



Committee and date

Audit Committee

16 September 2010

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Item No

4

Public

PAYROLL DATA ANALYSIS

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Summary

The Council engaged Deloitte's to conduct a review of data held on the Payroll System, Resource Link. The review provided assurance on the robustness of the Payroll controls at the time of the Council's transition to unitary status.

The exercise also provided assurance on the adequacy of the work that Internal Audit normally deliver to identify incorrect payments. It confirmed that the existing internal controls within the Payroll Team and the approach taken by Internal Audit is a sound basis for future audits.

Recommendations

- A. Members are asked to note the results of the Payroll data analysis.

Report

Background

1. Deloitte's were engaged to check the payroll transactional and employee master data for the Council, across three key stakeholder value areas within the payroll system: reducing costs, enhancing compliance and data quality and integrity.
2. Deloitte's analysed:
 - i. Monthly payroll transactions for May 2009 and November 2009
 - ii. Weekly payroll transactions for May 2009 – weeks 6, 7, 8, 9 and 10.

- iii. Weekly payroll transactions for November 2009 – weeks 32, 33, 34, 35 & 36.
- iv. Reconciled the total net payments to the Payrun Summary Analysis Reports.

These transactions include all employees of the Council (all payroll groups) including education staff and pensioners (those with employment and those receiving a pension).

| | May 2009 | November 2009 |
|---|-----------------|----------------------|
| Number of monthly payroll transactions | 20,308 | 19,583 |
| Number of weekly payroll transactions | 437 | 276 |
| Total net pay (monthly) | £16,199,129.76 | £16,130,994.63 |
| Total net pay (weekly) | £79,236.73 | £48,0854.80 |
| Number of unique employees in the master file | 13,013 | 13,752 |

- 3. Deloitte's worked with Council officers to further refine initial tests before producing their final draft report.

Findings

- 4. The following test did not highlight any exceptions;
 - i. Employees with unusual names (blank, "do not use", "old", "redundant", "duplicate"); and
 - ii. Employees with employee start date before birth date.
- 5. A review of test results for the following areas indicated minimal concerns with the integrity of source payroll date:

Reducing Costs

- i. Duplicate NI numbers and addresses;
- ii. Payments to employees not on master file;
- iii. Payments to employees that started and left within 30 days;
- iv. Payments to employees after the employee leave date;
- v. Payments differences between May and November 2009;
- vi. Payment differences between actual and salary;

- vii. Employees working excessive overtime hours; - this item had already been looked at under a previous internal audit. And
- viii. Employees paid overtime but working less than 37 hours a week.

Enhancing Compliance

- ix. Negative gross pay;
- x. Gross pay is less than net pay; and
- xi. Analysis of deduction percentages

Data Quality and Integrity

- xii. Employees less than 16 years old or greater than the national retirement age;
- xiii. Employees with duplicate NI numbers, name or addresses;
- xiv. Potential payments to employees sharing bank accounts or names and addresses;
- xv. Employees with duplicate bank accounts;
- xvi. Employees with unusual or invalid bank account formats; and
- xvii. Employees with incomplete address information.

Summary

- 6. Overall the Deloitte's work did not identify any areas that gave rise to any concerns and therefore reasonable assurance can be given on the robustness of the Payroll data and controls in place after the transition to unitary status in 2009.
- 7. The exercise also provided assurance in the work that Internal Audit annually delivers to identify data inconsistencies or over/underpayments as sound and reliable.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

None

Human Rights Act Appraisal

The recommendations contained in this report are compatible with the provisions of the Human Rights act 1998

Environmental Appraisal

N/A

Risk Management Appraisal

This report provides assurance as to the Payroll internal controls.

Community / Consultations Appraisal

N/A

Cabinet Member

Keith Barrow, Leader of the Council and Brian Williams, Chairman of Audit Committee

Local Member

N/A

Appendices

N/A