



Hinckley & Bosworth Council – Internal Audit Report
Payroll & Pensions 2021/22
January 2022

Final Report

mazars

Contents

01 Introduction	1
02 Background	1
03 Key findings	2
04 Areas for further improvement and action plan	5
A1 Audit information	14
A2 Payroll Policy	16
Contacts	20

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01 Introduction

As part of the Internal Audit Plan for 2021/22, we have undertaken a review of Payroll and Pensions. The objectives of the audit were to evaluate the adequacy of the system of internal controls and its application in practice with the area under review.

We are grateful to the Payroll Officer and all other staff interviewed for their assistance during the audit.

This report summarises the results of the internal audit work and, therefore, does not include all matters that came to our attention during the review. Such matters have been discussed with the relevant staff.

02 Background

Arrangements to control and manage pay expenditure represent an important area for any organisation. Salaries and associated costs often represent a significant proportion of overall budgets. The Council has utilised MidlandHR (iTrent) as an integrated payroll and HR system since 2008. As of September 2022, there were 425 employees on the Council's payroll, as well as 72 casual staff members. Only the Payroll Officer and HR Manager have the access to process payroll.

The Council has a series of procedure notes in place in relation to the payroll system. The procedure notes were created by the Payroll Officer and are not subject to regular review. Procedures are available in a folder on a shared drive.

All office staff have access to the self-serve aspect of iTrent. Staff from HR and Payroll all have access to iTrent. HR staff manage recruitment and are responsible for adding new starters to iTrent. Responsibility for payroll and calculations of payroll is handled by the Payroll Officer.

Key documents should be scanned and indexed to the Enterprise Document Management System.

The Council has a New Starter Form in place which is to be completed for all new employees, then signed and dated by both HR and Payroll staff to record the data that has been input into iTrent and verified.

Job roles are graded through evaluations across a range of spinal points. The recruiting manager will confirm the salary of the new starter, which HR add to the draft contract and send to the line manager for confirmation.

When an employee accepts a role at the Council, HR requests scanned copies of their proof of identification in advance of their start date. On their first day of employment, candidates are required to provide physical copies of their documents, which are subject to Right to Work checks by HR, scanned and saved to their employee file.

The Council requires all employees (except casual staff) to provide two references prior to employment commencing. These references are required to cover the candidate's last three years of employment, or if this is not possible, a character reference.

All employees are provided with contracts of employment, which require their signature as acceptance. Contracts are then held on the relevant employee's file. Where workers are regarded as 'casual', they sign a Statement of Engagement for Casual Work.

Job descriptions are evaluated by managers, if a role requires a Disclosure and Barring Service (DBS) check then this is requested at the recruitment stage. HR will undertake the checks, completing forms online and recording the DBS reference and disclosure number on a spreadsheet and iTrent. If a role is new, the relevant manager is required to do an eligibility check online to see whether a DBS is required, and if so, whether it is an enhanced or basic check.

The leaver process is triggered when a manager sends HR a copy of a resignation letter. HR take this information, including the leave date and fill in a leaver form. Employees record annual leave on leave cards, which are monitored and retained by line managers. Leave cards are stored in Excel format for office staff and paper format for manual staff. HR will request a copy of the employee's leave card and collate with the leaver form to send to Payroll for final pay calculations.

Leavers should be marked as such on iTrent with the date recorded on the leaving form. Any adjustment to final pay, such as annual leave should be made.

P45s are submitted automatically to HMRC as part of a monthly batch run in iTrent following BACS payments. P45s are then printed and sent to employees in the post, along with their final payslip.

Changes to employee roles, hours or regrades are confirmed by the line manager. These changes are then sent to the HR team who complete a Change of Details Form to send to Payroll. This is then entered into iTrent.

Pension deduction calculations and percentages are sent annually from the County Council. These are input into the iTrent system by the Payroll Officer. Statutory deductions such as PAYE and National Insurance are calculated and applied within the system by Midland HR as an automatic process.

Claims for mileage are completed in the self-serve aspect of iTrent for office staff, with claims being sent to the line manager. Once approved, mileage requests are sent to Payroll for processing within iTrent. For manual staff, mileage requests are submitted using a paper form. These are sent for line manager approval and then onto Payroll for approval and processing.

Payment runs are undertaken by the Payroll Officer and then authorised by the HR Manager. The payroll is calculated, any errors are checked, and a warning report is run. All information is sent to Finance at month end for reconciliation.

03 Key findings

Assurance Rating



Limited Assurance

Rationale

Based on the agreed scope and rating criteria (see **Appendix A1** for the detailed scope and definitions of the assurance ratings), there is **Limited** assurance over the system of internal control evaluated.

The operation of controls within a specific area of Regulatory, Organisational and Management Requirements has been determined as Unsatisfactory in the case of Segregation of Duties and Right to Work checks, hence the High Priority recommendations. However, as this was a discrete area of the programme, Limited assurance has been given overall.

We have identified several areas of fundamental and significant control deficiency, and areas with room for improvement. Further detail regarding the recommendations is in **Section 04** and a summary of key observations is included below.

Priority	Number of Recommendations
High	2
Medium	6
Low	4
TOTAL	12

3.1 Examples of areas where controls are operating reliably

- We confirmed that Payroll procedures are available to staff in a shared drive.
- We received a list of reporting managers as exported from iTrent and confirmed all users had an authorising manager mapped into iTrent.
- We selected sample of ten out of 104 new starters between April 2021 and March 2022 and confirmed that their first basic salary matches the amount listed in their contract.
- We confirmed for the sample of ten new starters, that all applicable had a completed and verified new starter form in place.
- We confirmed that pension deductions have been made for the sample of ten new starters, where applicable.
- We confirmed for the sample of ten, that NI/Tax deductions had been made, where applicable.
- We confirmed for the sample of ten new starters, that those who required a DBS check have had this completed and a record taken of the reference number.
- We selected a sample of ten out of 87 leavers between April 2021 and March 2022 and found that leaver forms were in place for all non-casual staff members, and that these leaver forms had been signed by both HR and Payroll.
- For the sample of ten leavers, we confirmed that the 'left date' marked in iTrent matched the leaving date on the leavers form.
- We confirmed that P45s has been created and sent for the sample of ten leavers selected.
- We reviewed payment runs for July, August and September 2022 and confirmed that these has been prepared by Payroll and approved by the HR Manager.

3.2 Risk Management

We reviewed the Corporate Risk Register from October 2022. We found no risks directly linked to Payroll and Pensions. However, the following risk was listed- 'A45- Failure to prevent or detect fraudulent activities. Although we did not find evidence of fraudulent payroll activity at the Council, we found fundamental control deficiencies which led to incorrect payments, failure to conduct/record statutory right to work checks.

We have identified several further opportunities to improve the control environment and reduce risk exposure in this area as outlined in Section 04.

3.3 Value for Money

The effective and efficient administration of the organisation's core financial systems is important not only in ensuring robust financial control, but to ensure that activities such as payroll, are proportionate to their costs. Value for Money (VfM) implications also arise through the extent to which the existing financial systems meets the needs of the organisation, as well as the associated resourcing requirements.

In this way, the Council can evaluate whether the payroll process is achieving VfM through the assessment of Midland HR's ability to process payrolls accurately and free from error.

VfM implications arise in the expenses procedure in ensuring that expenses are only claimed for valid costs otherwise significant time and resource will need to be spent on correcting expense claims for relatively small sums of money.

Additionally, VfM implications arise in relation to the level of automation, or lack thereof, within the expense approval process. Our fieldwork found that whilst mileage claims are managed through self-serve in iTrent, other expense claims are submitted using paper request forms which are input by Payroll and verified by the line manager and HR. This requires additional time and resource for Payroll to assign expense claims within the system. The Payroll Officer advised that the use of iTrent for other expense claims has not yet been considered. We have raised a recommendation in relation to this in Section 04.

We noted that in HR and Payroll processes at the Council, there is an increased use of paper when compared to peers. This includes printing

and posting employee contracts, final pay slips and P45s, as well as the added postage costs.

The department also requires printing of employee files, to be signed by HR and Payroll, and then rescanned with wet signatures. The Payroll Officer informed us that there was a large backlog of cases awaiting scanning and indexing to employee files. We identified areas where we were unable to locate documents within employee files and have raised a recommendation in relation to this in Section 04.

3.4 Sector Comparison

Payroll and expenses are inherently high-risk areas. It is often found that without robust systems and processes being in place, these areas are highly susceptible to undetected errors or fraud. Furthermore, given continuing financial pressures, we have seen increasing incidences of fraud across the sector, although typically this is more prevalent around expense systems and processes. Good practice at other clients includes a regular reconciliation of headcount within the organisation to the staff listed on the payroll/HR system.

Greater reporting functionality allows for the use of data analytics tools. This permits for the analysis of all data sets providing a greater level of assurance than sample testing. In the course of our fieldwork, we found that iTrent does not currently have the functionality to export a list of salary adjustments that have been made. As a result of this, we were not able to obtain a population of salary adjustments from which to select a sample in order to perform testing. The functionality to produce reports on items such as this allows organisations to maintain oversight of changes being made to the payroll and, most importantly, to identify any salary adjustments that have been made in error.

We identified that the Council were not using variance reports to identify changes in monthly salary. We often see peers run monthly reports, demonstrating a range of payroll changes to be checked for validity including starters; leavers; +10% increase in salary; -10% decrease in salary; payments over £5k. We have raised a recommendation in relation to this in Section 04. The Payroll Officer confirmed that the

iTrent system has the functionality to undertake such reports and advised she had introduced them during the course of the audit.

04 Areas for further improvement and action plan

Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

We identified a number of areas where there is scope for improvement in the control environment. The matters arising have been discussed with management. The recommendations are detailed in the management action plan below.

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Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	<p>Segregation of duties</p> <p>Segregation of duties is built into HR/Payroll processes, with HR as the inputter and Payroll as the verifier.</p> <p>However, we found that there is no segregation of duties between HR and Payroll staff enforced within the iTrent software.</p> <p>Personnel who create or maintain payroll data and lists should not be allowed to make changes or add employees without management approval.</p> <p><i>Risk: Staff can add ghost employees, leading to fraudulent payments.</i></p>	The Council should enforce segregation of duties between recruitment and payroll duties in iTrent.	High	<p>The HR team have had full system access (over time) to increase resilience, for example, if payroll officers are absent then the three HR staff can run payroll.</p> <p>However, it is acknowledged that whilst we are increasing resilience to run a payroll, if the payroll officer is not present, it does increase the risk to add 'ghost' employees. In light of the audit report, we have now split access to the system as follows:</p> <ul style="list-style-type: none"> • Payroll Officer and HR Manager (system administrator rights only so access to HR and Payroll) • HR officers, HR assistant and H&S Officer – read only rights and input into recruitment modules only. 	1 December 2022 HR Manager

4.2	<p>Right to work (RtW) checks</p> <p>We selected a sample of 10 new starters between April 2021 and March 2022 and asked to see their Right to Work documentation.</p> <p>The HR Assistant advised that at the time of the audit, the department had a 10+ month long backlog of files waiting to be scanned and uploaded to Enterprise.</p> <p>We found that the dates of the checks of documents are not being recorded on the document scans at the time of the checks, as required by government guidance.</p> <p>Due to the backlog of document uploads, two of the sample selected (who started in March 2022) did not have their RtW documents uploaded to their electronic employee file.</p> <p>The Council could not provide RtW documentation for three employees, one employee had started in August 2021 and was no longer in employment with the Council. The other two employees had been TUPE transferred from Sopra Steria and RtW checks were assumed to have been done at the previous organisation</p> <p><i>Risk: New starters are not eligible to work. The Council is liable for civil penalties and criminal convictions.</i></p>	<p>The Council should:</p> <ul style="list-style-type: none"> • Complete RtW checks for all new employees; • Record date of checks on scans of documents; • Obtain assurance by completing RtW checks for the two current employees who were TUPE'd; and • Consider going paperless to prevent backlog of paper records. 	High	<p>Indexed files are now up to date.</p> <p>The backlog was due to high levels of recruitment, which has been unprecedented, and has taken priority over the indexing of documents. Original passports are seen at the HR Induction stage. Due to the HR officer being relatively new, they have not been signed and recorded to say they have seen the original copy. This has now been rectified and the officer has received refresher training to record as per the government guidance.</p> <p>This is in progress as we acknowledge that it is best practice to do so. However, this is not mandatory under the TUPE process.</p> <p>This will be considered as part of the review of the HR System</p>	<p>Immediate</p> <p>HR Manager</p> <p>February 2023</p> <p>September 2023 HR Manager</p>
4.3	<p>Annual leave</p> <p>Council employees maintain 'Leave Cards' recording their entitlement and</p>	<p>The Council should review its annual leave procedures and implement a policy, detailing its approach to annual leave periods and leave cards.</p>	Medium	<p>The council has an 'Annual leave guide for Managers'. The automation of annual leave requests was considered</p>	<p>September 2023 HR Manager</p>

<p>usage dependent on their start date and run annually from that date.</p> <p>There is no Annual Leave Policy in place setting out HBBC's approach to annual leave periods and management of leave cards for all employees. However, there is a 2020 document named 'Annual Leave Guide for Managers' which details calculations for annual leave entitlement.</p> <p>HR maintains a master spreadsheet of all employee's leave entitlement; however, annual leave is managed by an individual's line manager.</p> <p>HR does not have oversight of individual leave and leave cards are not stored in a central location.</p> <p>When an employee leaves, HR request the individuals leave card and use this information to complete a calculation of the leaver's annual leave entitlement to be paid/claimed back.</p> <p>We selected a sample of ten leavers between March 2021 and April 2022 and reperformed their annual leave calculations.</p> <p>We identified one occasion where an employee had been overpaid by £85 due to a miscalculation.</p> <p>We also identified two occasions where employees carried annual leave (four days and eight days respectively) over to the following year, despite the Annual Leave Guidance document stating '<i>If an employee does not take their full</i></p>	<p>The Council should consider using iTrent to log and approve employee annual leave and/or require annual leave cards to be stored in a central location where HR have access.</p> <p>The Council should ensure that annual leave calculations are checked and verified so that employees are paid for annual leave correctly.</p>	<p>previously, however it proved problematic to implement personal leave years. It would also not work for manual employees (approximately 80 staff) who do not access iTrent. This will be re-visited as part of the HR system review.</p> <p>HR do not manage the AL as this is delegated to managers. All managers sign off holiday requests and carry forward and this is recorded on the employee and manager copy. The maximum of the five days carry forward was relaxed during the pandemic and guidance was issued to all staff.</p> <p>Whilst always verified by one officer, we are implementing an approach where this is checked by two HR officers before submitting to payroll.</p>	
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4.4	<p>Time Off In Lieu (TOIL)</p> <p>The Council's TOIL Policy states that staff should not be allowed to accrue more than three working days TOIL and that this must be taken within 12 months of accrual. However, in exceptional circumstances, managers have discretion to agree up to five days.</p> <p>In our testing of leavers, we identified one employee who had accrued 32 hours of TOIL. Although we have seen evidence that this was approved by the line manager, we were not provided with any supporting evidence of exceptional circumstances for this TOIL accrual.</p> <p>As with annual leave, HR do not presently conduct these checks when processing a leaver and responsibility for enforcing the Policy is with the line manager.</p>	<p>The Council should remind relevant managers of its TOIL Policy and where exceptional circumstances arise, evidence should be retained.</p>	Medium	<p>Under 7.6 of the TOIL policy - in exceptional circumstances the manager can agree that TOIL can be accrued up to 5 days.</p> <p>Generally, staff do not accrue TOIL as they have access to the flexi time scheme to manage workloads. However, in this circumstance the officer involved had accrued excessive hours due to workload within the planning team (she was admin support).</p> <p>The attached holiday leaver information supports our view that all carry forwards and holiday approvals are signed off by the manager.</p>	N/A

	<i>Risk: Staff accrue TOIL over and above policy allowances, affecting staff budget management.</i>				
4.5	<p>Payroll Policy</p> <p>The Council does not have a payroll policy and procedure in place documenting key roles and responsibilities in the payroll process along with a timetable detailing key dates and milestones.</p> <p>Policy documents serve to ensure that the payroll process does not experience significant delays in the instance that a key member of staff, e.g. the Payroll Officer, is unavailable.</p> <p>We have included an example in Appendix 2.</p> <p><i>Risk: Staff are unable to process payroll in the absence of the Payroll Officer.</i></p>	<p>The Council should produce a payroll policy detailing the roles and responsibilities of key members of staff involved in the process. The policy should include key dates, milestones and timelines.</p> <p>The Council should introduce a timetable detailing key dates and deadlines in relation to payroll processes.</p> <p>The payroll timetable should be issued and accessible to all relevant employees</p>	Medium	This will be documented.	June 2023 HR Manager
4.6	<p>Procedures</p> <p>Payroll procedures that are in place are created by the Payroll Officer. There is currently no programme of regular review of these documents.</p> <p>The New Starter procedure includes an out-of-date version of the New Starter Checklist which is no longer in use.</p> <p>We identified that there are no procedures in place for the following key payroll areas:</p> <ul style="list-style-type: none"> • Variations/adjustments; • Deductions; • Expenses; 	<p>The Council should implement standard operating procedures for all key payroll areas and ensure these are easily available to staff for reference.</p> <p>All policies/procedures should be given a review period and reviewed in line with this schedule.</p>	Medium	The procedures will be reviewed annually. The new starter checklist is updated and has been reflected within the procedure note.	June 2023 HR Manager

	<ul style="list-style-type: none"> Reconciliations. <p><i>Risk: Processes are carried out inconsistently or incorrect due to a lack of guidance. Guidance is not reviewed regularly and therefore does not reflect changes in current practice.</i></p>				
4.7	<p>Contingency plan</p> <p>There is no formalised contingency plan in place for the payroll department.</p> <p>Only the Payroll Officer and HR Manager have access to process payroll.</p> <p><i>Risk: There is no plan in place for the payroll department in the instance of emergency</i></p>	<p>The Council should formalise a contingency plan for the payroll department in the event of an emergency. The contingency plan should be reviewed and approved regularly.</p>	Medium	<p>Given the change in segregation of duties the current plan needs to be reviewed and updated</p>	<p>June 2023</p> <p>HR Manager</p>
4.8	<p>Variance reports</p> <p>The Council does not currently undertake any monthly salary variance reporting.</p> <p>At peers, we see organisations using their payroll software to conduct variance reporting on a range of factors including new starters, leavers, salary increase >10%, salary decrease >10% and payments over £5k.</p> <p><i>Risk: Payroll are unaware of incorrect payments to staff, leading to financial loss.</i></p>	<p>The Council should introduce monthly variance reporting using iTrent to identify any discrepancies.</p>	Medium	<p>Reports now being run.</p>	<p>Implemented HR Manager/ Payroll Officer</p>
4.9	<p>Employee contracts</p> <p>All employees should have a signed contract in place.</p>	<p>The Council should ensure all employees have a signed contract saved to employee file.</p>	Low	<p>Data has always been held. Backlog files are now up to date.</p>	<p>Implemented</p>

	<p>We selected a sample of 10 new starters between April 2022 and June 2022. Contracts were not available on employee files for two employees but were located in paper form. We were informed that this was due to a backlog in indexing the cases to the electronic system. These employees commenced employment in March 2022.</p> <p><i>Risk: The Council and its employees are unaware of their respective rights and responsibilities.</i></p>				
4.10	<p>References/Paper</p> <p>The Council requires two references covering the last three years of employment for any permanent or fixed term employees.</p> <p>We selected a sample of ten new starters between August 2021 and June 2022 and found that on two occasions (in June 2021 and November 2021), the references for the starters were not saved to the employee file on the document storage system.</p> <p><i>Risk: Employee information is not easily accessible when needed.</i></p>	<p>The Council should ensure all pertinent employee information is uploaded to employee files in a timely manner.</p>	Low	<p>Data has always been held. Backlog files are now up to date.</p>	Implemented
4.11	<p>Mileage</p> <p>Office staff should claim mileage through the self-serve function in iTrent. There is a procedure document in place that states employees should include a fuel VAT receipt for the period claimed.</p>	<p>The Council should ensure supporting VAT fuel receipts are uploaded to iTrent along with claims.</p>	Low	<p>VAT receipts are sent to HR and stored centrally on an annual basis.</p> <p>Will review as part of the system review.</p>	September 2023 Julie Stay

	<p>The Payroll Officer told us that these are not uploaded to iTrent and instead assumed to have been reviewed by the line manager at approval stage.</p> <p>There are no checks on mileage claim amount conducted by Payroll.</p> <p><i>Risk: Mileage submissions are incorrect or fraudulent.</i></p>	<p>The Council should consider introducing spot checks on mileage claims to ensure accuracy and compliance with the Flexible Working Policy.</p>		<p>Not practical due to limited capacity. It is the managers responsibility to ensure that mileage claims are accurate.</p>	
4.12	<p>Expenses</p> <p>Staff expense claims have been processed by Payroll since January 2022.</p> <p>As detailed in 4.7, there are no procedure notes held by Payroll detailing the current process.</p> <p>Staff submit expense claims using a paper request form, to which they attach receipts and send to their line manager for approval. Once approved by the line manager, the form is sent to Payroll to process via email or internal post.</p> <p>Once received, payroll add these into a spreadsheet for the month '<i>Master spreadsheet</i>'.</p> <p>Once payroll have received and input the data, the claim forms and receipts are printed, added to a folder for the month and sent to HR to be verified. HR review submissions and receipts and add a wet signature.</p> <p>Once verified, the paper file is then sent back to Payroll, who send the file to the post room to rescan and upload the</p>	<p>The Council should:</p> <ul style="list-style-type: none"> • Ensure all expense claims have the appropriate approval; and • Consider moving the expense process over to iTrent. 	Low	<p>Will review as part of the system review.</p>	<p>September 2023 HR Manager</p>

documents to the document retention system. The file is then sent back to Payroll and the Payroll Officer checks the file again to ensure everything has been uploaded before the file is destroyed.

HBBC have not yet considered moving this process over to employee self-serve iTrent.

We selected a sample of ten expense claims between April 2022 and June 2022 and found one occasion where no evidence of line manager approval could be found, and three occasions where evidence that HR had verified the claim could not be provided.

Risk: Incorrect payments to staff resulting in financial loss. Paper documents could be lost. Manual processes take up staff resources.

A1 Audit information

Audit Control Schedule	
Client contacts:	Beverley Parker: Payroll Officer/ Systems Administrator
Internal Audit Team:	Peter Cudlip: Partner Sarah Knowles: Senior Audit Manager Jessica Holt: Assistant Manager
Finish on-site / Exit meeting:	2 November 2022
Draft report issued:	15 November 2022
Management responses received:	12 January 2023
Final report issued:	25 January 2023

Report Distribution List Report	Name	Job Title
Draft & Final	Beverley Parker	Payroll Officer
Draft & Final	Julie Stay	HR Manager
Draft & Final	Julie Kenny	Director (Corporate and Streetscene Services)
Draft & Final	Ashley Wilson	Head of Finance (S151 Officer)
Final	Bill Cullen	Chief Executive

Scope and Objectives

Audit objective: Our objective is to provide assurance that HBBC has effective controls in place over its Payroll and Pension processes.

Our audit considered the following risks relating to the area under review:

- Standing data is amended incorrectly or fraudulently;
- Incorrect payments made to staff resulting in financial loss;
- Ghost employees are added to Payroll;
- Payments are made to officers who have left the council;
- Unauthorised amendments made to payroll;
- The Council pays more than is required due to incorrect calculation of deductions;
- Errors in payroll processing not identified in a timely manner;
- Inaccurate financial information; and
- Inaccurate transfer of data.

The objective of our audit was to evaluate the adequacy of key controls and the extent to which controls have been applied, with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

The limitations to this audit were that testing was performed on a sample basis and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.

Definitions of Assurance Levels	
Level	Description
Substantial	The framework of governance, risk management and control is adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Definitions of Recommendations	
Priority	Description
High (Fundamental)	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.
Medium (Significant)	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.
Low (Housekeeping)	Scope for improvement in governance, risk management and control.

Statement of Responsibility

We take responsibility to Hinckley and Bosworth Borough Council for this report which is prepared on the basis of the limitations set out below. The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed. We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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A2 Payroll Policy

1. Policy

X are committed to providing a comprehensive payroll service which pays employees accurately, on time and deals appropriately with payroll queries/enquiries.

X will also ensure that the payroll service complies with all statutory, legal and contractual requirements and contributes towards staff retention and the X strategic objective of being the local employer of choice.

This Policy has been written with a view to avoiding any adverse impact it may have on any individual by reason of their age, disability, gender, gender reassignment, sexual orientation, race, religious belief, paternity/ maternity or civil partnership/ marital status (in accordance with the Equality Act 2010), caring responsibilities or chosen working pattern

Responsibilities

- Head of Human Resources and People Development: Ownership of the Policy
- HR/Payroll: Overall responsibility for the implementation and monitoring of the Policy.
- All Managers and Staff: To be aware of, and implement the contents of this Policy.

2. Purpose of the Policy

The purpose of this Policy is to ensure that:

- (a) Employees are paid accurately and on time;
- (b) Employees are aware of their responsibilities in ensuring that they are paid accurately and on time

- (c) The X has appropriate internal approval processes in place for payroll

3. Payroll Activities

In order to ensure the provision of a comprehensive payroll service the HR department will undertake the following activities:

- Generate the monthly input process for payroll, including integration via HR system on starters, leavers, employment changes, sickness, absence and relevant statutory payments
- Collate and validate all overtime, mileage and expenses payments
- Apply any statutory advice or instruction
- Undertake relevant data checks throughout the payroll process
- Ensure timely and accurate creation and submission of P60's, P11d's and year end completion
- Ensure the timely and accurate completion of all statutory, legal and contractual returns.
- Collate and validate payments to statutory bodies or other third parties as legally or contractually required
- Respond appropriately to staff queries

4. Payments

4.1 Cost of Living/Annual pay awards

Where cost of living increases are agreed by Chief Executive these will be paid with effect from the 1st April in the relevant year.

Annual pay awards for Directors and the Chief Executive will be agreed by the board following a review by the Remuneration and Appointments Committee.

4.2 Overtime

In order to claim overtime the relevant form must be completed by the individual making the claim and then submitted to their manager for approval. The completed form then needs to be forwarded to Payroll.

Part-time employees are paid at their standard hourly rate until the hours they have worked equate to full time.

4.3 Expenses

In order to claim expenses the relevant form must be completed by the individual making the claim and then submitted to their manager for approval. The completed form then needs to be submitted to Payroll.

Expenses must be claimed within one month of being incurred in order to guarantee payment. The expense form must be submitted to Payroll by the 5th of the month in order to be included in that month's payroll.

Please refer to the Expenses Policy for more details.

4.4 Mileage Claims

In order to claim mileage the relevant form must be completed by the individual making the claim and then submitted to their manager for approval. The completed form then needs to be submitted to Payroll. Mileage books can be obtained from HR/Payroll.

Mileage must be claimed within one month of the journey being undertaken in order to guarantee payment. The mileage claim form must be submitted to Payroll by the 5th of the month in order to be included in that month's payroll.

Please refer to the Expenses Policy for more details.

4.5 Other Payments

Other payments processed through Payroll will be paid in line with the relevant policies.

5. Monthly Payments

Salaries are paid on or around the 15th of the month by direct credit transfer into a bank or building society account of the employee's choice.

It is the employee's responsibility to ensure that they keep their bank account details up to date using HR system self-service utility.

6. Pension Auto Enrolment

All new members of staff will be automatically enrolled into the X's Personal Pension scheme. X has agreed to utilise the postponement period of three months. The first pension deduction will be in the third month after commencement of employment.

Employees will be able to opt out of the scheme by contacting the X's Personal Pension scheme provider.

Should an employee opt out of the scheme they will be automatically re-enrolled every three years.

For further information on the X's personal pension scheme please refer to Intranet or contact HR/Payroll.

7. Input and Authorisation of the Payroll

All employees' contracts and any other payments are authorised by the Head of HR and People Development or a Director

The payroll input will be made by a member of HR/Payroll and will be checked by the Head of HR and People Development, who will in normal circumstances not be responsible for the input. If they have been involved in the inputting of data, the input will be checked by another member of HR. Once checked by HR and the relevant reports prepared, the payroll will undergo a check by a senior member of Finance who will sign the reports to confirm that the appropriate checks have been undertaken.

Final authorisation of the payroll, along with the authority to release funds to meet the requirements of the payroll, will be made by the Chief Executive. If the Chief Executive is unavailable, final authorisation will be signed by the Finance Director or another Director.

The BACS payment file submission is produced by a member of HR. This is then approved and sent by the Finance Department.

8. Overpayment of Funds/Payroll Discrepancies

8.1 During Employment

HR/Payroll is responsible for ensuring that appropriate systems exist for ensuring that all staff who are subject to payroll discrepancies are dealt with in a fair and equitable manner and in accordance with current employment legislation and good practice.

Employees have a responsibility for checking each payslip they receive and to advise HR/Payroll if they have been overpaid by any amount. Failure to do so may result in disciplinary action, particularly if the employee was aware of an overpayment but failed to report it.

In addition, budget holding managers have a responsibility to review all salaries and wages charged to their cost centre and query any unusual items or unexplained variances with HR/Payroll.

In accordance with the Employment Rights Act 1996 the X are lawfully entitled to make a deduction for an overpayment made to an employee by deducting it from future wages. Consideration will be given to the circumstances of each employee and the circumstances of the overpayment and an overpayment repayment schedule may be agreed by the Head of HR and People Development dependent on the circumstances of the overpayment. A copy of the schedule will be kept on the employee's personnel file.

In the event of an overpayment of salary or any other payment, the employee will be met with by a member of HR/Payroll and/or their manager to discuss

this. They will also be provided with any written notice of the background to the overpayment, the amount of overpayment and the proposed plan for repaying the money.

If during the period of repayment the employee's salary is affected by maternity leave, half pay due to sickness absence or no pay for any other reason, then the schedule may be renegotiated.

8.2 On leaving the X

When an employee leaves the X any outstanding balance on an overpayment repayment schedule will be recovered in full from the employee's final payment. Should the final payment not be sufficient to cover the outstanding balance an additional payment will be required from the employee prior to their departure.

In exceptional circumstances an employee may request for the repayment to be made in instalments which will need to be agreed with the Head of HR and People Development.

8.3 After an employee leaves

If an overpayment is identified once an employee leaves the ex-employee will be contacted and provided with written notice of the background for the overpayment, the amount along with a request for payment within 14 days.

If no response is received from the ex-employee within this timeframe the X's normal debt recovery procedure will be followed for the outstanding amount.

9. Underpayment of salary or any other payments

In the event of an underpayment of salary or any other payment, the discrepancy will be rectified in the following month's payroll run.

In the event that the employee feels that they will be caused financial hardship by waiting for the rectification, they can request the X consider an interim payment. The criteria for an interim payment will be that the employee has

suffered a significant shortfall in the net pay that they expected to receive as a result of the underpayment. Any interim payment needs to be agreed by the Head of HR and People Development.

No interim payments will be made where the shortfall in pay was caused by the employee submitting overtime, mileage or expenses claims after the payroll deadlines.

10. Monitoring and storage of information

All payroll documentation and data will be stored securely and confidentially and will only be used for the purpose for which the information has been collected.

Payroll records will be kept for 6 years after which time the records will be disposed of confidentially.

11. Review

This Policy will be reviewed from time to time to ensure that it reflects the X's legal obligations and organisational and business needs.

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