

Western Australian Auditor General's Report



Managing the Accuracy of Leave Records



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Managing the Accuracy of Leave Records



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

MANAGING THE ACCURACY OF LEAVE RECORDS

This report has been prepared for submission to Parliament under the provisions of section 25 of the *Auditor General Act 2006*.

Across government benchmarking audits build on the annual financial audits of all agencies. We conduct these audits at a sample of agencies using more detailed testing than is required for the annual financial audits.

This audit assessed if agencies had proper policies, procedures and systems to ensure accurate records of staff attendance, and if they had deducted leave from leave balances.

My report finds that agencies generally had policies, procedures and controls in place to ensure accurate records of staff attendance and accurate leave balances. However, most agencies had opportunities for improvement.

The findings of this report provide an insight to good practice and the types of control weaknesses and exposures that can exist so that all agencies, including those not audited, can consider their own performance.

I wish to acknowledge the cooperation of the staff at the agencies included in this audit.

A handwritten signature in black ink, appearing to read 'C. Murphy'.

COLIN MURPHY
AUDITOR GENERAL
30 June 2015

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Managing the Accuracy of Leave Records

Background

The Western Australian (WA) public sector is the largest employer in the State. At June 2014, 137 944 people were employed in either full time or part time roles, representing 108 999 full time equivalents. The value of accrued leave owed to public sector employees was \$3.1 billion. With a liability of this size, impacted daily by thousands of leave variations, it is important that agencies have well managed systems that provide accurate leave records.

Better practice for maintaining accurate leave balances includes, approving annual and long service leave in advance and reconciling leave records to attendance records to ensure that agencies deduct all leave taken from leave balances. Without these key controls, agencies can incur the avoidable costs of staff taking unentitled leave.

In addition, as most WA government agencies provide flexi-leave arrangements, they need accurate attendance records to ensure staff accumulate sufficient flexi-time to justify their flexi-leave.

What We Did

This audit assessed 280 annual leave, long service leave, flexi-leave and personal leave records of 149 employees at 10 agencies for the period 1 July to 30 September 2014. These 10 agencies are different to the 11 agencies we looked at for a similar audit in 2012.

Our objective was to assess if agencies had proper policies, procedures and systems to ensure accurate records of staff attendance, in accordance with Treasurer's Instruction (TI) 502 *Records of Attendance and Time Worked*, and if they had deducted leave taken from leave balances.

The lines of inquiry were:

- Do agencies have appropriate policies, procedures and controls to ensure accurate records of staff attendance?
- Do agencies effectively implement those policies, procedures and controls?
- Are staff leave records accurately reflected in the leave balances?

We conducted the audit in accordance with Australian Auditing and Assurance Standards.

Conclusion

Agencies generally had policies, procedures and controls in place to ensure accurate records of staff attendance and accurate leave balances. However, most agencies had opportunities for improvement. These included completing attendance records, timeliness of leave approvals and doing regular leave reconciliations to make sure they capture all leave in the leave recording system. The results were similar to our 2012 audit.

What Did We Find?

We rated the Parliamentary Services Department and South West Development Commission as 'Good' against all criteria, with most other agencies having a mixture of 'Good' and 'Fair' ratings across the various criteria. We rated no agencies as 'Poor' against all criteria.

Table 1 is a summary of our findings using a three-point scale of 'Poor', 'Fair' or 'Good'.

Agency	Policies, procedures and controls	Effective implementation of policies, procedures and controls	Attendance accurately reflected in leave balances?
Department of Corrective Services	Good	Poor	Fair
Department of Planning	Good	Fair	Fair
Department of Transport	Good	Fair	Fair
Great Southern Development Commission	Fair	Good	Good
Metropolitan Health Service (MHS)	Fair	Poor	Fair**
Parliamentary Services Department	Good	Good	Good
Public Sector Commission	Fair	Fair	Good
Public Transport Authority (PTA)	Poor*	Poor	Good**
South West Development Commission	Good	Good	Good
Western Australian Industrial Relations Commission	Good	Fair	Good

Table 1: Agency ratings against our criteria

* Management developed and implemented policies during our audit.

** We have based this rating on our testing of staff that completed attendance records. Although most agencies had a few staff who did not complete records of attendance, a large number of PTA and MHS staff did not maintain these records – see below for details.

Agencies should enhance their policies, procedures and controls over records of leave and staff attendance

- Leave policies at half the agencies did not require staff to apply for annual and long service leave prior to taking leave. Leave applications are the basis for reducing leave balances for leave taken. Submitting the application in advance eliminates much of the risk of unadjusted leave balances. In addition, approval in advance helps initiate arrangements for the employee's absence and for making payroll adjustments in the correct period.
- PTA had limited policy guidance on the TI 502 requirement for all staff to maintain accurate records of attendance. The MHS policy on records of attendance was outdated, for example, it referred to regulatory requirements that have been superseded. However, the South Metropolitan area health service which is part of MHS had its own up-to-date policy and required staff to maintain attendance records. It is better practice to have management-approved policies that complement the awards.
- Six agencies did not require staff attendance records or leave requests to be checked and approved within a certain timeframe. If records are not approved in a timely manner there is an increased risk of errors going undetected as supervisors may not accurately recall staff movements.

Leave applications and records of attendance were not always approved or were not approved in a timely manner

We found improvement opportunities at eight agencies, which were:

- instances at five agencies of a lack of supervisor approval of weekly or fortnightly staff attendance records. We also found numerous instances of late or undated approval of records of attendance. Delayed approval of attendance records makes it more likely that the supervisor's review is cursory rather than a meaningful management control.
- a small number of instances across six agencies of annual and sick leave being approved between two and four weeks after return from leave. This practice increases the risk that an application will not be made and approved and that leave balances will be overstated.

Leave balances were generally accurate

Agency leave balances were, with a few exceptions, an accurate reflection of other leave records.

We found a few small errors in leave balances at four agencies. These four agencies, along with two others also did not have leave reconciliation processes that are an important control for detecting this kind of error.

We did note that records of attendance were not completed for all staff. For example, senior staff at all 10 sampled agencies, some medical and administrative staff at MHS and most administrative staff at PTA did not complete a record of attendance. This meant we were unable to compare an attendance record for these staff to their leave balances. In the absence of other compensating controls, there is a risk of leave errors for these staff going undetected. Since our audit, PTA have advised that all staff are now required to complete a record of attendance.

Recommendations

All agencies should:

- **ensure their policies provide clear guidance to staff on records of attendance and that the policy is consistent with Treasurer's Instruction 502 *Records of Attendance and Time Worked***
- **review and approve records of attendance in a timely manner**
- **ensure leave applications are lodged and approved in timely manner**
- **ensure an adequate leave reconciliation process is in place and performed on a regular basis.**

Agency Responses

Agencies in our sample generally accepted the recommendations of this report and advised that they have either implemented, or would be taking steps to implement relevant recommendations.

PTA advised that about 55 per cent of their workforce is rostered and therefore their attendance, leave and pay is closely regulated and reflects actual hours. They commented that the audit findings relate primarily to the 45 per cent un-rostered staff.

Auditor General's Reports

Report Number	Reports	Date Tabled
12	Opinions on Ministerial Notifications	25 June 2015
11	Regulation of Training Organisations	24 June 2015
10	Management of Adults on Bail	10 June 2015
9	Opinions on Ministerial Notifications	4 June 2015
8	Delivering Essential Services to Remote Aboriginal Communities	6 May 2015
7	Audit Results Report — Annual 2014 Financial Audits	6 May 2015
6	Managing and Monitoring Motor Vehicle Usage	29 April 2015
5	Official Public Sector Air Travel	29 April 2015
4	SIHI: District Medical Workforce Investment Program	23 April 2015
3	Asbestos Management in Public Sector Agencies	22 April 2015
2	Main Roads Projects to Address Traffic Congestion	25 March 2015
1	Regulation of Real Estate and Settlement Agents	18 February 2015

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