

Audit: Payroll

Final Report May 2022



INTERNAL AUDIT REPORT

Area of Review	Payroll
Contact Officer	Audit Manager
Date	May2022
Version	Final V1

1. BACKGROUND

This audit has been undertaken as part of the approved Annual Internal Audit Plan 2021/22, and in accordance with the Audit Terms of Reference.

Responsibility for the payroll function lies with the Head of Corporate Services.

2. SCOPE OF THE REVIEW

The audit approach has been to review processes surrounding the control objectives stated below, perform walkthrough testing, where appropriate, assess the effectiveness of internal controls and ensure risk is managed effectively.

3. CONTROL OBJECTIVES

The scope of this review has encompassed the following control objectives:-

Control Objectives	
1	To confirm that only bona fide employees are paid the correct amount at the right time, in line with legislation and financial regulations
2	To confirm that the key control of reconciliations takes place promptly and in accordance with External Audit requirements.
3	To confirm that the administration of the service is undertaken in line with legislative requirements.

4. AUDIT APPROACH

Our audit approach to this review has been to:

- Obtain and understand the relevant processes through discussions with key personnel, review of systems documentation and perform walkthrough tests, where appropriate.
- Identify the key risks within the function.
- Evaluate and test the effectiveness of the controls in place to address these risks.
- This review has been undertaken in compliance with the Internal Audit Public Sector Standards 2017.

5. OPINION ON CONTROL FRAMEWORK

The overall level of opinion that can be provided on the internal control framework for this review is Satisfactory.

Levels of Assurance	
Substantial	Substantial assurance given where there is a sound system of controls in place, which applied consistently to enable achievement of the intended objective.
Satisfactory	Satisfactory assurance given where there is generally a sound system of internal control in place with only minor lapses, and in general, objectives achieved.
Limited	Limited assurance is given where controls in place are not always applied and objectives may not be achieved, meaning the Council is exposed to the risk of financial loss, fraud or the loss of reputation.
None	No assurance is given where weaknesses in control has resulted if a failure to achieve objectives.

The audit confirmed that employees are paid accurately, efficiently on time and correctly in line with legislation and financial regulations. Payroll reports including deviation reports, are produced each month so that Finance are able to access them to check when they undertake reconciliations prior to authorising the payroll.

Internal Audit can confirm that the administration of the service is undertaken in line with legislative requirements. It is pleasing to report that this has resulted in the audit opinion improving from limited that was awarded in the previous audit report, to satisfactory.

However, there are some opportunities for improvement that need to be considered, as summarised below:

- There is no stipulation in the Essential Car User Allowance Policy that the essential car user allowance will be paid pro-rata in the month of leaving, dependant on the date of leaving.
- There is no regular reconciliation between the establishment list and payslips undertaken.
- Users who have “amend” access level to payroll records can undertake amendments on their own payroll records.
- There are some policies held on Sharepoint where their review date has passed.
- The Service Description document has not been followed in that there is no request to Zellis to evidence storage of back-ups of HR and Payroll data outside the primary data centres.
- The Business Continuity Plan is still not fully up to date.
- The DBS framework is currently work in progress.
- The DPIA does not record who accepted or overruled on the DPO advice and whether there has been a review of consultation responses.
- There were personnel folders found in Sharepoint confidential folders that contained information on transferred staff and one folder was found to be titled up incorrectly.

Audit: Payroll

Final Report May 2022

This report seeks to highlight some of the main issues and assist in the development of an improvement plan. There are 7 medium and 1 low risk findings with recommendations identified in this report.

6. SUMMARY OF IDENTIFIED RISKS AND RECOMMENDATIONS TO BE AGREED WITH MANAGEMENT

	Risk	Issue identified	Risk Assessment	Recommendation	Management Response / Mitigation	Responsible Officer	Target Date
1	There is a risk of a financial loss to the council if the essential car user allowance is paid in full for all leavers regardless of when they leave within the month of leaving.	Through testing of leavers, it was established that the full amount of essential car user allowance was paid regardless of when the leaver's last day of service was. In addition, there is nothing within the essential car user policy that states that the allowance will be paid pro-rata for the month that an employee leaves.	Medium	Consideration should be given for the Essential Car User Allowance Policy to include a stipulation that the essential car user allowance will be paid pro-rata in the month of leaving dependant on the date of leaving, including undertaking a benchmarking exercise with other local authorities.	Accept the documentation around the policy is insufficient. HR team will benchmark with other councils and review before making a recommendation to Leadership team in order to update the policy.	Contracts and Procurement Manager	September 2022
2	Fraudulent employees may be created.	There is no regular reconciliation between the establishment list and payslips undertaken.	Medium	There should be a regular/periodic recorded reconciliation between the establishment list and the payslips produced.	Accepted, the informal checking to be replaced by formal process as part of monthly payroll checklist.	Contracts and Procurement Manager.	May 2022

Audit: Payroll

Final Report May 2022

3	Employees could amend records for their own gain resulting in a financial loss to the council and fraudulent activity taking place.	The users who have access to payroll records and can make amendments can amend on their own records.	Medium	There should be a preventative control in place that restricts this access, for example, specific restricted access to these individual accounts or a report instantly produced once an amendment is made on that individuals account to an independent officer.	The service will explore system-based restrictions. If these are not feasible, a regular (monthly) exceptions report which flags admin changes on their own account will be explored to assist with reducing the risk.	Contracts and Procurement Manager.	June 2022
4	Staff may follow out of date/incorrect procedures and processes.	There are some policies held on SharePoint where their review date has passed.	Medium	Policies and procedures should be reviewed in accordance with the detailed review dates, including how to title personnel folders and files.	This is an ongoing task for HR team to work through remaining policies requiring review.	Contracts and Procurement Manager.	February 2023
5	Systems and data may not be able to be re-constructed in the event of disaster which could have an effect on Business Continuity.	There is no request to Zellis to evidence that back ups of HR and Payroll data is undertaken and that they are stored outside the primary data centres as per the Service Description document.	Medium	There should be a periodic request to Zellis to obtain evidence that back ups of HR and payroll data has taken place and to get confirmation as to where they are being stored.	Some similarities with IT controls audit recommendation but useful to ensure these controls take place.	Contracts and Procurement Manager.	May 2022

Audit: Payroll

Final Report May 2022

6	There is a risk to business continuity if the Business Continuity Plan is not complete and up to date.	The HR section of the Business Continuity Plan is still in the process of being updated.	Medium	The HR section of the Business Continuity Plan should be complete and up to date.	The service will update the HR section and submit to Leadership for incorporating into the main BC plan.	Contracts and Procurement Manager.	July 2022
7	DBS legislation may not be being complied with.	The DBS framework process has started and an email was sent by the Contracts and Procurement Manager on the 16/01/22 asking for information from all Heads of Service for those posts that require DBS clearance. This is as a result that DBS guidance revolves around roles that specifically require DBS checks to take place.	Medium	The DBS framework is in the process of being completed.	Progress delayed due to legal delays on contract signing. Implementation meeting is arranged for Mid May 2022.	Contracts and Procurement Manager.	May 2022
8	There is a small risk that GDPR regulations may not be complied with.	The details of who accepted or overruled on the DPO advice received and whether the consultation responses have been reviewed are not recorded in the DPIA	Low	The details of who accepted or overruled on the DPO advice received and whether the consultation responses have been	DPIA to be completed.	Contracts and Procurement Manager.	May 2022

Audit: Payroll

Final Report May 2022

				reviewed should be recorded in the DPIA.			
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That **high risk recommendations** made in the **2020/21** audit report have been addressed.

The 2020/21 Internal Audit Report identified 9 risks/issues, of which 4 were high status. The current position of the high status risks/issues is that 3 have been implemented and 1 is in progress and requires follow up in the 2022/23 internal audit. The current details of each high risk/issue is detailed below:

2020/21 MAP Report Ref	Risk/Issue	Management Response	Details of Current Position Risk/ Issue	Current Status of Risk/Issue
3	The council is likely to not be fully complying with GDPR requirements.	A new Data Protection Impact Assessment (DPIA) has been completed. This includes a full risk assessment and action plan to resolve any gaps.	<p>There is an updated DPIA in place which was updated on 08/11/21. The DPIA includes the following steps:</p> <ul style="list-style-type: none"> • identify, • describe the processing, consultation, • necessity and proportionality, • identify and assess risks, • identify measures to mitigate risks, • sign off and record outcomes. <p>There is no details in the latest DPIA of whether the DPO advice has been accepted or overruled and who by and whether the consultation responses have been reviewed and by who</p>	<p>Implemented but additional low level risk/issue identified in that:</p> <ul style="list-style-type: none"> • the details of who accepted or overruled on the DPO advice received and whether the consultation responses have been reviewed should be recorded in the DPIA.
6	Resilience issues for payroll processing needs to be reviewed.	<ol style="list-style-type: none"> 1. Will be partly addressed once Business Grant Schemes are finished. 2. Upgrade to cloud version of Resource link will also 	Resilience issues addressed by a number of staff being trained on the Zellis system, plus self service and also the Business Continuity Plan is being worked on. In addition, the Business Partner HR stated that there are a number of employees who can run the	Implemented

		help resolve access issues and reliance on VPN.	payroll if need be. These are HR Business Partner, HR Business Officer, Contracts and Procurement Manager and the Client Officer Finance, Revenues and Benefits. The last officer listed is currently working heavily on the Covid Business Grants work but this will finish at the end in early 2022/23 financial year.	
8	The Starters and Leavers Framework needs to be fully reviewed to ensure the process is consistently applied.	We are planning to use the Corporate Services Helpdesk function to manage starters and leavers process. As an interim The HR Business Partner is reminding managers are if information on starters and leavers is missing	There is a starters and leavers process in place that alerts the HR and payroll service automatically via the IT controls e-form that has been set up and actioned in 2021.	Implemented
9	The DBS framework needs to be put in place	During the starters testing ensure that there is an appropriate policy in place with regards to DBS and that this is followed.	The DBS framework process has started and an email was sent on the 16/01/22 asking for information from all Heads of Service for those posts that require DBS clearance. This is as a result that DBS guidance revolves around roles that specifically require DBS checks to take place.	This is in progress and should be followed up in the 2022/23 Payroll audit.