



INTERNAL AUDIT
FINAL REPORT

Title: Payroll

Report Distribution

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Draft Issued: 7th January 2010

Final Issued: 9th February 2010

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EXECUTIVE SUMMARY

Introduction

An audit of Payroll was undertaken as part of the approved internal audit periodic plan for 2009/10. At the time of the audit there were 948 Gedling Borough Council and 493 Rushcliffe Borough Council employees live on the Payroll.

The Council is responsible for carrying out the payroll operations for both Gedling and Rushcliffe Borough Council.

As part of the shared services initiative, Rushcliffe Borough Council transferred their payroll operations to Gedling Borough Council, which has seen both Councils using the same Resource Link system.

Recently, Gedling Borough Council have implemented a system called My View that allows Gedling employees to view their payslips electronically.

Principal Findings

	High	Medium	Low
Number of recommendations	0	0	5

The detailed findings and associated recommendations are provided in the second part of this report. There are no high or medium risk recommendations made in the report.

Assurance Statement

Internal Audit can provide **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

INTRODUCTION

Objective & Scope

The purpose of the review was to ensure the authority pays the correct wages / salary and other payments to persons employed within authorised posts in accordance with established policy and that these payments are accurately and correctly accounted and recorded. The review included Gedling's responsibilities for payroll provision to Rushcliffe Borough Council.

The key areas associated with the system objectives are:

- Procedural documentation and training;
- Starters;
- Leavers;
- Amendments;
- Deductions;
- Additional payments and expenses;
- Checking and payment authorisation;
- Statutory documentation; and
- Reconciliations.

The control areas included within the scope of the review are:

- Procedural documentation and training;
- Financial regulations;
- Policies and procedures;
- Access to the payroll system;
- Authorised signatories list;
- Training
- Authorisation Leavers;
- Authorisation Starters;
- Identification and recovery of outstanding monies;
- Amendments;
- Authorisation Deductions;
- Additional payments and expenses
- Appropriateness of payments checking and payment authorisation;
- Exception reports;
- Proposed payroll reports;
- Payment authorisation
- Statutory documentation;
- Payslips;
- Tax codes; and
- P11Ds / P60s Reconciliations; and completion.

Confidential

The following limitations to the scope of the audit were agreed when planning the audit:

- The review will only consider staff paid through the payroll system;
- We will not consider the appropriateness of payments made to staff, only that these are the correct amounts due to them;
- The audit will not include any recalculation of PAYE deductions;
- We will not test the accuracy of National Insurance or pension deductions or those amounts paid over to relevant third parties;
- We will not comment on the organisation's recruitment process;
- We will not substantively re-perform reconciliations;
- Testing will be completed on a sample basis from transactions within the current year; and
- Our work does not provide assurance that material error; loss or fraud does not exist.

This audit report is presented on an exception basis. The detailed findings include only those areas where controls should be enhanced to improve their effectiveness and mitigate the risks that affect the authority's objectives for the system reviewed. Controls and risks identified in the scope that are not mentioned in the detailed findings were considered to be adequate and operating effectively.

Acknowledgement

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.

DETAILED FINDINGS

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 1 - Starters Level of Risk - Low</p>			
<p>Gedling Borough Council Testing was conducted on a sample of 15 new employees. All had relevant documentation and had been authorised correctly. New starters were checked to the Resource Link system and all were found to be set up and correct. There were five instances where the New Employees Details check sheet information was not evidenced as checked after input.</p> <p>Rushcliffe Borough Council Testing was conducted on a sample of 15 new employees. New starter forms have been completed appropriately and employee details correctly set up in Resource Link. Payroll uses check sheets to evidence the input of new employee details and check data accuracy. In three cases the relevant check sheet for payroll input had not been dated.</p>	<p>There is a risk that any errors on input would remain undetected and procedures are not being followed.</p>	<p>It is recommended that staff ensure that new starter check sheets are always signed and dated as evidence that the appropriate checks have been carried out, to ensure accuracy, and that procedures are being followed.</p> <p>Action: Alan Doig – Senior Assistant Accountant</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Payroll will ensure all check sheets are signed and dated in future.</p> <p>Timescale: Immediate.</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 2 - Leavers Level of Risk - Low</p>			
<p>Gedling Borough Council Testing was conducted on a sample of 15 employees who had left the Council. All proved satisfactory for relevant documentation, issuing of P45's, authorisation and being removed off the pay run after the date of last pay. The end dates from the leaver forms were matched to the system. It was found that in five cases there was no evidence of the leaver form being checked after input.</p> <p>Rushcliffe Borough Council Testing was conducted on a sample of 15 employees who had left the Authority. All proved satisfactory for relevant documentation, issuing of P45's, authorisation and being removed off the pay run after the date of last pay. In two cases the relevant leaver check sheet for payroll had not been evidenced as checked signed and dated.</p>	<p>There is a risk that any errors on input would remain undetected and procedures are not being followed.</p>	<p>It is recommended that staff ensure relevant leaver documentation is retained and that check sheets are always signed and dated as evidence that the appropriate checks have been carried out.</p> <p>Action: Alan Doig – Senior Assistant Accountant</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Payroll will ensure all check sheets are signed and dated in future</p> <p>Timescale: Immediate.</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 3 - BACS Level of Risk - Low</p>			
<p>Gedling Borough Council The BACS report is prepared monthly by the Senior Assistant Accountant (Payroll). This will then be reviewed and checked for accuracy by the Senior Assistant Accountant (RBC) who will produce the BACSTEL Submission. Testing all BACSTEL Submissions performed this year it was found that one was not printed (June 2009) but the BACS Live Submission was printed and retained, however this was not signed as being independently reviewed.</p> <p>Rushcliffe Borough Council Testing a sample of BACS Authorisation reports (April to November 2009) found that all had been produced and independently reviewed. However it was found that one BACSTEL Submission for June 2009 was not evidenced as checked.</p>	<p>There is a risk that BACS Submissions are not independently reviewed to ensure that the correct sum had been paid.</p>	<p>BACS Authorisation Reports and Bacstel Submissions should be retained, countersigned and dated on a monthly basis.</p> <p>Action: Alan Doig – Senior Assistant Accountant</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Payroll will ensure that all BACs submission reports are checked, reviewed and signed independently every month.</p> <p>Timescale: Immediate.</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 4- Advances Level of Risk - Low</p>			
<p>Gedling Borough Council and Rushcliffe Borough Council</p> <p>Testing was performed on a sample of 30 salary advances performed this financial year. It was found that in all instances details of the advance had been passed to payroll in order for the advance to be recovered the following month. All advances were recovered in a timely basis.</p> <p>Additionally, timesheets are not used by the payroll department to calculate pay. All staff are salaried monthly apart from Leisure Centre (GBC) and Depot Staff (RBC). In these instances a spreadsheet is compiled by the Managers and checked on site before being sent through to payroll.</p> <p>It was noted that there are often mistakes made by the department in late or inaccurate paperwork sent through to payroll staff. This has led to an increase in the number of salary advances being made.</p>	<p>There is a risk that inaccurate or incomplete payments are made to staff if inaccurate paperwork is being submitted to payroll.</p> <p>Increased workload for payroll staff due to the high number of advances having to be made to make up for incorrect/late payments</p>	<p>As a result of the high number of advances being performed, it is recommended that guidelines be issued to staff which details the exceptional circumstances under which advances may be made. Staff should be reminded that advances are not to be issued as an alternative to submitting paperwork on time.</p> <p>Action: Alan Doig – Senior Assistant Accountant</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Finance will write to all Departments explaining the circumstances where a Payroll Advance may be granted, and will also remind them of the importance for prompt Payroll paperwork.</p> <p>Timescale: 31 March 2010</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 5 - Control Account Reconciliations Level of Risk - Low</p>			
<p>Gedling Borough Council Payroll control account reconciliations are carried out on a monthly basis. Testing was carried out on payroll reconciliations performed this financial year since April to September 2009. All reconciliations had been signed by both the preparer and the reviewer, however in three cases the reconciliation had not been performed on a timely basis.</p>	<p>There is a risk that if reconciliations are not performed on a monthly basis, inaccurately reflected payroll payments within the main accounting system may not be identified and resolved in a timely manner.</p>	<p>The Council should ensure that payroll account reconciliations are performed and reviewed in a timely manner.</p> <p>Action: Alan Doig – Senior Assistant Accountant</p>	<p>Management Comment: During the financial year the reconciliations are carried out each month, however there may be occasions (April & May) where there are higher priority tasks to be done which could cause a delay. As these reconciliations are cumulative any errors will be identified and corrected in the following month.</p> <p>Planned Corrective Action: Payroll will ensure these reconciliations are carried out in a timely manner.</p> <p>Timescale: Immediate.</p>

ANNEX A

Risk & Assurance – Standard DefinitionsAudit Recommendations

Audit recommendations are categorised, depending upon the level of associated risk, as follows:

Level	Category	Definition
1	High	Action is essential to manage exposure to fundamental risks.
2	Medium	Action is necessary to manage exposure to significant risks.
3	Low	Action is desirable and should result in enhanced control or better value for money.

Assurance Statement

Each report will provide an opinion on the level of assurance that is provided with respect the risk emanating from the controls reviewed. The categories of assurance are as follows:

Category	Definition
No	The majority of the significant risks relating to the area reviewed are not effectively managed.
Limited	There are a number of significant risks relating to the area reviewed that are not effectively managed.
Substantial	The risks relating to the objectives of the areas reviewed are reasonably managed and are not cause for major concern.

What Happens Now?

The final report is distributed to those involved with discharging the recommended action, the Head of Corporate Services, Audit Commission and, where applicable, the relevant Heads of Service.

A synopsis of the audit report is provided to the authority's Audit Committee. Internal Audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The on-going progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit Committee.

Any Questions?

If you have any questions about the audit report or any aspect of the audit process please contact the auditor responsible for the review or Vince Rimmington, Manager Audit & Risk Services on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk