

DEPARTMENT Corporate Services	AUDIT REVIEW Payroll (2023/24)	FINAL REPORT ISSUED 24 July 2024
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BACKGROUND

The Authority has over 8000 employees and gross payroll payments of approximately £311m. Payroll is a centralised function, and the Authority has an integrated Payroll and HR system operated through 'Resource Link'.

SCOPE

The purpose of the Audit was to assess the effectiveness of the current procedures and controls in place for the administration and management of salary and wages payments. The review covered the internal controls within the Payroll System to ensure that:

- Recommendations from the previous audit report have been implemented.
- There are adequate documented procedures in place which are adhered to.
- Changes to employee standing data is appropriately authorised.
- There are adequate controls in place for the administration and management of salary and wages payments.
- Exception reports are generated and reviewed, and outputs checked for overall reasonableness.
- BACS and cheque payments are authorised and dispatched in a timely manner.
- Payroll data is correctly uploaded to the ledger and accurately processed.
- The risk of fraud has been considered, and adequate mitigating controls are in place.

SUMMARY OF RECOMMENDATIONS

The audit findings and recommendations are detailed in the attached Action Plan. A summary of these recommendations by priority is outlined below:

Priority	3*	2*	1*	Total
Number of Recommendations	0	8	0	8

ASSURANCE RATING

The post review assurance level for systems relating to Payroll is categorised as: **ACCEPTABLE.**

Internal Audit review – Payroll (2023/24)

Action Plan

Ref	Summary of Issue Identified	Recommendation	Priority Level	Planned Action Responsible Officer(s) Target Date	Updated Position
1	<p>Annual Certification Exercise</p> <p>Documentation relating to the Annual Employee Certification exercise was reviewed.</p> <p>The control spreadsheet, as provided, is incomplete and there is no evidence of issues being followed up.</p> <p>Based on the provided information, 333 schedules were returned from a total of 423 sent.</p>	<p>The employee certification exercise is an important internal control; adequate resources should be made available to ensure it is completed annually. Appropriate procedures should also be put in place to ensure effective follow up of outstanding responses.</p>	**	<p>The current way of carrying out the Certification of Employment exercise is in the process of being reviewed. It is hoped that the new process will be cleaner and more streamlined and will address the issues identified.</p> <ul style="list-style-type: none"> ▪ Steve Jenkins Team Leader (Control & Systems) <p>31 August 2024</p>	<p>New process now developed which will hopefully be less onerous and assist with completing the exercise; rollout of this is imminent.</p>
2	<p>Starters</p> <p>Issues were identified in relation to controls and procedures in place over the completion, authorisation and submission of Commencement Forms.</p> <p>An error in the calculation of backpay was also identified for one of the sample of 20 in the starters test.</p>	<p>Departments should review their authorisation protocol and ensure that line managers are aware of the scope of their authorisation.</p> <p>Authorising managers should be reminded of the importance of submitting accurate and complete Commencement Forms, which are submitted in a timely manner.</p> <p>System parameters should be reviewed to ensure that backpay is applied to all relevant periods of employment.</p>	**	<p>Reminder will be issued to Managers in the next available People Manager Update/Newsletter.</p> <p>A paternity leave report has been set up and will be run following a pay award to trigger the calculation and payment of backpay.</p> <ul style="list-style-type: none"> ▪ Suzanne Green Employee Services Manager <p>4 July 2024</p>	<p>Action complete.</p>

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3	<p>Leavers</p> <p>Issues were identified in relation to controls and procedures in place over the completion, authorisation and submission of Leaver Forms.</p>	<p>Departments should review their authorisation protocol and ensure that line managers are aware of the scope of their authorisation.</p> <p>Current version of the termination form should be used.</p> <p>Authorising managers should be reminded of the importance of timely submission of termination forms.</p> <p>Payroll staff should be reminded of the importance of accuracy when manually calculating payments and deductions.</p> <p>HR officers should be reminded of the importance of timely and complete processing of terminations to ensure payments due are not delayed.</p>	**	<p>Online termination form being developed and set up via MyView, this will resolve the authorisation issue, and the wrong form version being used as the online process will be the only mechanism available to terminate.</p> <p>Reminder issued to Managers, HR Business Partners, and Payroll staff.</p> <ul style="list-style-type: none"> ▪ Suzanne Green Employee Services Manager <p>30 July 2024</p>	<p>Online termination form is currently in development; discussions have been held with Internal Audit to ensure the appropriate controls are in place.</p>
4	<p>Overtime</p> <p>There is currently no corporate-wide formal documented directive in place for the appropriate approval of overtime.</p>	<p>Robust procedures should be agreed, and documented, to ensure that where overtime is required to be worked, appropriate approval is gained.</p>	**	<p>I have referred these matters to the Assistant Chief Executive to take to the next available CMT for discussion and feedback.</p> <ul style="list-style-type: none"> ▪ Suzanne Green Employee Services Manager <p>30 July 2024</p>	<p>Matters referred to the Assistant Chief Executive; awaiting an available date at CMT for discussion and feedback.</p>

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5	<p>Overtime</p> <p>Testing of Overtime identified the following:</p> <ul style="list-style-type: none"> 2 instances where claims did not appear to have been properly checked before approval. In both cases, the accuracy of the overtime payments could not be corroborated. 1 instance of a timesheet being submitted late resulting in two requests for an advance payment. 	<p>Authorising officers should be reminded of their responsibilities when certifying claims and provided with training where required.</p>	**	<p>We have linked in with the relevant Managers and provided training where required.</p> <p>Reminder will be issued to Managers in the next available People Manager Update/Newsletter.</p> <ul style="list-style-type: none"> Suzanne Green Employee Services Manager <p>30 July 2024</p>	Action complete.
6	<p>Unpaid Leave</p> <p>Testing of Unpaid leave identified the following:</p> <ul style="list-style-type: none"> 1 instance where the incorrect number of days was deducted. 1 instance where the absence was processed by the Department, but Payroll were not instructed to make a deduction for unpaid leave. 	<p>Payroll staff should be reminded of the importance of accuracy when manually calculating deductions. All Departments should instruct employees to request unpaid leave on MyView, to minimise omissions.</p>	**	<p>Reminder issued to Payroll staff.</p> <p>Reminder issued to Managers to encourage staff to use the web-based self-service system to request all leave and submit all claims for authorisation, processing, and payment.</p> <ul style="list-style-type: none"> Suzanne Green Employee Services Manager <p>30 July 2024</p>	Action complete.

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7	<p>Payroll Checking</p> <p>Testing identified 1 instance where the employee had not received any pay for April 2023. The employee details were included on the report of Employees not paid in current run dated 19.4.23, but this report was not reviewed before the pay run.</p>	<p>The process should ensure that all expected exception reports are received and reviewed prior to pay run.</p>	**	<p>All expected exception reports, including the 'Employees not paid' report will be actioned.</p> <ul style="list-style-type: none"> ▪ Suzanne Green Employee Services Manager <p>4 July 2024</p>	Action complete.
8	<p>Market Supplement Payments</p> <p>Testing relating to Market Supplement Payments identified the following:</p> <ul style="list-style-type: none"> • 1 instance where the employee was not entitled to the payment. • 1 instance where no evidence has been provided to confirm that the employee was eligible to receive a payment, and that the scheme was properly approved. 	<p>Internal control improvements are needed in both Payroll section and relevant service area to ensure compliance with the current Market Supplement Scheme Policy. All payments must be properly approved, and only eligible employees should receive the payments. Evidence of scheme approval and a schedule of eligible employees must be retained.</p>	**	<p>Staff will be reminded of the correct process to follow to ensure compliance.</p> <ul style="list-style-type: none"> ▪ Suzanne Green Employee Services Manager <p>30 July 2024</p>	Action complete.