

# Payroll

## Peak District National Park Authority

### Internal Audit Report 2018/19

Business Unit: Finance/HR  
Responsible Officer: Director of Corporate Services  
Service Manager: Head of Finance/Head of HR  
Date Issued: 10 December 2018  
Status: Final Reference: 69135/002

|                              | P1             | P2       | P3       |
|------------------------------|----------------|----------|----------|
| <b>Actions</b>               | <b>0</b>       | <b>0</b> | <b>3</b> |
| <b>Overall Audit Opinion</b> | High Assurance |          |          |

# Summary and Overall Conclusions

## Introduction

The HR and Payroll function for the Peak District National Park Authority is currently provided as part of an SLA with Derbyshire County Council. This SLA runs until 31st March 2021 unless extended or terminated.

PDNPA use the Carval Unity system for HR and DCC use SAP system for Payroll. The Authority's is a partially self serve system which allows employees to keep their details up to date, but all other processes are managed separately by Finance and Payroll. There is the facility to manage mileage and timesheets online but the system has not been developed to accommodate this yet, although discussion is currently underway to determine whether this is a possibility.

It is essential risks in this area are effectively controlled due to the number of Employees on the establishment, and the total amount of payroll transactions. PDNPA currently have 520 total staff, of which 255 are casual staff, and 30 Members, with a monthly payroll value of around £390,000.

## Objectives and Scope of the Audit

### Objective and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:

- Accurate and prompt information is provided to the Payroll provider
- Appropriate monitoring is carried out to ensure the payroll is accurate
- Information is sent and received securely

The audit included a review of the arrangements for Payroll and a brief review of the contract management processes that are in place.

## Key Findings

A sample of starters, leavers and amendments to pay was reviewed. The process for initiation and authorisation of all were found to be operating effectively, with an initiating document of some kind for all but two in the sample which had been signed by the relevant service manager. One was a correction to scale point and the other was a correction to an inconvenience payment. There should be an initiating document for both, although all had the appropriate HR form in the folder which had been signed off by the Head of HR. However, for one amendment in the

sample, there was a discrepancy between the form and the input sent back from DCC. This turned out to not be an error but there was no note on the HR form to show this had been queried and the HR system still reflected the original amendment.

There are various different aspects of monitoring carried out. The HR Administrative Assistant checks the originating HR forms to the PM08 return from DCC and ticks them off if they have been actioned correctly. Any identified errors are queried and rectified. The Head of Finance carries out a 5% variance report and if there are any large amounts he is not already aware of, these are investigated to ensure there is a genuine reason for the variance. Ideally this would be checked to a lower value but time constraints mean only variance of around £1000 are checked. He also checks and authorises the BACS amount each month and carries out a payroll control account reconciliation. A sample of these were checked and found to match and the reconciliations balanced to zero up to July.

Annually, both HR and Finance carry out large scale checks on the accuracy of data. Finance write to all service managers to ask them to confirm all employs in their cost centres are legitimate, and HR check all entries on the Payroll system to the HR system to ensure all personal details are correct. This has been beneficial as it has identified inaccuracies which have since been rectified. However the Finance check is using data from the previous financial year, to be checked in August. This could potentially be a long time after the event if any employees on the list were not genuine. It would be more beneficial to do a monthly check on a couple of service areas at a time to establish the existence of all staff at that point in time. The HR check was also time consuming and there is no audit trail to identify where errors been spotted and corrected. There is also no overall signed off of the exercise, although it is appreciated that the errors were corrected using the normal process which includes sign off by the Head of HR. There is also no spot checking carried out in case any errors have been missed, as the process is currently mainly manual.

Payroll information is transferred to and from DCC using SharePoint. This is a recognised method of sending information securely, and includes a number of layers of security to access.

The schedule attached to the contract includes the expected services, and evidence has been provided that the contracted has been updated to reflect the requirements of the GDPR and new data protection act.

## Overall Conclusions

It was found that the arrangements for managing risk were very good. An effective control environment appears to be in operation. Our overall opinion of the controls within the system at the time of the audit was that they provided **High Assurance**.

## 01 HR Data Accuracy Check

### Issue/Control Weakness

There is no audit trail or quality assurance process

### Risk

Errors are missed meaning the payroll is not accurate

### Findings

A check of the HR database against the Payroll database was carried out last year and a number of errors identified and corrected. Individual corrections were authorised in the normal manner by the Head of HR. However there is no evidence to support the check being carried out and the check was not formally authorised This check was split out between officers and therefore carried out by a number of people

Currently there is no way to identify what has been checked and by who, and what issues were found. The process is also mainly manual which makes it harder to ensure all errors are identified.

### Agreed Action 1.1

We will have a notes column on the spreadsheet which HR staff will complete to identify any action which has been taken as a result of the annual check. Each note will be against the individual pay record to which it relates and include details of any confirmation checking carried out. Each amendment as a result of the annual check is signed off on an adjustment form by the Head of Human Resources and the reason for the adjustment will state it is as a result of the annual check.

#### Priority

3

#### Responsible Officer

Head of HR

#### Timescale

31 January 2019

## 02 Finance Establishment Check

### Issue/Control Weakness

Checks carried out infrequently

### Risk

Errors are not identified promptly

### Findings

There were no issues from the 2015/16 check which was carried out towards the end of 2016. The next check is in the process of completion in September 2018 and there is has been a significant gap between the two checks. The check should be carried out at least annually, and it may also be advisable to stagger this throughout the year with one or two service areas being checked each month. This will mean that any issues can be identified in a more timely manner and also reduces the amount of work involved in carrying out the check overall.

### Agreed Action 2.1

We agree the check should be completed annually and 2017/18 was an exception. The current year's check will be signed off by the end of December 2018. We still see benefit in it being a full year's exercise for all staff but will bring forward the check so it is performed in April each year which should help its timeliness.

**Priority**

3

**Responsible Officer**

Head of Finance

**Timescale**

30 April 2019

### 03 PM08 Checks

#### Issue/Control Weakness

No evidence of checks carried out

#### Risk

People are paid incorrectly and the Authority cannot claim it back

#### Findings

From the sample of amendments tested, there appeared to be an error where the form requested an employee be put on scp12 but the report received back from DCC (PM08) showed she was on scp13. After discussion, it was identified that this was correct as an increment had been awarded. However there was nothing on the HR form to show that this had been picked up and queried. The HR system is also still showing the employee on scp12.

Currently the forms are filed in the order they are actioned, rather than separated by month which would mean that all forms in any particular section should relate to the relevant month's PM08 received back from DCC. They are also currently normally just ticked when checked, rather than signed and dated, and if an expected amendment is not on the relevant PM08, this does not get queried with DCC immediately.

#### Agreed Action 3.1

Moving forwards, any queries and the subsequent outcome, on data returned via the PM08 will be noted on the original form sent by Human Resources to DCC. The HR system will be double checked at the same time to ensure they reflect the correct information. We have already implemented filing forms by the PM08 to which they relate and these are dated and initialled by the checker. Any instructions for a given month which do not appear on the PM08 are queried with DCC and noted in the same way.

**Priority**

3

**Responsible Officer**

Head of HR

**Timescale**

Complete

# Audit Opinions and Priorities for Actions

## Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

| Opinion               | Assessment of internal control  |
|-----------------------|---|
| High Assurance        | Overall, very good management of risk. An effective control environment appears to be in operation.   |
| Substantial Assurance | Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.             |
| Reasonable Assurance  | Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.     |
| Limited Assurance     | Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.                   |
| No Assurance          | Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse. |

## Priorities for Actions

|            |  |
|------------|--|
| Priority 1 | A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.        |
| Priority 2 | A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management. |
| Priority 3 | The system objectives are not exposed to significant risk, but the issue merits attention by management.                                     |

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