

DEPARTMENT	AUDIT REVIEW	AUDIT REF
Chief Executive's and Corporate Services	Payroll	1121004

BACKGROUND

The Authority pays over 8,500 employees amounting to approximately £196m. Payroll is a centralised function, and the Authority has an integrated Payroll and HR system operated through "Resource Link".

SCOPE

The review covered the internal controls in place for the payment of salaries and wages to ensure that:

- Recommendations from the previous audit report have been implemented;
- There are adequate documented procedures in place which are adhered to;
- Exception reports are generated and reviewed with queries dealt with appropriately;
- Access to standing data processing and programmes is restricted to appropriate personnel and amendments are properly authorised;
- Timesheets, overtime claims, advance payments, SSP, starters & leavers, variations to pay etc. have been properly authorised and data entered correctly;
- There is evidence of review of the Payroll Suspense account, and timely clearance of entries;
- Changes to employee data is appropriately authorised;
- Advance pays have been appropriately authorised;
- Appropriate BACS controls exist;
- Appropriate reconciliations are undertaken after payment runs;
- The payroll system is regularly reconciled to the main accounting system;
- Payroll Control review all expected reports, with anomalies reviewed;
- Individual departments verify the accuracy of employee standing data;
- System Controls are adequate and appropriate;
- Security of Controls is adequate and appropriate;
- The risk of fraud is considered, with adequate controls in place to mitigate this.

SUMMARY OF RESULTS

It is pleasing to report that the majority of key controls are in place and are operating effectively.

Some issues were, however, identified as a result of audit testing and are summarised below:

- An annual employee verification exercise is intended to be carried out, with Heads of Service / Head Teachers required to confirm the accuracy of a schedule of employees recorded on the payroll system for their areas of responsibility. This exercise for 2021/22 had been delayed; with Internal Audit advised that this is due to staffing issues within the section.

Employee certification schedules were sent out to 2 Service areas in June 2021, to 20 different Heads of Service/Managers; responses had only been received from 3 Managers at the time of the Audit.

- Financial Procedure Rules state that Chief Officers will determine those staff who have authority within their respective departments to certify changes, to include appointments, retirements, resignations, and dismissals. Internal Audit testing identified that checks are not always undertaken by the Payroll section to ensure that Officers submitting commencement and termination forms are on the authorised signatory list.
- Testing on a sample of overtime payments identified that evidence of Director approval was not available to support 4 of the 15 sampled payments.
- From the sample of 15 overtime payments, testing identified 3 instances where the incorrect date had been entered on ResourceLink.
- Guidance on the application processes for both Maternity and Paternity pay require employees to complete the application forms and submit to the Absence Team no later than the end of the 15th week before the week the baby is due. 6 of the 10 applications selected for testing were received after the date specified in the Policies. Internal Audit has been advised that this is due to delays in surgeries issuing MATB1 certificates.
- A sample of 10 unpaid absences was reviewed, with 1 instance identified of late notification. The Absence Team was notified in June 2021 of unpaid leave taken during an earlier period, with it then being too late to make a pay adjustment; it was agreed to recover the net overpayment from the employee's later pay.
- Testing undertaken on the Wages Suspense account identified an outstanding debt relating to overpaid salary on termination of employment.

NUMBER OF RECOMMENDATIONS		OVERALL ASSURANCE
Priority 1- Fundamental Weaknesses	0	Acceptable
Priority 2 – Strengthen Existing Controls	3	
Priority 3 – Minor Issues	4	

DEPARTMENT	AUDIT REVIEW	AUDIT REF
Corporate Services	Creditor Payments	1121001

BACKGROUND

The Creditor Payments system is incorporated within the Authority's Financial Management System 'Agresso'.

The value of payments processed through the Creditor system in 2020/2021 was approximately £1,857million with the number of invoices processed being approximately 412,036.

SCOPE

The purpose of the Audit was to assess the extent to which there were adequate procedures and controls in place for the creditor payments' function, in particular:

- Recommendations in previous Internal Audit reports have been actioned;
- Adequate documented policies / procedures exist;
- There are effective controls over controlled stationary;
- Adequate controls exist over the processing and authorisation of creditor payments;
- Input controls are adequate;
- Adequate controls exist over the creation & amendments to supplier accounts;
- Periodic payments are adequately controlled;
- Payments by Direct Debit are controlled appropriately;
- Payments by BACS are controlled appropriately;
- There are effective controls over urgent payment runs;
- There are adequate controls in place in respect of invoices which are put on hold;
- Systems are in place to ensure credit notes / balances are controlled and actioned appropriately;
- Agreed performance indicators are being fully complied with;
- The risk of fraud is considered, with adequate controls in place to mitigate this.

SUMMARY OF RESULTS

It is pleasing to report that the majority of key controls are in place and are operating effectively.

Some issues were, however, identified as a result of audit testing and are summarised below:

- Audit testing identified that procedures for the creation and amendment of suppliers' details were not always fully complied with; with instances of forms not being completed appropriately, authorisations for changes not being received appropriately and one instance where there was no evidence that the bank details had been verified as correct prior to being updated.

- Testing of a sample of 10 urgent payment runs identified one instance where evidence was not available to demonstrate appropriate approval. Internal Audit has been advised that approval is always given via email prior to an urgent payment run, and these emails will be retained as evidence of prior approval in the future.
- The Authority has a target Performance Indicator (PI) of 93.5% for the payment of undisputed invoices within 30 days. A review of this PI has found that the set target was being achieved when looking at the overall average at the time of the Internal Audit review. Testing, however, identified that whilst some individual cost centres/departments are achieving the set PI, there are a number that are under-performing.
- Whilst it is pleasing to note that the value of credit balances currently held on the system has reduced, there are still a significant number of credit balances held on the system, some dating back to 2004. It is acknowledged that ongoing discussions are being held with the Head of Financial Services in order to appropriately address these historic credit balances.
- A review of parked invoices has identified that, whilst the number of parked invoices has reduced since the previous audit, 31 parked invoices remain. It is acknowledged that ongoing discussions are being held with the Head of Financial Services due to the complexity of the process in dealing with historic parked invoices, and to ensure that any action will result in an accurate reflection in the accounts.
- Testing of a sample of 10 payment runs identified one instance where the form had not been signed and dated as evidence of the required checks being undertaken.
- Audit testing undertaken on controlled stationary identified that an independent reconciliation has not been undertaken of order books since March 2021.
- The review of direct debits found that there has been no annual review undertaken since January 2021. In addition, Internal Audit identified new direct debits for two creditors, but documentation was only available to support one of these new direct debits.
- Testing of a sample of 10 expenditure transactions spread across all departments of the Authority identified 8 instances where a purchase order had not been raised when it would have been appropriate to do so. Internal Audit has been advised that the 'Achieving Purchase Order Compliance' Policy is due to be piloted imminently.

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NUMBER OF RECOMMENDATIONS		OVERALL ASSURANCE
Priority 1- Fundamental Weaknesses	0	Acceptable
Priority 2 – Strengthen Existing Controls	3	
Priority 3 – Minor Issues	6	