

Agenda Item	3
Report No	AS/13/24

HIGHLAND COUNCIL

Committee: **Audit Committee**

Date: **13 June 2024**

Report Title: **Internal Audit Reviews and Progress Report – 27/02/24 – 14/05/24**

Report By: **Strategic Lead (Corporate Audit & Performance)**

1. Purpose/Executive Summary

1.1 This report provides details of the work undertaken by the Internal Audit section since the last report to Committee in March 2024.

2. Recommendations

2.1 Members are asked to note:

- i. and consider the Final Reports referred to in Section 4.1 of the report; and
- ii. scrutinise the current work of the Internal Audit Section outlined at sections 5 and 6, and the status of work in progress detailed at **Appendix 1**.

3. Implications

- 3.1 Resources – as previously reported there has been a reduction in the available resources due to a vacant post within the team since December. This post has now been deleted as part of an agreed budget saving for 2024/25.
- 3.2 Risk - the risks and any associated system or control weaknesses identified as a result of audit work or corporate fraud investigations will be reviewed and recommendations made for improvement.
- 3.3 There are no Legal, Climate Change / Carbon Clever, Community (Equality, Poverty, Rural and Island), Health and Safety or Gaelic implications.

4. Internal Audit Reports

4.1 There have been four final reports issued during this period as detailed in the table below.

Service Cluster	Subject	Opinion
Place	In-house bus operation income systems	Limited Assurance
Place	Cessation of Utilities	Reasonable Assurance
Corporate	Review of Payroll Control Environment	Limited Assurance
Corporate	Cheque Control Arrangements	Reasonable Assurance

Each report contains an audit opinion based upon the work performed in respect of the subject under review. The five audit opinions are set out as follows:

- (i) Full Assurance: There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
- (ii) Substantial Assurance: While there is a generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
- (iii) Reasonable Assurance: Whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
- (iv) Limited Assurance: Weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.
- (v) No Assurance: Control is generally weak, leaving the system open to significant error or abuse, and/ or significant non-compliance with basic controls leaves the system open to error or abuse.

5. Internal Audit work in progress

5.1 Details of the current audits in progress and their status is provided at **Appendix 1**. The 2023/24 Internal Audit Plan was approved at the September Committee meeting. The Internal Audit Team has been working hard to try and ensure timely completion of audit work and a substantive proportion of the work is either complete or nearing completion with a view to being concluded by the September Audit Committee.

6. Other Work

6.1 The Section has been involved in a variety of other work during the period which is summarised below:

(i) Audits for other Boards, Committees and Organisations

Audit work is being undertaken during this period for the Valuation Joint Board and for High Life Highland which will be reported to the respective Committees in due course.

(ii) Raising the profile of Internal Audit findings and sharing best practice with Head Teachers

Recognising the concerns raised at the March Audit Committee Internal Audit have assisted in raising the profile of audit report findings and shared best practice with

Head Teachers. Internal Audit provided a presentation at the well-attended Education & Learning induction programme for developing new and acting Head Teachers in May 2024. This will be repeated in September 2024.

(iii) Corporate Fraud, Whistleblowing concerns and other investigations activity

The Single Point of Contact (SPOC) work is an ongoing commitment providing information to Police Scotland, the Department of Work and Pensions and the UK Immigration Enforcement Office. This work assists these organisations in investigating potential crimes and in making our communities safer. An allowance of time for these commitments is made within the Internal Audit Plan each year.

We have a current commitment of 25 cases. This comprises of several active cases subject to investigation and those where the investigation has been concluded but there is ongoing recovery or further action by the Procurator Fiscal.

Ongoing investigations during this period include:

- Investigations resulting from whistleblowing reports:
 - One completed and an investigation report is being drafted for issue to management.
 - Three active ongoing investigations.
- Investigation of specific cases of overpayments from Payroll.
- Tenancy Fraud Investigations.
- Investigation and reporting of matches from the National Fraud Initiative 2022 exercise.

Where active fraud and whistleblowing investigations are in progress, no further information can be provided in order to prevent these being compromised. However, once the investigations have been completed including any associated disciplinary/ legal action where relevant, the system weaknesses reports will be provided to the Audit Committee to scrutinise.

The Fraud and Whistleblowing Annual Report 2023/24 which outlines the work undertaken by the Corporate Fraud Team is provided as a separate report on the Committee agenda.

(iv) Work to support the Annual Audit Opinions

Work has been undertaken in order that the Chief Audit Executive's (nb Strategic Lead) annual audit opinion can be provided within an annual report and to inform the annual Governance Assurance Statement within the annual accounts. The Council's annual report has been provided as a separate agenda item. In addition, this work is undertaken for the Valuation Joint Board, the Pension Fund and the Highlands and Islands Strategic Transport Partnership and reported to the relevant Board or Committee.

Designation: Strategic Lead (Corporate Audit & Performance)

Date: 14 May 2024

Author: Jason Thurlbeck, Corporate Audit Manager

Background Papers: N/A

Appendices: Appendix 1 - Internal Audits in progress

Appendix 1 - Internal Audits in progress

Service	Audit Subject	Priority	Planned Days	Current Status	Planned Committee Reporting Date
Corporate	HCP22/001 - Efficiency of debt recovery arrangements	Medium/High	20	TOR issued but on hold due to Finance system implementation. Agreed that this will restart in June.	September 2024
Corporate	HDX03/004 - IT asset registers	Medium/High	20	Substantially complete	September 2024
Corporate	HDX03/003 - Procurement of ICT cloud hosted systems	Medium/High	20	Substantially complete	September 2024
Corporate	HPG13/002 - Business Continuity Planning	Medium/High	30	Fieldwork well progressed	September 2024
Corporate	HRF30/006 - Workforce planning arrangements	High	30	Fieldwork well progressed	September 2024
Corporate	HRF40/005 - Procurement arrangements and governance	High	30	Substantially complete	September 2024
Corporate	HRF33/004 - Review of Health and Safety arrangements	Medium/High	20	Fieldwork in progress	September 2024
Corporate/ Place	HCP15/001 - Common Good Fund Asset Registers	Medium/High	30	Fieldwork in progress	September 2024
People	HEL02/001 - Review of financial arrangements in Primary Schools	Medium/High	30	Planning underway	September 2024
People	HSC08/001 - Justice Service	Medium	25	TOR issued	September 2024
Place	HIE04/002 - Review of roads maintenance	High	28	Substantially complete	September 2024

Internal Audit Final Report

Place Service

In-house bus operation income systems

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	2
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	11
Minor issues that are not critical, but managers should address.	Low	0

Distribution:

Assistant Chief Executive - Place
Head of Roads and Infrastructure – Infrastructure, Environment and Economy
Project Manager – Infrastructure, Environment and Economy
Policy and Programmes Manager – Infrastructure, Environment and Economy
Principal Transport Officer – Infrastructure, Environment and Economy
Service Finance Manager – Resources and Finance
External Audit

Audit Opinion

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Limited Assurance** can be given in that Weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

Report Ref: HIE06/002
Draft Date: 03/04/24
Final Date: 07/05/24

1. Introduction

- 1.1 The in-house bus operation is part of the Council's Business Change Programme and was set up initially as a pilot to deliver passenger and school transport services at a lower cost than that offered by commercial contractors. The first public services started on 04/01/23 and school services shortly thereafter on 09/01/23. There are currently 17 buses (7 owned and 10 leased by the Council) operating across 13 routes and there are 19 FTE members of staff.
- 1.2 An external independent project review of the Pilot Internal Bus Operation was commissioned by the Service to assist the development of the bus service and was carried out in December 2023. The report recommended improvements in governance, reporting, business case, strategy, and communication. The report contained 8 recommendations which were initially provided to the Bus Transformation Project Board in 17/01/24 and again with management responses on the 27/03/24.
- 1.3 In its first year of operation, the service took on the operation of 7 routes where the retendered prices received were significantly higher than budgeted and sought to achieve an annual cost avoidance to the Council of approximately £1.4m. The audit examined how this figure had been arrived at and whether there were appropriate arrangements in place to monitor delivery of this target.
- 1.4 Revenue is generated from cash and contactless fare payments, National Concessionary Travel Schemes (NCTS) reimbursement payments from Transport Scotland, the use of buses outwith regular service e.g., to provide transport for school pupils to attend swimming lessons, and Network Support Grant payments.
- 1.5 The audit looked at the systems in place for the collection, recording, banking, and monitoring for all income streams to ensure that they are robust, timely and efficient. The audit did not look at any other aspects of the initial set up of the pilot or subsequent operation of bus services. As such, the audit opinion and findings relate solely to the income processes rather than the overall effectiveness and outcomes of the pilot project.

2. Main Findings

2.1 *Business model*

This audit objective was partially achieved. The estimated cost of operating the initial group of 7 bus contracts in-house had been calculated and compared against the only tender received and the estimated cost avoidance to the Council had been determined.

Since the project went live in January 2023, progress on delivery of income and expenditure targets had not been rigorously monitored and therefore it was not possible to confirm what the actual cost of running the service had been for its first year of operation. There were a number of factors contributing to this:

- A base budget for 2023/24 had not been entered in Integra.
- Not all operating costs were included in the service costings meaning that any base budget would not have been accurate.
- Contactless income was not entered on Integra (see 2.2) and therefore actual income on Integra was not accurate.

A base budget for 2024/25 has been prepared based on 2023/24 actual costs, plus an additional bus route, and estimates annual cost avoidance of £1.35m based on the best 5-year contract tender rates at January 2023 (see action plan H1).

The adopted mileage-based fare structure was based on a typical commercial bus fare scale with annual inflationary increases applied and some modifications made to make some rural routes affordable. There was an opportunity to review the fare structure on an ongoing basis to ensure that fare revenue is maximised where possible. (see action plan M1).

2.2 *Cash and contactless fare payments*

This audit objective was partially achieved. The fare structure had been entered correctly on the electronic ticketing system (Ticketer) and all drivers had received the appropriate training.

Between January 2023 and January 2024, cash payments of £7,850 had been recorded on Ticketer. There was no means of storing cash securely on buses, but it would reportedly never be left unattended by a driver. At the end of each shift, drivers

deposit cash takings in a lockable wall mounted post box along with an end of duty printout which provided a summary of ticket sales. However, the post box was not completely secure and could be easily accessed without a key (see action plan M2). The post box was emptied every morning by the early shift supervisor, the cash was counted, a Daily Takings Sheet was completed, and both were deposited in a locked filing cabinet. The late shift supervisor counted the cash weekly and completed a Weekly Pay-In Sheet and took it to another site where it was banked along with other income. There were no checks carried out to ensure that the weekly cash totals from Ticketer reconciled with the cash banked and recorded on Integra (see action plan M3).

Out of a sample of 7 weeks between March 2023 and November 2023, the weekly cash balance taken from Ticketer did not reconcile with the total recorded on the Weekly Pay-In Sheet on 4 occasions – the total value of these discrepancies was £21.25. Reasons for these differences may have been investigated by the Supervisor at the time of banking but this had not been recorded and a satisfactory explanation could not be provided at the time of the audit (see action plan M4).

Between January 2023 and January 2024, contactless payments of £23,636 had been recorded on Ticketer. A system called Littlepay is used for contactless payments and there was only one login which was registered to a Service Finance Manager but was used by bus operations staff (see action plan M5). A sample of contactless payments was examined and out of a total transaction value of £703.10 for the 9 sampled days, declined payments had occurred on 5 days and totalled £65.10 (9%). Payments can be declined for a number of reasons e.g., insufficient funds, but Ticketer did not alert the driver to this at the time of the transaction. Reasons for the transactions being declined were recorded on Littlepay but this was not monitored (see action Plan M6). None of the income received for contactless payments since the service began had been entered on Integra and there was £22,452.76 sitting in a bank reconciliation ready to be allocated to the appropriate GL Account Code. There have been some discussions between the Project Officer and Principal Accountant regarding what needs to be done to resolve this and ensure that

it is processed on an ongoing basis, but no agreement was reached (see action plan H2).

Tickets can be annulled on Ticketer by drivers usually because they have selected the wrong ticket option e.g., cash or contactless instead of concessionary travel card. Between 01/01/23 and 31/01/24 there had been 170 tickets annulled on Ticketer which is 2% of the total 7,471 tickets issued during the period. Drivers were required to provide both the annulled ticket and the original ticket along with their end of duty report at the end of each shift. A sample of 20 annulled tickets was examined and the annulled and original ticket had been provided by the driver on only 3 occasions. A reason for the annulment had been provided by the driver in 2 instances (handwritten on the ticket). It may be that a reason had been provided to one of the Supervisors at the time to provide an explanation, but this was not recorded (see action plan M7).

Random checks are not carried out on buses to ensure that all passengers have been issued with the correct ticket (see action plan M8).

2.3 *National Concessionary Travel Schemes*

This audit objective was partially achieved. Payments were processed by Transport Scotland on a 4-weekly basis and were calculated using the 2023/24 reimbursement rates (Older & Disabled Persons Scheme 55.9%, Young Persons Scheme 5-15 year-olds 43.6% and 16-21 year-olds 81.2%) and usage data taken directly from Ticketer. Payments received from Transport Scotland for both schemes for the period 21/08/23 to 17/09/23 were examined. The total payment due for both schemes had been calculated correctly by Transport Scotland and had been received by Highland Council in line with the planned payment schedule. However, regular checks were not carried out to ensure that this was the case for all payments and that the appropriate supporting documentation had been received from Transport Scotland (see action plan M9).

The sampled period included 497 manually processed concessionary tickets with a total value of £1,085.63 which were not included in the payment received. These occur when

concessionary cards either cannot be scanned (faulty) or are not scanned by the driver and these can be reclaimed from Transport Scotland using a separate claims process. However, this had not been done resulting in a loss of income to the Council. The audit highlighted this issue, and a process has now been put in place to minimise the number of manual transactions and reclaim those which do occur going forward (see action plan M10).

2.4 *Bus utilisation out with regular services*

This audit objective was partially achieved. Internal and external private hires commenced in summer 2023. There was a template used to calculate the cost of each hire and it was based on the mileage, vehicle used (cost of fuel) and number of hours (driver wages), plus a percentage profit margin for external private hires. Each booking was recorded on an electronic diary system.

A sample of 2 external private and 5 internal hires between June 2023 and January 2024 was selected and all had been invoiced/recharged in a timely manner. However, the income had not been consistently coded on Integra and records of how the cost for each hire had been calculated were not retained and therefore it was not possible to verify that they had been calculated in a consistent manner and in line with expected charges (see action plan M11).

2.5 *Network Support Grant*

This audit objective was fully achieved. The Network Support Grant (NSG) is a discretionary grant that subsidises commercial and community bus routes and was paid at a rate of 14.4p per km for live distance travelled on registered services. Claims can be made once annually, or twice yearly in arrears for set 6-month periods (1 October - 31 March and 1 April - 30 September). Claims had been submitted by Highland Council for 04/01/23 to 31/03/23 (£10,005) and 01/04/23 to 30/09/23 (£21,124) and this was in line with the claim schedule set out by Transport Scotland. The claim for period 01/04/23 to 30/09/23 was examined in more detail and it had been submitted using the standard template and had been checked and approved by appropriate officers.

3. Conclusion

3.1 The in-house bus operation was set up within a relatively short timeframe and it has delivered the initial group of services at an estimated lower cost than the best tendered prices received from the commercial operator. However, there are significant opportunities to further improve control around the completeness and accuracy of income collection and it's monitoring, therefore assurance cannot be fully provided in this area.

The initial focus has prioritised operational matters ahead of developing strategic planning for the service or providing robust methods to evaluate the financial performance. There were plans to further develop the operation by in-sourcing additional bus service routes and also increasing school hires with the purchase of an additional used high-capacity touring coach. It is therefore essential that a clear strategy is in place along with robust internal controls to ensure that income and expenditure, and achievement of the desired performance and financial outcomes, can be monitored and reported effectively.

4. Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
H1	High	<p>Progress on delivery of 2023/24 income and expenditure targets had not been monitored and it was therefore not possible to confirm what the actual cost of running the service had been for its first year of operation.</p> <p>This is not in accordance with Section 9 of The Highland Council Financial Regulations.</p> <p>A base budget for 2024/25 has been prepared and estimates annual cost avoidance of £1.35m.</p>	(i) Details of actual costs and income for the project's first year of operation, should be examined in order to confirm the actual level of cost avoidance achieved.	(i) The actual costs and income for the first year of operation have been examined at the Project Board meeting in February 2024. This confirmed a cost avoidance figure of approximately £1.17M – which is currently being confirmed by the service accountant as part of the end of year process and this has been reported to the E&I Committee on 02/05/24. This report was approved by members and Finance colleagues.	Policy and Programmes Manager	Completed
			(ii) The 2024/25 base budget should be evaluated to ensure that any assumptions made are reasonable. The budget must be entered in CiA Financials for the 2024/25 financial year.	(ii) The 2024/25 budget has been based on actual costs following the first year of operation. Discussions are ongoing with finance to enter the budget into the new CiA financials which will be reported to the next E&I Committee in August 2024.	Policy & Programmes Manager/ Service Finance Manager	31/08/24
			(iii) All income and expenditure must be allocated to the appropriate GL Account Code in CiA Financials.	(iii) This will be undertaken as part of (ii) when the new CiA financials are in place.	Policy & Programmes Manager	31/08/24
			(iv) Progress on delivery of income and expenditure targets for 2024/25 should be monitored and reported to ensure oversight (including to the Project Board).	(iv) Progress on delivery of the project objectives, including financials, will continue to be and has been monitored and reported to the Project Board throughout the pilot.	In-house Bus Operations Project Manager	Ongoing

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
			(v) A clear strategy (business and financial) for the in-house bus service should be developed to ensure it can benchmark the cost avoidance model and deliver the intended performance and outcomes.	(v) This requirement is acknowledged as being essential to inform the new operating model when the project transitions from its pilot status. Discussions at a senior strategic level to develop this are already taking place and a report is to be brought back to E&I Committee.	Head of Roads & Infrastructure	30/11/24
H2	High	None of the income received for contactless payments since the service began has been entered on Integra and there is currently £22,452.76 sitting in a bank reconciliation ready to be allocated to the appropriate GL Account Code. This is not in accordance with Section 15 of The Highland Council Financial Regulations.	A process must be put in place to transfer all income received from contactless payments to the appropriate GL Account Code in CiA Financials. In future, this should be done at least monthly.	The income has been entered and recorded on to the Littlepay system (used widely by other bus operators). The income from this system has been transferred to the Council. Discussions are ongoing with Finance regarding a process for this to be entered into an appropriate GL code when this is set up. An additional staffing resource has been approved and recruitment is expected to be complete by May 2024 to support this work going forward.	In-house Bus Operations Project Manager/ Service Finance Manager	30/08/24
M1	Medium	The adopted mileage-based fare structure was based on a typical commercial bus fare scale with annual inflationary increases applied and some modifications made to make some rural routes affordable. There was an opportunity to review the fare structure on an ongoing basis to ensure that fare revenue is maximised where possible.	A review of the fare structure should be carried out to ensure that fare revenue is maximised where possible.	We will review fares on an annual basis taking into account inflationary and market pressures, and any proposed increases will be taken to E&I Committee for approval. Next review date will coincide with the Council's budget process for 25/26.	Principal Transport Officer	28/02/25

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
M2	Medium	<p>There is no means of storing cash securely on buses and the post box used to hold cash deposited by drivers at the depot is not completely secure and could be easily accessed without a key.</p> <p>This is not in accordance with Section 15 of The Highland Council Financial Regulations.</p>	<p>(i) Options for secure cash storage on buses should be explored and if no suitable solution can be found, then the risks around the current method should be recorded and accepted by management. This should include details of how the completeness and accuracy of income would be ensured, and how any discrepancies would be explained and evidenced.</p> <p>(ii) The post box at the depot should be replaced with a more suitable and secure alternative.</p>	<p>(i) Every bus operator in Highland is required to handle cash payments as it is uniformly acknowledged that not everyone who needs to travel by bus is able to pay electronically. The system of driver's handling cash currently reconciles tickets sold, with cash received though a daily process undertaken by the supervisor in the team, and the process for cash security will be included in the risk register.</p> <p>(ii) A secure post box safe has been purchased and installed.</p> <p>(iii) A new App is being implemented to encourage advance purchase of tickets to help minimise the number of cash transactions. Discussions are taking place internally with regard to GDPR, but it is hoped that this will be in place by September 24.</p>	In-house Bus Operations Project Manager	30/09/24
					In-house Bus Operations Project Manager	Completed
					Policy & Programmes Manager/ In-house Bus Operations Project Manager	30/09/24
M3	Medium	<p>There were no checks carried out to ensure that the weekly cash totals from Ticketer reconcile with the cash banked and recorded on Integra.</p> <p>This is not in accordance with Section 15 of The Highland Council Financial Regulations.</p>	Regular reconciliations should be carried out to ensure that the weekly cash totals from Ticketer are completely and accurately banked and recorded in CiA Financials.	There is a system in place for the daily reconciliation of cash payments against ticket sales. There is currently no method in place for reconciling this with Integra/the new CiA financials, but this is being developed in partnership with the Finance team. A new post is being	In-house Bus Operations Project Manager/ Service Finance Manager	30/08/24

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
				recruited to assist in this process and will be in place by end of June 2024.		
M4	Medium	<p>Out of a sample of 7 weekly cash pay-ins, the weekly cash balance taken from Ticketer did not reconcile with the total recorded on the Weekly Pay-In Sheet on 4 occasions. Reasons for these differences had not been recorded and a satisfactory explanation could not be provided at the time of the audit.</p> <p>This is not in accordance with Section 15 of The Highland Council Financial Regulations.</p>	Where there is a difference between the weekly cash balance taken from Ticketer and the total recorded on the Weekly Pay-In Sheet, the reason(s) for this should be recorded and signed off by a supervisor and this information should be retained on file.	Agreed this has not been happening previously but has now been rectified.	In-house Bus Operations Project Manager	Completed
M5	Medium	<p>There was only one login for Littlepay which was registered to a Service Finance Manager but was used by bus operations staff.</p> <p>This is not in accordance with Section 7 of the Information Security & Assurance Policy and section 5 of the ICT Acceptable Use Policy</p>	Bus operations staff who require access to Littlepay should be set up with their own login.	Agreed this has not been happening. Contact is now being made with Littlepay to set up individual user log-ins.	In-house Bus Operations Project Officer	30/09/24
M6	Medium	<p>A sample of contactless payments was examined and out of a total transaction value of £703.10 for the 9 sampled days, declined payments had occurred on 5 days and totalled £65.10 (9%).</p> <p>Ticketer did not alert the driver to this at the time of the</p>	(i) The issue of drivers not being informed of declined payments at the time of the transaction should be raised with Ticketer and a solution put in place if possible.	(i) This is an industry wide occurrence. It is not possible for money to be immediately transferred from bank accounts at the time of ticket purchase. The Policy and programmes Manager is raising this with Ticketer.	Policy Programmes & Manager	31/03/25

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
		transaction and declined payments were not monitored.	(ii) Declined payments should be recorded and quantified so that the loss of income to the Council can be monitored and action taken if required.	(ii) A system to monitor declined payments will be put in place once the new staffing resource is recruited. This will also be included in the risk register and CCTV is being explored to mitigate this.	Policy Programmes & Manager	30/09/24
M7	Medium	A sample of 20 annulled tickets was examined and the annulled and original ticket had been provided by the driver on only 3 occasions. A reason for the annulment had been provided by the driver in 2 instances (handwritten on the ticket).	A record of all annulled tickets should be kept, and this should include the reason for each annulment and confirmation from a supervisor that they are satisfied with the explanation provided. Due to the risk of fraud around annulled tickets, supervisors should also be monitoring patterns of annulled tickets to identify training needs or potential instances that require further investigation.	A system has been established to record the reasons for annulled tickets.	In-house Bus Operations Project Manager	Completed
M8	Medium	Random checks are not carried out on buses to ensure that all passengers have been issued with the correct ticket.	A programme of regular random on bus ticket checks should be put in place.	The in-house team is a small team that has been set up for the duration of the pilot. Resources have not been available to undertake random checks, but it is the intention going forward.	In-house Bus Operations Project Officer	30/09/24
M9	Medium	Regular checks are not carried out to ensure that payments received from Transport Scotland have been calculated correctly, received in line with the planned payment schedule and accompanied by appropriate supporting documentation.	Checks should be carried out to ensure that NCTS payments from Transport Scotland are: <ul style="list-style-type: none"> Accompanied by the appropriate supporting documentation which should be retained on file calculated correctly and 	Following a visit to Lothian Buses, the team have asked them for advice on how they monitor this income, and if possible, intend to adopt similar arrangements.	In-house Bus Operation Project Officer	30/09/24

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
			<ul style="list-style-type: none"> received in line with the planned payment schedule. 			
M10	Medium	<p>The sampled period included 497 manually processed concessionary tickets with a total value of £1,085.63 which were not included in the payment received from Transport Scotland. A process has been put in place to minimise the number of manual transactions and reclaim those which do occur going forward.</p> <p>Failure to reclaim manual transactions leads to a loss of income to the Council.</p>	<p>The importance of scanning all concessionary travel cards should be emphasised to drivers and levels of manual transactions monitored to ensure compliance with this instruction.</p> <p>Retrospective claims for manual concessionary tickets should be submitted to Transport Scotland to ensure that all income owed to the Council for the period from 04/01/23 is reclaimed.</p>	<p>This issue occurred during the initial set up phase of the depot and there was an issue with electricity supply. This has now been resolved and a process has been put in place to minimise the number of manual transactions and reclaim those which do occur going forward.</p>	In-house Bus Operation Project Manager	Completed
M11	Medium	<p>Income for external private hires had not been consistently coded on Integra and records of how the cost for each hire had been calculated were not retained.</p>	<p>(i) Income for private hires should be coded consistently on CiA Financials and in a way that allows for accurate reporting on this income stream.</p> <p>(ii) For all hires (internal and external private), a record of how the cost was calculated should be retained with the hire request.</p>	<p>(i) During the early stages of the pilot, there were no financial codes set up for private hires as this service only commenced in June 23. A private hire income code is now in place.</p> <p>(ii) An electronic record of private hire costings is now kept.</p>	In-house Bus Operations Project Manager	Completed

Internal Audit Final Report

Place

Cessation of Utility Supplies

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	1
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	4
Minor issues that are not critical, but managers should address.	Low	2

Audit Opinion

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Reasonable Assurance** can be given in that whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Distribution:

Assistant Chief Executive for Place
Head of Property and Facilities Management
Climate Change and Energy Team Manager
Service Lead – Corporate Property Management
Energy Manager, Climate Change and Energy

Report Ref: HPH11/003 bf.
Draft Date: 14/05/24
Final Date: 30/05/24

1. Introduction

1.1 The objective of the review was to assess the arrangements for controlling utility usage within unoccupied Council properties. The review considered:

- identification of unoccupied properties;
- management of unoccupied properties; and
- monitoring of utility usage.

1.2 The review considered the arrangements for the control of utilities within the Council's properties that were identified as being unoccupied during 2023/24. The audit involved an assessment of the controls following discussion with key officers and the review of procedure documents.

1.3 The audit was in part planned after an Education Committee meeting (September 2022) was advised that Roy Bridge Primary School (mothballed since 2017 and subject to closure) continued to incur utility costs whilst being unoccupied.

2. Main Findings

2.1 *Identification of Unoccupied Properties*

The audit objective was partially achieved. The Asset Management Project Team had started to review the Council's property estate, which had led to the re-purposing/disposal of some surplus properties. However, the Council does not have a comprehensive Asset Management Plan that identifies the property assets that may be required to deliver its operational services, generate an investment income, or may become surplus to requirements. The preparation, maintenance and review of an Asset Management Plan would provide an early indication of properties that may become unoccupied and whose utility consumption should be subject to more detailed review. (See Action Plan Reference M1)

The Corporate Landlord audit report (Ref: HPH11002) identified that key property information within the Council's corporate asset management system (Concerto) was not complete, accurate and up to date. A sample of 21 potentially unoccupied properties identified from independent sources were checked to the Concerto "Vacant/Potentially Vacant" (PV) report. 12 (57%) unoccupied

properties were not listed, and 2 (10%) mothballed schools were recorded as occupied. (See Action Plan Reference H1)

2.2 Management of Unoccupied Properties

The audit objective was partially achieved. An Instruction Note – Vacant Properties (appended to the Council's Financial Regulations) required that officers inform the Insurance Team and Property Manager (Building Maintenance) of "unoccupied schools and other similar high value/risk properties immediately they cease to be occupied." The Note dated (April 2014) had not been widely and recently communicated and contained the titles of officers/teams that were no longer accurate or relevant. (See Action Plan Reference M2)

Concerto has a facility that could allow Service Managers to issue "alerts" that would promptly notify the Place Service a property they had or were about to vacate. It was understood that Concerto "alerts" had not been activated due to concerns about the ability to notify the correct officer only. (See Action Plan Reference L1)

The Instruction Note – Vacant Properties outlined the process that should be followed upon notification of a vacant property but did not provide detailed information on budget holder responsibilities. We were unable to identify how budget holders had been assigned to unoccupied properties. We did identify that an Area Education Manager was the designated budget holder for 6 unoccupied schools and an Education Officer for a further one. Neither officer was aware of this responsibility and consequently did not review financial information to confirm that utility costs were reasonable and valid. (See Action Plan Reference M3)

2.3 *Monitoring of Utility Usage*

The audit objective was partially achieved. The process for paying utility bills does not involve the certification of supplier invoices before payment. The Climate Change and Energy Team uses Team Sigma, which allows invoices to be paid automatically provided that the invoice is not significantly different from the meter reading or (if estimated) previous invoices. Without pre-notification of a property becoming unoccupied the Team would not know that a reduction in utility consumption should be expected. There was therefore a risk that if measures were not

taken to stop or reduce utility usage for unoccupied buildings that energy bills would continue to be paid. Analysis of the Team Sigma billing information (for 4 of the above 12) identified: 1 unoccupied school where actual energy consumption only gradually reduced to a low level in the 7 years following closure. This suggests that some unnecessary consumption may have been incurred. As the other 3 unoccupied schools included estimated energy consumption it was not possible to determine what proportion might be refundable or was necessary to protect the building or may represent unnecessary consumption. (See Action Plan Reference M4 and L2)

The Council has properties where smart meters had not been installed and rural area properties where Wi-Fi unreliability prevents the electronic collection and transfer of meter readings to Team Sigma. A failure to obtain complete, accurate and timely meter readings for unoccupied properties may result in inaccurate utility usage being record and unnecessary costs being incurred. (See Action Plan Reference L2)

3. Conclusion

- 3.1 The arrangements for the control of utility usage within unoccupied properties required improvement. The early identification of unoccupied properties together with the prompt notification and improved management of utilities in unoccupied properties should better assist the Council in reducing usage and emissions. The implementation of the audit recommendations in section 4 of this report should help management to deliver these improvements.

4. Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
H1	High	<p>A sample of 21 properties were examined to verify if these were included in the Concerto "Vacant/Potentially Vacant" (PV) report. Of these,</p> <ul style="list-style-type: none"> • 9 were included on the PV report with 2 mothballed schools marked as occupied; • 4 were only listed on an Asset Management report; • 4 were only listed on a vacant buildings report; • 2 were only listed on a vacant Care homes spreadsheet; and • 2 were only listed on a vacant offices' spreadsheet. 	<p>Management should ensure that the Concerto "Vacant/Potentially Vacant" (PV) report is reviewed following comparison with the Asset Management Plan/analysis and after discussion with key officers/Service Managers to ensure that all unoccupied properties have been included.</p> <p>Recommendation supported by (The Corporate Landlord internal audit report recommended (H1) that "A project plan and timetable should be devised and appropriately resourced to ensure that all necessary property asset information to fulfil the corporate landlord data function is collected, recorded, and maintained on the Concerto system".)</p>	<p>The review of the property estate is underway as is engagement with service managers to ensure that vacant or properties soon to become vacant are identified and monitored in line with the councils new Void Property Management Procedure. Reports on vacant property management will be taken to the new Asset Reconfiguration Board.</p>	Head of Property & FM	31/03/25
M1	Medium	<p>The Asset Management Project had started to review the Council's property estate, which had led to the re-purposing/disposal of some surplus properties. The Project Team had so far considered the Council's office accommodation and s/workshops. The Council does not have a comprehensive Asset Management Plan that identifies the property assets that may be required to deliver</p>	<p>The Delivery Plan contains strategic projects such as Reconfiguring Our Asset Base with a requirement to develop a Strategic Asset Management Plan. Management should ensure that this Plan identifies properties that may in the future become unoccupied. In support of the development of the Plan an analysis of all the Council's properties should be undertaken to determine their future</p>	<p>The new Strategic Asset Management Plan will contain a process that ensures the regular review and scrutiny of property use, occupancy, mothballing or disposal. Property status reports will be submitted to the new Asset Reconfiguration Board to monitor changes in occupancy or use. All properties will be included in a rolling 5-year condition survey programme with all information loaded into Concerto (the councils property database).</p>	Head of Property & FM	31/03/25

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
		its operational services, generate an investment income or may be surplus to requirements. A full analysis of the Council's property portfolio would provide an early identification of those properties that may become unoccupied and should be subject to the voids management process.	occupancy status in the short, medium, and long term. The status of properties should be subject to regular review following discussion with Service Managers and the assessment of building condition.	The creation of an in-house building surveying team has been approved as part of the council's new delivery plan and recruitment to the new team will commence in July.	Service Lead – Corporate Property Management	31/03/25
M2	Medium	An Instruction Note – Vacant Properties was appended to the Council's Financial Regulations. The Note required that officers inform the Insurance Team and Property Manager (Building Maintenance) of "unoccupied schools and other similar high value/risk properties immediately they cease to be occupied." The Note dated (April 2014) had not been widely and recently communicated and contained the titles of officers/teams that were no longer accurate or relevant. The Note includes the following notification responsibilities: <ul style="list-style-type: none"> • 4.2 (i) Prior to being declared surplus to requirements, the Area Service Manager should advise the Head of Property of their intention; • 4.2 (iv) The Service Manager should advise the Property Manager (Building Maintenance) and Insurance 	Management should ensure that the proposed new Void Property Management Procedure (replaces the outdated Instruction Note – Vacant Properties) is communicated to all relevant parties and additionally clearly outlines the responsibilities for sending/receiving all unoccupied property notifications (including properties subject to community asset transfer, mothballing, rental income generation and disposal). Recommendation supported by (The Corporate Landlord internal audit report recommended (M2) that "Management should review, revise and re-issue the procedure for the identification, reporting and recording of unallocated, unused, or vacant properties")	The new Void Property Management Procedure will be completed and communicated to all council services/relevant parties to ensure that agreed actions are undertaken within agreed timescales.	Service Lead – Corporate Property Management	30/11/25

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
		<p>Team of the date when the property is vacated.</p> <p>We were unable to identify if there were any specific procedures for the cessation of utilities in properties that were subject to community asset transfer, rental income generation or were demountable.</p> <p>No Council Mothball policy was provided to establish whether mothballed schools were being managed in accordance with Scottish Government guidance.</p>				
M3	Medium	<p>The Instruction Note – Vacant Properties outlined the process that should be followed upon notification of a vacant property; which included the following responsibilities:</p> <ul style="list-style-type: none"> • 4.2 (v) The Property Manager should arrange drain down, inspections, etc., as appropriate; • 4.2 (vii) The Property Manager arranges disposal of property as appropriate in accordance with Committee decision; and • 4.2 (ix) The Property Manager will update the Asset Register. 	<p>Management should upon notification of an unoccupied property ensure that a designated officer is allocated responsibility for its management in accordance with the requirements of the proposed new Void Management procedure.</p> <p>The proposed new Void Property Management Procedure should include the designated officer's role:</p> <ul style="list-style-type: none"> • In reducing utility usage or the cessation of utility services. • Managing utility budget allocations 	Designated officers will be allocated responsibility for the management of void property within their geographical areas to ensure that void properties are managed in line with the new Void Property Management procedure.	Service Lead – Corporate Property Management	30/11/25

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
		<p>Additionally, the process that should be followed for Mothballed Properties, includes the following responsibility:</p> <ul style="list-style-type: none"> • 4.3 (i) Prior to being mothballed, the Service Manager should advise the Property Manager of intentions and confirm that budget is in place to cover costs of drain down, inspections, etc. 	<ul style="list-style-type: none"> • closely monitoring utility usage until final disposal. • Reviewing any utility costs. 			
M4	Medium	<p>The process for paying utility bills does not involve the certification of supplier invoices before payment. Most Council properties do not have smart meters installed, which means that meter readings cannot always be obtained, communicated, and compared to invoices electronically before payment. The Climate Change and Energy Team uses Team Sigma, which allows invoices to be paid automatically provided that the invoice is not significantly different from the meter reading or (if estimated) previous invoices. Without pre-notification of a property becoming unoccupied the Team would not know that a reduction in utility consumption and invoice costs is to be expected.</p>	<p>Management should ensure that the Climate Change and Energy Team is made aware of properties identified as becoming/being unoccupied.</p> <p>Information should be provided on the ongoing status of the utility supplies e.g. being terminated or reduced to maintain building fabric and security (mothballed).</p> <p>Where energy consumption remains above the expected level to maintain the building, the Climate Change and Energy Team should advise the Property Team that further action to manage utility consumption should be taken.</p> <p>[The Delivery Plan includes a Project on Energy Billing Management - Enhance service</p>	<p>The Climate Change and Energy Team will be kept up to date on the occupancy status of properties from reports coming from the new Asset Reconfiguration Board.</p> <p>Notifications coming from the New Void Property Management Procedure will also be sent to the Climate Change and Energy Team for appropriate action in regard to the ongoing analysis and management of utility consumption.</p>	<p>Service Lead – Corporate Property Management</p> <p>Energy Manager</p>	<p>30/11/25</p> <p>30/11/25</p>

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
		Analysis of the Team Sigma billing information (for 4 of the sample of 12 unoccupied properties) identified: 1 school where actual energy consumption only gradually reduced to a low level in the 7 years following closure. This suggests that some unnecessary consumption may have been incurred. As the other 3 unoccupied schools included estimated energy consumption it was not possible to determine what proportion might be refundable or was necessary to protect the building or may represent unnecessary consumption.	provision associated with utility invoice processing and payment.]			
L1	Low	Concerto has a facility to issue notification "alerts" that could allow Service Managers to promptly notify the Property Team of building they had or were about to vacate. It was understood that Concerto "alerts" had not been activated due to concerns about its reliability.	Management should explore all options that would allow for the prompt and accurate notification of unoccupied properties.	The Concerto alert system will be reviewed by the Property Team to establish what changes can be made to improve on the process of providing early alerts from services in relation to properties they may be about to vacate.	Service Lead - Corporate Property Management	30/11/25
L2	Low	Wi-Fi connectivity issues and the lack of smart meters can prevent actual meter readings being taken for properties sited in remote rural locations. This may lead to inaccurate "estimated"	Management should identify properties where electronic meter readings are unobtainable and ensure that actual meter readings are taken when these are about to become unoccupied and are regularly taken and	This energy monitoring process is currently underway with support from the Councils Service Lead - Corporate Property Management, the Energy Manager, and the Facilities Management Team.	Service Lead - Corporate Property Management/ Energy Manager/ FM Team	On-going Monitoring Process

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
		utility consumption and utility bills for unoccupied properties.	monitored thereafter until disposal.			

Internal Audit Final Report

Corporate

Review of Payroll Control Environment

Description	Priority	No.
Major issues that Managers need to address as a matter of urgency.	High	10
Important issues that Managers should address and will benefit the Organisation if implemented.	Medium	0
Minor issues that are not critical but Managers should address.	Low	0

Distribution:

Assistant Chief Executive -Corporate
 Head of People
 Head of Revenues and Business Support
 Head of Corporate Finance
 Service Finance Manager
 Pay and HR Transaction Manager
 Operations Manager (Payroll)
 Audit Scotland

Audit Opinion

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Limited Assurance** can be given in that Weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

Report Ref: HRF12/002
Draft Date: 15/02/24
Final Date: 30/05/24

1. Introduction

- 1.1 The Corporate Fraud Team was initially notified at the end of April 2023 by the then Pay and HR Transaction Manager of the existence of a number of overpayments from payroll that could require assistance in investigation and recovery. Further to this initial communication the then Pay and HR Transaction Manager in July 2023 provided information on a significant wider issue concerning overpayments made through payroll. The issues surrounding the overpayments were well understood and there was recognition that overpayments were occurring mainly due to delays in Managers notifying Payroll of employee changes. The then Pay and HR Transaction Manager was working on a range of proposed actions to assist in better managing the issue.
- 1.2 Given that management were aware of the issue and were proposing actions to manage the issue and the ongoing risk. The Corporate Audit Team had sought to gain a high-level understanding of the issues and the existing processes and control environment. The control framework was not subject to detailed audit testing as there was already known evidence of issues. The Strategic Lead (Corporate Audit & Performance) had informed Audit Scotland as our External Auditors of our observations. Their 2022/23 Annual Audit Report (January 2024) records findings on the issue and makes a recommendation, the report records that 'to date, the total number of payroll overpayments identified by the council is 602 with a value of £863k'.
- 1.3 The Council staff costs were £378.8M (Annual Accounts 2022/23) The Council tax fact sheets records budgeted employees FTE of ~8,300 (for 2022/23). The 2023/24 unaudited accounts record staff costs as ~£399.5M.

2. Main Findings

2.1 *Preventative Controls*

The risk of overpayments being made through payroll cannot always be mitigated fully as it relies on the complete, accurate and timely processing of employee details and any changes. The existing processes are person dependent and therefore potentially susceptible to delay or human error, to be effective they require

accurate and timely communication from Managers to Payroll and accurate and timely processing of employee changes by Payroll. The existence of notice periods for employees leaving employment should assist in mitigating the risk of overpayments as it increases the window of opportunity to process the required changes. However, there are instances where overpayments are unavoidable such as staff who elect to take occupational maternity pay and don't return to work for 3 months following their maternity absence, resulting in monies requiring to be refunded.

Appendix 5 of the Financial Regulations outlines budget holder responsibilities and their requirement to promptly process employee status changes. It was evident from the volume of overpayments occurring that the timely notification of employee changes to Payroll by Managers required significant improvement to better mitigate the risk of overpayment. There was greater risk where Managers / Budget Holders had responsibility for large volumes of employees or where complexity was increased e.g., staff with multiple posts, many changes to staff, amendments to working hours or short-term contracts. Payroll were prioritising the processing of leavers forms in the first instance to assist in mitigating the risk of overpayments occurring. The then Pay and HR Transaction Manager had identified in July 2023 the importance of the Manager's role in notifying Payroll of leavers (and any other changes) on a timely basis and the need for a training campaign. (See recommendations H1 and H2).

Payroll processing errors were also resulting in overpayments from payroll although to a lesser extent. Payroll processing inputs were not subject to secondary check to ensure completeness and accuracy of input. It was acknowledged that these checks were suspended in 2014 by the then Payroll and Pensions Manager with a subsequent increase in payroll input errors. Reliance was placed on Budget Holders and Managers having the ability to carry out their own checks to ensure Payroll processing of employee pay amendments or leavers was in accordance with their instruction. There was a risk that Budget Holders and Managers were not aware of the need to carry out these secondary checks. The Payroll Operations Manager confirmed that there was ongoing review of Payroll processing errors to ensure that any Payroll staff training needs were assessed and met. The Payroll Operations

Manager was of the view that the Payroll Team was experienced, and that inadequate training was not the cause of most errors with these being due to human error for example the volume of forms to be input, the pressure to hit the deadline for input and the lack of secondary checks. (See recommendation H3).

2.2 *Detective Controls*

Employees

Employees should actively review their pay each payment period and alert their Manager and Payroll without delay should the amount received be incorrect. Management have agreed in response to the Audit Scotland Annual Report recommendation that a reminder of the staff change process and guidance will be issued along with information to staff to check their payslips to ensure accuracy. There was an opportunity to further strengthen communication of this requirement to employees. (See recommendation H4).

Managers / Budget Holders

Appendix 5 of the Financial Regulations outlines budget holder responsibilities and their requirement to ensure that expenditure charged against cost centres for which they are responsible is necessary for the conduct of the Council's business duly authorised and correctly classified. They were also required to examine monthly actual expenditure against budget at cost centre/ project and subjective level and take appropriate action to recover overspend positions where possible. Identification of potential payroll overpayments or anomalies required regular drill down of the monthly budget holder monitoring reports to review individual employee salary transactions to confirm accuracy. A failure of Budget Holders/ Managers to effectively carry out these duties could lead to overpayments from payroll not being detected on a timely basis.

Managers/ Budget Holders with responsibility for large volumes of staff increases the potential risk of ineffective budget monitoring with increased likelihood of overpayment errors not being identified (See recommendation H2). The volume and timeframe of overpayments from payroll identified to date suggests that there was an opportunity to further strengthen financial

monitoring arrangements to identify overpayments earlier and reduce their occurrence. (See recommendation H5).

Payroll Staff

Payroll Clerical staff process employee detail change request forms submitted by Managers through MyView. While processing these forms Payroll Clerical staff were routinely detecting instances of late notification that had resulted in an overpayment. Payroll Clerical staff record the potential reason for the overpayment in the corresponding payroll spreadsheet and assign to a Payroll Officer for review. Reliance was placed on spreadsheet records (as the main records) for each payroll to record potential overpayments for investigation and to administer the recovery process. There was a risk that these main records could be susceptible to error. We noted that Payroll did not routinely notify Managers/ Budget Holders where overpayments had been made to their direct reports. This could hinder budget holder monitoring processes. (See later paragraph 2.3 and recommendation H9).

Establishment Checks

Regular establishment checks to confirm the existence of employees on the payroll had not been carried out. Audit Scotland had made a recommendation in their Annual Report and required that a full establishment check was carried out in October 2023 to confirm all employees paid at the 31 March 2023. Management had agreed to schedule this exercise on an annual basis as a minimum to confirm paid staff as at 31st March. The exercise was again carried out for the 31 March 2024 and analysis of the returns received was underway. The establishment checks carried out were focussed on identifying leavers and confirming existing employees were assigned to the correct line manager. Establishment checks could be further strengthened with confirmation sought that employees were also paid on the correct grade placing and for the agreed hours. (See recommendation H6).

It was noted from discussions with accounting staff that salary budget information, excluding schools which have a different arrangement, is drawn forwards from prior years to form the starting point of new salary budget preparation. Without a robust

check to post holder establishment (by line Managers providing verification and confirmation of the accuracy of payroll information on their direct reports) there was a risk that prior year salary overpayments could be brought forward into salary budget profiles. (See recommendation H7)

2.3 *Corrective Controls*

Policy and procedure on processing and recovering overpayments from payroll

There was a lack of formalised policy and procedure to determine and inform Council arrangements for recovery of overpayments from Payroll. Guidance was identified (Salary/ Wage Overpayment Guidance for Payroll and Service Employees) however whilst broadly describing the current practice it did not cover all areas of the process and had not been updated since January 2004. At the time of the review Payroll documented a brief summary of the Overpayment Process (September 2023) and provided an Overpayment flowcharts (October 2023). There was a need to better formalise policy and procedures to inform Council arrangements for recovery of overpayments from Payroll. Clear Policy in this area would increase transparency of requirements to all employees and assist in ensuring consistency of approach when dealing with recovery. Clarity was needed on the process and grounds for writing off overpayments that were irrecoverable. (See recommendation H8)

Existing practice on processing and recovering overpayments from payroll

The Payroll Team alongside their other duties identify, record, investigate, calculate, correct, and facilitate the recovery of instances where overpayments have been made through the payroll. The Operations Manager (Payroll) confirmed that the current payroll software system does not adequately support the administration, recovery, monitoring of and reporting on overpayments from payroll. Therefore, Payroll rely on a number of manual workaround processes in order to perform these tasks. The existing processes are reliant on spreadsheets to record and monitor activity to assist in the recovery of overpayments. It was noted that for overpayments occurring in prior financial years that

the processes can be very time consuming and require some manual calculations, journals and further updates.

Payroll were responsible for the largely manual process of recovering overpayments from current employees, calculating overpayments, issuing overpayment notifications (letters), agreeing repayment amounts with the employee and processing payroll corrections and deductions. Where an agreement with the employee was not reached or an employee had left the Council's employment then an invoice was raised and issued with a letter detailing the overpayment. Where an invoice was issued then recovery of the overpayment was passed to the Council's Income and Recovery Team. The volume of overpayments occurring, and the lack of system-based support was hindering the efficiency and effectiveness of the recovery process. (See recommendation H9)

There was a lack of Payroll system-based monitoring and reporting to assist oversight of the process to recover overpayments. There were different practices for recording the recovery of overpayments depending on whether they were invoiced, the correction method applied, or on where the error originated e.g. the Manager/ Budget Holder or within Payroll. Payroll was reliant to a larger extent on spreadsheet records to assist monitoring and reporting. (See recommendation H9)

2.4 *System developments going forwards*

Existing processes require duplication of input to record employee changes and workarounds to assist in calculating, administering and reporting on payroll overpayments. In reviewing the integrated HR and Payroll system there is an opportunity to ensure that there are more effective system-based processes to manage employee changes and reduce the risk of overpayments as well as improve the availability of management information. This could also better aid the calculation, administration, recovery, monitoring, and reporting of any overpayments from payroll. (See recommendation H10)

3. Conclusion

- 3.1 The risk of overpayments being made through payroll cannot always be mitigated fully as it relies on the complete, accurate and timely processing of employee details and any changes.

The current control environment requires improvement to assist in effectively mitigating the risk of overpayments from payroll occurring. In the first instance measures to reduce the ongoing occurrence of overpayments must be pursued, this requires a significant improvement in the timely notification of employee changes to Payroll. The existing processes require review to best identify the process, functions and skills required to effectively administer and recover overpayments on a timely basis from payroll.

Going forwards Management should also ensure that an integrated HR and Payroll system delivers a more effective system-based approach to administering employee changes and reducing the risk of overpayments from payroll. This should also better enable the calculation, administration, recovery, monitoring, and reporting of any overpayments from payroll.

4. Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
H1	High	<p>Timely notification of employee changes to payroll by Managers required significant improvement to better mitigate the risk of overpayment.</p> <p>The potential risk was increased for Managers with large volumes of direct reports or with employees with multiple posts or complex staffing arrangements. Weaknesses in the management structure could increase the risk e.g. through manager vacancies, staff sickness or temporary supervision.</p>	<p>All Managers should be required to ensure that they completely and accurately notify Payroll at the earliest opportunity of employee changes that require Payroll processing.</p> <p>Trends or cases of persistent late notification should be identified to enable timely intervention and inform training requirements.</p>	<p>Comprehensive Manager/Budget Holder training will be arranged. This will include the importance of providing accurate and timely information and the need for regular establishment checks and reviewing the monthly budget reports.</p> <p>Payroll staff will run drop-in session for managers, covering how to submit forms relating to payroll changes (i.e. maternity, sickness, joiner/mover/leavers, absence, establishment checks). This will also emphasise deadline dates for submitting forms and improve managers understanding of potential reasons why overpayments can occur to minimise instances occurring.</p> <p>A lean review of the Joiners, Movers and Leavers process will be undertaken.</p> <p>Monthly payroll processing deadline dates will be published with an annual update for the festive closure timetable to ensure Managers understand the deadline dates by which notifications must be made to Payroll to avoid overpayments</p>	People Development Manager	31/10/24
					Interim Pay & HR Transaction Manager	30/06/24
					HR Business Partner (Corporate)	31/10/24
					Head of People	31/05/24

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
				from occurring. Publishing in this way will also alert Managers to check for, and act upon overpayments that may arise should these deadlines be missed.		
H2	High	Managers/ Budget Holders with responsibility for large volumes of staff increases the potential risk of late notification of payroll changes and/or ineffective budget monitoring with increased likelihood of overpayment errors not being identified. The risk is further increased with complexity e.g., many changes to staff, amendments to working hours or short-term contracts.	Review the occurrence of overpayments from payroll and determine whether Managers' spans of control are too large to enable effective risk mitigation.	Analysis of current budget Holder (and Line management) span of control arrangements to review current practice and consider any amendments or actions as may be appropriate. This is on the basis that any real outliers identified earlier could be tackled. This action will be undertaken jointly between Finance and HR.	Head of Corporate Finance and Head of People	31/12/24
H3	High	Payroll processing errors were also resulting in overpayments from payroll although to a lesser extent. Payroll processing inputs were not subject to secondary check to ensure completeness and accuracy of input. These checks were suspended in 2014 with a noted increase in payroll input errors.	Sample checks on payroll processing should be reinstated to ensure completeness and accuracy of processing where errors are identified training requirements should be identified to reduce their occurrence.	Payroll training where applicable has been reviewed and carried out by Payroll Officers. Payroll resources are being reviewed to create capacity to incorporate random checks in payroll processes. This does not negate the responsibility of Managers to check their budgets against staffing details and changes to staffing they submit to payroll.	Operations Manager (Payroll) Interim Pay & HR Transaction Manager	Complete 30/06/24

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
		Reliance was placed on Budget Holders and Line Managers having the ability to carry out their own checks to ensure payroll processing of employee pay amendments or leavers is in accordance with their instruction. There was a risk that Budget Holders and Line Managers were not aware of the need to carry out these secondary checks.	Managers should also be required to ensure that they verify that employee changes requested to be processed by Payroll are carried out in line with their instruction.	Budget Holders and Line Managers will be reminded to check their monthly budget statements and payroll records for overpayments and of the required actions.	Head of People/ Interim Pay and HR Transaction Manager	30/06/24
H4	High	Employees should actively review their pay each payment period and alert their Manager and Payroll without delay should the amount received be incorrect.	A communication should be issued to all employees setting out the importance of checking their payslip each payment period and alert their Manager and Payroll without delay should the amount received be incorrect.	An employee communication was issued on 15/04/24 which referred to the importance of checking your payslip. A more detailed communication will follow. Contracts to be updated with an agreed corporate statement in line with ACAS - all overpayments to be pursued and recovered regardless of the reason and time period. Guidance will also be issued outlining employee responsibilities i.e. employees should actively review their pay each payment period and alert their Manager and Payroll without delay should the amount received be incorrect.	HR Business Partner (Corporate) Senior HR Officer	30/06/24 31/05/24

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
H5	High	Identification of potential payroll overpayments or anomalies requires Budget Holders/ Managers to regularly drill down to review individual employee salary transactions to confirm accuracy. A failure of Budget Holders/ Managers to effectively carryout these duties could lead to overpayments from payroll not being detected on a timely basis. The volume and timeframe of overpayments from payroll identified to date suggests that there was an opportunity to further strengthen financial monitoring arrangements to identify overpayments earlier and reduce their occurrence.	Budget Holders/ Managers should be required to actively review their employees pay transactions each month and alert their Service management and Payroll without delay should they identify a potential employee overpayment. Mandatory training should be introduced to ensure that all Managers/ Budget Holders with employee responsibilities understand how to perform this task and can carry it out effectively.	See H1, this will be covered as part of the Manager/ Budget Holder training. Drop-in training sessions will also be made available. Regular update communications will be issued to all staff regarding manager and employee pay responsibilities and future developments. Links to forms/ reminders/ payroll cut off dates will be published on the Council's Intranet and on Viva Engage. This will include the importance of checking the MyPeople data within MyView.	People Development Manager	31/10/24
					Head of People/ Interim Pay & HR Transaction Manager	30/06/24
H6	High	Establishment checks carried out were focussed on identifying leavers and confirming existing employees were assigned to the correct line manager. Establishment checks could be further strengthened with confirmation sought that employees were also paid on the correct grade placing and for the agreed hours.	Establishment checks should be further strengthened to verify: <ul style="list-style-type: none"> Establishment Posts - Periodically confirming that the payroll establishment only contains posts that have been approved and to the correct grading. Post Holders - Managers confirming that posts are filled by actual current employees and that they are paid at the correct grade placing and agreed hours. 	The establishment check at 31/03/24 has been undertaken and the results analysed. The appropriate action will then be taken to address any changes required as a result of this check. The establishment check will be repeated 6 monthly with the next check undertaken in September 2024 which will include checking employee hours, rate of pay.	Head of People	30/06/24
					Head of People/ Interim Pay & HR Transaction Manager	31/10/24

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
H7	High	Salary budget information could be drawn forwards from prior years to form the starting point of new salary budget preparation. Without a robust check to post holder establishment (by line Managers providing verification and confirmation of the accuracy of payroll information on their direct reports). There was a risk that prior year salary overpayments could be brought forward into salary budget profiles.	Review the process to prepare Salary budget profiles and confirm these against the 'establishment' to ensure completeness and accuracy of all salary budgets.	A review will be undertaken of the process to prepare salary budget profiles and confirm these against the 'establishment'. This will include the alignment of the new service structures and the implementation and development of the new Finance system.	Service Finance Manager	30/04/25
H8	High	There was a need to better formalise policy and procedures to inform Council arrangements for recovery of overpayments from Payroll. Clear Policy in this area would increase transparency of requirements to all employees and assist in ensuring consistency of approach when dealing with recovery. Clarity was needed on the process and grounds for writing off overpayments that were irrecoverable.	Policy and procedures should be formalised to inform and control Council arrangements for recovery of overpayments from Payroll. The Policy should determine the time frame for recovery from current employees. Detailed procedures should be documented to cover all aspects of the process. These should clearly define roles and responsibilities and require wider communication and engagement with relevant employee Managers, Budget Holders and Service management.	Responsibility for recovery of payroll overpayments to transfer from the People section to the Revenues & Business Support section.	Head of Revenues & Business Support	01/06/24
				A corporate payroll overpayment recovery policy will be implemented.	Head of Revenues & Business Support	30/06/24
				Irrecoverable debts will be written-off in accordance with the Council's Scheme of Delegation.	Head of Revenues & Business Support	01/06/24

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
H9	High	<p>Payroll rely on a number of manual workaround processes to record, calculate, administer, monitor and report on overpayments from payroll. The existing processes are reliant on spreadsheets to record and monitor activity to assist in the recovery of overpayments. There was a risk that these main records could be susceptible to error.</p> <p>There was a lack of system-based monitoring and reporting to assist oversight of the process to recover overpayments. There were different practices for recording the recovery of overpayments depending on whether they were invoiced, the correction method applied, or on where the error originated e.g. the manager / budget holder or within Payroll.</p> <p>Payroll was reliant to a larger extent on spreadsheet records to assist monitoring and reporting.</p> <p>The volume of overpayments occurring and the lack of system-based support was hindering the efficiency and effectiveness of the process.</p>	<p>Review and revise the existing processes to best identify the process, functions and skills required to effectively administer and recover overpayments on a timely basis from payroll.</p>	<p>The new process will see Payroll engage with the employee and Manager which will result in greater awareness to minimise the risk of overpayments. Where an overpayment occurs the Payroll team will calculate overpayment/breakdown.</p> <p>Where possible, the overpayment will be recovered in full in the following month's payment run.</p> <p>For sizeable overpayments and for those relating to former employees, a sundry debt invoice will be raised. The Sundry Debt system provides for systematic reporting and monitoring.</p> <p>A review of the existing ledger coding structure will be undertaken to support systematic reporting and monitoring.</p> <p>Guidance and flow chart for this process will be documented, and flowcharts updated.</p> <p>An overpayment dashboard has been set up to review numbers on a monthly basis broken down into Service, current staff, leavers, payroll error,</p>	<p>Operations Manager (Payroll)</p> <p>Operations Manager (Payroll)</p> <p>Head of Revenues & Business Support</p> <p>Service Manager Finance</p> <p>Head of People/ Interim Pay & HR Transactions Manager</p> <p>Head of People</p>	<p>Complete</p> <p>30/06/24</p> <p>30/06/24</p> <p>30/04/25</p> <p>31/05/24</p> <p>Complete</p>

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
				<p>service error and gross value. The purpose is to raise awareness with the Assistant Chief Executives and the Corporate Management Team and provide a visual snapshot of the current position corporately which will be tracked. Most common reasons for overpayments are -</p> <ul style="list-style-type: none"> • Late notification of change in hours • Late notification of change of post/leaving post • Late notification of sickness/maternity leave • Late notification of leaver. <p>Further work is required with services to better understand the reasons why this information is being reported late.</p> <p>A dedicated resource has been put in place to address the backlog of overpayments.</p>	Interim Pay & HR Transactions Manager	30/06/24
H10	High	Existing processes require duplication of input to record employee changes and manual workarounds to assist in calculating, administering and reporting on payroll overpayments.	Management should ensure that the review of an integrated system can deliver a more effective system-based approach to administering employee changes and reducing the risk of overpayments from payroll. This should better enable the calculation, administration, recovery,	Process improvement is also currently being addressed as part of the HR and Payroll project.	Head of People	30/04/25

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
			monitoring, and reporting of any overpayments from payroll.			

Internal Audit Final Report

Corporate Service

Cheque control arrangements

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	0
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	2
Minor issues that are not critical but managers should address.	Low	0

Distribution:

Assistant Chief Executive, Corporate Service
 Head of Corporate Finance, Corporate Service
 Head of People, Corporate Service
 Head of Revenues and Customer Services, Corporate Service
 Pay & HR Transaction Manager, Corporate Service
 Principal Accountant, Corporate Service
 Payroll Officer Creditors, Corporate Service
 Team Leader, Revenues, Corporate Service

Audit Opinion

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Reasonable Assurance** can be given in that whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk

Report Ref: HRF04/001
Draft Date: 26/04/24
Final Date: 21/05/24

1. Introduction

- 1.1 The audit examined the Council's control framework for the issuing and payment of goods and services via cheque.
- 1.2 Cheque data from April 2023 to February 2024 is summarised below (this includes all cheques issued using Council systems so includes Highlife Highland (HLH) and Inverness Common Good Fund). Instruction to pay by cheque was issued by Creditors and Payroll. The Council used an external company to print and post cheques on its behalf.

Type of cheque	Number of cheques issued	Value of cheques issued (£)
Payroll issued - (April-January only)	2,128	911,753.90
Creditors issued - Imprests/petty cash	882	185,165.48
Creditors issued - Winter payments	45	4,770.00
Creditors issued - All other	5	661.39
Total	3,060	1,102,350.77

- 1.3 Audit Scotland had raised concerns about paying employees by cheque in its 2022/23 annual audit report.
- 1.4 Imprest controls and necessity were reviewed in 2 audits in 2023, so imprests were only examined in the context of this audit as cheque transactions in the overall control framework and reconciliation process.

2. Main Findings

- 2.1 *There is an effective control framework in place to ensure appropriate supporting information is provided to cheque signatories so cheques contain correct payee details and amounts*

This objective was substantially achieved. There were clear policies and procedures for paying via cheque. Non payroll cheque payments were made by exception via a request to Creditors.

All winter payment applicants were assessed annually for eligibility, as of February 2024, 45 out of 1456 of all 2023/24 winter payments were made via cheque. A sample of 11 of the 45 cheque payees found there was a satisfactory assessment process to ensure that all payees were eligible, and cheques were sent to the correct addresses matching Council Tax and benefit records. A sample of other cheques from 22/23 and 23/24 found all were approved and valid reasons for payments being made but in 2 cases supporting documentation justifying minor expenditure was not evidenced.

- 2.2 *There are secure arrangements in place for the holding, issue and cancellation of cheques so that all can be accounted for*

This objective was substantially achieved as there were procedures in place for Creditors and Payroll to process cheque payments. Payment runs were made weekly, a sample of 3 payment runs each for Creditors and Payroll showed what each Service received, processed and issued to the cheque printing company. These totals matched the value of cheques issued. The company provided statements showing total quantity, value and all cheque numbers after each payment run. This data was reviewed and approved by Creditors/Payroll before the cheques were produced and posted to payees by the external company.

Creditors and Payroll both issued instruction to the bank to cancel cheques although there were no formal agreement on when cheques should be cancelled. For Creditors this was done to stop and re-issue a cheque at the request of Services (usually if a

cheque hasn't been received, damaged or made out by error to an incorrect payee). These were processed through the financial system and would show as a cancellation. Creditors kept a spreadsheet for cheques they had cancelled on the request of Services and details of un-presented cheques sent to them by the Finance Accounting Team. However, this spreadsheet was not required as cancelled cheques were recorded in the financial system. (See Action Plan Reference M1)

Payroll issued instruction to the bank to cancel cheques, usually this was done for cheques over 6 months old. However Payroll did not keep a record of cheques they had cancelled and had not always informed a member of the Finance Accounting Team of these cancellations leading to outstanding entries on the ledger and unnecessary investigations at reconciliation (See Action Plan Reference M1).

2.3 *Regular bank reconciliations are undertaken and any un-presented cheques are promptly followed up*

This objective was partially achieved. Reconciliations were carried out monthly by the Finance Accounting Team. There were 4 expenditure bank accounts which had cheques as transactions, 2 non payroll, 2 for payroll. The reconciliations process stipulated that all un-presented payroll cheques and those 6 months or older should be journalled to a payroll income code by year end.

The non payroll reconciliations were up to date in terms of reconciling cheque payments through the bank and ledger, in 23/24 only 23 un-presented cheques were identified for these accounts this year. However, non-payroll cheques over 6 months old were not always passed promptly to Creditors for cancellation or promptly cancelled on the finance system meaning they continued to show up on subsequent reconciliations.

The main payroll account had 361 un-presented cheques with a value £122,889 over 6 months old showing in the ledger but not recorded as paid on the bank statement. It wasn't clear if any of these had been cancelled and the reconciliation had not been kept up to date. The pensioner's payroll account only had 19 cheques with a value of £954 over 6 months old so was less of a concern

but still required action to be taken (see Action Plan Reference M1 for all points made in 2.3).

2.4 *Payments are only made via cheque when other methods are not possible*

This objective was partially achieved. The Council's Financial Regulations (Section 22, Payment of invoices) make it clear that except for imprests payment should be via BACS or purchase card unless this is not possible.

The reason for paying by cheque was that payees had not provided their bank details to the Council. The Revenues Service, who processed the winter payments, said the option to receive payment by cheque had been retained to ensure payment to a potentially vulnerable client group. However, efforts were made each year to move the remaining cheque payees to BACS. The "other" payments are few and infrequent and could have been avoided by the Council not paying unless bank details were provided.

Excluding payroll and imprests, cheque use had reduced in 5 years from 1004 issued in 2019/20 to 50 in 2023/24. Services had moved away from cheque payments, for example no Council Tax refunds were made via cheque in 2023/24 compared to 31 in 2022/23. Only 45 out of 1456 (3%) of all 2023/24 winter payments were made via cheque, the number had reduced from 179 2 years ago.

Payroll accounted for the largest use of cheques. From April 2023 to January 2024, 2128 cheques were issued, this was only about 1% of the total payroll payments made but is high in absolute terms. Over 5 years numbers issued had fluctuated considerably but there had been an increase from 1096 issued in 2020/21 to 2128 this year to date.

About 35% of new employees received a cheque payment for at least 1 month although this was an average; for some types of payroll (Council officers, Council Manual and HLH) it was almost 50%. The majority of these moved to being paid by BACS within 3 months but there was a large group of employees who did not provide their bank details. As of February 2024, there were 515 employees set up to be paid via cheque.

The 3 underlying causes for this were (i) responsible parties not always providing information timeously during the recruitment process (ii) policies, contracts and communication which allowed payment via cheque and (iii) a lack of proactive communication with employees who had not provided bank details. (See Action Plan Reference M2)

When compared to BACS payments paying employees by cheque was less efficient and more costly. However, there was a lack of transparency concerning comparative costs between payment via cheque and payment via BACS. Payroll had estimated £1.67 per cheque (compared to £0.01-£0.07 per BACS transaction) although there were hidden costs specifically officer time in operating 2 separate payment runs (i.e. BACS and cheque), cancelling and potentially re-issuing cheques) and investigation work by the Finance Accounting Team into un-presented cheques at the reconciliation stage.

3. Conclusion

- 3.1 There was overall a good control framework and cheques were used in a small, reducing number of Services. There was scope to improve current processes concerning cancelled and un-presented cheques. As the majority of cheque payments relate to payroll transactions, a co-ordinated approach to significantly reduce the volume and value of payroll cheque payments is required to reduce costs and use officer time more efficiently.

4. Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
M1	Medium	Issues were identified with cancelled cheques and reconciliation process:				
		There was no formal agreement on when cheques should be cancelled, 6 months was stated as banks can refuse to accept them beyond this period, but this was not formally set out in procedures.	Written procedures should clarify when unrepresented cheques are to be cancelled.	Will undertake meetings with relevant staff to bring this into place.	Principal Accountant	31/08/24
		Creditors and Payroll both issue instruction to the bank to cancel cheques. Creditors kept a spreadsheet for cheques they had cancelled on the request of Services and unrepresented cheques sent to them by Finance. However, this spreadsheet was not required as cancelled cheques were recorded in the financial system.	To assist the administration and reconciliation of Payroll and Creditor issued cheques: 1. Finance Accounting Team should maintain a single record of all unrepresented cheques. Creditors should cease using their separate cheque spreadsheet.	Will undertake meetings with relevant staff to bring this into place.	Principal Accountant	31/08/24
		Payroll did not keep a record of cheques cancelled. Payroll did not always inform Finance when they had cancelled cheques and no action had been undertaken with regard to historic cheque entries in the ledger that have not been reconciled.	2. Payroll should inform Finance Accounting Team each time they cancel a cheque.	Instructions has been given to payroll staff to make the accountants aware when a cheque has been cancelled and to give them as much information as possible regarding why this has been done.	Operations Manager (Payroll)	Complete
		Finance was not promptly informing Creditors and Payroll about cheques that were 6	3. Finance Accounting Team should liaise with Creditors and Payroll monthly to inform them	Will ensure this takes place as part of the monthly bank reconciliation.	Principal Accountant	31/08/24

Ref	Priority	Finding	Recommendation	Management Response	Implementation		
					Responsible Officer	Target Date	
		<p>months old and required cancelling.</p> <p>Not all cheque transactions over 6 months were being cancelled therefore not moved to the sundry income code as per written procedures.</p>	<p>of all cheques over 6 months old and these should be promptly cancelled</p> <p>4. All current cheque transactions over 6 months old should be moved to the sundry income code as per written procedures.</p>	<p>This has been done as of the end of March and will continue to update this at each bank reconciliation.</p>	Principal Accountant	Complete	
M2	Medium	<p>A considerable number of employees continued to be paid by cheque. A high percentage of new employees got paid by cheque at least once and a significant number of employees had not provided their bank details to payroll.</p>	<p>The current policy and recruitment processes for new employees should be amended to prevent payment via cheque. This should be clearly communicated at the recruitment stage so that new employees understand that a delay in providing their bank details will mean that they don't get paid until the necessary information has been received.</p> <p>An exercise should be undertaken to urgently engage with all current employees paid by cheque to move them onto BACS payments.</p>	<p>Review documents to emphasise bank details must be provided timeously to avoid delays in payment as cheques will no longer be issued.</p> <p>Instruction issued to all managers explaining cheques will no longer be issued to new staff where bank details have not been received on time.</p> <p>Payroll are reviewing staff who are currently being paid by cheque to get bank details and transfer their payment by BACS.</p>	<p>Pay and Transaction Manager</p> <p>Pay and Transaction Manager</p> <p>Pay and Transaction Manager</p>	<p>HR</p> <p>HR</p> <p>HR</p>	<p>31/07/24</p> <p>31/07/24</p> <p>31/07/24</p>