



GEDLING
BOROUGH COUNCIL



INTERNAL AUDIT

Report

2005-2006

Assurance Statements
PAYROLL

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February 2006.

GEDLING BOROUGH COUNCIL

INTERNAL AUDIT REPORT

ASSURANCE STATEMENTS

PAYROLL

C O N T E N T S

	PAGE
1. Introduction.	1
2. Conduct of the Audit.	1
3. Executive Summary.	2
Action Plan	3
Assurance Statements	4

1. INTRODUCTION

- 1.1 The Authority is implementing new software for all of its key financial systems. The second system to complete this task in 2005-06 is Payroll.
- 1.2 Unlike upgrades the introduction of new software requires assurance that data conversion between the old and the new systems has taken place and is accurate.
- 1.3 The data conversion included:
 - The migration of essential data files via an excel spreadsheet imported from the old system to the new system
 - The parallel running of the systems for two months.
 - The reconciliation of P35 totals [all statutory deductions]
 - The reconciliation of pension deductions.
- 1.4 The P35 reconciliations and the pension reconciliation was specifically examined to ensure that the data had been transferred accurately:
Employee details with the new post references were compared with the establishment list obtained from personnel to ensure accuracy of post and employee.
- 1.5 Senior Accountant [Financial Services] and his team of payroll staff and Personnel Manager and his team were involved in the detailed work of data transfer and reconciliations. This was quite a difficult task to undertake and the assistance given in the audit review at this time is appreciated.

2. CONDUCT OF AUDIT

- 2.1 The migration files in the spreadsheet format are held on the computer and contains the essential data for conversion. An overview of some data files ensure that the conversion of data with no evidence of verification may be accurate.
- 2.2 The review differs from the usual systems audit in that it was looking to provide assurance that data between the two systems agreed, and that any differences could be reconciled accounted for and actioned.
- 2.3 Key controls were examined to ensure the system was recording transactions accurately. For example the employee data to the new post reference and the year to date figures for the financial year.
- 2.4 The two months of parallel running and comparing the totals and any differences identified and corrected.

3. EXECUTIVE SUMMARY

- 3.1 From the review undertaken it has been possible to provide assurance statement. The Assurance statement is included at the end of this report.
- 3.2 It is noted that at present the level of access to the system is not restricted and a number of users have full access.
- 3.3 The plans to address the differences identified and control issues have been summarised in the Action Plan. These will ensure the accuracy of data and controls within the new system.

AUDIT ASSURANCE.

It is considered that the migration of data via the prescribed means to the new systems was undertaken effectively. The anomalies that may have arisen and expected with any data conversion and acted to correct and the parallel running ensures the new system accuracy. Absolute assurances for data files verification are not available and overall the process of reconciliation is satisfactory.

ACTION PLAN

REC (Risk)	RECOMMENDATION	RESPONSIBLE OFFICER	MANAGEMENT COMMENT	IMPLEMENTATION DATE
4.1 Med	It is Recommended that access levels are to be restricted to the required user needs and full access limited to few.	Personnel Manager & Senior Assistant Accountant	Completed	24 March 2006
4.2 Med	It is Recommended that identified post reference differences and the omitted from the establishment list or payroll are investigated and resolved.	Personnel Manager & Senior Assistant Accountant	Final reconciliation between old Establishment list and Resource Link being carried out	July 2006
4.3 Med	It is Recommended that once the above is finalised to print off a permanent record of establishment list. This then should be updated and checked periodically with payroll.	Personnel Manager	Final version of Establishment List will be retained {to allow cross reference with old post references} 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; 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 kept as an audit trail.	July 2006

ASSURANCE STATEMENT

The contents of the migration files are on the computer in spreadsheet format. Northgate provided these and IT wrote a programme to transfer the data from the old system for the fields as necessary for the migration.

Personnel and payroll carried out the verification of the data files but there is no evidence to support this. A list obtained from payroll showed 25 files that were utilised for the data transfer but this may not include other files that may have been used.

The following is evident:

- The balancing of monthly payroll controls
- P35 and superannuation year to date amounts reconciliation
- The post reference transfer was tested and discrepancies notified to personnel and payroll.

BALANCING MONTHLY PAYROLL CONTROLS – ISIS SYSTEM

Reconciliation of payroll controls to FMS on a monthly basis was carried out and agreed for the months when parallel running was carried out. In the month of live running a similar reconciliation was carried out but the non-transferred year to date figures were as per the old system. These were reviewed and the variances seen to be explained and posted in the next period.

YEAR TO DATE –P35 TOTALS RECONCILIATIONS

The reconciliation carried out at the end of December 2005 shows the balances of deductions and gross earnings from this employment and previous employer. The two systems figures were agreed and the differences in the taxable gross were investigated and then corrected to agree. All new starters year to date figures were reconciled to ensure accuracy on the new system. Where differences were found these were corrected as the system allows to amend the year to date figures. The differences in the NI earnings discovered, though not relevant are being investigated and raised with Northgate.

SUPERANNUATION YEAR TO DATE RECONCILIATION

Again the reconciliation from the old to the new system was in the year to date figures, and in particular the gross pensionable salary and job pensionable salary. Whilst a number of variances found initially were due to the gross salaries not differentiated for pension purposes. All such anomalies have been corrected and the summary analysis was reviewed and the three differences that were found have been corrected. It is understood that the adjustments carried out are not traceable but the overall balances were agreed with the summary. The year end figures that will be submitted to Nottingham county will be the test if the superannuation figures have been correctly transferred and calculated with the adjustments that have been carried out.

ESTABLISHMENT LIST -- Post References.

The establishment list was obtained from Personnel Department and details compared to a report obtained from the resource link system. It is understood that the list from personnel may not be up to date and therefore the data may be incorrect.

The post reference is a fundamental reference for the system and as such it was considered that the data on payroll is checked to the establishment list. A number of differences were discovered and have been tabled for personnel and payroll to investigate. There has been no response to this discrepancies and it is essential that these are resolved as soon as possible.

It should be noted that non established employees on the payroll were not checked, e.g. members CVS group Instructors etc.

After checking the following discrepancies are still outstanding. And the tables showing these are with personnel and payroll on spreadsheets.

- There are 35 Post references that did not match with the list and resource link report.
- There are 27 casual post references that are on payroll report [resource link] but not on establishment list and
- 99 post references that are on establishment list not on payroll report [resource link].

Where possible any leavers and post references, which did not have year to date figures have been eliminated.

SUMMARY

It is appreciated that the task of checking the amount of data on conversion was huge and that the parallel running and the reconciling of the total figures on both systems give confidence that this has been successful. No evidence of the data files were retained to verify the necessary adjustments carried out and the documentations examined above shows that the P35 totals and pensions are correctly transferred, but the post reference discrepancies remain unanswered.

AUDIT ASSURANCE

I am satisfied that most of the errors between Northgate [resource link] and ISIS systems have been identified and corrected, though no audit trail of the data files is available. The post reference differences found and if reconciled would ensure that the payroll conversion is complete and accurate.

Suresh Mistry

22nd March 2006

Resource Services [auditor]

Date