Flintshire Internal Audit

Follow Up Audit Report

Title:	Payroll Follow Up Review
Portfolio:	People and Resources
Issued Dated:	December 2015
Report No:	45F-2015/16
Report Status:	Final
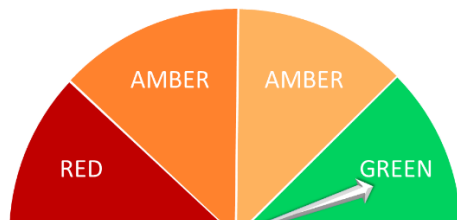
Internal Audit engagements are conducted in conformance with the Public Sector Internal Audit Standards.

Audit Opinion

RED   AMBER   AMBER   GREEN

1. Executive Summary:

Introduction and Scope:

We completed an audit of Payroll in August 2015, audit report reference 19-2014/15. Our overall opinion in that audit was that the controls environment in operations at the time provided **some** assurance that key risks were being managed and controlled effectively (Amber/Red). The original audit report we issued contained eight medium and six low agreed actions for management.

Wales Audit Office also reviewed Payroll as part of their work on the annual accounts. They identified weaknesses consistent with our report. This follow up audit has been completed earlier than usual in order to give the Audit Committee assurance that action had been taken to address the issues.

The scope of this follow-up is to assess how effectively the outstanding actions identified in the original audit report have been addressed.

Our approach in this follow-up audit includes interviewing management, review of supporting documentations and carry out audit testing to identify the progress made against management's agreed action.

We can report that Employment Services have taken action against all the recommendations previously made and much progress has been made in implementing them. It is recognised that at the time of conducting this review not all of the new controls, resulting from the actions taken, were fully in place due to the recruitment processes commencing ahead of our starting date of 2nd October 2015. We have also taken into consideration that at the time of the review Employment Services have had IT issues with the creation of PDF documents for uploading and not all documents were scanned onto EDM at the time of the review. We were satisfied in

Audit Opinion:

Taking account of the issues identified in the remainder of the report and in line with our definitions set out below, in our opinion Management has demonstrated **Substantial** progress in implementing agreed actions.

Definition:

Overall number of agreed actions fully or partially implemented	75%+	51-75%	30-50%	>30%
Opinion	**Substantial**	**Reasonable**	**Some**	**Limited**

The audit opinion is assessed following the completion of the audit by qualified staff. Audits resulting in **Some** or **Limited** assurance will be reported to Audit Committee and progress monitored over the implementation of agreed actions.

Summary of New Actions:

The table below highlights the number and priority of **new** actions to be implemented.

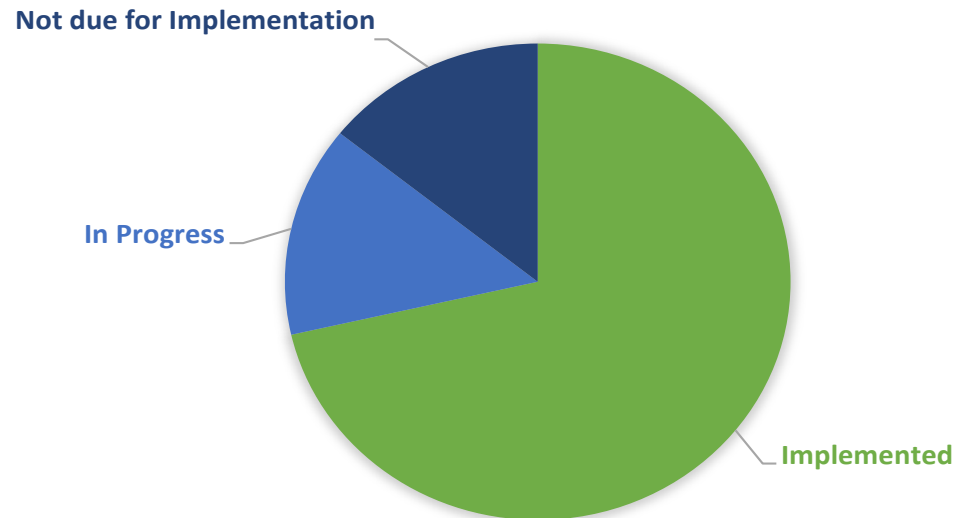| Priority	High	Medium	Low	Total
No.	0	1	3	4

having sight of the relevant documents on the HR database or awaiting scanning to EDM.

2.   Data to Support our Opinion:

Status of Agreed Actions						Agreed Actions confirmed as completed or no longer valid	Agreed Actions carried forward for follow up at next review
	(1)	(2)	(3)	(4)	(5)	(1+4)	(2+3+5)
Total No. of Agreed Actions	Implemented	In Progress	Not Implemented	No Longer Valid	Not due for Implementation	Agreed Actions confirmed as completed or no longer valid	Agreed Actions carried forward for follow up at next review
14	10	2	0	0	2	10	4
100%	72%	14%	0%	0%	14%	72%	28%

STATUS OF AGREED ACTIONS

3. Action Plan – New Actions:

Priority	Description
High	Issues are fundamental and material to the system of internal control for the area under review.
Medium	Issues where improvements in control are needed to reduce the risk of loss, error, irregularity, or inefficiency.
Low	Matters that merit attention and would improve overall control or efficiency.

No.	Findings and Implications	Agreed Action	Who	When
1	Although Employment Services have put in place procedures to obtain empty Reporting Manager fields on their reports, there has been a lack of response from employees and their Chief Officer when requested to provide this information.	This issue will be raised with Chief Officers and a request made to remind all employees of the need to provide information when requested.	Sharon Carney	31/01/2016
2	We used IDEA to compare the 2 reports of FCC New Starters to the report provided to Pensions of New Starters to the Clwyd Pension Fund. We found that none of the new starters from the FCC New Starter report were on the spreadsheet of LGPS Starters and Transfers October 2015. These two reports are taken off two different systems. The spreadsheet is a report of changes to Payroll and this is not necessarily the start date of a new employee but the date that they are set up on Payroll and the key to this report is the audit stamp. We selected 10 new starters from the new starters report and one of the employees in our sample did not appear on the LPGS reports due to the audit stamp being incorrect. This is currently being investigated by MidlandHR. We were able to match the remaining new starters but only by going back to July 2015. This is a time consuming process in order to filter out actual new starters from other changes.	The report sent to Pensions of new starters and transfers will be reviewed to simplify the process. A call has been logged with MidlandHR (Case No 44064) regarding the issue of the audit stamp.	Paul Jones	30/04/2016
3	Our follow up on the reporting issues between Employment Services to Pensions Payroll on Flintshire new starters revealed continuing issues. Improvements have been made and data quality tests are being undertaken within Employment Services. The Annual Service Return report has been upgraded by Midland Trent and this has had	Access to Info View Business Solutions for Pensions Payroll staff, filtered for relevancy to LGPS, will be considered in order for them to see all brand new starters to the	Paul Jones	30/04/2016

No.	Findings and Implications	Agreed Action	Who	When
	favourable feedback as being much improved and endorsed by the Technical Development Officer for Pensions and Funds. A relatively simple solution to the problem with new starters may be to grant access to Info View, Business Solutions, for Pensions staff to see all new starters to assist in maintaining their database.	Authority.		
4	Instead of one hard copy file of the Authorised Signatory List (ASL) being maintained there are now 3 files in alphabetical order of all new forms for Certifying Officers. A new look electronic copy of the ASL has also been devised, using where possible the same certifying Officers numbers as Finance for consistency and to avoid confusion. The form has been streamlined to reduce the number of columns and a column added (green) to highlight all new forms added. It is planned to upload this into the facility for certifying officers within iTrent so that Employment Services (ES) employees will have all the information to hand to check the certifying officer information. HR forms can no longer be submitted to the HR database without a Certifying Officer number. We selected a sample of 10 new certifying officers since 2/10/2015 and checked to ensure that the electronic version had been updated and the details were correct. We found: • In one case the details entered on the electronic ASL were incorrect. An extra level of authorisation had been input to the electronic copy than was authorised for on the paper form.	The new version of the electronic ASL will be thoroughly reviewed prior to its upload to the facility within iTrent. Once on iTrent, the Certified Officer Form will be amended to be signed off by Chief Officers for all new Certifying Officers requests	John Griffiths	30/04/2016

4. Findings:

Each recommendation followed up has been categorised in line with the following definition:

Implemented	The entire recommendation has been fully implemented
In Progress	The recommendation has been partly though not yet fully implemented
Not Implemented	The recommendation has not been implemented
No Longer Valid	The recommendation has been superseded and is no longer applicable
Not Due for Implementation	The agreed date for implementing the recommendation has not yet been reached

No.	Original Findings	Agreed Action	Original Priority	When	Who	Outcome / Findings
1	The Technical Development Officer within Clwyd Pensions Fund (CPF) obtains a monthly report of all new starters and movers within iTrent to provide key data for the CPF. The report of new starters for the period December 2014 was received from Payroll and identified 51 starters and 22 staff transfers. On examination the following was found:- • Of the 51 starters notified only ten had a payroll number with the letter "A" after the number which indicates the member of staff is a new starter. The other 41 have been employed by FCC previously, as they had other letters other than an "A" after their number. The report should only include those New Starters who are new to the Authority rather than those who have changed posts within the Authority. • The December report was not issued to	The Team Leader – Systems & Data Support, Payroll will request assistance from the Payroll provider Midland Trent and a solution will be sought. A call has now been logged on the Midland help desk. If the reports produced from the system are still not providing meaningful information then reverting back to the manual system will be considered. This would require extra staff resources as this process is longer and more time consuming. An explanation will be sought as to why data from the LG Pension Reports within Third Party Returns is unreliable. There has been a delay in issuing reports to Pensions but this has become less of an issue since the December report.	Medium	Oct 2015	Paul Jones	**In Progress:** We confirmed that a call had been logged with Midland Trent (Call Reference Number CRN 36110) which has now been closed. There have been some improvements to the report where employees with multiple positions within the Authority have been separated but issues remain where new starters reported to Pensions are already set up on the Altair system. This is still being investigated and data quality checks are being undertaken. Discussions will need to be had around developing a new format where 'brand new' starters are reported more effectively. See new Actions 2 and 3

	the CPF until the 4th March 2015. The Technical Development Officer has approached Payroll staff identifying the problems they encounter with the reports not containing accurate data. The Payroll staff are aware of the issues and are as frustrated with the reports as the issue cannot be rectified in house. This issues was raised at the time of the last payroll audit. The delays incurred in receiving monthly starters and movers reports from Payroll results in a delay for the Pensions team	Reports will be issued promptly.				
2	Prior to running the monthly Payroll, a pre edit costing report is generated. Investigation and rectification is required to correct the data prior to the Payroll run. Testing found that there were instances of timesheets being processed to pay which did not include any budget codes resulting in unnecessary additional work.	Finance Staff involved in the manual input of cost codes on timesheets will be reminded of the importance of the codes being accurate. Portfolios will be contacted and guidance notes provided which detail the importance of the general ledger codes being accurately provided.	Medium	Sep 2015	Irene Jackson	**Implemented:** A Guidance for Fast Input (Timetrent) Electronic Submission document has been developed and provided to all users of the Timetrent electronic timesheet on 02/10/2015. Our testing on ten timesheets confirmed that all codes were being applied appropriately where required.
3	We selected a sample of 10 new starters and found that only one had an actual New Starter Form which had been scanned on to the EDM system. Five had Conditional Offer letters which we were informed was acceptable under a recent trial of certain areas where the number of forms to be submitted is particularly onerous. One had an E Teach Request from a school and one had a Pay Header Sheet submitted from Theatr Clwyd. Two had no evidence of a new starter form.	The process for ensuring all new starters have appropriately authorised documentary evidence on the HR database and EDM system will be reviewed to ensure consistency	Medium	Jan 2016	Irene Jackson	**Implemented:** A New Starter Checklist form has been created to ensure all documentation is received, checked and entered onto the Electronic Data Management (EDM) system. A version for schools has also now been completed. Our testing of ten new starters from 02/10/2015 confirmed that the New Starter checklist is being used and

						where expected scanned onto the EDM system.
4	From our sample of ten leavers we found that four had no Leavers Forms. Three of these were schools staff and one had a letter of resignation emailed from the school but this did not correlate with the date of leaving on the report. One employee was a Theatr Clwyd employee. Two of the Leavers Forms examined were not authorised by a Certifying Officer and one of these was signed by the employee who was leaving.	The process for ensuring all leavers have the appropriately authorised evidence of leaving the Authority maintained on the HR Database and EDM system will be reviewed to ensure consistency.	Medium	Jan 2016	Irene Jackson	**Implemented:** We can confirm that a process for Leavers has been created by the Team Leader HR and disseminated to the Employment Services Team. Leavers' information is received into ES via a number of routes, HR Form, Email and Letters of Resignation. The latter two options are for school staff only. All notification of leavers must be submitted by a certified officer and will be rejected if not. All details must be uploaded to EDM. Our testing on ten leavers confirmed that the appropriate documentation is being submitted by the approved options.
5	Of our sample of ten leavers we found that three were still set up to be paid on iTrent. We were satisfied that they had not been paid since leaving however, it is possible to reopen an 'old' record via the Temporary Reinstatement function on iTrent and make a payment. Payments to persons having left the Authority are not currently monitored and there is a risk of erroneous payments being made.	A Payment Post Leaving Date Report will be created and monitored on a monthly basis.	Medium	Jul 2015	Paul Jones	**Implemented:** We can confirm that this report has been created and is being checked monthly for any unusual items.
6	Claims for overtime are not fully complete as budget codes are not always provided. The transaction then appears on the out of balance report which is run prior to each Payroll and is sent back to the relevant Finance team to provide a code. This is not always the originator of the original	The costing validation function should be introduced as soon as possible. This will ensure that only authorised budget codes are provided to Payroll.	Medium	Mar 2016	John Griffiths	**Not Due for Implementation (In Progress):** The work for this action is ongoing. Initial testing has been undertaken but the file from Finance has not been able to be loaded successfully. A Midland helpdesk

	information and therefore incorrect budget codes may be provided. In some instances Payroll use generic codes if codes are not provided. The Employee Services Manager stated that he will continue to accept timesheets without a budget code being provided. As a consequence inaccurate budget data and staffing costs may be produced, which would impact on individual budget monitoring arrangements.					call has been logged for this issue (CRN 41180). We have evidenced the correspondence with IT on the testing of files and problems logged with Midland Trent. We have been informed that a consultant is co-ordinating the preparation of processes and procedures around the maintenance of a library of codes.
7	Additional payments are received from Departments using timesheets, timetrent and e.mail. It was found that requests for additional payments relating to overtime are often emailed to individual members of payroll staff. If this process is allowed to continue Payroll staff should ensure full audit trails exist and the data is held in a central location accessible for all staff to access.	A formal process for the receiving and processing of additional payments should be created and all Payroll staff to adhere to it. Payroll staff should be reminded of the importance of maintaining a full audit trail and the process for copying the details into the relevant work area.	Medium	Sep 2015	Irene Jackson	**Implemented:** We can confirm that a process has now been created for the receiving and submitting of additional payments to Employment Services (ES). All requests for additional payments which are not submitted via an approved method and not authorised by a certified officer are rejected. Our testing on additional payments confirmed that these were being submitted and authorised appropriately.
8	All changes to school Payroll are issued using an authorised form changes to conditions (CTC). The school submit this using the schools generic school email addresses and there is often a lack of authorisation of the form. The lack of controls could result in misuse.	It has been agreed to produce an authorisation list which contains only two members of staff from each school who can authorise and send through to payroll changes via email. The use of the schools generic lotus notes email must stop and future emails must be issued directly from the member of staff's email account. Guidance notes will be produced and placed onto Moodle for all staff to become	Medium	Mar 2016	Paul Jones	**Not due for Implementation (In Progress):** The work on this is ongoing. The New Starter Checklist has been adapted and distributed to schools. A review of the current forms used by schools has led to the possibility of having an on-line schools forms database which will facilitate greater control over authorisation of changes to schools' payroll.

		aware and familiarise themselves with the revised process. All CTC forms should be signed as authorised by at least one of the two staff members from the authorised list from each school.				Authorised officers are being reviewed.
9	We checked ten New Starters to ensure they had the appropriate signed Contract of Employment within their personal file on the Electronic Document Management (EDM) system. We found : • In three cases we could not trace a Contract of employment. These related to supply workers engaged through ETeach and therefore did not require a Contract. • Four of the sample had Letters of Engagement or Terms and Conditions letters rather than official contracts as they were relief staff employed on a casual basis. One of these had not been signed. • None of the remaining three in the sample had been signed. In one case the contract had the wrong employee name and different start date, this has now been rectified but the EDM system has not been updated to reflect this.	We will review the Induction Checklist to add another line for reminding managers to obtain signatures on Contracts of Employment.	Low	Sep 2015	Irene Jackson	**Implemented:** We reviewed the form and can confirm that this has been changed to include a section for the obtaining of signatures on Contracts of Employment. Our testing on Contracts revealed that signed copies are now being obtained and scanned onto the EDM system.
10	We reviewed the process for the submission of timesheets to Payroll. These are emailed to Payroll from various services and are maintained on the Time Trent system. Authorisation of the timesheets is taken as being the person emailing the information. Our testing of ten timesheets submitted in March 2015 found that not all the persons emailing the information to Payroll are on	Persons emailing the timesheets will be contacted to ensure that if they are not the certifying officer they will copy in the appropriate officer indicating the individual taking responsibility for their accuracy.	Low	Sep 2015	Irene Jackson	**Implemented:** Persons who have emailed timesheets to ES In the previous three months have been contacted and advised that these must be either submitted by certified officers or at least copied into them. Our testing on a sample of submitted timesheets confirmed

	the Authorising Signatures List. Administration Assistants do not always copy in the certifying officer to the transmission email.					that all had been submitted or copied into certified officers.
11	There are fields within iTrent which are required to contain key data as if they are left blank, they may not be included in management reports generated, for instance, the "Reporting Manager". A report revealed that a total of 719 employee records did not have data recorded into the "reporting Manager" field as at March 2015. There are other fields within iTrent that if left blank also create the same problem. The payroll staff attempt to obtain the details to complete the fields. Key data fields should not remain incomplete or blank.	All fields which require completion to be included into Management reports will be populated as a matter of urgency. Each month a report is generated which shows the incomplete fields. Payroll staff are tasked with obtaining the relevant details from managers and staff.	Low	Sep 2015	Paul Jones	**In Progress:** Action has been taken to send out requests to employees for the required information where they have not completed the details of their Reporting Managers. If ES receive no response this is escalated to Chief Officers. See new Action 1
12	Our tests on the Authorised Signatory List (ASL) revealed that at the time of testing it was not up to date. The electronic copy contained persons having left the Authority and the hard copy required an up to date signature of an employee having changed their name.	The points raised have now been rectified and the ASL is regularly updated. The employee who requires an up to date signature on the hard copy has been contacted. The form for setting up an authorised signatory has also been altered to make it clear to employees that it is their responsibility to inform HR Services of any changes to their details and provide a new sample signature.	Low	Sep 2015	Paul Jones	**Implemented:** The electronic version of the ASL has been revised and streamlined. Work is still being undertaken on this prior to it being uploaded to iTrent. All paper copies of the Certification of HR Information Form are now maintained in three alphabetical files. The Certification forms stipulate the responsibility of officers to submit new sample signatures if they change their name. The person requiring a new sample signature has been contacted to submit a new form to ES. This person has been on extended maternity leave. See new Action 4

13	Our testing on a sample of ten requests for access to iTrent during 2014/15 revealed: • Requests for access are not always supported by the HR Management Information System Access Request Form; • Not all forms had all the required sections completed; • Not all access forms are the same. Some require the signature of the Head of Service, Line Manager and Authoriser. Some just require the Line Manager and Authoriser. In some cases the access forms contained the same signature as Line Manager and Authoriser.	Forms for the authorisation of access to iTrent have been developed and therefore varying ways of working have developed over time. An electronic version is being introduced and IT are currently working on this. Forms will be rejected if not fully completed and appropriately authorised.	Low	Dec 2015	Paul Jones	**Implemented:** Version 11 HR Management Information System (iTrent) Access Request Form is now on the Infonet. It contains guidance on how to complete it. This form will be rejected by Employment Services if not appropriately completed and authorised. Our testing on access to iTrent requests confirmed that this new form is being used.
14	Our sample of ten employees changing position during the year revealed that officers authorising the New Starter/change in position forms are not always certifying officers on the ASL. One employee did not have a form for the change in position but we were informed that HR are trialling saving managers in certain areas, such as Facilities Services and Leisure, from providing so many forms and allowing the Conditional Offer or Appointment forms to be sufficient.	Managers will ensure that the authorisation of forms for employees changing position within the Authority are at the appropriate level.	Low	Sep 2015	Irene Jackson	**Implemented:** Employment Services Assistants have been directed to reject any Changes in Position Forms if they have not been submitted or authorised by a certified officer. We can confirm that our testing on employees changing position from 2/10/15 had been authorised by certified officers.

5. Distribution List:

Name	Title	
Helen Stappleton	Chief Officer – People and Resources	
Sharon Carney	Lead HR Business Partner (Accountable Officer)	
John Griffiths	Employment Services Manager	
Paul Jones	Team Leader Data and Systems Support	
Irene Jackson	Team Leader HR	