

REPORT TO: Audit and Governance Committee

MEETING DATE: 30 April 2013

BY: Executive Director (Support Services)

SUBJECT: Internal Audit Report – Payroll

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Payroll.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan for Payroll.

3 BACKGROUND

- 3.1 A review of Payroll was undertaken as part of the audit plan for 2012/13.
- 3.2 The main objective of the audit was to ensure that the internal controls in place for Payroll were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

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DATE	19 April 2013

EAST LOTHIAN COUNCIL – INTERNAL AUDIT PAYROLL

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the internal controls surrounding the administration of Payroll was undertaken as part of the Audit Plan for 2012/13. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Adequate documentary evidence was held for all new starts, leavers and change of contracts.
- The process history on EDRMS (Electronic Document and Records Management System) clearly records all tasks undertaken by both Human Resources and Payroll staff.
- All new starts and changes to contracts had been properly authorised by Human Resources.
- All leavers were terminated on the CHRIS payroll system and their last pay had been correctly calculated.
- Adequate checking procedures are in place, prior to pay runs being authorised by Payroll.

1.3 Areas with Scope for Improvement

- In some cases, employees commenced work with the Council prior to pre-employment checks being undertaken – relevant documentation had not been submitted by departments to Human Resources timeously. *Risk – failure to comply with legislation and Council procedures.*
- In one case, there was a failure to ensure that an amendment to new start salary details had been properly actioned on EDRMS. *Risk – over or under payments may occur.*
- In some instances, change of contract forms had not been authorised by departments prior to the effective date of change. *Risk – over or under payments may occur.*
- In a number of cases, the information recorded on the Leavers Form was found to be incomplete. *Risk – over or under payments may occur.*
- There was a lack of an audit trail to confirm that exception reports had been reviewed and properly actioned on the CHRIS payroll system. *Risk – lack of an audit trail.*

1.4 Summary

Our review of Payroll identified a number of areas with scope for improvement. Detailed recommendations and opportunities for improvement are contained in our main Audit Report.

Mala Garden
Internal Audit Manager

April 2013

PAYROLL

ACTION PLAN

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.2	Management should ensure that relevant documentation is provided to Human Resources prior to employees commencing work with the Council, to enable appropriate pre-employment checks to be undertaken.	HR Manager Operational Services	Agreed – reminders to be issued to Managers.		May 2013
3.1.3	Where changes are made to new start details on EDRMS after the completion of the data form, Management should ensure that these are properly communicated to Payroll and reflected on the CHRIS system.	HR Manager Operational Services	Agreed		April 2013
3.2.1	All Change of Contract Forms should be authorised by the Manager or an appropriate officer prior to the effective date of change.	HR Manager Operational Services	Agreed – reminders to be issued to Managers.		May 2013

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.1 (cont)	For all change of contracts a clear audit trail should exist on EDRMS.	HR Manager Operational Services	Agreed – we should use the EDRMS processes where practicable. However there will be occasions where large scale and/or complex service reviews are being carried out and where the information is being compiled by HR (e.g. the secondary schools review) – the best way to communicate this to Payroll is by spreadsheet.		April 2013
3.3.2	Management should ensure that the Leavers Form for all employees is fully completed prior to being submitted to Human Resources.	HR Manager Operational Services	Agreed – reminders to be issued to Managers.		May 2013
3.4.1	A person independent of processing should sign and date the Pay Run Control (RCN) report as evidence of checks being carried out.	Payroll Manager	Agreed – the RCN report will be signed and retained.		May 2013
3.5.1	Adequate evidence should be held on file of all exception reports reviewed.	Payroll Manager	Agreed – a scanned copy of the CAL report which includes payroll comments will be retained.		May 2013