



Payroll

Peak District National Park Authority

Internal Audit Report

Business Unit: Finance/HR
Responsible Officer: Head of Finance
Service Manager: Head of Finance
Date Issued: 10 January 2023
Status: Final
Reference: P3180/001

	P1	P2	P3
Actions	0	0	1
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

The HR and Payroll function for the Peak District National Park Authority (PDNPA) is currently provided as part of an SLA (Service-level agreement) with Derbyshire County Council.

PDNPA use the Civica People Live system for HR and DCC use SAP system for Payroll. The Authority operates 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.

It is essential that risks in this area are effectively controlled due to the total value of payroll transactions. PDNPA currently has 244 members of staff, 231 casual employees and 28 members, with a monthly payroll value of around £600,000.

Objectives and Scope of the Audit

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

- Information was provided to payroll accurately and promptly.
- Appropriate monitoring was in place to ensure the pay run was accurate.

Key Findings

Appropriate processes were found to be in place to oversee starters and leavers at the Authority. After the hiring manager carries out the recruitment exercise, HR will send a form to the new starter to complete to record their details. Once this is returned to them, HR will then complete another section before sending this to the Head of People Management, who will check and authorise the form, before being submitted to DCC. We reviewed a sample of 10 new starters to PDNPA since October 2021 and found that in all instances the start dates and salary details were correct and the forms were appropriately authorised by the Head of People Management. Similarly, after a member of staff resigns, a leavers form is completed by HR and signed electronically by the Head of People Management. We also reviewed a sample of 10 leavers from PDNPA since October 2021 and found that they were also all appropriately authorised.

Ad hoc payroll changes such as sick leave, overtime, maternity/paternity pay and other exceptional pay is recorded on a PM04 form by the relevant member of staff and approved by their Line Manager, before being processed by HR. The form is then submitted in one document monthly to DCC, via SharePoint. We reviewed the monthly documents from February, March, April and May 2022 and found they were all authorised by the Head of People Management before they were submitted to DCC. We then selected 4 individual changes from across these months and in every case, the PM04 form and email authorisation was provided. Each change had also been approved by an appropriate Manager or Head of Service.

Payroll information is transferred to and from DCC using SharePoint. Before the monthly pay run is sent to DCC, the Finance Officer carries out a 5% variance report, which we saw for November 2021 and February and April 2022. Any large variances, usually those over £1k, are investigated to ensure there are legitimate reasons, such as an annual pay award. The Finance Officer will then check and authorise the BACS amount each month by carrying out a payroll control account reconciliation. We checked January, March and July 2022 and found they matched and were balanced up to July 2022. After these checks, the Finance Officer approves the pay run on the BACS Authorisation Form and it is then sent to DCC to be processed. A lower variance threshold would reduce risk but this would require increased resources and the selected variance level is therefore a balance of risk against the cost of additional checks.

Annually, the Authority carry out a review of the establishment to check the accuracy of payroll data. HR check and compare everyone on the payroll to the HR system to ensure that fields such as Spinal Column Point, dates and inconvenience payments are correct. This is beneficial to the Authority as it helps them identify if there are payroll discrepancies and rectify them. We saw evidence of the Authority's most recent review of the establishment in 2022/23 Q3. No errors were identified and it was signed off by the Head of People Management.

Finance also carries out a Finance Payroll Verification Report annually which is intended to confirm all employees on the report are legitimate. The most recent report the Authority had completed was in August 2021 using date from April 2020 to March 2021. The 2021/2022 Report was still outstanding at the time of the audit.

Overall Conclusions

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

1 Financial Verification Report

Issue/Control Weakness

At the time of the audit, the 2021/22 Financial Verification Report had not been completed.

Risk

The Authority may be making payments using illegitimate employee details for up to nearly 2 years, without this being detected.

Findings

Finance writes to all service managers annually to ask them to confirm all employees in their cost centres are legitimate. The Finance Payroll Verification Report uses data from the previous financial year and asks managers to check this by the end of August in the current financial year.

This exercise should be completed promptly as the earlier it is completed the sooner any issues can be rectified. In addition to identifying any incorrect staff, the exercise also helps to identify any incorrect coding of staff and therefore should be completed before the completion of the annual accounts process.

Agreed Action 1.1

The Payroll Verification reports will be issued as soon as practicable and the exercise will be completed before the Final Audit Report is presented to Committee. The exercise will be included as part of the YE closedown timetable so that it is not delayed in future.

Priority

3

Responsible Officer

Finance Officer

Timescale

January 2023

Audit Opinions and Priorities for Actions

Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

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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