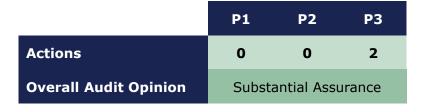# Schools Themed Audit - Payroll

City of York Council

Internal Audit Report

Business Unit: Children and Education Directorate
Responsible Officer: Assistant Director of Education
Service Manager: School Business Support Manager
Date Issued: 24th February 2023
Status: Final
Reference: A3060/002

	P1	P2	P3
Actions	0	0	2
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

There are 24 local authority maintained schools remaining in York. Four school themed audits were agreed as part of the internal audit plan for the council's Children and Education directorate.

23 of those 24 maintained schools opt to purchase the payroll services of the City of York Council (CYC), while the one remaining school uses another local authority's payroll provision. There have been recent changes made to the way information is submitted to CYC, by schools, in relation to payroll data. These changes have been implemented with the aim of streamlining the payroll process and making the administrative aspects more efficient. These changes also mean that less detailed information is provided to the council to support payments in relation to additional hours. However, schools are still expected to maintain all information, including timesheets, internally.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensured that:
- Any work undertaken in relation to variable hour contracts or casual employment was managed correctly and supported by the correct documentation.
- Payments made to staff for additional hours were accurate, authorised and supported by the correct documentation.
- Payment information was submitted to the payroll provider promptly and was independently checked and reconciled.
- Schools were monitoring budgets set for staff and staff cover and there were processes in place for reporting large variances appropriately.

This themed audit was undertaken across seven schools and included the one school where CYC payroll is not used as the provider.

Key Findings

This review did not identify any members of staff on variable hour contracts and therefore the arrangements for these could not be tested. Three of the seven schools employ casual and relief staff who are required to work at times when normal contracted staff are unable to cover demands. All three schools confirmed that the use of casual staff is planned for wherever possible and is authorised by a member of the senior leadership team. Two of the three schools require those working on a causal basis to complete a timesheet to detail the work undertaken during the relevant weekly period. The remaining school does not use City of York (CYC) payroll and requires casual workers to complete an online claim submission through a payroll portal.

Payroll data for each school was reviewed and a sample of payments made in relation to additional hours was selected. On the whole, additional hour payments had been made accurately in accordance with completed, detailed timesheets which had mostly been signed by both the employee working the additional hours as well as the relevant line manager. One school did not respond to the information

request for timesheets and one other school had destroyed several of these documents prior to the audit. In those schools where timesheets were provided, there were a small number of these documents not signed correctly.

All but one school were using a summary log to record the number of additional hours worked by staff each month. The one school who did not use this same log also did not use CYC for its payroll provision. As opposed to the summary log provided by the council, this school relied on an electronic sign-in system to gather information relating to casual work and any additional hours. All schools confirmed that additional hours are planned and pre-authorised wherever possible, however some extra hours do arise during urgent and unplanned circumstances.

A review of the payroll process in each school confirmed that those schools using CYC's payroll summary spreadsheet were undertaking frequent checks to ensure the claim information, due to be submitted for payment, could be supported by timesheets totalling the same number of hours. The school using the electronic sign-in system, Inventry, stated that this could be used to identify those hours worked that were above a member of staff's normal contract. However, on review of this system, the information available was not complete and did not lend itself to a sufficient reconciliation to support the number of casual or additional hours being claimed for. All schools could evidence authorisation of the payroll prior to submission to the payroll provider and additional hour claims had been paid promptly following completion of this extra work. However, it was identified that post-payment checks in three schools are being undertaken by the same member of staff responsible for submitting the payroll information.

As part of this audit, a number of questions were asked in relation to the budget monitoring of staffing costs and the cost of covering staff absence or resource gaps. The information provided by schools, namely in the form of outturn reports for 21-22 financial year, highlighted large overspends in relation to staffing and especially in relation to supply and agency cover. These significant overspends were mainly due to the Coronavirus pandemic, where staff absence was at an unprecedented high due to illness and isolation. All schools are producing monthly budget monitoring reports and these are being submitted to governors, along with commentary, on a regular basis. A review of the latest budget monitoring reports for 2022-23 confirmed that schools are generally forecasting expenditure for supply and agency staff to be within budget. One school is predicting a significant overspend for supply and agency staff this year, however the budget monitoring report provides details as to why this has occurred. Five of the schools included in this review are forecasting an underspend in relation to additional hours for current staff. These underspends suggest that there may be scope for more cover to be undertaken internally as opposed to using costly supply agencies.

Overall Conclusions

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

1. Timesheets and the Recording of Additional Hours

Issue/Control Weakness	Risk
Not all schools are centrally recording the amount of additional hours being worked each month. There were some gaps identified in the availability and completeness of timesheets.	Payments are made to staff for hours that have not been worked and therefore the school faces financial loss.

Findings

Three of the seven schools included in this review employ casual staff to work irregular patterns at times when normal contracted staff are unable to resource the demands of the school. One of these schools does not use City of York (CYC) payroll and, as opposed to the completion of weekly timesheets, requires casual workers to complete a monthly claim through a payroll portal provided by the payroll supplier. This school also opts to use an electronic sign-in system to gather information relating to additional hours and does not maintain an alternative log for the central recording of additional hours. This electronic platform, Inventry, records the movements of staff and should report the amount of time a member of staff has spent in school above their typical contracted hours. However, on further review, and through an attempted reconciliation of this system against payroll data, it was identified that information held within Inventry is not sufficient in supporting the claims and payments made for casual or additional hours. The current processes in place at this school restrict the ability to check whether the amount of additional hours, submitted by members of staff in monthly claims, are accurate and accounted for.

Those using CYC payroll provision are required to submit a summary claim form by a set deadline each month. This claim form should be supported by individual timesheets which have been completed and signed appropriately. One school did not provide the timesheets requested for a number of additional hour claims and one other school confirmed that timesheets had been accidentally shredded and were therefore not available for this review. Of those timesheets that were available, there were a small number of gaps in the information available and this related mainly to the signing-off of the documents. The timesheets should be signed by both the employee working the additional hours as well as the member of staff with the authority to authorise payment of these.

Agreed Action 1.1

It is the responsibility of each individual school to ensure payments made to staff for additional hours are accurate, authorised and supported by the correct documentation. We will share the findings of the audit with maintained schools, highlighting the risks and control weaknesses identified. We will ask schools to review their timesheet recording, authorisation, and document retention processes.	**Priority**	3
	Responsible Officer	School Business Support Manager
	Timescale	31st May 2023

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2. Payroll Reconciliation

Issue/Control Weakness	Risk
In three schools, the post-payment checks of the payroll are undertaken by the same member of staff responsible for submitting the data.	Unauthorised changes are made to the payroll and these are not identified.

Findings

In addition to the limitations relating to payroll reconciliation in the school not using CYC payroll, it was identified that there was a lack of independent reconciliation taking place in a number of the remaining schools. Despite authorisation being sought from senior leadership prior to the payroll submission, the actual submission of data was the responsibility of the finance administration staff or the school business manager in all seven schools. On three occasions, the member of staff responsible for the payroll submission was also the individual undertaking post-payment checks once the payroll had been run. The lack of an independent check reduces the likelihood of any unauthorised changes being identified and acted upon promptly.

Agreed Action 2.1

It is the responsibility of each individual school to ensure payment information is independently checked and reconciled, with any variances investigated and corrective action taken where required. We will share the findings of the audit with maintained schools, highlighting the risks and control weaknesses identified. We will draw their attention to the importance of independent checks.	**Priority**	3
	Responsible Officer	School Business Support Manager
	Timescale	31st May 2023

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Audit Opinions and Priorities for Actions

Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.