



<u>Committee and Date</u> Audit Committee 21 June 2013 10.00am	<u>Item</u> 4 Public
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UPDATE ON RECOMMENDATIONS FOLLOWING AUDIT OF SHARED SERVICES PAYROLL 2012/13

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1. Summary

- 1.1 The purpose of this report is to provide Audit Committee with an assurance that significant progress has been made against the recommendations highlighted in the Payroll System Audit 2012/13.

2. Recommendations

- 2.1. Audit Committee are asked to acknowledge the progress made against the recommendations outlined in the Payroll System Audit 2012/13.
- 2.2. Additionally members are asked to note that Shared Services has established day to day operational management control processes in providing Payroll Services for the authority.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1. The Payroll System Audit 2012/13 was undertaken as part of an annual review of the Payroll Service. During this internal audit a number of recommendations were made to improve the management controls of the Shared Services Payroll function.
- 3.2. Failure to operate the recommended management controls may lead, at best, to error; and at worst to fraud not being detected and to penalties for non-compliance where there are weaknesses in respect of legal requirements.
- 3.3. Not adhering to the recommendations could compromise controls as specified within the Council's Financial Rules and procedures in order to concentrate on the core function of paying staff.

4. Background

- 4.1. A scheduled Payroll Service audit took place during November 2012 and February 2013, with the draft report being issued for comments on 28 March 2013.
- 4.2. The draft audit report highlighted 30 payroll operational issues, of which:
 - 11 were significant
 - 19 were required attention.
- 4.3. The Financial Management Advice and HR Policy recommendations are not included in the content of this report.

5. Management Action Taken

- 5.1. On receipt of the draft audit report immediate action was taken by the Shared Services Manager to allocate resources to action the recommended management controls. These controls can be summarised under the following headings:
 - Administration Processes
 - Information Governance Assurance
 - Employee Documentation
 - Establishment Lists
 - Overpayments
 - System Integration.
- 5.2. A Payroll Services Action Plan has been developed with 63% of recommendations already completed:
 - 5 of which were significant
 - 12 of which required attention.

All remaining controls will be completed by August 2013.

- 5.3. Management Controls adopted now form part of the day to day operational procedures for Payroll Services, with regular monitoring of performance against these measures being undertaken by Shared Services management.
- 5.4. In addition a wider review of all Shared Services processes is being undertaken with an overall management controls plan being developed and implemented for all inclusive services i.e. finance/ICT/HR and Post-Room Services
- 5.5. The following information provides assurance that the management controls are in place and are being embedded into day to day Payroll activity:

Administration Processes

- 5.6 A 100% signature check is now being undertaken which replaces the 1 in 10 process which has been in place for a number of years.
- 5.7 The wording on the paper timesheets has been amended so that officers confirm that they have the appropriate authorisation to sign.
- 5.8 The aim is for all paper submissions to payroll to transfer to electronic format through the increased use of the Myview system.
- 5.9 This will be the same as we currently have in place for mileage claims where by the post to post setting identifies manager level authorisation.

Information Governance Assurance

- 5.10 The Data Transfer Information spread sheet has been reviewed and brought up to date. This document is now regularly reviewed to ensure that the arrangements in place for the transfer of data comply with Shropshire Council's Guidance for Handling Personal or Sensitive Information.

Employee Documentation

- 5.11 We have recently secured additional resource which has now resolved the immediate issues identified during the audit of up to date paper documents not being available on personal employee's files. We are also re-engineering the majority of the HR processes to take advantage of electronic solutions which will ultimately result in the reduction in the need for paper scanning in the future.

Establishment Lists

- 5.12 The function of issuing establishments to Managers has previously been carried out by HR policy through the corporate Electronic Document Management System (MORSE). Due to the current senior management restructures there is a need to create of a complete new hierarchy within the Payroll system. Now that an agreement has been made to progress this work, future control has now been made and Establishment lists will be made available to Managers on a regular basis once the new structure has been implemented.

Overpayments

- 5.13 The electronic submission of timesheets now incorporates the financial regulations statement bringing the process in in line with the Council's Financial Rules.

5.14 A monthly check has now been actioned with the process being monitored by a designated senior payroll officer to ensure the overpayments documentation is reviewed. This will then be audited by the HR Transaction Team Leader on a spot check basis.

5.15 In addition overpayments linked to 2 leavers have now been recovered.

System Integration

5.16 Setting up a unique reference for employment status cases will be actioned once the Corporate Finance System review project is completed. This work is being undertaken by the Corporate Finance development team and this will allow Shared Services to resolve any outstanding recommendations highlighted within the audit report.

6. Conclusions

6.1. Shared Services continues to provide statutory operational services on behalf of the Council and is committed to ensuring that it operates within management controls.

6.2. Good progress has been made against the recommendations outlined in the Payroll System Audit 2012/13, and the performance of the Payroll Service is being managed on a monthly basis and as part of quarterly reviews.

6.3. In addition Shared Services continues to undertake a wider business process review which will provide further assurances that management controls are adhered to through service redesign.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Cabinet Member (Portfolio Holder)
Mike Owen (Resources & Support)
Local Member n/a
Appendices