

STRONGER together



Lewes District Council



Working in partnership with Eastbourne Homes

INTERNAL AUDIT REPORT

LEWES – PAYROLL – HMRC DATA TRANSFER

11th SEPTEMBER 2019

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Chief Internal Auditor

INTRODUCTION

- 1.1 An investigation was carried out into an issue with the Lewes Payroll system during November 2018 to March 2019, whereby the details relating to individual pay was not successfully uploaded to the HMRC automated system.
- 1.2 This resulted in the HMRC receiving the correct total payments but not some of the corresponding details.
- 1.3 These payments would have covered tax, national insurance, payment of student loans etc.

CAVEAT

- 2.1. This investigation has been impartial and detailed. However, it is worth noting that there have been some limitations too. These were primarily due to a number of staff having already departed the organisation and not available to be interviewed.

METHODOLOGY

- 3.1 In order to undertake this investigation the Chief Internal Auditor engaged with staff who were either involved or who could provide some relevant information to aid the investigation. The following people were contacted:

Chief Finance Officer	to discuss the timeline of events and the actions taken.
Systems and Transactional Manager	to discuss what actions had been taken to identify and rectify the situation.
Payroll Officer (Eastbourne)	to discuss the process of uploading data to HMRC and to consider possible issues caused to those affected.
Director of Regeneration and Planning	about his actions when informed of the Councillor's concerns.
Assistant Director Legal and Democratic Services	to liaise with her staff about their issues with their HMRC accounts.

EXECUTIVE SUMMARY

- 4.1 In November 2018 a software “patch” was applied to the payroll software at Lewes District Council (LDC). This resulted in a regular monthly report to HMRC not being produced. This report provided details to HMRC about tax payments made by LDC. Without this report HMRC are not able to identify which individuals those tax payments relate to.
- 4.2 In December 2018 the problem was noticed and a different process was put in place to upload the data to HMRC. However, this data was not received by the HMRC. The HMRC system produces an automated confirmation email upon receiving the complete data transfer. The lack of this confirmation email was not noticed by LDC staff, and therefore the same process continued until March 2019. Since HMRC were receiving the full payments, staff understood that the data transfer was successful.
- 4.3 However, lack of the accompanying details meant that HMRC were not able to attribute the payments to particular individuals. As a result, it appeared that individual tax payments were not being made.
- 4.4 A Councillor was alerted to the issue by HMRC in February 2019 and contacted the council. Our investigation shows that the concern raised was understood to be relating to a P45 being issued. This however, appears to be a misunderstanding / or a confusion. Whilst this matter was reviewed at the time, it was concluded that no P45 was issued and the matter was not investigated further.
- 4.5 All those on the Lewes payroll at this time (54 in total) were transferred to the Eastbourne payroll software in April 2019 and from that point the data was correctly uploaded monthly to HMRC.
- 4.6 The Systems and Transactional Manager, who took up the post in April 2019, was first informed about an issue in May 2019. At this point, he began his own investigation into the matter. He worked with HMRC and the payroll software company to ensure that the missing data for the period November 2018 to March 2019 was uploaded. Following some further complications the data was successfully uploaded on 24th July 2019.
- 4.7 In June the council was fined £1,500 by HMRC for the delay in uploading data.
- 4.8 This audit has identified a number of communication errors, along with misunderstandings when the original concern was raised, and thereafter. Key messages and information were not passed on when staff left the council’s employment. Those affected have not been given regular updates on the progress and were not informed of how the issue may affect them.

- 4.9 Some, or all, of the 54 staff and councillors may have been affected by this error, despite it now having been corrected. Because of Data Protection regulations, HMRC was not able to advise the council on individual's accounts. However, at the time preparing this report, only one person has reported that they had received a tax rebate, which they have now been asked to repay.
- 4.10 The Council has written formally to all affected staff apologising for the event and offering advice and assistance.