

Internal Audit Report

CONFIDENTIAL

To: Head of Finance
Subject: Payroll
Audit report ref: GBC 38
Date: June 2005

Control objective 1: Satisfactory approval is obtained before updating the establishment structure.			
Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
1.1 Payroll procedures are clearly defined and available to all relevant staff.	Procedure notes are available to all staff in the payroll office. This was confirmed by examining the procedures held in the Payroll office.	Yes	
1.2 The establishment structure, and all amendments to it, is approved by the managing body.	The Personnel and Resources Committee has approved any changes to the management structure. This has been confirmed by checking the minutes of meetings held.	Yes	
1.3 The authorised establishment posts are recorded and updated by Personnel, independently of the Payroll Section.	Staff in the Personnel Section update the establishment posts. This was confirmed by discussion and observation.	Yes	

Control objective 1: Satisfactory approval is obtained before updating the establishment structure.			
Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
1.4 Payroll procedures prevent payment to any employee unless an authorised post is recorded.	<p>Starter forms are completed by the new employee's line manager and then passed to the Personnel Department. After the post reference number and personnel files have been completed the starter forms are then passed to the Payroll Section within Financial Services for processing.</p> <p>A copy of the October 2004 payroll for Direct Services, Housing, Community Centres, Personnel and SD, Carlton Forum and the Richard Herrod Leisure Centres was compared to their establishment lists. This revealed twenty members of staff that had incorrect establishment posts recorded on the payroll system.</p> <p>In addition, eleven employees had left, had not been removed from the establishment list; one had changed departments.</p>	No	<p>The Personnel Section should check the payroll listing every six months to confirm the accuracy of post references. (Medium Risk)</p> <p><u>Response of the Head of Personnel & Org'l Development</u> A check of payroll to the establishment was undertaken in December 2004 and another one is scheduled in 6 months</p> <p><u>Officer Responsible for Implementation</u> Head of personnel & Organisational Development</p> <p><u>Date for Implementation</u> Already implemented</p>
1.5 Each Department periodically verifies the following details for employees charged to its costs centres viz:- the post held, the salary grade the expenditure codes used.	<p>Payroll printouts are forwarded to Departmental managers each year to verify the existing employee's and for the accuracy of budgetary and payroll details to be verified. Responses are monitored and any remedial action is taken where required.</p> <p>The latest lists were issued in September 2004. All Departments have responded except for Personnel and Organisational Development.</p>	No	<p>Heads of Services should verify and confirm the payroll data shown on the establishment reports for their departments. (High Risk)</p> <p><u>Response of the Head of Finance</u> It appears that the print has been mislaid or not actioned. It is agreed that it will be actioned in future.</p> <p><u>Officer Responsible for Implementation</u> Head of Personnel & Org'l Development</p> <p><u>Date for Implementation</u> Immediate</p>

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1.6 The Personnel Section checks the payroll masterfile for all employees following the processing of national salary settlements.	<p>The Director of Resources and Financial Services is notified of pay award details, and the payroll system is updated.</p> <p>Checks are carried out within the Payroll Section, but no comprehensive checking of the payroll system is carried out in the Personnel Section.</p>	No	See 1.4.
1.7 Personal files, containing key employment details, are maintained for each employee, independently of the Payroll Section, and stored securely.	<p>A personal file is maintained for every employee in locked cabinets in the Personal Department.</p> <p>The files of 35 new starters on the 2004/05 payroll were checked to ensure that they had:</p> <ul style="list-style-type: none"> • personal file • action/checklist completion • agreement with payroll details. 	Yes	

Control objective 2: Starters, Leavers and Transfers are processed promptly.			
Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
<p>2.1 Formal details of all new employees are sent to the Payroll Section promptly.</p> <p>All starters are properly authorised and details are independently checked on input.</p> <p>The Payroll Section verifies authorising signatures against a list of specimen signatures.</p>	<p>Departments complete a 'Starter Form' recording the details of all new starters. These are authorised by a manager and forwarded on to the Personnel Section. After processing by the Personnel Section, the starter forms are forwarded to the Payroll Section.</p> <p>New starter details are input by one payroll assistant and then checked and authorised independently by another staff member.</p> <p>The Payroll Section keeps copies of specimen authorising signatures which are updated on an annual basis. This was confirmed by checking 35 new starters documentation.</p>	Yes	
<p>2.2 Personnel records are updated to record all new employees.</p>	<p>The establishment record is updated and personnel files including starter checklists are maintained in the Personnel Section.</p> <p>Testing the sample of 35 new starters proved satisfactory.</p>	Yes	

Control objective 2: Starters, Leavers and Transfers are processed promptly.			
Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
2.3 All new employees have signed a contract of employment and provide a copy of their birth certificate and references as necessary.	<p>Reference details are recorded on application forms and are taken up by the Personnel Section.</p> <p>Birth certificates are copied and forwarded to Nottinghamshire County Council for superannuation purposes. Missing certificates are followed up directly by the County Council.</p> <p>Criminal Record Bureau checks are carried out for applicable posts.</p> <p>Contracts of employment are drawn up by the Personnel Section, signed and returned by the employee.</p> <p>Testing of the sample of 35 new starters proved to be satisfactory.</p>	Yes	
2.4 Procedures for making emergency payments to employees are comprehensive and all such transactions are controlled and recorded.	<p>Twenty-three emergency payments had been made in the financial year 2004/05 at the time of the audit visit. All of which were checked for the correct authorisation, and that repayment of the advances had been collected.</p>	Yes	
2.5 Leavers' notices are submitted to the Payroll Section promptly for all employees leaving the Authority.	<p>Leaver forms are raised and signed by Departmental managers for each leaver. These are forwarded onto the Personnel Section for action and then passed on to the Payroll Section.</p> <p>The documentation for sixteen leavers proved to be satisfactory.</p>	Yes	

Control objective 2: Starters, Leavers and Transfers are processed promptly.			
Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
2.6 All relevant records are updated correctly when an employee leaves.	Records for sixteen leavers were checked to ensure that their records in both Personnel and Payroll had been updated correctly and that their final payments had been calculated correctly.	Yes	
2.7 Timetables for the receipt of input are established, distributed to all relevant personnel and enforced.	<p>The timetable for all documentation to be received for input is the 7th of the month for that month's payroll.</p> <p>Payments to new starters notified after this date would be made in the following month - unless an authorised application for an emergency payment is received by the Payroll Section, when a cheque is raised and the payment recovered from the following months pay. See 2.4 above.</p>	Yes	

Control objective 3: Payments and amendments to pay are properly authorised.			
Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
3.1 All changes to an employee's grading or amendments to basic pay are approved by the managing body or delegated authority, and are supported by documentary evidence.	Any amendments to pay are presented to the Personnel and Resources Committee. The checking of pay increases and the minutes of these meetings confirms this happens.	Yes	
3.2 Lists of authorised signatories are maintained.	Lists of authorised signatories are held within the Payroll Office. When we examined the list of signatories held, we were satisfied that the file had been recently updated.	Yes	
3.3 Changes to bank details and voluntary deductions are authorised by the employee in writing.	Changes to bank details and deductions are only carried out when authorised, in writing, by the employee. This was confirmed by observation and by checking 11 changes.	Yes	
3.4 Timesheets which have been signed by the employee and authorised by an appropriate manager are submitted to support all payments to weekly paid staff.	<p>Time sheets for the month of October were checked at the Richard Herrod and Carlton Forum Leisure Centres and also for one week in November for Direct Services.</p> <p>All checking proved to be satisfactory.</p> <p>However, it was noted during the visit that staff, do not always sign-in on arrival or sign-out on departure.</p>	No	<p>All staff should be reminded to sign-in and sign-out on arrival and departure as per procedures and Health and Safety. (Low Risk)</p> <p><u>Response of the Head of Finance</u> A reminder has been issued to all Centre Managers of the need to ensure compliance with this regulation.</p> <p><u>Officer Responsible for Implementation</u> Finance and Administration Officer</p> <p><u>Date for Implementation</u> April 2005</p>

Control objective 3: Payments and amendments to pay are properly authorised.			
Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
3.5 Requests to pay overtime or additional basic pay are made on official forms and are properly authorised.	The requests to pay overtime and any additional pay are made on official forms and are properly authorised. This was confirmed as part of the checking carried out in 3.4 above.	Yes	
3.6 Appropriate documentation is provided for all periods of maternity, paternity and sickness.	<p>There is documentation for all staff members who have taken maternity leave since April 2004.</p> <p>However there is incomplete documentation from the Departments in the case of four members of staff who have taken paternity leave. This may have resulted in over payments to staff members.</p> <p>Appropriate documentation is held for any sickness. This was confirmed by checking the documentation held.</p>	No	<p>The procedures to be followed for paternity leave and associated payments should be issued to all relevant staff.</p> <p>The paternity documentation should be completed retrospectively for the four cases identified and, if any overpayments are identified, they should be reclaimed. (Low Risk)</p> <p><u>Response of the Head of Personnel & Org'l Development</u> Personnel will check forms for accuracy and return to departments before passing to Payroll</p> <p><u>Officer Responsible for Implementation</u> Head of Personnel & Org'l Development</p> <p><u>Date for Implementation</u> Immediate</p>
3.7 Annual leave records are maintained and payment in lieu of leave is properly authorised.	Annual leave records are held, nine payments have been made in lieu of leave. The documentation for these payments has been checked and they were all authorised appropriately.	Yes	

Control objective 4: Recommendations from report the previous audit report – Payroll April 2004 - have been implemented satisfactorily.

Previous Report Paragraph	Audit findings	Imple- mented	Audit recommendation <i>and management response, officer responsible and date for implementation</i>
<p>4.3.4 The payroll should be checked by the Personnel Section against the establishment records on a half-yearly basis to confirm accurate post references and pay bands are recorded on both records.</p> <p>For those errors found during this audit the amendments should be made immediately.</p>	<p>See 1.4</p> <p>No record of the required corrections was available for checking, however we were assured that all changes had been made. As part of the audit checking in 1.4, all amendments were made to update the establishment lists as the errors were reported.</p>	<p>No</p>	<p>See 1.4</p>
<p>4.4.2 As best practice the authorised signature lists are updated annually.</p>	<p>See 3.2</p>	<p>Yes</p>	
<p>5.2.2 Heads of Services respond to salary establishment reports to verify and confirm that the data held on payroll for their Departments is accurate.</p>	<p>The Heads of Service are still not responding to these reports.</p>	<p>No</p>	<p>See 1.5</p>
<p>5.3.4 Departments are reminded that starter forms should be completed before or on commencement of duties with the Authority and the ID badge issued on the sight of the starter form duly completed.</p>	<p>The Departments were reminded as part of a road show exercise.</p>	<p>Yes</p>	

Control objective 4: Recommendations from report the previous audit report – Payroll April 2004 - have been implemented satisfactorily.			
Previous Report Paragraph	Audit findings	Implemented	Audit recommendation and management response, officer responsible and date for implementation
5.3.5 The findings and conclusions following discussions with the Manager in this instance are noted on file.	This was discussed with the Personnel Manager and was noted.	Yes	
5.3.6 In future instances note will be made on the SF1, of findings and referrals relating to delays in receipt. Where there has been a non-compliance with procedure then a file note shall be made of the findings and the action or reason for non-action.	This was discussed with the Personnel Manager and confirmation was received that procedures are now in place.	Yes	
5.4.5 That: a) Voluntary deduction authority is obtained for all employees b) Car user categories verified periodically for all employees. c) All car mileage claims are only authorised and paid if they detail the journey and are completed in full. d) Overtime authorisation is subject to verification with the flexi-time records or any other time records maintained and in accordance with the overtime policy in the employee handbook	The letter was sent to each employee on the 28/10/04 for them to confirm their voluntary deduction authority. Car user categories had not been verified at the time of the audit visit. All Mileage claims are returned to Departments if they are incomplete. Observation confirmed this. See 3.4 and 3.5	Yes No Yes Yes	The Personnel and Organisational Development should verify car user categories periodically. (Low Risk) <u>Response of the Head of Personnel & Org'l Development</u> Will incorporate within the payroll/personnel system. <u>Officer Responsible for Implementation</u> Head of Personnel & Org'l Development <u>Date for Implementation</u> During 2005/06