



Payroll 2014-15

City of York Council

Internal Audit Report

Business Unit: Customer & Business Support Services
Responsible Officer: AD, Customers & Employees
Service Manager: Head of Business HR
Date Issued: 16 November 2015
Status: Final
Reference: 10200/006

	P1	P2	P3
Actions	0	1	6
Overall Audit Opinion	Reasonable Assurance		

Summary and Overall Conclusions

Introduction

Payroll are responsible for processing salaries, calculating deductions, processing timesheets and ensuring that the service complies with all relevant statutory rules and regulations.

In February 2015, payments to the value of £7,229,530 were made electronically to 5,628 employees; the estimated total value of payments for the 2014-15 year is £86.7m. The payroll team is also responsible for processing the payrolls of 12 external bodies.

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:

- Payments for mileage and hours claimed via iTrent employee self-service are made accurately and are appropriately authorised
- Salary advances are made only where appropriate, in line with the council's financial regulations and related policies, and are appropriately authorised
- Overpayments are minimised as far as practicable, and where overpayments are made that they are recovered promptly
- Changes to employee terms and conditions are administered accurately and are supported by adequate documentation that has been appropriately authorised

The audit also considered the potential impact of changes resulting from the Business Support Review; however the implementation of this is ongoing. This will be further reviewed by Veritau during 2015-16, either as part of the planned payroll audit or as part of the allocated time for the Transformation Programme.

Testing on electronic mileage claims and changes to contracts outside of those resulting from the review of craft pay were not tested as the information was unavailable at the time of the audit. These areas will be picked up during the 2015-16 year.

Key Findings

It was found that there were control weaknesses within the process for submission and authorisation of hours claims made via employee self-service, and some amendments to guidance are required to assist employees and managers in making and authorising claims accurately.

Review of advances and overpayments identified that the majority of these are caused by late submission of paperwork to the HR Business Centre (HRBC).

It is recognised that in both of these areas, identified issues related to weaknesses and inconsistencies in practice between managers across the council and did not represent a poor system of control within the overall payroll system. While it is difficult to control the inputs to employee self service, and it is the responsibility of managers to ensure the accuracy of information entered, the impact of correcting errors made will be felt within the payroll service and therefore this is identified as an issue of concern to them, rather than a weakness in payroll processes as a whole.

Additional measures to assist employees in the accurate self-input of claims are being developed, with a series of video guides due to be made available to staff using employee self-service, and the service is making continual effort to support employees and managers in entering and checking information properly.

Where staff transferred from craft terms and conditions to APTC it was identified that although some errors had been made, these were not caused by systematic weaknesses in normal payroll processes.

Overall Conclusions

The overall opinion represents the specific areas addressed during the audit, and not the regular processing of staff pay and deductions as in the previous year's audit. It was found that the arrangements for managing risk were satisfactory with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made. Our overall opinion of the controls within the system at the time of the audit was that they provided Reasonable Assurance.

1 Accuracy of electronic claims for additional hours and overtime

Issue/Control Weakness	Risk
Enhancements are not always claimed through employee self service where they are due to employees	Employees will not be paid correctly per hours worked. Finance and performance information will be inaccurate.

Findings

In 35% of the cases tested, where employees had worked additional hours and overtime and claimed for these through employee self service (ESS), they had not claimed for enhancements (eg weekend, night work) where they were due.

Claims made via ESS are authorised by managers before they can be paid, and therefore managers have authorised inaccurate claims. This suggests that manager authorisation is not operating effectively as a control within the system for processing electronic claims for hours.

Testing included submissions from various teams across all portfolio areas within the council, and therefore these cases are not isolated to a small number of areas/managers.

Additional information would be required in order to determine the level of financial risk associated with electronic claims for hours. No cases were identified where enhancements had been paid where they were not due.

Agreed Action 1.1

Communications will be issued to employees with access to ESS reiterating the process for hours claims, how enhancements should be applied, and where guidance for claimants can be located.

Authorising managers will be issued with guidance on checking employee claims and this will clearly state their responsibility in ensuring claim information is accurate before authorisation.

A decision will be made as to what action to take in respect of the cases identified where enhancements due were not claimed for.

Priority	2
Responsible Officer	Systems & Payroll Manager
Timescale	31 January 2016

2 Amendments to guidance for claiming weekend pay

Issue/Control Weakness	Risk
Guidance for claiming weekend pay is inaccurate or ambiguous.	Employees will input claims incorrectly resulting in under or overpayments.

Findings

When employees are registered for employee self service, they are issued with a guidance document detailing how to input claims for travel and subsistence, and hours. An error was identified in this guidance in relation to claiming for weekend pay.

In Appendix 1 (pages 10 and 11), the guidance on claiming weekend pay is as follows: "Paid for hours worked between 12pm on Friday and 12pm on Sunday (additional 10% on top of hourly rate)". The element should be applied from 2400 hours on Friday to 2400 hours on Sunday, not from 12pm (noon).

The allowances guidance on the intranet was also checked to determine what is stated in another source of information available to employees making claims. This guidance states: "Weekend allowance - +10% of hourly rate for hours worked between midnight Friday and Midnight Sunday". This description is ambiguous as it could be interpreted as 00:00 hours on Friday morning/Sunday morning.

Agreed Action 2.1

The 'Guidance to Claimants' document will be updated to clearly show the correct bandwidth within which weekend pay can be claimed.	Priority	3
The intranet will be updated to clarify the period within which weekend pay can be claimed.	Responsible Officer	Systems & Payroll Manager
	Timescale	31 January 2016

3 Policies and guidance for travel and subsistence claims

Issue/Control Weakness	Risk
Policy and guidance documentation for travel and subsistence claims is not useful to employees or is not easily accessible	Claims will be input inaccurately or inappropriately. Managers will authorise such claims.

Findings

The policies and guidance held on the intranet in relation to mileage claims are either not useful, or difficult to locate. The travel and subsistence policy held on the HR area of the temporary intranet does not include any detailed information, nor does it make reference to where this information can be found. The travel and subsistence guidance document is not held within the same area, and could not be located by searching. The guidance is also from 2006, and therefore pre-dates ESS and makes no reference to input of claims using this method. It may be useful if this was referred to in order that employees can easily access information on what process to follow regardless of the method by which they submit claims for travel and subsistence.

Where forms are not helpful to employees, or are difficult to find, this increases the likelihood that employees will input claims inaccurately, and that managers will authorise claims without clearly understanding whether they are inappropriate or incorrect, thus negating the efficacy of management checks as a control. Where guidance is difficult to find, this increases the likelihood that managers will not take sufficient measures to check what is correct before authorising claims.

Agreed Action 3.1

The travel and subsistence policy will be reviewed to confirm whether the version available contains all of the relevant information it should; if this is not the case, the policy will be amended. It will be ensured that the full policy is held on the intranet and accessible to employees.

Priority	3
Responsible Officer	Head of Business HR
Timescale	31 January 2016

Agreed Action 3.2

The travel and subsistence guidance document will be uploaded to the same section of the intranet as the policy so that it can be easily located by employees. The document could also be updated to include references to the process to follow where travel and subsistence claims are input through ESS, either explicitly or in reference to other guidance.

Priority	3
Responsible Officer	Head of Business HR
Timescale	31 May 2016

4 Advances and overpayments

Issue/Control Weakness

Payroll information is not submitted in time for processing deadlines.

Risk

Paperwork and notifications will be submitted late resulting in overpayments or the need for salary advances.

Findings

Records relating to advances and overpayments maintained by the HRBC were analysed to determine the causes for these, and to identify whether any specific measures could be implemented in order to reduce the prevalence of such payments.

Analysis of advances showed that 45.1% of payments were required as a result of late submission of paperwork, or late notifications to HRBC in relation to absences, resulting in key information not being inputted onto the payroll system until after processing deadlines had passed. Late submission of paperwork/notifications by schools resulted in advances amounting to £110,306.64; the same errors caused by late submission of paperwork/notifications by corporate and directorate teams resulted in advances amounting to £56,033.75. These two reasons for advance payments account for 54.4% of the total value of advances made in 2014-15.

With regard to overpayments, of the 384 cases recorded during the period the most common error type was late notifications or provision of paperwork - this was the case for 170 of the cases (44.5%). Analysis showed that where overpayments were made to corporate/directorate teams, late submissions of paperwork/notifications were the cause in 41.5% of cases. In relation to schools, the 85.5% of errors causing overpayments were as a result of late submission of paperwork/notifications.

Recovery of overpayments from leavers is significantly more difficult than where staff are still employed, and therefore causes for overpayments made to leavers were also analysed. It was found that in 76.1% of these overpayments had been made as a result of late submission of documentation.

Agreed Action 4.1

An exercise will be undertaken to communicate to both corporate/directorate teams the importance of timely submission of paperwork and notifications, and the key deadline dates will be reiterated. This could include use of the intranet or Buzz, additional email communications, or other action to ensure deadlines, methods of submission, and required documentation is clearly communicated throughout the council.

Priority

3

Responsible Officer

Systems & Payroll
Manager

Timescale

31 January 2016

Agreed Action 4.2

An exercise will be undertaken to communicate to schools their role and responsibilities in ensuring that the required paperwork is submitted correctly and promptly to the HR Business Centre. This could include use of newsletters, the schools web portal (from April 2016) and the use of statistics to emphasis the importance of timely submission of payroll documentation.

Priority

3

Responsible Officer

Head of Business HR

Timescale

31 May 2016

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Issue/Control Weakness | Risk

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Findings

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Agreed Action 5.1

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Priority	3
Responsible Officer	Head of Business HR
Timescale	31 January 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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