

# Review of Payroll 2018/2019 Internal Audit Report

## Audit Assurance Opinion

<b>Effective</b>	Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met.
<b>Reasonable</b>	Some specific control weaknesses were noted and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Limited</b>	Evaluated controls are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Ineffective</b>	Evaluated controls are not adequate, appropriate, or effective. Internal Audit cannot provide reasonable assurance that risks are being managed.

### Report prepared by

Audit Manager

L Fuller

Senior Auditor

A Stapleton and  
M Emmens

### Report issued by

Head of Internal Audit

S Martin

*13th February 2019*

## Adequacy of Individual Control Areas

Audit Scope by Control Area	Number of Findings with a Corporate Risk Level of:		Control Adequacy	Number of Findings: Service Actions by Priority Level		
	High	Medium		Critical	High	Medium
Starters	0	0	Effective	0	0	0
Leavers	0	0	Effective	0	0	0
Amendments to standing data	0	0	Effective	0	0	0
Variations to pay	0	0	Effective	0	0	0
Reconciliations	0	0	Effective	0	0	0
Contract Management	0	0	Effective	0	0	0
Travel, Subsistence and Expenses	0	0	Effective	0	0	0
<b>OVERALL</b>			<b>Effective</b>			

### 1. Executive Summary

- 1.1 The objective of the audit was to ascertain the extent to which the identified risks had been managed and to evaluate whether effective controls to mitigate the risks have been established, and have been operating effectively throughout the 2018/2019 financial year. Testing undertaken covered the period April 2018 – December 2018.
- 1.2 Payroll is by far the greatest expenditure for both Suffolk Coastal and Waveney District Councils, amounting to basic pay expenditure of £8.6m in 2017/18 for SCDC and £9.9m for WDC. These figures do not include other direct employee expenses such as overtime and standby payments. Where it relates to the payment of staff, the Payroll service is run by Suffolk County Council on behalf of the Councils. Contracts are in place for this arrangement. The Agreements originally ran to 1st December 2017 but have been extended to 30 November 2019.
- 1.3 The overall assurance level of **Effective** has been given for the 2018/2019 Payroll audit on the basis of the control framework in place and supporting risk management. Low priority advice was provided as part of this audit which will assist in enhancing the control environment surrounding the Payroll service further.
- 1.4 Testing identified that all previous audit actions have been completed.

### *Positive Audit Comments*

- 1.5 As part of the audit, a number of areas were found to be working well. The controls tested and found to be operating as expected are listed in Appendix B.

## **2. Audit Framework**

### **2.1 Links to Council Service Delivery**

This review considered achievement of the organisations strategic objectives and risks, specifically this audit contributes towards:

- East Suffolk Business Plan – Financial self-sufficiency
- Corporate Risk Register – Failure of service delivery contracts/partnerships; Failure of internal controls.

### **2.2 Scope of Internal Audit Activity**

Internal Audit will seek to enhance and protect organisational value by providing risk based and objective assurance. The work performed by Internal Audit provides an opportunity for making significant improvements to governance arrangements, risk management and control processes.

Internal Audit Services acts in accordance with the Accounts and Audit Regulations (2015) and aims to follow the Public Sector Internal Audit Standards (2016) and Local Government Application Note (2013). This report has been prepared in accordance with our Audit Charter.

This audit has been undertaken as part of the Annual Audit Plan 2018/19, approved by the Audit and Governance Committees of Suffolk Coastal District Council (7<sup>th</sup> March 2018) and Waveney District Council (15<sup>th</sup> March 2018).

This audit examined the key controls in place over:

- Starters
- Leavers
- Amendments to standing data
- Variations to pay
- Reconciliations
- Contract Management
- Travel and Subsistence

### **2.3 Definitions of Risk and Control**

This audit uses the definition of Risk set out in the Council’s Risk Management Strategy.

The definition of Control is taken from the Chartered Institute of Internal Audit:

“Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.”

### **2.4 Acknowledgements**

We would like to thank the management and staff of the service areas contacted for their co-operation and time during the course of this audit.

## APPENDIX A: Report Distribution

### Draft & Final Report

Human Resources and Workforce Development Manager	C Lower
Human Resources Business Partner	A Skeet

### Final Report

Leader of the Council SCDC	R Herring
Leader of the Council WDC	M Bee
Cabinet Member for Resources SCDC	S Lawson
Cabinet Member for Resources WDC	B Provan
Audit and Governance Committee SCDC	
Audit and Governance Committee WDC	
Strategic Management Team	
Interim Chief Finance Officer and Section 151 Officer	S Taylor
Ernst & Young	T Poynton

## APPENDIX B: Effectively Functioning Controls

We would like to draw management attention to the controls in operation over processes and procedures that were confirmed via audit testing as operating effectively and efficiently:

- All sample employee records viewed on MyHR showed accurate employee records when compared to the sample of 10 starters selected from the SCC Payroll generated audit spreadsheet.
- All new employee detail samples which we checked were found to have been checked for completeness and accuracy by a HR Business Partner.
- Final payslips viewed for all leavers sampled showed where appropriate the correct amount of leave either being paid or deducted.
- Leavers were not paid past their leaving date.
- The variations to pay sampled were found to be valid and agreed to relevant policies and supporting evidence.
- Full checks of every variation on the SCC-generated spreadsheets of monthly payroll variations are undertaken.
- The payroll reconciliations reviewed complied with all expected controls tested.
- Contractual obligations detailed with the Payroll contract are being met and payments made to SCC have been made in line with the contract.
- Mileage budgets, though rising, are accurately predicted.
- All travel claims had been submitted within 3 months of the date of the event, and all subsistence claims within 4 months, as required by the Councils' policies.