



## **Internal Audit Report**

FINAL

Customer Services

**Review of Payroll**

August 2011

## **1 INTRODUCTION**

This report has been prepared as a result of the Internal Audit review of Payroll within the Customer Services Department; as part of the 2011/2012 Internal Audit programme. The specific focus on this Audit was on variations of pay and specifically Travel and Subsistence. As part of the audit the information collected during the car allowances audit was used as a basis of this report.

## **2 AUDIT SCOPE AND OBJECTIVES**

The main objective of the Payroll audit was as follows;

- Payments for Travel and Subsistence are made only to valid employees;
- Payments are properly authorised;
- Payments are correctly calculated in accordance with authorised allowances etc; and
- There are adequate controls and appropriate segregation of duties to ensure that data is input accurately and credited to the correct employees.

## **3 RISK ASSESSMENT**

As part of the audit process and in conjunction with our CIPFA Systems Based Audit (SBA), ICQ approach, the risk register was reviewed to identify any areas that needed to be included within the audit. The areas identified were:

SR16 Failure to have a robust internal control process and system

## **4 CORPORATE GOVERNANCE**

There are no Corporate Governance issues to be reported as a result of this audit.

## **5 MAIN FINDINGS**

- 5.1 Payments for Travel and Subsistence are only made to valid employees.
- 5.2 There is a procedure in place to ensure that payments are properly authorised, however the audit identified that the authorised signatory list used for verification purposes requires to be updated on a more frequent basis than presently is the case. This point has been accepted and is being actioned.
- 5.3 There are procedures in place to ensure that payments are correctly calculated in accordance with authorised allowances, etc.

5.4 There are adequate controls and appropriate segregation of duties to ensure that data is input correctly and credited to valid employees.

## 6 RECOMMENDATIONS

No recommendations were identified as a result of the audit.

Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendations should be implemented in accordance with the agreed action plan. Management have set achievable implementation dates and will be required to provide reasons to the Audit Committee for failure to implement within the agreed timescale. Where management decides not to implement recommendations it must evaluate and accept the risks associated with that decision.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as fundamental, material or minor. The definitions of each classification are set out below:-

**High** - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

**Medium** - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

**Low** - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

## 7 AUDIT OPINION

Based on the findings we can conclude there are adequate controls and appropriate segregation of duties to ensure that accurate, authorised and correct amounts are input and credited to employees entitled to receive payment.

Recommendations arising from the audit work should be implemented by the nominated responsible officer within the agreed timescale. Recommendations not implemented will require explanation to the Audit Committee. This could lead to findings being reported in the Internal Control Statement produced by the Council in support of the Annual Accounts.

## **8 ACKNOWLEDGEMENTS**

Thanks are due to Creditors and Payroll staff for their co-operation and assistance during this audit and the preparation of the report and action plan.

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

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