

Audit and Corporate Governance Committee



Report of Audit Manager

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To: Audit and Corporate Governance Committee

DATE: 29 January 2013

AGENDA ITEM 4

Internal audit activity report quarter three 2012/2013

Recommendation

(a) That members note the content of the report.

Purpose of report

1. The purpose of this report is to summarise the outcomes of recent internal audit activity for the committee to consider. The committee is asked to review the report and the main issues arising, and seek assurance that action has been or will be taken where necessary.

Background

2. Internal audit is an independent assurance function that primarily provides an objective opinion on the degree to which the internal control environment supports and promotes the achievements of the councils' objectives. It assists the councils by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work, and recommending improvements where necessary.
3. After each audit assignment, internal audit has a duty to report to management its findings on the control environment and risk exposure, and recommend changes for improvements where applicable. Managers are responsible for

considering audit reports and taking the appropriate action to address control weaknesses.

4. Assurance ratings given by internal audit indicate the following:

Full Assurance: There is a sound system of internal control designed to meet the system objectives and the controls are being consistently applied.

Satisfactory Assurance: There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

Limited Assurance: There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

Nil Assurance: Control is weak leaving the system open to significant error or abuse and/or there is significant non-compliance with basic controls.

5. Each recommendation is given one of the following risk ratings:

High Risk: Fundamental control weakness for senior management action

Medium Risk: Other control weakness for local management action

Low Risk: Recommended best practice to improve overall control

Internal Audit Activity

6. Since the last audit and corporate governance committee meeting, the following audits have been completed:

Planned Audits

Full Assurance: 2

Satisfactory Assurance: 6

Limited Assurance: 1

Nil Assurance: 0

	Assurance Rating	No. of Recs	High Risk Recs.	No. Agreed	Medium Risk Recs.	No. Agreed	Low Risk Recs.	No. Agreed
Seasonal Leisure 12/13	Full	2	0	0	0	0	2	2
Discretionary Grants 12/13	Satisfactory	5	0	0	0	0	5	4
Housing Allocations 12/13	Full	0	0	0	0	0	0	0

	Assurance Rating	No. of Recs	High Risk Recs.	No. Agreed	Medium Risk Recs.	No. Agreed	Low Risk Recs.	No. Agreed
Carbon Management 12/13	Satisfactory	7	0	0	2	2	5	5
Creditor Payments 12/13	Satisfactory	6	0	0	1	1	5	5
1. Payroll 12/13	Limited	16	0	0	10	10	6	6
Information Governance 12/13	Satisfactory	6	0	0	1	0	5	3
Data Protection 12/13	Satisfactory	6	0	0	1	1	5	4
Cornerstone 12/13	Satisfactory	6	0	0	0	0	6	6
Sundry Debtors 12/13	Satisfactory	4	0	0	1	1	3	3

Follow Up Reviews

	Initial Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing
Verification of Pls 11/12	Satisfactory	5	4	0	1	0
Election Payments 11/12	Satisfactory	6	1	0	2	3
Benefit Fraud 12/13	Full	3	2	0	0	1
Emergency Planning 12/13	Satisfactory	4	2	0	2	0

7. Members of the committee are asked to seek assurance from the internal audit report and/or respective managers that the agreed actions have been or will be undertaken where necessary.
8. A copy of each report has been sent to the appropriate head of service, the relevant strategic director, the section 151 officer and the relevant member portfolio holder. In addition to the above arrangements, reports are now published on the council intranet and committee members are alerted by e-mail when reports are published.

9. Internal audit continues to carry out a six month follow up on all non-financial audits to establish the implementation status of agreed recommendations. All key financial system recommendations are followed up as part of the annual assurance cycle.

Systemic Control Weaknesses

10. **Appendix 1** of this report sets out weaknesses which have been identified within planned audits which internal audit consider to be systemic within the council. Every recommendation made by internal audit since April 2010 has been logged within a recommendation register according to an Institute of Internal Auditors control type definition, and a point system has been used - 1 point for a low risk recommendation, 2 points for a medium risk recommendation and 3 points for a high risk recommendation. The points have been totalled against each control type, and the top 10% control weaknesses which occur across a number of operational areas have been listed as a systemic control weakness. The table will be reviewed and updated by the audit manager, head of finance and the strategic director (section 151 officer) on an ongoing basis, and will be used to inform the annual audit plan and the scope of individual reviews

Financial Implications

11. There are no financial implications attached to this report.

Legal Implications

12. None.

Risks

13. Identification of risk is an integral part of all audits.

ADRIANNA PARTRIDGE
AUDIT MANAGER

1. PAYROLL 2012/2013

1. INTRODUCTION

- 1.1 The fieldwork for this audit was undertaken in June to August 2012 and the final report was issued on 11 December 2012.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- Roles and responsibilities for SODC's and VWHDC's payroll have been appropriately assigned and adequately resourced.
 - There are appropriate policies and procedures over pay which is adequately communicated to council staff.
 - The administration of payroll is appropriate (i.e. transfer and security of records), supported by internal procedures and prompt.
 - Amendments to standing data are appropriately authorised, documented and actioned punctually, including:
 - starters and leavers
 - overtime
 - addition/deductions or variations to pay (e.g. pay rises)
 - personal data.
 - To ensure system parameters are up to date and appropriate.
 - Payroll communication/data is transferred between payroll, HR and finance in an accurate and timely manner and is secure.
 - All payroll reconciliations are administered promptly and subject to independent review.
 - To ensure that adequate system back-up arrangements are in place to ensure business continuity.

2. BACKGROUND

- 2.1 Payroll is the second largest expense to the council, with the council currently employing 244 staff members as of the end of November 2012. From reviewing the general ledger, pay costs were £9.52 million in 2011/2012.
- 2.2 In February 2012, the payroll processing duties were transferred from a council in-house team to Capita (based in Carlisle). Internal audit made a site visit to the Carlisle office in June 2012. Payroll is paid monthly via BACS, and payroll is processed through a system called Ingenuity at Work (IAW).

3. PREVIOUS AUDIT REPORTS

- 3.1 Payroll was last subject to an internal audit review in August 2011, and 14 recommendations were raised with 13 being agreed. A limited assurance opinion was issued.
- 3.2 On review, three recommendations have been implemented, five are no longer applicable due to the service moving to Capita and the remaining

five have not been implemented. Recommendations not implemented have been carried forward into the current year review.

4. 2012/2013 AUDIT ASSURANCE

- 4.1 **Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.
- 4.2 Sixteen recommendations have been raised in this review. Ten medium risk and six low risk recommendations.

5. MAIN FINDINGS

5.1 Roles and responsibilities

- 5.1.1 Capita has established an organisational chart outlining the team responsible for the processing of payroll for the council, however this needs updating. The team is led by the team leader payroll clients and consists of two payroll administrators. The roles and responsibilities of Capita and council responsibilities are listed within the service level agreement. However, internal audit could not evidence an end to end payroll cycle by which all tasks are allocated and documented. It has also been identified that the responsibility to check the identity of authorised signatories (e.g. for timesheets) has not been established. One recommendation has been made as a result of our work in this area (Rec 1).

5.2 Policies and procedures

- 5.2.1 The policies and procedures currently used by Capita are those provided by the previous payroll in-house team - which are specific to the council. The Capita payroll team leader client has stated there is a need to review and refresh policies and procedures. One recommendation has been raised as a result of our work in this area (Rec 2).

5.3 Payroll administration

- 5.3.1 Capita (business manager at Capita) and the council (shared head of finance) oversaw the secure handover of payroll information, but a record of what information is held, where and the responsible officer is not in place. There is a record of information physically sent to and from the Capita council offices – however the equivalent information for the Capita Carlisle office was not provided. Internal audit reviewed the access levels given to the payroll team to the payroll database IAW and found no issues of concern. Internal audit also reviewed the payroll database password parameter controls and it was noted the minimum password field length is 1.
- 5.3.2 Internal audit reviewed a sample of 20 starters and 20 leavers to ascertain timely pay, and in each case payment was administered on a timely basis. However, it was noted that a payslip distribution list used by Capita is not refreshed monthly to ensure payslips go to the correct

location. Four recommendations were made as a result of our work in this area (Recs 3, 4, 5 & 6).

5.4 Amendments

- 5.4.1 For any amendments, human resources (HR) e-mails changes to Capita payroll via a controlled spreadsheet. One payroll officer inputs and another checks the data has been entered correctly onto the payroll database IAW. Internal audit checked a sample of 20 new starters, 20 leavers, 30 variations to pay (e.g. maternity pay) and 20 amendments to personal data.
- 5.4.2 For new starters, original documented authorisation of the request to recruit form could not be found in 12 of the 20 cases. For one starter, a starter form could not be found and for a further four starters sufficient authorisation of the starter form could not be identified. Also, payroll did not evidence the amendment control spreadsheet to verify data had been input and reviewed for three starters. For six leavers, sufficient authorisation of the leaver form could not be found. For one leaver, the amount calculated and paid as holiday pay was incorrect. For overtime claims, the overtime claim form could not be found for 12 cases.
- 5.4.3 Regarding variations to pay, internal audit noted the incorrect calculation of hours for one timesheet which led to an overpayment. On reviewing childcare payments, internal audit noted six cases where the authorisation for the original creation of the childcare account could not be found. From the sample of personal data changes, the initial request could not be found for eight cases. Capita do not check the identity of the authorisation signatory (i.e. by line managers) for overtime timesheets and stated this is a council responsibility. Four recommendations have been made as a result of our work in this area (Recs 7, 8, 9 & 10).

5.5 System parameters

- 5.5.1 The team leader payroll clients (Capita) is responsible for the system parameters being up to date on the IAW database. Pay rises and increments are administered in accordance with the amendments process. Internal audit requested the parameters to evidence prompt adjustment for tax changes, and it was noted that this process is not subject to review and sign off. One recommendation has been made as a result of our work in this area (Rec 11).

5.6 Communication of data

- 5.6.1 The main areas where there is an exchange of data is between human resources and Capita regarding amendments to staff details and pay, and human resources and finance regarding authorisation for release of BACS payment and reconciliation data. Capita payroll use a secure e-mail approach which involves the use of encryption to reduce risk of unauthorised level of access. From the review conducted, there are no concerns raised over the timeliness or security of exchange of data.
- 5.6.2 Capita have a complaints and queries process. Complaints go through a four stage process and are recorded on a spreadsheet (complaints log),

however no complaints have been made up until the audit date. Queries are also recorded on a spreadsheet (query log) and are assigned to a responsible officer to resolve. Internal audit identified two queries from the council which have remained unanswered for over a month. Three queries were not recorded on the query log held by Capita and a set turnaround time for all queries is not in place. One recommendation has been made as a result of our work in this area (Rec 12).

5.7 Payroll reconciliations

- 5.7.1 The council's shared accountant reconciles the payment run to the general ledger on a monthly basis. Internal audit reviewed a monthly reconciliation and has no concerns. The payroll team reconcile the establishment listing to payroll records on an annual basis, however there is no formal tax reconciliation from the payroll database to the general ledger. On a monthly basis, various reports regarding starters and leavers and top 10 earners are e-mailed to the head of finance to review. Any queries arising from this review are discussed either by e-mail or phone. Once matters are satisfactorily resolved, the overall BACS authorisation is sent. One recommendation has been made as a result of our work in this area (Rec 13).

5.8 Business continuity and back-up plans

- 5.8.1 Capita policies and procedures include an emergency response plan and business continuity plan, and on review no areas of concern were identified. Internal audit reviewed an extract of the log of back ups and queried the testing of the back up plans which, the systems and network manager, confirmed last took place in March 2012. There have been no instances of data loss reported in the period of scrutiny (2012/2013). The arrangements reviewed are adequate. No recommendations have been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

ROLES AND RESPONSIBILITIES

1. Payroll cycle

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> A payroll cycle is used to identify tasks for officers at the council and at Capita – which is made available to all officers to ensure transparency and accountability.</p> <p><u>Findings</u> The 'Payroll processes reference' outlines roles and responsibilities (of both the council and Capita) however,</p>	Document and allocate tasks end to end across the payroll cycle and ensure this information is available to council officers and the Capita payroll team.	Payroll manager (Capita) , payroll team leader client (Capita) and shared business support manager (council)

there is no evidence of a payroll cycle analysis used to allocate tasks. It has further been established that the responsibility to check the identity of authorised signatories has not been established.		
<u>Risk</u> Duties are not allocated and are not undertaken.		
Management Response		Implementation Date
Recommendation is Agreed We will work with the council to ensure this is completed. Management response: Payroll team leader client (Capita)		31 January 2013

POLICIES AND PROCEDURES

2. Policies and procedures

(Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Policies and procedures covering all payroll processes should be in place and circulated to all relevant officers.	(a) Ensure there are up to date policies and procedures covering payroll processes.	Payroll team leader client (Capita)
<u>Findings</u> (a) The policies and procedures currently used by Capita are copies used by the previous payroll in-house team - which are specific to SODC and VWHDC. The payroll team leader client has stated there is a need to review and refresh policies and procedures.	(b) Ensure the monthly checklist used by Capita is updated to reflect current tasks.	
(b) The Capita payroll team has a monthly checklist, which lists all their tasks and duties. The payroll team leader client stated this needs updating as not all the tasks listed are performed.	(c) Document the list of authorised officers to authorise BACS releases on an agreed document and incorporate into policies and procedures.	
(c) The 'Payroll Processes Reference' states the council		

<p>representative will authorise BACS payments – however the representatives are not documented.</p> <p>Please note during the fieldwork process, it has been established this is the head of finance or one of the two shared accountancy managers.</p> <p><u>Risk</u> Without up to date policies, there may be inconsistencies in practice or the incorrect administration of duties.</p>		
Management Response		Implementation Date
<p>Recommendation is Agreed (b) has been completed. However, (a) and (c) are currently being formulated.</p> <p>Management response: Payroll team leader client (Capita)</p>		31 January 2013

PAYROLL ADMINISTRATION

3. Itinerary

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> There is a record of all physical information transported where and when.</p> <p><u>Findings</u> It has been stated that Capita (Carlisle) has a register of all information sent and received from the Capita team at the council – however this was not presented to internal audit during the fieldwork process.</p> <p><u>Risk</u> The location of information may not be known – which may lead to the loss of personal information.</p>	<p>Ensure there is an adequate itinerary of documents physically sent to/from the Capita Carlisle office.</p>	<p>Payroll team leader client (Capita)</p>
Management Response		Implementation Date
<p>Recommendation is Agreed This can be achieved with co-operation of the council. If the council logs information sent to the payroll team, the</p>		31 January 2013

payroll team will sign, scan and send to confirm receipt of documents. (Note: the interim HR manager has stated human resources are happy to help).	
Management response: Payroll team leader client (Capita)	

4. Catalogue of information

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> There is a record of where all payroll information is held and who is the responsible officer.</p> <p><u>Findings</u> As part of the transfer of the payroll service from the in-house team to Capita, a number of archive boxes with historical payroll data was sent to Capita Carlisle. A decision was made to store expenses receipts in the Capita council office.</p> <p>There is currently no record of payroll information held, its location and who is responsible for such information. From speaking to the payroll team leader client (Capita), there was a lack of knowledge of where information is currently held (e.g. timesheets prior to February for the financial year 2011/2012).</p> <p><u>Risk</u> The location of information may not be known – which may lead to the loss of information and data protection infringements.</p>	Ensure there is a catalogue of all payroll information held, its location and the responsible officer.	Payroll team leader client (Capita)
Management Response		Implementation Date
<p>Recommendation is Agreed All information 2011/12 and current year is held by Capita. Information prior to this is held by South and Vale councils.</p> <p>Management response: Payroll team leader client (Capita)</p>		31 January 2013

5. Payslips

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Payslips are sent to the place of work of the recipient based on the most recent information.</p> <p><u>Findings</u> A report is currently generated from HR Pro documenting the staff member's main place of work, and used by Capita to formulate a distribution list – however this list was not refreshed every month.</p> <p><u>Risk</u> Payslips are not received by employees in a timely manner leading to dissatisfaction and possible loss of payslip.</p>	Ensure payslips are sent to staff locations based on the live data available from HR Pro.	Customer service manager (Capita)
Management Response		Implementation Date
<p>Recommendation is Agreed A solution is currently being developed and should be in place soon. An up to date distributions list needs to be provided to the customer service manager (Capita) on a monthly basis.</p> <p>Management response: Payroll team leader client (Capita)</p>		31 December 2012

6. Minimum password length

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Establish a minimum field length of eight or more (as stated in Microsoft: Safety & Security Centre).</p> <p><u>Findings</u> Internal audit reviewed the password parameters for the payroll database IAW and identified the minimum password field length was one.</p> <p><u>Risk</u> Inappropriate access to the</p>	Increase the minimum password field length for access to Ingenuity At Work (IAW).	Payroll team leader client (Capita)

payroll database IAW which may lead to inappropriate changes to payroll data and pay.		
Management Response		Implementation Date
Recommendation is Agreed This has now been adjusted to 8. Management response: Payroll team leader client (Capita)		Implemented

PAYROLL AMENDMENTS

7. Recording

(Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> All amendment control spreadsheets (e.g. appointments) are signed by the inputter and reviewer as evidence of review. <u>Findings</u> Internal audit selected 20 starters and established that in 3 cases, amendment control spreadsheets were not signed off as reviewed. From the sample of 20 amendments to personal data, in two cases there was an incorrect amendment. <u>Risk</u> There is a lack of audit trail and possible incorrect payment.	(a) Ensure all amendment control spreadsheets are signed by the inputter and reviewer. (b) Ensure all amendments are correctly administered.	Payroll team leader client (Capita)
Management Response		Implementation Date
Recommendation is Agreed This was human error and has been addressed. Management response: Payroll team leader client (Capita)		Immediately

8. Holiday Pay Calculation

(Low Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> All holiday pay calculations are correct.	Review the holiday pay discrepancy identified by audit, and if this resulted from a	Payroll team leader client (Capita)

<p><u>Findings</u> From the sample of 20 leavers, internal audit identified there was an incorrect overpayment of holiday pay for one leaver – however this only amounted to £2.33.</p> <p><u>Risk</u> Incorrect holiday pay payment results in financial loss to the council.</p>	<p>process or staff failure ensure that the necessary control action is taken.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed This was human error and has been addressed.</p> <p>Management response: Payroll team leader client (Capita)</p>		Immediately

9. Overtime claims

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All timesheets are readily available and all records of time keeping are accurate.</p> <p><u>Findings</u> Internal audit established that:</p> <ul style="list-style-type: none"> For 12 cases out of 20 - the overtime claim form (or timesheet) could not be found. In a further case, there was a payment for 8.83 hrs given, instead of 8.5 hrs. <p><u>Risk</u> There is incorrect payment and financial loss to the council.</p>	<p>(a) Overtime claim forms should be maintained in accordance with the records management policy to provide an adequate audit trail.</p> <p>(b) Investigate the case highlighted in this audit (Reed, L), and correct and review control processes where necessary.</p>	Payroll team leader client (Capita)
Management Response		Implementation Date
<p>Recommendation is Agreed (a) We are happy with the arrangements now in place. (b) This has been investigated and payment adjusted accordingly.</p> <p>Management response: Payroll team leader client (Capita)</p>		Immediately

10. Childcare voucher payments

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> There is a record for all requests to set up childcare vouchers.</p> <p><u>Findings</u> From a sample of 30 variations to pay, in six cases internal audit were unable to obtain a record of the officer requesting the set up of childcare vouchers with the council.</p> <p><u>Risk</u> There is incorrect administration of childcare voucher payments.</p>	Ensure there is an adequate audit trail authorising the creation of childcare voucher accounts.	Business support manager (council)
Management Response		Implementation Date
<p>Recommendation is Agreed We save emails requesting this on personnel files.</p> <p>Management response: Interim shared HR manager (council)</p>		Immediately

SYSTEM PARAMETERS

11. System parameters

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All tax changes should be signed off as reviewed and appropriate.</p> <p><u>Findings</u> Tax code changes are sent from HMRC via electronic data interface and uploaded manually. The tax changes are administered by the senior systems analyst (at Capita). However, there is no formal review and sign off of this process.</p> <p><u>Risk</u> Incorrect tax changes are administered and officers are</p>	Ensure there is a sign off to approve the tax changes made on the payroll database.	Payroll team leader client (Capita)

incorrectly paid.		
Management Response		Implementation Date
Recommendation is Agreed		30 May 2013
Management response: Payroll team leader client (Capita)		

COMMUNICATION

12. Response times

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>(a) All queries received by Capita are recorded to allow for effective response and monitoring.</p> <p>(b) There is an established turnaround time for queries which is adhered to.</p> <p>(c) Payroll team is adequately resourced which is reflected in prompt response times to queries.</p> <p><u>Findings</u></p> <p>(a) The Capita payroll team uses a queries log spreadsheet to manage and respond to "South & Vale District Councils" queries. Internal audit obtained 3 specific queries which had been sent from accountancy to Capita and was unable to track them on the query log.</p> <p>(b) Two of the queries remain unanswered at the time of the review dating back to July. It was noted that an agreed turnaround time to respond to queries has not been established between Capita and the council.</p> <p>(c) Two queries from the query log were randomly selected to check progress against, but evidence could not be obtained from Capita that progress was</p>	<p>(a) Ensure there is the correct capture of queries on the query log.</p> <p>(b) Ensure there is a set turnaround time for queries.</p> <p>(c) The council should monitor response times to queries.</p>	<p>Payroll team leader client (Capita) and shared finance & systems manager (council)</p>

being made.		
<u>Risk</u> Queries are not answered promptly or properly and payroll problems are not resolved promptly leading to the exacerbation of errors.		
Management Response		Implementation Date
Recommendation is Agreed (a) and (b) All queries are now logged in Jira to ensure accuracy of statistics for turnaround times. (c) will be picked up during the monthly conference calls that take place between Finance, HR and Capita Payroll. Management response: Payroll team leader client (Capita) and shared finance & systems manager (council)		31 January 2013

RECONCILIATION

13. Tax reconciliation

(Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> There is a tax reconciliation conducted between the payroll database and general ledger to ensure tax submission to HMRC is correct. <u>Findings</u> There is no tax reconciliation conducted at year end between the payroll database and general ledger. <u>Risk</u> The tax submission is incorrectly submitted leading to incorrect financial reporting to HMRC.	Ensure a tax reconciliation is conducted between the payroll database and general ledger at year end.	Shared accountancy manager (revenue) (council)
Management Response		Implementation Date
Recommendation is Agreed Management response: Shared accountancy manager (revenue) (council)		30 July 2013

2011/2012 PREVIOUS AUDIT RECOMMENDATIONS

14. Authorisation check

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> An approved signatory list is in place to which approval of all amendments is agreed.</p> <p><u>Findings (2010/2011) & (2011/2012)</u> Members do not have the facility at present to submit expenses electronically and return paper forms which contain an 'authorised signature'. During testing it was highlighted that there is currently no authorised signatory list in place against which payroll can verify the 'authorised signature' to ensure that the expenses have been appropriately approved.</p> <p><u>Findings (2012/2013)</u> Due to the changes in the payroll process internal audit recommends a review of the authorisation check for members and overtime claim forms.</p> <p><u>Risk</u> Amendments to pay may be processed without the required authorisation.</p>	Human resources, finance and democratic services to discuss process of authorisation check for members and overtime claim forms.	Head of finance (council)
2010/2011 Management Response		Implementation Date
<p>Recommendation is Agreed All members/councillors claims are authorised for payment by one individual (or their substitute) from democratic services and a list of specimen authorised signatories from democratic services will be obtained and held within payroll.</p> <p>Work has been completed to provide members/councillors with access to submit claims electronically, only a few members are unable to use this format. Access and authorisation rules are built in to the electronic process.</p> <p>Management Response: Payroll project lead</p>		31 December 2010
2011/2012 Follow Up Observation		Implementation Date
<p>Recommendation is Agreed An authorised signatory list has been drawn up for staff who</p>		30 November 2011

have been authorised by their heads of service to sign off any payroll input forms.	
Management Response: Payroll supervisor	
2012/2013 Follow Up Observation	Implementation Date
Recommendation is Agreed	31 January 2013
Management response: Head of finance (council)	

15. Leaver forms

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> A leaver form has been completed for all officers leaving the council.</p> <p><u>Findings (2011/2012)</u> During sample testing of leavers, for one of the five tested, internal audit established that a leaver form was not completed.</p> <p><u>Findings (2012/2013)</u> Through the sample testing conducted by internal audit. On review of the sample for VWHDC, there was one instance when a casual worker did not have a leaver form. As the same control is used for SODC, as it is for VWHDC – this still presents a risk to the council</p> <p><u>Risk</u> If a leaver form is not completed for all employees leaving the council, there is a risk that the leavers might not get deleted off the system and get paid for an extra month.</p>	HR should ensure that a completed leaver form is retained for all employees leaving the council, even if they are on a temporary contract.	HR business support team and HR business partners (council)
2011/2012 Management Response		Implementation Date
Recommendation is Agreed		Immediate
Management Response: Shared HR manager		
2012/2013 Follow Up Observation		Implementation Date
Recommendation is Agreed We do this as a matter of course and there should not		Immediate

have been one missing.	
Management response: Interim shared HR manager (council)	

16. Emails attached to appointment/leaver/amendment forms (Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> For all appointment/leaver forms received via email, the email is filed alongside the form so that an audit trail exists.</p> <p><u>Findings (2010/2011) and (2011/2012)</u> During sample testing of starters, for four of the 10 tested, internal audit established that the appointment form was not signed by the service manager. The HR business support manager stated that the forms are received via email and the email is sent by the service manager, so the appointment is not required to be signed. Internal audit obtained emails for three of the four appointment forms. The fourth email could not be located.</p> <p>During sample testing of leavers, none of the five leaver forms were signed by the service manager. Internal audit requested copies of the email to confirm approval from the service manager, but HR did not send copies of the email.</p> <p>During sample testing of amendment to data, for three of the 20 amendment forms, internal audit established that the amendment forms were not signed, and also the email confirming approval from the line manager was not found.</p> <p><u>Findings (2012/2013)</u></p>	<p>(a) Ensure all e-mail correspondence of request to recruit and starter forms are held with the personnel files electronically.</p> <p>(b) Ensure all e-mail correspondence of leaver, amendment forms are held with the personnel files electronically.</p>	<p>HR business support team and HR business partners</p>

<p>Internal audit selected 20 starters and 20 leavers from October 2011 to June 2012 and established that:</p> <ul style="list-style-type: none"> • In 12 out of 20 cases there was no documented record of authorisation of the request to recruit form. • In 4 cases, internal audit could not obtain sufficient evidence of authorisation as the e-mail with the starter form attached could not be located. In an additional case, the starter form could not be located. • In six cases audit could not trace leaver form authorisation • In eight cases amendment source requests could not be found. <p><u>Risk</u> If there is no audit trail to confirm that appointment forms, leaver forms and amendment forms are approved by the line manager, there is a risk of the forms being fraudulently sent to HR and payroll.</p>		
2011/2012 Management Response	Implementation Date	
Recommendation is Agreed	Immediate	
Management Response: Shared HR manager		
2012/2013 Follow Up Observation	Implementation Date	
<p>Recommendation is Agreed We have tightened up on making sure that relevant documentation is saved.</p>	Immediate	
Management response: Interim shared HR manager (council)		

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