

Payroll

Peak District National Park Authority

Internal Audit Report 2015/16

Business Unit: HR
 Responsible Officer: Director of Corporate Resources
 Service Manager: Head of HR/Head of Finance
 Date Issued: 22 October 2015
 Status: Final
 Reference: 69135/001

	P1	P2	P3
Actions	0	2	1
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

The Payroll function for the Peak District National Park Authority is currently provided as part of an SLA with Derbyshire County Council (DCC). This SLA runs from 1st April 2011 for a period of 5 years unless extended or terminated.

PDNPA use the Carval Unity system for HR and DCC use SAP for Payroll. Carval Unity 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.

Each monthly payroll run makes approximately 420 individuals payments to roughly 200 fte staff and 30 Members, with a value of around £466,000.

Objectives and Scope of the Audit

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

- The payrun is accurate and all amendments and additions have been processed
- Effective monitoring arrangements are in place
- Legal requirements are met

Key Findings

PDNPA carry out a range of checks to verify the accuracy of the payroll information. This includes checking the report sent back from DCC to ensure all amendments have been actioned. In addition the following checks are carried out:

- all information held on the HR system is checked annually to the information held on the payroll system to ensure they hold the same information;
- an annual employee verification exercise is carried out;
- the BACS report is checked against the overall payments spreadsheet to make sure the figure is the same; and
- comparing month on month payments by using a 5% variance report created each month.

Finally, the Authority's own budget monitoring enables errors to be detected - for example an incorrect superannuation rate was detected through budget monitoring.

However, there are limited formal contract monitoring arrangements. No assurance is provided by DCC in relation to performance and data security, and improvements could be made on the security of data transfer between PDNPA and DCC.

Overall Conclusions

It was found the arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided **Substantial Assurance**

1 Monitoring Arrangements

Issue/Control Weakness

Failure to clarify monitoring arrangements in the contract

Risk

DCC do not provide the service that PDNPA expect

Findings

There are no monitoring arrangements included in the contract. There are a range of services that DCC should be providing, but there is nothing to state how and when the achievement of these will be measured, and what penalties there will be if they are not, or how complaints and errors will be recorded and dealt with. The contract does have a termination clause which states that either party can terminate the contract due to persistent or material breach of the agreement, but neither of these terms are quantified and whatever the reason for cancelling the contract, whoever cancels it, the PDNPA must pay the termination payment, which is the outstanding balance for the authority's contribution to the new payroll system that was implemented at DCC.

A series of KPIs would enable PDNPA to ensure that the services laid out in the contract are actually being provided, in the timescales that they are promised. These would need to be reviewed regularly and arrangements for reporting included.

It is appreciated that regular meetings are held between PDNPA and DCC, although they are not minuted, but even the frequency and reason for these is not included in the contract.

Agreed Action 1.1

The current Service Level Agreement reflects the document terms used successfully by both parties for a long time and is a similar document used by DCC to contract with Derbyshire schools. We benefit from our joint working with Derbyshire County Council on payroll matters in respect of the fact that they face the same Local Authority pay issues, and offer a competitive price, but we also seek improvements in the systems and processes we operate. The SLA is due to be renewed March 31st 2016 and we will have joint meetings with DCC to consider the recommendations and agree new terms where we can make improvements in line with the findings in this report.

Priority

2

Responsible Officer

Head of HR/Finance

Timescale

30 April 2016

2 Accuracy and Security of Data

Issue/Control Weakness

Failure to obtain assurance from the provider on the accuracy and security of the data

Risk

Payments and deductions are not calculated accurately

Findings

The contract specifically states that DCC will be responsible for ensuring that all payments and deductions will be calculated correctly, including maternity pay, sick pay, paternity pay, adoption pay, deductions and salaries, but no assurance is either requested from or provided by DCC that these amounts are correct. The contract also refers to the data protection act and retaining the confidentiality of documents, but no reference is made to or assurances provided as to how this will happen or that it is in fact happening.

DCC have their own retention policy and they apply this to PDNPA data, but there does not seem to have been any discussion as to whether this meets PDNPA requirements, and again no assurance is provided or requested that documents are retained and disposed of in line with the policy.

Agreed Action 2.1

See above response to Agreed Action 1.1

Priority

2

Responsible Officer

Head of HR / Finance

Timescale

30 April 2016

3 Transfer of Data

Issue/Control Weakness

Failure to use a secure method of transferring confidential data

Risk

Data is not kept securely

Findings

The hard copy signed forms are sent to DCC by post and also as a password protected email. Although it is accepted that the post is normally a special van, rather than Royal Mail, there are occasions when the forms are sent by normal post. DCC send the monthly payroll reports using Sharepoint, and there does not seem to be any reason why the PDNPA documents cannot also be sent using the same method. The secure electronic transfer of documents would improve speed of data transfer and data security, and would also remove the need for storage of hard copy documents. There are no details of how securely these documents are stored at DCC, although they are transferred to offsite TNT storage on a yearly basis.

Agreed Action 3.1

See above response to Agreed Action 1.1

Priority

3

Responsible Officer

Head of HR / Finance

Timescale

30 April 2016

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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