

# Internal Audit Report Payroll 2023/24

Draft report: 8 January 2024  
Final report: 10 January 2024  
Last audited: September 2022

<b>Audit Objective</b>	To ensure that effective payroll processes are in place so that all officers are accurately paid and in a timely basis.
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Assurance Opinion		Number of Actions				Key Risks Reviewed
		Priority	Joint	South	Vale	Reference
<b>Reasonable</b>	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.	<b>Priority 1</b>	-	-	-	-
		<b>Priority 2</b>	1	-	-	1
		<b>Priority 3</b>	-	-	-	-
		<b>Total</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>Appendix 1</b>

**Key Risks Reviewed**

- Tax, pension, and benefit thresholds applied to systems or employee records do not comply with current HMRC payroll legislation.
- Fraudulent transactions could go undetected due to a lack of adequate review and authorisation of payments or claims.
- The councils could be in breach of data protection legislation if personal information is not shared securely, resulting in both financial penalties and reputational damage.

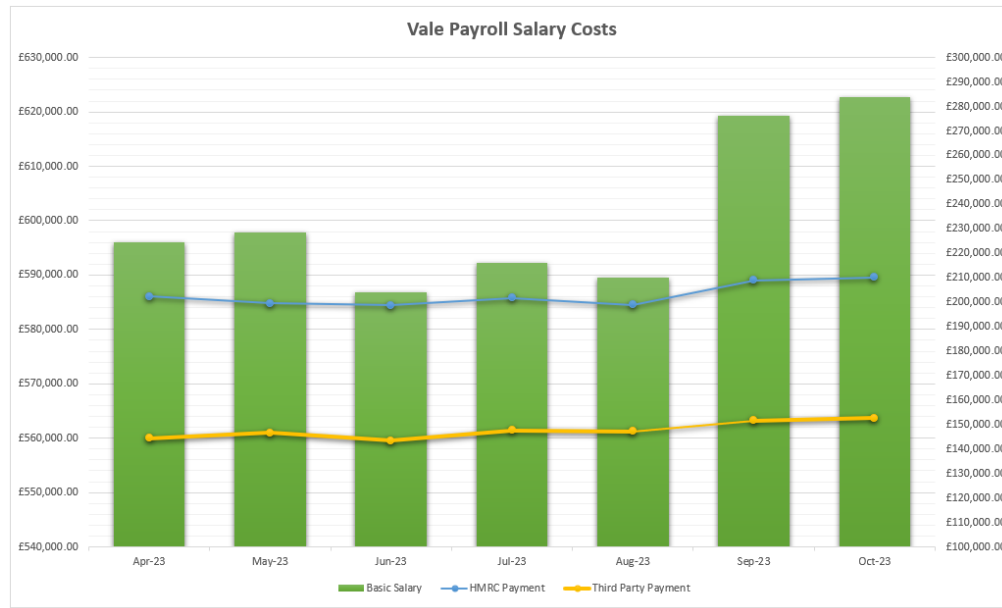
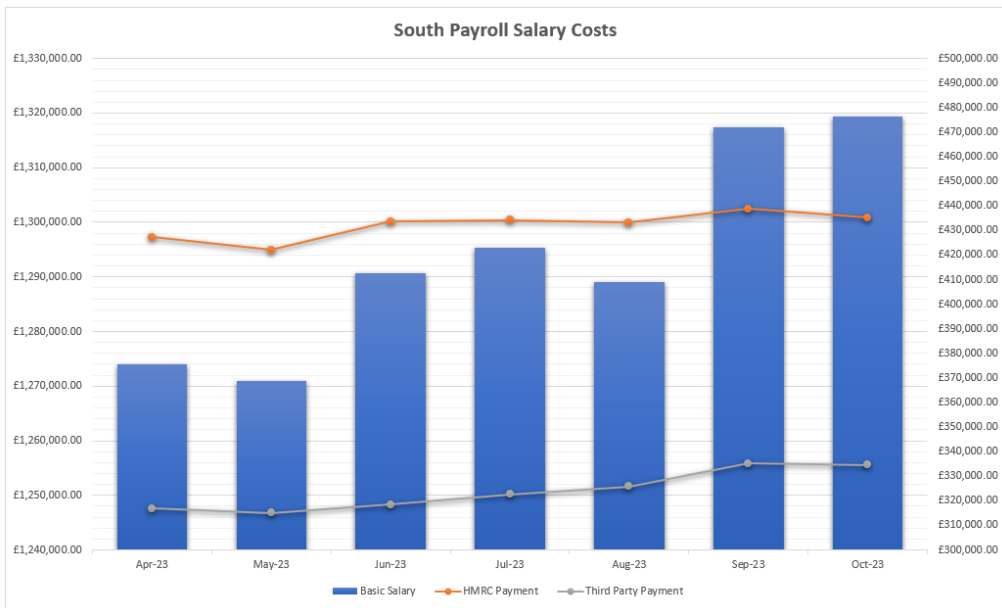
<b>Open actions (from previous audits)</b>	The payroll 2022/23 audit recommended eight management actions. Since the audit, four actions have been implemented and four actions have not been implemented and remain open. One action relates to updating policies and procedures, and three actions relate to expense claims. Open actions are monitored and reported to the Joint Audit and Governance Committee (JAGC) quarterly.
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The audit scope included:

Objective	Audit Scope
1 Policies, guidance, and procedures	<ul style="list-style-type: none"> <li>• Appropriate policies and procedures, regarding pay, are in place and available to all officers.</li> </ul>
2 Payroll system parameters	<ul style="list-style-type: none"> <li>• Payroll system parameters are up-to-date and appropriate.</li> </ul>
3 Amendments to standing data	<ul style="list-style-type: none"> <li>• Amendments to standing data are appropriately authorised, documented and actioned promptly.</li> </ul>
4 Payroll run review	<ul style="list-style-type: none"> <li>• The payroll run review is undertaken and independently approved.</li> </ul>
Page 59 Reconciliation	<ul style="list-style-type: none"> <li>• A payroll reconciliation is undertaken accurately, on a regular basis and independently reviewed.</li> </ul>
Establishment listing	<ul style="list-style-type: none"> <li>• Payroll records are regularly reconciled with the establishment listing and appropriate actions are taken to address any discrepancies.</li> </ul>

**Executive Summary**

The people and culture team manages the payroll function with the responsibilities split between HR advisory and HR operational teams and is processed and paid via the ResourceLink system. As of October 2023, the councils employ a total of 583 (385 South and 198 Vale) officers, excluding contract and temporary employees, with the total salary costs for 2023/24 to date as follows:



Key Findings		
Objective	Key Findings	
1	Policies, guidance, and procedures	<ul style="list-style-type: none"> <li>• Policies and procedures regarding pay are in place and available to officers on both Jarvis and LEAH. As the documents were last reviewed formally five or more years ago, some information is outdated (e.g. annual leave allowance) and a full review of policies and procedures is recommended (as noted in previous audits).</li> <li>• The HR operational team is responsible for the administration and processing of payroll; and we found that operational process maps and procedures are in place, providing a step-by-step guide to the payroll process.</li> </ul>
2	Payroll system parameters	<ul style="list-style-type: none"> <li>• Zellis UK Ltd update the annual statutory parameters on the ResourceLink system (i.e., personal allowance, tax code).</li> <li>• South and Vale input the pension parameters on ResourceLink system and are in line with the Local Government Association (LGA) 2023/24 pension bands.</li> <li>• Cabinet approves the South and Vale annual pay scales as part of the budget setting process. As of November 2023, South and Vale are real living wage employers and review confirmed that ResourceLink accurately reflects the UK Living Wage for 2023-24 (i.e., £12 per hour or £23,152 per annum).</li> <li>• The payroll parameters are not independently reviewed on the ResourceLink system to confirm accuracy prior to them going live.</li> </ul>
3	Amendments to standing data	<ul style="list-style-type: none"> <li>• Standing data is entered onto the ResourceLink system daily and from review, we are satisfied that standing data is independently reviewed.</li> <li>• New starters, leavers, and contract changes have a corresponding HR form which is appropriately completed and authorised, and information for the changes is appropriately entered or amended in ResourceLink.</li> <li>• New starters, leavers and contract changes are appropriately paid on the next available payroll.</li> <li>• Overtime claims are recorded and submitted either via an overtime claim form or on MyView, and claims are appropriately approved.</li> <li>• The seven Vale overtime claims relating to Unison work were not made in in line with the councils' policy; however, an exception to the policy was agreed by the chief executive and it is reviewed annually.</li> </ul>
4	Payroll run review	<ul style="list-style-type: none"> <li>• The payroll processing calendar provides the HR operational a step-by-step guide and deadlines for the monthly payroll process.</li> <li>• For the sampled months of Aug, Sept, and Oct 2023 we are satisfied that the amount on the BACs release form reconciled to the BACs listings and Unit4 current pay element report totals.</li> <li>• Adequate segregation of duties is in place for the payroll pay run process as the HR operational team undertake the checks and finance review and approve the BACs payment for both salary payments and third-party payments.</li> </ul>
5	Reconciliation	<ul style="list-style-type: none"> <li>• Monthly payroll reconciliations are satisfactorily performed confirming that the payroll system reconciles to the general ledger and BACs payments.</li> <li>• A monthly third-party reconciliation is also performed and from review we were satisfied that the general ledger reconciled to the third-party BACs payments.</li> <li>• A monthly direct debit is set up on the councils' general bank account to pay the South and Vale statement balances in full, ensuring that payment is made on a timely basis. No interest or penalties were charged in 2023/24 up to September 2023.</li> </ul>
9 Page 52	Establishment listing	<ul style="list-style-type: none"> <li>• Every two months the establishment list is reviewed whereby emails are issued to all heads of service so that the any changes can be made in the service areas can be reflected.</li> <li>• Review found that the establishment list is updated after information is received from the service areas.</li> </ul>

Agenda Item 6