



Internal Audit Report
Chief Executive's Service
Payroll 12-12
May 2013

Final Report

Chief Executive's Service
Finance Division
Perth & Kinross Council
2 High Street
Perth PH1 5PH

Background and Introduction

This assignment forms part of the Internal Audit plan for 2012/2013 as approved by Audit Sub-Committee on 27th March 2012.

The Integrated Human Resources and Payroll System, Resourcelink, is used to record relevant Human Resources information and to enable the processing of the Council's payroll for all Council staff. This system was introduced in 2009/10.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of Chief Executive's Finance Division staff during this audit.

Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A 'control objective' is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

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| Control Objective: Ensure procedures are in place detailing day to day operation of the payroll system and incorporating controls over access and separation of duties | |
| <p>Auditor's Comments: The functions, roles and responsibilities of the employment services team are clearly outlined on the Employee Resource Information Centre (ERIC).</p> <p>Detailed documented procedures are used to provide guidance to the payroll team on the processes and controls to be followed in the payroll operations.</p> <p>These ensure that there are adequate controls over system access and that duties are appropriately separated.</p> | |
| Strength of Internal Controls: | Strong |

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|---|-------------------|
| Control Objective: Ensure that payroll is accurate and complete at point of payment and paid timeously | |
| <p>Auditor's Comments: Audit testing confirmed the accuracy of the payroll through the operation of a number of operational checks including system exception reporting.</p> <p>There is scope, however, for reminding service management of their responsibility to ensure prompt submission of termination documentation in accordance with the payroll processing timetable.</p> | |
| Strength of Internal Controls: | Moderately strong |

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| Control Objective: Ensure that adequate controls are established prior to payroll processing and reconciled to output control totals | |
| Auditor's Comments: Testing confirmed that adequate controls are established prior to payroll processing and reconciled to output control totals. | |
| Strength of Internal Controls: | Strong |

Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail and records the action plan that has been developed by management in response to each point.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

Feedback

Internal Audit welcomes feedback from management, in connection with this audit or with the Internal Audit service in general.

Distribution

This report has been distributed to:

B Malone, Chief Executive

D Burke, Executive Director (Housing and Community Care)

J Fyffe, Executive Director (Education & Children's Services)

J Valentine, Executive Director (Environment)

J Walker, Depute Director, Housing and Community Care

H MacKenzie, Head of Human Resources

J Symon, Head of Finance

E Sturgeon, Chief Exchequer Officer

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A Ramsay, Team Leader, Payroll

G Taylor, Head of Democratic Services

P Dickson, Complaints & Governance Officer

External Audit

Authorisation

The auditor for this assignment is M Morrison. The supervising auditor is J Clark.

This report is authorised for issue:

Jacqueline Clark
Chief Internal Auditor
Date: 9 May 2013

Appendix 1: Summary of Action Points

| No. | Action Point | Risk/Importance |
|-----|---------------------------------|-----------------|
| 1 | Termination of Employment Forms | Medium |

Appendix 2: Action Plan

Action Point 1- Termination of Employment Forms

Employment Services Procedures state that line managers should complete Termination of Employment Forms in relevant circumstances. Testing confirmed that from a sample of 10, 3 termination forms had not been completed. In 2 of those instances the employees were to receive their retirement benefits and to continue working under provisions known as Flexible Retirement. These circumstances require submission of termination forms and the member of staff to be re-established on the payroll with amended terms and conditions

Although the relevant information was captured by payroll, there is a risk that if managers do not complete the appropriate paperwork in a timely manner, incorrect payments may be made to staff.

Management Action Plan

Service Managers will be reminded that termination forms should be completed, not only when employees are leaving the council, but also when employees are flexibly retiring.

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| Importance: | Medium |
| Responsible Officer: | E Sturgeon, Chief Exchequer Officer |
| Lead Service: | Chief Executive's Service |
| Date for Completion (Month / Year): | June 2013 |
| Required Evidence of Completion: | Spotlight on Eric and reminder in Inside News |

Auditor's Comments

Satisfactory