, and everything is filed in the applicable employee file.
- 2) HR Management should undertake reviews of files to confirm the checklist is completed and spot checks to confirm that the documentation is there to support it.
- 3) Recruiting managers should be provided with recruitment training including the need to ensure that references are received and reviewed.
- 4) Missing documents for all employees will be located and placed on file with new starters and those employed for less than twelve months given priority.
- 5) Contracts will not be signed until two satisfactory references are received.
- 6) Any staff files found to not have a contract filed will be investigated to determine if the employee was issued with one.

Responsible person/title

HR Manager

Target date

December 2022

- 7) The opened emails contained in the HR account are thoroughly checked to ensure they have been actioned and if applicable, documents filed.
 - 8) The unopened emails within the HR account are opened and immediately responded / actioned and if applicable, the documents are filed in the correct file.
 - 9) HR Management should review the HR in-box regularly to ensure it is cleared down and there are not a lot of unopened emails.
 - 10) Staff will be reminded to periodically check their personal details on itrent as no reporting to monitor this is possible.
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Current year findings (2 of 5)

Amendments to Payroll

Control Design

2

High

Finding and root cause

The WLWA use Ealing Payroll Services to process the monthly payroll. Each month, Ealing sends a salaries spreadsheet of payments to be made to staff. The WLWA Finance Team would check the spreadsheet to ensure only regular pay is included and any one-off payments from the previous month have not continued into the next month. They would also check to see if leavers highlighted in the previous month are no longer showing in the spreadsheet unless they were due any payments.

Amendments to payroll such as pay increases are communicated to Finance for them to ensure they are included in the final salaries' spreadsheet for payment via Ealing Services.

We selected the payroll information for five months and checked the amendment requests for each of those months and found errors, pending approval requests and an unauthorised payment request had been submitted.

- We looked at five amendment requests in May 2021 and found one new starter was requested on the payroll but was submitted without any paperwork (This employee was eventually paid incorrectly using an old pay rate). Two requests for holiday payments instead of leave were submitted but they had yet to be approved.
- In August 2021, we looked at thirteen amendment requests and found one notification of paternity and annual leave was submitted but had no information regarding dates. A further three amendment requests were missing vital information. Checks were made in the HR files, but the information needed was not there.
- In December 2021, we looked at four amendment requests and found one was for a leaver with a promise of sending through more information on holidays owed etc but did not come back. One other amendment request was for a pay increase which was incorrect as it quoted PO4 when the pay should have been Sc 4.
- Amendment requests in February 2022 were in order.
- In April 2022, there were two amendment requests examined. One of the requests should not have been submitted as it related to an incremental annual pay rise which was added two years previously. The remaining request was from an employee who tried to award themselves a pay rise of £5000 on top of their annual increment which had not been authorised and did not go through their Line Manager. The payment was stopped by Payroll. WLWA advised that they had investigated and reported as a misunderstanding.

We were advised that where Finance are unable to validate requests, these are returned to managers and not passed to Ealing payroll.

Implications

- Unauthorised amendments are requested and are paid resulting in financial loss to the WLWA.
- Employees are pushed into financial difficulties when payments are not made due to a lack of evidence provided to Finance.

Action plan

- 1) We will communicate to staff that any requests to amend payroll will not be accepted unless full documents and details are submitted.
- 2) Any requests from staff for actions against their own pay must be via the Director of Finance to show full approval has been given and allow segregation of duties compliance.
- 3) We will enforce an internal service level agreement for deadlines relating to any amendments to payroll.
- 4) The Finance team will continue to check salaries to ensure they are correct when uplifting pay increases, adding new starters and administrating leavers.
- 5) Any incomplete or unauthorised amendment requests repeatedly submitted, will be reported to the Director of Finance.

Responsible person/title

HR Manager

Target date

December 2022

Current year findings (3 of 5)

DBS & Qualification Checks

Operating Effectiveness

3

High

Finding and root cause

It is a requirement to perform a Disclosure and Barring Service (DBS) check on individuals employed in certain roles. If a company employs someone without doing checks, and later there is an incident involving that employee, the WLWA policies and procedures could be called into question, especially if previous convictions come to light. Employers who find themselves in this type of situation may face legal action.

For DBS checks, you can request:

- a basic check, which shows unspent convictions and conditional cautions
- a standard check, which shows spent and unspent convictions and cautions
- an enhanced check, which shows the same as a standard check plus any information held by local police that is considered relevant to the role
- an enhanced check with barred lists, which shows the same as an enhanced check plus whether the applicant is on the list of people barred from doing the role

Two of the sample of six employees selected were in roles which were subject to DBS clearance. One of the roles was a Data Operative and the other a Senior Accountant.

We were informed that the DBS for the Data Operative was completed but there was no record on file to support this and we were not provided with any tracking information. This role also required a degree but again there was nothing on file to confirm this had been checked.

The second DBS check required was for the Senior Accountant who started on the 29th November 2021. We were advised that the DBS check was overlooked due to transitioning to a new tracker. The DBS was requested on the 21st June 2022 during the audit after requesting evidence of compliance.

The employee with the outstanding DBS clearance was not subject of any additional supervisory measures as the Manager was unaware that the DBS clearance had not been undertaken.

We were advised that the DBS checks undertaken were enhanced checks, but the accountant role only required a standard check, and the Data Operative only required a basic check.

Implications

- Legal action against the WLWA for not complying with the DBS regulations leading to reputational damage and possible financial penalties if theft or fraud occurs by an unchecked employee with a criminal record.
- High risk of unsuitable characters freely working with WLWA data and finances leading to possible fraud, data corruption / loss and financial losses.

Action plan

- 1) All roles required to pass DBS clearance are checked to ensure they have been processed and found to be satisfactory.
- 2) Qualification certificates are photocopied and placed on file for employees where the role requirement is essential.
- 3) As per finding 1 HR introduce checklists for new employees to ensure tasks do not get overlooked. This checklist should be reviewed by management and spot checks of files to confirm documentation is held.
- 4) Employees with DBS required roles should be closely supervised and subject to restricted access until the DBS is cleared.
- 5) A tracker is introduced to record DBS numbers against employees and if and when they need to be refreshed.
- 6) DBS checks will be made in line with government guidelines which can be found at WWW.gov.uk.

Responsible person/title

HR Manager

Target date

December 2022

Current year findings (4 of 5)

Policies and Procedures

Operating Effectiveness

4

Medium

Finding and root cause

A list of nineteen HR policies and procedures for staff to follow was provided and six policies were selected to review.

- 1) Absence Management – created in March 2013 and last reviewed in June 2015.
- 2) Special Leave – created in March 2014 and last reviewed in October 2015.
- 3) Recruitment – created in March 2014 but never reviewed.
- 4) Expenses – created in June 2013 and never reviewed.
- 5) Annual Leave – created in October 2013 and reviewed in October 2015.
- 6) Probation – created in March 2014 but never reviewed.

We found the policies were all very old and referred to officer's roles which no longer exist such as the Head of Finance and Resources. The expenses policy was very focused on travel and subsistence but when we examined the expenses over the past twelve months, we found expenses such as subscriptions, eye tests and glasses and equipment claims. The policy should be updated to be clear that a wider spectrum of expenses is acceptable.

A schedule of policy reviews was provided, and seventeen of the nineteen documents were noted as planned to be reviewed this year. Two policies were new so did not need reviewing. As six of them (including the Absence Management Policy) were scheduled to be reviewed in quarter one, we asked to see the documents. The documents were never provided.

Implications

Staff are following out of date policies which could lead to inconsistent work practices and possible compliance breaches.

Action plan

- 1) A full review is undertaken on polices as they are out of date.
- 2) A proper schedule is implemented showing when policies will be reviewed. This document should link to the Senior

Responsible person/title

HR Manager

Target date

Leadership Team (SLT) meetings and minutes should note that either XX policies have been reviewed and XX changes made for SLT approval or, XX policies have been reviewed and no major amendments required.

- 3) The expenses policy is updated to cover a broader range of expenses that can be claimed back. SLT must approve this broader range.
 - 4) Checklists are introduced to HR to track the process of reviewing policies and procedures.
-

Current year findings (5 of 5)

Monitoring and Support

Control Design

5

Medium

Finding and root cause

The WLWAs sickness reports were examined, and we found that four officers should have triggered the sickness monitoring process due to frequent sickness or the number of days off sick.

We asked for evidence that the triggers had been actioned and managers informed so the monitoring could officially commence but we were not provided with anything. We discussed the matter with one Senior Officer who confirmed that he was monitoring an employee's sickness but for the other three, we were unable to confirm.

A request was made for evidence of training needs and training taken to monitor knowledge gaps for new and existing staff. We were informed that there was a matrix, albeit out of date, covering all staff, but this was not provided during the time of the audit.

The company provides lots of wellbeing information and advice. Four wellbeing champions roles were created for existing staff who assisted with various initiatives during 2021. During the audit, the champions guidelines and roles and responsibilities were issued which caused two champions to resign from the roles as they were unaware the role exceeded past 2021 and the work required in the issued documents was too much on top of their own business as usual duties. One of the four had already left the WLWA employment.

Implications

- A lack of sickness monitoring may result in an increase of false sickness.
- Injury or harm to employees who work through sickness or injuries when they should be resting or receiving medical or mental health treatment and help.
- Wellbeing champions will not volunteer due to responsibilities being too large resulting in a lack of support for mental health issues
- Inconsistent work practices resulting in unfair treatment

Action plan

- 1) Monthly reports are provided to managers showing employees who have triggered the sickness policy for monitoring.

Responsible person/title

HR Manager

Target date

- 2) HR should check with managers that sickness monitoring has started and revisit with the managers to ensure the process has been followed fairly and consistently.
 - 3) HR management should review sickness reports on a monthly basis and confirm actions are in place for all.
 - 4) The training matrix /plan should be updated, and training needs reported to close knowledge gaps for new and existing staff.
 - 5) If there are no more volunteers for being a wellbeing champion, the roles and responsibilities should be reviewed and possibly scaled down to attract volunteers. A meeting held in June to discuss the volunteers was held and two champions are now in place.
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Appendix A: Basis of our classifications

Individual finding ratings

Critical

A finding that could have a:

- **Critical** impact on operational performance; or
- **Critical** monetary or financial statement impact; or
- **Critical** breach in laws and regulations that could result in material fines or consequences; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability.

High

A finding that could have a:

- **Significant** impact on operational performance; or
- **Significant** monetary or financial statement impact; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences; or
- **Significant** impact on the reputation or brand of the organisation.

Medium

A finding that could have a:

- **Moderate** impact on operational; or
- **Moderate** monetary or financial statement impact; or
- **Moderate** breach in laws and regulations resulting in fines and consequences; or
- **Moderate** impact on the reputation or brand of the organisation.

Low

A finding that could have a:

- **Minor** impact on the organisation's operational performance; or
- **Minor** monetary or financial statement impact; or
- **Minor** breach in laws and regulations with limited consequences; or
- **Minor** impact on the reputation of the organisation.

Appendix B: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation, or other changes; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control, and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.