

# AUDIT GLASGOW

## Loch Lomond & The Trossachs National Park Authority

Payroll Review

Final Report

February 2023



FS 57095



# 1 Introduction

- 1.1 As part of the agreed 2022/23 Internal Audit plan, we have carried out a review of the payroll arrangements in place within Loch Lomond & The Trossachs National Park Authority (the Park Authority).
- 1.2 As at September 2022, the Park Authority had 195 employees who they were responsible for paying salary payments to each month; this included 43 bank staff (who are seasonal employees). The total salary costs (not including National Insurance or Pension contributions) for 2021/22 were approximately £6.3m. The Access Payroll system is used to manage Park Authority payroll information and it is important that this information remains up to date to ensure that the salary payments employees receive remain accurate.
- 1.3 The purpose of the audit was to gain assurance that the payroll arrangements are adequate and are being adhered to and that the information within the payroll system is accurate. The scope of the audit included reviewing:
  - The arrangements in place to ensure payroll information, including deductions, is accurate and up to date.
  - The documented procedures in place in relation to payroll.
  - The process in place for ensuring that bank staff who have not been employed for a prolonged period of time are removed from the payroll system.
  - The information held on the payroll system and confirming with management that all staff being paid are current employees.
  - A sample of payments through payroll, including to bank

staff, to verify that they have been made correctly and that the data held on the payroll system is accurate.

## 2 Audit Opinion

- 2.1 Based on the work carried out a reasonable level of assurance can be placed upon the control environment. The audit has identified some scope for improvement in the existing arrangements and 3 recommendations which management should address.

## 3 Main Findings

- 3.1 We found that some key controls are in place and generally operating effectively. Admin access to process payroll changes in the Access Payroll system is appropriately restricted. Bank staff follow the same processes as permanent employees and are included within any payroll changes provided to Payroll by Human Resources (HR). Bank staff are terminated on the payroll system at the end of the season. The officers responsible for processing payroll changes demonstrated awareness of their roles and responsibilities in relation to agreed processes.
- 3.2 However, we also identified some opportunities for improvement. Although there are agreed processes in place in relation to new starts, leavers, transfers (where an employee moves to a new post internally), payroll changes, deductions to payroll and bank staff, these are not documented.
- 3.3 We reviewed a sample of 15 employees to confirm they are current employees and that the information held within the payroll system is accurate (contractual hours, contract type, pay and payroll deductions). For all 15 cases, we confirmed that employees were genuine and that their salaries and payroll deductions as at September 2022 (for example credit union, savings club, student loan, tax, pension, national insurance contributions) were correct. For 13 cases, we confirmed that employee contractual hours and contract type were correct; for one employee, their contractual hours were recorded as 35 on the payroll system instead of 21 and their contract status was recorded as 'fixed term' instead of 'permanent'. For the remaining one employee, their contract status was recorded as 'seasonal' instead of 'fixed term'. These did not impact the employees' pay and have now been rectified as a result of this audit.
- 3.4 We were advised that spot checks are performed monthly by an independent officer to ensure that payroll changes processed on the system are correct, however these checks are not documented and the checks do not include a review of the associated paperwork. We found that additions/changes to bank details on the payroll system are not verified by an independent officer and are also not included as part of the spot checks.
- 3.5 We found that management review the list of current employees/vacancies as part of the budget monitoring process on at least an annual basis to ensure it remains up to date. However, the data verified is not taken from the payroll

system and therefore currently there are no regular checks of the information recorded on the payroll system to ensure it remains up to date.

- 3.6 An action plan is provided at section four outlining our observations, risks and recommendations. We have made 3 recommendations for improvement. The priority of each recommendation is:

Priority	Definition	Total
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	2
<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.	1
<b>Low</b>	Lower level controls absent, not being operated as designed or could be improved.	0
<b>Service Improvement</b>	Opportunities for business improvement and/or efficiencies have been identified.	0

- 3.7 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.
- 3.8 We would like to thank officers involved in this audit for their cooperation and assistance.
- 3.9 It is recommended that the Chief Internal Auditor submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

### 3 Action Plan

No.	Observation and Risk	Recommendation	Priority	Management Response
<b>Key Control:</b> Adequate, documented procedures for processing payroll changes are in place.				
1	<p>Although there are agreed arrangements for processing new starts, leavers, transfers, payroll changes (for example changes to contractual hours, salary increments, changes to contract status), deductions (for example Credit Union, AVC Prudential, Student Loan, Cycle to Work Scheme) and timesheets for bank staff, these are not documented. We were advised that the Park Authority staff have already commenced documenting the current payroll processes.</p> <p>Where there are no documented procedures, there is an increased risk that incorrect processes are followed and errors are made.</p>	<p>Management should ensure that all key processes in relation to new starts, leavers, internal transfers, payroll changes, deductions and timesheets are documented.</p> <p>All documents should contain version control and be made available to all relevant staff.</p>	Medium	<p><b>Response:</b> Accepted</p> <p>Process documents to be developed for all key processes identified.</p> <p><b>Officer Responsible for Implementation:</b></p> <p>HR Manager</p> <p><b>Timescales for Implementation:</b></p> <p>31 August 2023</p>
<b>Key Control:</b> Management checks are in place to ensure that agreed procedures are being followed.				
2	<p>We were advised that an independent officer spot checks payroll amendments processed on the system. These include checking if the instructions provided from HR to payroll (in the form of a spreadsheet) agree with the changes made. However, these spot checks do not include verifying if the paperwork</p>	<p>Management should consider introducing a second officer check for all payroll changes to ensure that these are processed correctly. If resources do not allow for this, management should agree the minimum percentage of checks that should be undertaken monthly. The checks should include a review of all associated paperwork and should be documented for future</p>	High	<p><b>Response:</b> Accepted</p> <p>Documented second person checks will be introduced for monthly payroll changes as follows: -</p> <p>100% of changes out with the season.</p>

received to initiate the changes match the actual changes made. The spreadsheet provided also does not include all relevant information, such as bank details and national insurance numbers therefore these are not verified. Changes to bank details are also not subject to a second officer check.

A record of the checks and subsequent amendments (if required) undertaken is not maintained and therefore we are unable to confirm the checks undertaken.

Where there are insufficient payroll checks in place, there is an increased risk that incorrect data processed on the payroll system goes undetected.

reference.

All amendments made to bank details should be verified by a second officer.

50% of changes within the season.

**Officer Responsible for Implementation:**

HR Manager

**Timescales for Implementation:**

31 March 2023

**Key Control:** Regular payroll verification exercises are in place to ensure payroll information remains up to date.

3 We found that management review the list of current employees/vacancies as part of the budget monitoring process, on at least an annual basis, to ensure it remains up to date. However, the data verified is taken from the Finance budget spreadsheet and not from the payroll system. Therefore currently there are no regular checks of the information recorded on the payroll system.

The lack of a regular payroll verification exercise increases the risk of incorrect

Management should ensure that the data held on the payroll system is reviewed on at least an annual basis by line management to ensure that payroll information is accurate and up to date. An audit trail of the exercise should be maintained.

**High**

**Response:** Accepted

We will introduce a documented process between HR and Operational Managers who will check the accuracy of all staff on the payroll system. This will be done annually.

**Officer Responsible for Implementation:**

HR Manager

information being recorded on the payroll system.

**Timescales for Implementation:**

30 April 2023