



GEDLING
BOROUGH COUNCIL



INTERNAL AUDIT

Report

2005-2006

PAYROLL

Key Financial System
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March-June 2006

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INTERNAL AUDIT REPORT

KEY FINANCIAL SYSTEM AUDIT

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1. INTRODUCTION

- 1.1 An audit of Payroll procedures has been carried out in accordance with the 2005/06 Audit Plan. The audit reviewed the established operational procedures of the payroll system, record maintenance and security with respect to the new system implemented by the Authority.
- 1.2 The review identified and examined the current procedures and internal controls for payroll processing, the inputs and feeders to payroll system starters and leavers forms, the establishment lists and personnel records, exception reports and reconciliation with the Agresso General Ledger [GL]. Specific control objectives are summarised below:
- Only persons within Authorised posts of the Authority are paid.
 - Only bona fide employees are paid. Starters, leavers and input arrangements.
 - The amount paid agrees to the amount authorised and all payments are made in a timely manner.
 - Security of the system and payroll data and records is given high priority and account transactions with clear management trail.
 - All payroll payments and deductions are accurately recorded and monitored within the financial records of the authority.
- 1.3 The Senior Assistant (payroll) together with the clerical assistant, are responsible for processing the payroll. The Senior Accountant, who has overall responsibility for the Payroll, carries out the reconciliation with the GL.

2. CONDUCT OF AUDIT

- 2.1 Discussions were held with the Senior Accountant and Senior Assistant [Payroll], to document the system and procedures that are established for processing the payroll.
- 2.2 Testing was undertaken on the key controls to assess compliance with established procedures and provide assurance that they are operating effectively. The testing concentrated on record comparisons, input to systems, error reporting and verification, and reconciliation with the GL.
- 2.3 Testing was undertaken of sample employees covering one-month period to ensure the validity of payments and ensure that they were properly recorded in the system and adequately authorised.
- 2.4 The assistance and co-operation of all staff involved in this audit assignment is acknowledged and appreciated.

3. EXECUTIVE SUMMARY

- 3.1. The controls reviewed within this audit assignment are operating effectively. The Payroll processing and payment at the end of each period with the verification checks and regular routines carried out ensure the Payroll system is operating satisfactorily.
- 3.2. For efficient and promptness it is essential that all Heads of Services ensure that the necessary documentations required for processing is received by payroll in time and fully completed and authorised.
- 3.3. The audit highlighted two medium risk and two low risk recommendations, which are detailed in the findings and recommendations section of the report. The medium risk recommendations relate to:
- The introduction of periodic independent verification checks of payroll data to the personnel establishment list.
 - The timely submission of Departmental establishment reports confirming the accuracy of payroll data.

3.4 CONCLUSION

Overall the procedures and systems in place for Payroll are satisfactory. The implementation of recommendations identified in this report will improve the overall effectiveness of the control environment.

AUDIT ASSURANCE

As a result of the work undertaken during the audit, it is concluded that the payroll system is well controlled and the majority of controls are adequate and effectively applied.

ACTION PLAN

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REC (Risk)	RECOMMENDATION	RESPONSIBLE OFFICER	MANAGEMENT COMMENT	IMPLEMENTATION DATE
4.2.2. Med	That the Personnel Department carries out this key independent verification check of the payroll data to the permanent establishment list at least annually.	Personnel Manager	Establishment lists for 4th July 2006 will be used to reconcile information between the last personnel establishment list and a list that will in future be produced from the system and retained (and to allow cross reference with old post refs). In future, no separate list will be maintained, instead a monthly report will be run showing all established posts (non-"ZZ" reference posts) placed into RESOURCELINK during that month; this will be documented and checked against starter forms received by Personnel. Differences will be investigated with Payroll. A hard copy of this monthly check will be retained.	July 2006

REC (Risk)	RECOMMENDATION	RESPONSIBLE OFFICER	MANAGEMENT COMMENT	IMPLEMENTATION DATE
4.2.4. Med	That Payroll continues to monitor the responses from Heads of Service and escalate examples of continuing failure to submit reports to Internal Audit for escalation of issues.	Senior Accountant	Agreed. After sending a 2 nd reminder to departments, finance will forward details to Audit if no reply is received.	Immediate
4.3.3. Low	That all starter forms received by personnel are checked to confirm they have been subject to adequate and appropriate authorisation, and all personnel files are complete and adequately filed.	Personnel Manager	Recommendation agreed, action to be completed as per the recommendation.	Immediate
4.4.4 Low	That routine checks be undertaken to ensure that all payments made are authorised and paid at the correct rate.	Senior Accountant	Payroll will continue to carry out the monthly detailed checks as normal. The error highlighted was due to relevant staff being off on long-term sickness.	Immediate