

Date: 13<sup>th</sup> September 2012

R/CONS/PEB2013

## **ADDITIONAL PAYROLL TESTING**

### **EXECUTIVE SUMMARY**

#### **Context**

Following an audit of the Payroll System, undertaken as part of the 2011/12 Plan, which identified material control weaknesses, the Director of Resources commissioned a supplementary audit to provide assurance that agreed recommendations had been implemented and had addressed, fully and effectively, the issues identified in the initial audit report.

The audit provided the basis for an interim assurance rating for the Payroll System's control framework: a final assurance rating, based on substantive testing of transactions across the whole of 2012/13, will be issued at the year-end.

#### **Overview**

The audit confirmed that previous recommendations relating to System access and accuracy and legitimacy of data input had been addressed, wholly or in part [see Appendix A] In particular:

- Levels of access to the integrated Human Resources and Payroll system have been modified. Review of users to these modules confirmed that all were now appropriate.
- Checks on accuracy of expenses claims and other input are in place and operating as specified
- A review of 100% of new employees confirmed that all thirty-nine had been setup on the correct salary grade and pay scale point. Sampling of a selection of employees that have recently left the Council's employ confirmed that none were in receipt of inappropriate payments.
- A review of a sample of employees from across the Council confirmed that superannuation and PAYE deductions have been calculated correctly.

However

- Management has identified that the solution required to give proper assurance about changes in payments to Adult Learning Tutors is more complex than anticipated: a solution should be in place by the deadline originally agreed with the auditors (30<sup>th</sup> Sept 2012);
- 100% testing identified a small number of errors or inconsistencies in data supplied by service managers and some examples of human error within the HR/Payroll function. These errors were not material and would not justify the introduction of a more intensive testing regime: proposed action to encourage service managers to accept responsibility for the legitimacy, accuracy and proper evidencing of data input is deemed appropriate and proportionate;

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- A minor gap in the existing policy on maternity pay was identified

Where appropriate, these issues are addressed through the recommendations in the report. As a result of these findings the interim assurance rating is given below.

As control weaknesses previously identified have been substantially addressed and no new and material issues have been identified, the assurance rating following this audit is

**Sound**

### Scope

Substantive testing was undertaken to provide assurance that, during April – August 2012:

- Only legitimate employees (and Members) were paid through the payroll system; payments were at the correct rate; payments were consistent with contract (or Council resolution); and were restricted to the employees' periods of employment
- New starters were set up on the system at the correct scale point; with all legitimate deductions correctly applied; and with proper authorisation.
- Expenses were properly authorised; correctly calculated; supported by adequate documentation and accurately recorded.
- Salary deductions (including national insurance, PAYE and superannuation) have been correctly calculated and deducted appropriately
- Training agreements have been signed and retained for all employees in receipt of training assistance.

### Acknowledgements

The help and co-operation of the Exchequer Team Leader, HR Administrator and Head of Business Support – Resources was much appreciated by the Auditor.

Elaine Laycock  
Internal Auditor

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### ACTION PLAN

RECOMMENDATION	Section number	Priority	Officer Responsible	Agreed Action and completion date
The Head of Business Support – Resources takes further, ongoing action to encourage managers to take appropriate responsibility for the accuracy, legitimacy and proper evidencing of the claims that they authorise	1.3	H	HoBS Resources	Training to be provided to Leadership Team and Managers on Approval of Expense claims. Training to be provided to all staff on making eligible expense claims. By <b>30/09/12</b>
The Head of Business Support – People ensures that the Maternity Scheme is updated to include the policy on market supplement payments during maternity leave	1.6.2	M	HoBS People	Update Maternity scheme to clarify the procedure regarding payment of market supplement. By <b>30/09/12</b>

#### **NOTES:**

Action Plan Grade Classification:	H-High, M-Medium, L-Low	Order of Priority of Implementation. Please note that it will normally be expected that all recommendations will be implemented within 6 months.
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The range of Assurance ratings is as follows:

Audit Opinion:	Explanation:
GOOD	Minor risks have been identified.
SOUND	Some risks have been identified and some recommendations made.
MARGINAL	A number of risks have been identified and changes should be made.
UNSATISFACTORY*	Unacceptable risks have been identified and changes must be made.
UNSOUND*	Major risks exist and fundamental improvements are required.

A rating of “Unsatisfactory” or “Unsound” requires immediate management attention and arrangements will be made for a further review to be carried out at a later (agreed) date

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**ADDITIONAL PAYROLL TESTING 2012/13      Appendix A**

**ACTION PLAN: 2011/12 audit recommendations**

RECOMMENDATION	Section number	Priority	Officer Responsible	Completion date	Action Taken Since Audit	OUTSTANDING ISSUES/ AUDIT OPINION
<p>The Head of Business Support - People works with the Head of Business Support - Places to ensure that access to the Human Resources and Payroll modules on Agresso are restricted; these restrictions to include, but not be limited to;</p> <ul style="list-style-type: none"> <li>• Access to the Human Resources module being removed from the Payroll Administrator and limited to the Human Resources Team only.</li> <li>• Access to the Human Resources and Payroll modules being reduced to read only access for the Financial Systems Support Officer.</li> </ul>	01.04.01	1 - High	HBS People	<b>30/09/2012</b>	<p>Access has been restricted to ensure that the Human Resources team can only access the HR module. The Payroll Administrator has access to the Payroll module, but by necessity has access to the HR module to allow input of Notice of Change information relating to Adult Learning Tutors etc.</p> <p>Access to both HR and Payroll modules has been restricted to read-only for the Financial Systems Support officer. In the event access is required for maintenance or development purposes, prior permission will be sought from Head of Business Support – Places and access will be removed immediately the work is concluded.</p>	<p>.</p> <p>High priority has been placed on producing the exception reports so that access by the Payroll Administrator to the HR module can be monitored. Reports should be delivered by original deadline</p> <p><b>Appropriate access restriction in place</b></p>

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RECOMMENDATION	Section number	Priority	Officer Responsible	Completion date	Action Taken Since Audit	OUTSTANDING ISSUES/ AUDIT OPINION
The Head of Business Support - Places ensures that a full review of all users to each module on Agresso is completed and where appropriate access is removed. A reminder is issued to all staff detailing the requirements for appropriate documentation to be completed and submitted so that a prompt update of user access can be completed.	01.04.01.	1 - High	HBS Places	<b>Completed</b>	All user access permissions relating to the Payroll and HR modules have been checked for appropriateness. No staff other than the Payroll Administrator and Human Resources staff were found to have inappropriate access.  Further work to determine appropriateness of access to other modules is planned but not considered to be as high priority as Payroll/HR access. Reminder not yet issued.	<b>Appropriate and proportionate response to Payroll/HR issues</b>
The Human Resources Advisor issues a reminder to all line managers detailing their responsibilities within the new starter and leaver process, this should include but not be limited to the requirement for 'Authorisation of Appointment' and 'Staff Leaving Procedures' forms to be completed and submitted to the HR Team.	02.04.01	2 - Medium	HBS People	<b>30/09/2012</b>	No direct instructions issued to date. An article in One Council will follow shortly. Administrators are following up on New Starter and Leaver forms more robustly.	<b>Appropriate and proportionate reliance on HR Administrators to ensure complete and accurate input.</b>  Ongoing requirement to ensure that managers are aware of their responsibilities in respect of data submission.
Both the Business Support - People and the Business Support - Resources Heads of Service ensure that secondary checks are performed on significant amendments to personnel records both with the Human Resources Team and the Payroll function.	02.06.01	1 - High	HBS People	<b>Completed</b>	Human Resources Advisors now review and confirm the schedule of amendments produced by the Human Resources Administrators. The Exchequer Team Leader reviews and confirms the amendments entered by the Payroll Administrator. This double review ensures both accuracy and completeness of amendment details.	<b>Appropriate and proportionate response</b>

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RECOMMENDATION	Section number	Priority	Officer Responsible	Completion date	Action Taken Since Audit	OUTSTANDING ISSUES/ AUDIT OPINION
<p>The Head of Business Support - People issues a reminder to all staff on the correct protocol for the submission and approval of expenses claims. This should include a reminder to all line managers stating their responsibilities in checking the expenses claims of employees within their teams.</p> <p>Guidance should also be reviewed and updated on the expected actions of budget managers when setting up a substitute on the Agresso system.</p>	03.06.02	1 - High	HBS People	<b>Completed</b>	<p>Reminders have been issued via One Council to all staff regarding the policy on Expense claims. All approved expense claims are being reviewed by the Exchequer Team and unsupported or out of time claims are being rejected with an explanation. The majority are remedied and resubmitted. Managers who repeatedly approve claims outside of the guidance are contacted and advised of the requirement to adhere to the policy. Appeals can be made to the Head of Business Support – Resources. Reminder issued in One Council w/c 30 July, regarding use of substitutes. Generally managers tend to plan ahead for periods of leave, unplanned absence and single days out of office are areas of most concern.</p>	<p><b>Appropriate and proportionate initial response</b></p> <p>Ongoing requirement to ensure that managers discharge, properly their responsibility to check that claims are properly evidenced before authorising them.</p>
<p>The Head of Business Support - People ensures that relevant agreements are completed and kept on file for all employees in receipt of benefits such as but not limited to training assistance, maternity and paternity.</p>	07.01.01	1 - High	HBS People	<b>Completed</b>	<p>Training Request forms have been updated to clearly identify when training assistance has been provided. All relevant forms are scanned and stored with personnel records on Agresso system. This resolution will ensure future forms are correctly processed.</p>	<p><b>Appropriate and proportionate response</b></p>