

SUMMARY OF AUDIT ANALYSIS OF CONTROL FRAMEWORK

RISK 1	Incorrect Payroll Records	
Due to error or fraud: payroll accounts are set up using inaccurate information or applying information incorrectly, resulting in incorrect payments being made to employees' accounts; or payments being made to people that are not employed by the organisation; or payments are made to former employees accounts.		
TEST	CONTROLS IDENTIFIED	CONCLUSIONS
01.01.01 - Establish, by interview and review of relevant documentation, the controls designed to ensure that only legitimate payroll accounts are established.	<ul style="list-style-type: none"> • Agresso access profiles enforce segregation of duties • Separation of duties within and between HR and Payroll providing independent checks on input. • Written Policies and Procedures • Use of checklists to evidence completion of procedures and mandatory checks. 	Substantial Assurance
01.01.02 - Establish, by interview and review of relevant documentation, the controls designed to ensure that all new employees receive contracts that accurately reflect approved terms and conditions for their posts.	<ul style="list-style-type: none"> • Use of standard documents and templates • Written Procedural Instructions • Use of checklists to evidence completion of procedures and mandatory checks. • Supervisory checks by HR Advisors • All Contract Offer Letters signed by the employing Head of Service. 	Substantial Assurance
01.01.03 - Establish, by interview and review of relevant documentation, the controls designed to ensure that each payroll account accurately reflects the terms and conditions set out in the employee's contract	<ul style="list-style-type: none"> • Written Procedural Instructions. • Use of checklists to evidence completion of procedures and mandatory checks. • Separation of duties within and between HR and Payroll providing independent checks on input. • IT Alerts prompt checks by Exchequer Team of HR data input 	Substantial Assurance

<p>02.01.02 - Establish, by interview and review of relevant documentation, the controls in place to ensure that each employee is paid at the appropriate scale point; that employees receive only the increments to which they are contractually entitled; and that increments are applied at the correct date.</p>	<ul style="list-style-type: none"> • (See 01.01.03 and 01.01.04). • Each employee's entitlement to an annual increment is confirmed by HR before being actioned by Exchequer Team • Senior HR Advisor checks a sample of salary payments made each month to confirm that payments are consistent with contractual entitlement. 	<p style="text-align: center;">Substantial Assurance</p>
<p>02.01.03 - Establish by interview and review of relevant documentation the controls in place to ensure that changes to an individual employee's tax code or National Insurance deductions are actioned accurately and promptly.</p>	<ul style="list-style-type: none"> • Notifications to tax codes are provided monthly by HMRC and IT system update is automated. • Use of checklists to evidence completion of procedures and mandatory checks • Automatic Error reports prompt investigation and resolution of discrepancies between Agresso and HMRC data • Changes to individual employees' NI details are subject to supervisory checks 	<p style="text-align: center;">Substantial Assurance</p>
<p>02.01.04 - Establish, by interview and review of relevant documentation, the controls in place to ensure that all voluntary and other deductions (including attachments of earnings) relevant to individual employees are identified; are supported by appropriate authorisations (from employee or others); and are accurately applied for the period specified.</p>	<ul style="list-style-type: none"> • Clear policy on information and level of authorisation required. • Supervisory checks of input and supporting documentation. 	<p style="text-align: center;">Sufficient Assurance</p>

RISK 3	Incorrect processing of non-standard (variable) payments	
Due to error or fraud: employees receive payments for overtime or allowances inconsistent with contracts; receive payments for expenses which are incorrect or inconsistent with contracts; and/or do not reflect recorded sickness or other absences; monies recoverable from employees through the salary system are not recovered; underpayments are not identified and corrected		
TEST	CONTROLS IDENTIFIED	CONCLUSIONS
03.01.01 - Establish, by interview and review of relevant documentation, the controls in place to ensure that overtime payments and any other pay enhancements are consistent with contractual entitlements.	<ul style="list-style-type: none"> • Explicit Procedural Instructions cover use of system controls to prevent overtime payments to employees above scp28 • Monthly Exception Report showing all overtime paid to employees above scp28. • Separation of duties within and between HR and Payroll providing independent checks on accurate drafting of contracts and accurate input of contract details to Agresso. • Use of checklists to evidence completion of mandatory checks 	<p style="text-align: center;">Substantial Assurance</p>
03.01.02 - Establish, by interview and review of relevant documentation, the controls in place to ensure that overtime payments and payments based on actual hours worked are accurately calculated and appropriately evidenced.	<ul style="list-style-type: none"> • All Claims for additional hours payments require checking and certification by Line Managers. • Clear procedures for checking variable payroll input. • Use of checklists to evidence Payroll Administrator's completion of mandatory checks on Claims (100% check on certification; entitlement; correct recording of hours; accuracy of calculations) • Use of System Reports to support 100% supervisory check by Exchequer Team Leader on contractual validity; correct recording of hours; and accuracy of calculation. • Review of Salary Variation Reports focuses attention on high value payments. 	<p style="text-align: center;">Substantial Assurance</p> <p>The duplication by the Exchequer Team Leader of the 100% accuracy checks undertaken by the Payroll Administrator is appropriate in light of the volume of Claims submitted and the complexity of some of those Claims.</p>
03.01.03 - Establish, by interview and review of relevant documentation, the controls in place to identify employees with multiple posts and to ensure that such employees are paid in line with the correct contract conditions.	<p>More than 60 employees have multiple contracts: in some cases those contracts specify different entitlements in respect of additional hours worked.</p> <ul style="list-style-type: none"> • (See 03.01.02) • Generation and review of pre-payment Exception Reports to confirm, for each identified employee, that additional hours payments are associated with a contract carrying an entitlement to payment. 	<p style="text-align: center;">Substantial Assurance</p>

<p>03.01.04 - Establish, by interview and review of relevant documentation, the controls in place to ensure that all expenses paid through the salary system are legitimate; appropriately evidenced; and properly authorised.</p>	<ul style="list-style-type: none"> • All Claims require checking and certification by Line Managers in line with Instructions provided. • Clear policy on the checks undertaken within the Exchequer Team prior to processing and the evidencing of those checks. • Sample supervisory checks on proper processing of manual claims. 	<p style="text-align: center;">Substantial Assurance</p> <p>The level of checking undertaken by the Exchequer Team is consistent with the clear responsibility of Line Managers to ensure accuracy and legitimacy of claims</p>
<p>03.01.05 - Establish, by interview and review of relevant documentation, the controls in place to ensure that adjustments for sickness absence are applied accurately and in line with local terms and conditions.</p>	<ul style="list-style-type: none"> • Line Managers have a clearly defined responsibility to provide timely and accurate information on employees' sickness absence and their return after absence. • Clearly defined process for capturing absence data from Agresso and processing that data • Use of spreadsheet designed to produce accurate and consistent calculations of necessary salary adjustments. • 100% supervisory check on adjustments calculated. • Use of System Reports to provide further confirmation of accuracy of processing. 	<p style="text-align: center;">Substantial Assurance</p> <p>The 100% checking policy is proportionate to scheme complexity and sensitivity of transactions</p> <p>There is a residual risk relating to the possibility that an individual manager may fail to provide timely information about an employee's sickness absence.</p>
<p>03.01.06 - Establish by, interview and review of relevant documentation, the controls in place to ensure that the final salary payment to each leaver takes account of any monies due from the employee (removal expenses; training expenses; car loans etc.); of any entitlement for untaken leave and outstanding expense claims; and date of termination.</p>	<p>(See 01.01.05).</p> <ul style="list-style-type: none"> • Written Procedural Instructions • Use of standard documents to capture necessary data and appropriate authorisation • Separation of duties within and between HR and Payroll providing independent checks on input and proper processing 	<p style="text-align: center;">Sufficient Assurance</p> <p>There is a residual risk relating to the possibility that an individual manager may fail to provide accurate information about an employee's outstanding holiday entitlement or liability to repay expenses.</p>

03.01.07 - Establish by interview etc arrangements to ensure that any back pay or other alterations to basic salary as a consequence of starters other than 1st of month; contractual changes other than 1st of month; pay awards; and leavers other than last working day of month; are processed accurately.	<ul style="list-style-type: none"> Clearly defined process prompted and evidenced by checklist Use of system-generated report to identify employees entitled to back pay and provide a calculated value. 100% supervisory check on data input Review of Salary Variation Reports focuses attention on high value payments of back pay. 	Substantial Assurance
03.01.08 - Establish by interview etc arrangements to ensure completeness of payroll processing.	<ul style="list-style-type: none"> Checklist identifies each stage of processing and allows evidencing that each process has been completed and subject to prescribed checks. Supervisory checks of each stage in the process. 	Substantial Assurance
RISK 4		
Salary payments made other than to employees' accounts or for an amount other than that properly due.		
Due to error or fraud salary payments are not made to the correct employee accounts or are paid incorrectly.		
TEST	CONTROLS IDENTIFIED	CONCLUSIONS
04.01.01 - Establish, by interview and review of relevant documentation, the controls in place to ensure that the salary payments for each individual employee are paid to the account specified by the employee.	<ul style="list-style-type: none"> Clear policy on evidence required to set up or alter an employee's bank account Clearly defined procedures for input or amendment of bank details. Supervisory checks on input of, and authority for, amendments to bank details. 	Substantial Assurance
04.01.02 - Establish, by interview and review of relevant documentation, the controls in place to ensure that the payment received by each employee is the same as the amount due calculated by the Payroll System.	<ul style="list-style-type: none"> Separation of duties Clearly defined procedures for verifying accuracy of BACS transactions Use of checklists to evidence completion of procedures and mandatory checks. 	Substantial Assurance

<p>04.01.03 - Establish, by interview and review of relevant documentation, the controls in place to ensure that total salary payments made equals the total calculated by the Payroll System.</p>	<ul style="list-style-type: none">• (See 04.01.02)• Bacstel report allows confirmation that only a single submission has been made and that total paid equals calculated value of the month's salary payments.• Treasury Management System would identify a BACS file being processed twice.	<p>Substantial Assurance</p>
--	--	-------------------------------------