

DEPARTMENT	AUDIT REVIEW	AUDIT REF
Chief Executive's and Corporate Services	Payroll	5120007
<p>BACKGROUND</p> <p>The Authority pays over 8,500 employees amounting to approximately £196m. Payroll is a centralised function and the Authority has an integrated Payroll and HR system operated through "Resource Link".</p> <p>SCOPE</p> <p>The review covered the internal controls in place for the payment of salaries and wages to ensure that:</p> <ul style="list-style-type: none"> • Recommendations from the previous audit report have been implemented; • There are adequate documented procedures in place which are adhered to; • Exception reports are generated and reviewed with queries dealt with appropriately; • Access to standing data processing and programmes is restricted to appropriate personnel and amendments are properly authorised; • Timesheets, overtime claims, advance payments, SSP, starters & leavers, variations to pay etc. have been properly authorised and data entered correctly; • There is evidence of review of the Payroll Suspense account, and timely clearance of entries; • Changes to employee data is appropriately authorised; • Advance pays have been appropriately authorised; • Appropriate BACS controls exist; • Appropriate reconciliations are undertaken after payment runs; • The payroll system is regularly reconciled to the main accounting system; • Payroll Control review all expected reports, with anomalies reviewed; • Individual departments verify the accuracy of employee standing data; • System Controls are adequate and appropriate; • Security of Controls is adequate and appropriate; • The risk of fraud is considered, with adequate controls in place to mitigate this. <p>SUMMARY OF RESULTS</p> <p>It is pleasing to report that the majority of key controls are in place and are operating effectively.</p> <p>Some issues were, however, identified as a result of audit testing and are summarised below:</p> <ul style="list-style-type: none"> ➤ An annual employee verification exercise is intended to be carried out, with Heads of Service / Head Teachers required to confirm the accuracy of a schedule of employees recorded on the payroll system for their areas of responsibility. This exercise for 2020/21 		

commenced in October 2020 but had not been completed at the conclusion of the audit review in March 2021.

- Sample testing on overtime payments identified some issues in relation to the appropriate authorisation of the overtime, with Director approval not always having been sought, as appropriate. Three instances of incorrectly calculated payments were also identified; assurances have been received from Management that these overpayments have now been recovered.
- Three processed termination forms (from a sample of 30) were not appropriately authorised. The delay in receipt of one termination form resulted in an overpayment of 2 months' pay; this overpayment has now been recovered.
- The process for dealing with requests to change employee standing data on Resource Link, which was introduced in July 2019, was not always being fully adhered to, with appropriate records not always maintained to ensure a full audit trail.
- There are a higher than recommended number of users with access to SUPERVISOR profile, which is a high privileged user account.
- A periodic review of user access is usually undertaken every 6 months; however, it was last undertaken during February/March 2020. It is acknowledged, however, that the review was delayed due to the additional work required during the Covid-19 pandemic.

NUMBER OF RECOMMENDATIONS		OVERALL ASSURANCE
Priority 1- Fundamental Weaknesses	0	Acceptable
Priority 2 – Strengthen Existing Controls	6	
Priority 3 – Minor Issues	0	

DEPARTMENT	AUDIT REVIEW	AUDIT REF
Corporate Services	Main Accounting	1120005

BACKGROUND

One of the main objectives of the Main Accounting function is the maximisation of the Authority's financial resources, and the establishment and monitoring of sound and efficient financial control within the Authority.

The systems within the function are fundamental to the Authority and, as such, are subject to regular review. The systems include budget setting, budget control and monitoring, and delivering efficiencies.

SCOPE

The review covered the controls and procedures in operation to assess the extent to which:

- Recommendations in previous Internal Audit reports have been actioned;
- Adequate documented policies / procedures exist;
- Budgets are approved, recorded, and controlled appropriately;
- Efficiencies have been properly approved, recorded, and monitored;
- Virements and journals are appropriate and authorised as expected;
- System balances are brought forward correctly;
- Financial Management System access levels are appropriate;
- The coding structure is applied in accordance with recognised procedures.

SUMMARY OF RESULTS

The current arrangements for main accounting are found to be operating to an acceptable standard. It is pleasing to report that the key controls across a wide range of processes, calculations and reconciliations within the Main Accounting System including journal entries, the setting up of new financial codes and the amendment of existing financial codes are being complied with. In addition, it was found that balances had been brought forward and the current year's budget had been uploaded accurately on the Agresso system.

Some issues were, however, identified as a result of audit testing and are summarised below:

- The Budget Manual was last reviewed and updated in 2016. Internal Audit was advised that the Manual is currently under review and that approval had been intended during 2020, however the Covid-19 pandemic has delayed the process. It is the intention that the update and submission to the Governance & Audit Committee will be achieved this year.
- Testing on a sample of 10 virements identified that evidence to support the approval of 3 virements was not available.
- A review of the monitoring and reporting of budget efficiencies identified that the end of year status in respect of 2019/2020 target efficiencies had not be reported, as a result it was not possible to ascertain whether all target efficiencies had been achieved.

Internal Audit Update: Report B

NUMBER OF RECOMMENDATIONS		OVERALL ASSURANCE
Priority 1- Fundamental Weaknesses	0	Acceptable
Priority 2 – Strengthen Existing Controls	1	
Priority 3 – Minor Issues	2	

DEPARTMENT	AUDIT REVIEW	AUDIT REF
Corporate Services	Treasury Management	1120008

BACKGROUND

The Treasury & Pension Investments section monitors the daily cashflow and banking transactions of the Authority to identify funds that are surplus to immediate requirements. The surpluses are lent to various organisations known as Counter Parties. The Treasury Management section within the Corporate Services Department carries out the functions of managing these short and long-term loans and transactions on a daily basis.

As at 31st March 2020, the Authority's investments stood at approximately £74m, with a turnover for the financial year of approximately £1,420m.

SCOPE

The review covered the controls and procedures in operation to assess the extent to which:

- Adequate procedures exist for the Administration of Treasury Management;
- Loans and borrowing comply with the Treasury Management Policy;
- Adequate authorisation controls and contingency arrangements exist;
- Interest calculations are accurate and appropriately recorded;
- Adequate fidelity cover is provided for officers involved in loans management and accounting;
- Appropriate treasury management information is made available to relevant officers/management.

SUMMARY OF RESULTS

The current Internal Audit review identified that the key controls expected in respect of the management and administration of the Treasury Management function, including short and long-term investment and loan transactions, are in place and are operating to an acceptable standard. Some issues were, however, identified as a result of audit testing and are summarised below:

- The Treasury Management Manual is usually updated on an annual basis; however, the last update was in March 2019. It is acknowledged the delay in review of the Manual was partly attributable to the Covid-19 pandemic.
- IT issues, whilst staff have been working from home, have prevented the recording of investment deal telephone conversations; telephone recordings of investment deals were, therefore, not always available to review.
- Reconciliations for October 2019 – March 2020 had been completed but had not been signed by the reviewer. The Treasury Management Officer explained that an IT issue had been experienced with the electronic signature solution being used, thus whilst they had been reviewed, the reconciliations are showing as not having been signed by the reviewer. In normal working conditions, the reconciliations would be manually signed and scanned into the folder, but Covid-19 working restrictions have prevented this due to home working rules in place.

Internal Audit Update: Report B

NUMBER OF RECOMMENDATIONS		OVERALL ASSURANCE
Priority 1- Fundamental Weaknesses	0	Acceptable
Priority 2 – Strengthen Existing Controls	2	
Priority 3 – Minor Issues	1	