

## Report to Audit Committee

# Joint Report of the Head of Internal Audit and Assistant Director of HR & Organisational Development (Interim) on the 2024/25 Fundamental Financial Systems Audit Outcomes and Action Plan in respect of the Council's Payroll Service

**Portfolio Holders:** Councillor Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources

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**30 January 2025**

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### Reason for Decision

#### ***4.4.2 The Audit Committee shall:***

***a) be responsible for oversight of the Council's Internal Audit arrangements and will;***  
***(ii) review summary findings and the main issues arising from internal audit reports and seek assurance that management action has been taken where necessary;***

This joint report is to advise Members of the Audit Committee of the outcome of the 2024/25 Fundamental Financial Systems (FFS) Audit Review of the Council's Payroll Service and the agreed actions that the Service has identified to address the recommendations made in that report.

This report will assist the Committee in discharging its responsibilities as set out in the Audit Committee's Terms of Reference, which form part of the Council's Constitution alongside:

- progress reports on Q1 to Q4 for 2024/25 to be provided to the Committee; and,
- the Head of Audit and Counter Fraud's Annual Report and Opinion for the year 2024/25.

## **Executive Summary**

The Council's Payroll Service audit received an audit opinion of 'Inadequate' in each of the 3 years from 2018/19 to 2020/21. During 2021/22 the Service implemented the iTrent Payroll system which addressed a number of system weaknesses and the audit opinion in that year was upgraded to 'Adequate'. Following this improved opinion the Service experienced significant turnover in staff in key roles leading to a weakening in control and a subsequent downgrading of the audit opinion in 2022/23 back to 'Inadequate', which remained in place for both 2023/24 and 2024/25 reviews.

This report sets out the agreed actions for the Payroll Service to take forward to address the recommendations made in the latest 2024/25 FFS Audit Report.

## **Recommendations**

Members are requested to:

- 1) Note the the outcome of the most recent 2024/25 Fundamental Financial Systems Audit Review of Payroll.
- 2) Note the agreed actions for the Service to take forward to address the recommendations made in that report.

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**1. Background**

1.1 The Council’s Payroll Service was, until April 2022, provided as part of the package of services delivered by the Unity Partnership. In April 2022 the Service transferred back in-house and is now delivered directly by the Council itself.

1.2 Audit Opinions on the Council’s Payroll system from 2017/18 to 2024/25 are shown in the table below

2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Weak	Inadequate	Inadequate	Inadequate	Adequate	Inadequate	Inadequate	Inadequate

During 2021/22 the Service implemented the iTrent Payroll system. This addressed a number of system weaknesses and the audit opinion in that year was upgraded to ‘Adequate’. Following this improved opinion the Service experienced significant and continued turnover in staff in key roles leading to a weakening in control and a subsequent downgrading of the audit opinion in 2022/23 back to ‘Inadequate’. This “Inadequate” opinion remains in place for 2024/25.

**2 2024/25 Audit Opinion**

2.1 The final report for 2024/25 contains eleven recommendations, six High, four Medium and one Low priority. The report re-iterates ten recommendations previously made in 2023/24.

2.2 The Service has continued to suffer from the loss of a number of staff in key roles following the 2021/22 review and this is believed to be the primary reason for the service falling behind in the progress they had previously made. The Service has since been successful in recruiting to some posts, and continues to try to recruit appropriately skilled and experienced staff to fill remaining vacant roles.

2.3 The recruitment and retention of suitable staff is crucial to the service once again being able to make progress in the areas identified for improvement and address the overriding control weakness within the Service in relation to staffing.

2.4 In light of the above, the 2024/25 Audit Assessment was that the systems and controls in connection with the payroll system were Inadequate.

2.5 Appendix 1 to this report sets out the agreed actions for the Payroll Service to take forward to address the recommendations made in the latest 2024/25 FFS Audit Report.

**3. Options/Alternatives**

3.1 The Audit Committee can either choose to:

- a) accept and note the contents of this report, or
- b) not accept and note the contents of this report and suggest an alternative approach.

4. **Preferred Option**

4.1 The preferred option is that the Audit Committee accepts and notes the Report.

5. **Consultation**

5.1 N/A.

6. **Financial Implications**

6.1 N/A.

7. **Legal Services Comments**

7.1 N/A.

8. **Cooperative Agenda**

8.1 N/A.

9. **Human Resources Comments**

9.1 N/A.

10. **Risk Assessments**

10.1 N/A

11. **IT Implications**

11.1 N/A.

12. **Property Implications**

12.1 N/A.

13. **Procurement Implications**

13.1 N/A.

14. **Environmental and Health & Safety Implications**

14.1 N/A.

15. **Equity, Community Cohesion and Crime Implication**

15.1 N/A.

16. **Equality Impact Assessment Completed**

16.1 No.

17. **Forward Plan Reference**

17.1 N/A.

18. **Key Decision**

18.1 No.

19. **Background Papers**

19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Background papers are included as Appendix 1  
Officer Name: John Miller

20. **Appendices**

20.1 The following Appendices are available to support this Report:

- **Appendix 1: 2024/25 Payroll FFS Audit Review Action Plan.**



## 2024/25 Payroll FFS Audit Review Action Plan

- High Priority** - Significant risk to the Council or Service, the recommendation is essential for sound or effective control.  
**Medium Priority** - Moderate risk to the Service it is important that the recommendation is completed  
**Low Priority** - Small risk to the Service it would improve control if the recommendation were to be completed.

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date
1	<p><u>Payroll Reconciliations</u></p> <p>Monthly Payroll Reconciliations should be carried out in a timely manner. The review noted that there were delays in performing the reconciliations.</p> <p>The working group established should continue to take steps to address the issues identified in connection with the payroll to General Ledger reconciliation process.</p> <p><b>Brought forward from 2023/24</b></p>	<b>High</b>	Agreed. The Payroll Service continues to face challenges in recruitment and retention of staff. However, this issue has been raised and discussed and work continues to address a timely resolution to this issue.	Finance Manager  Payroll Manager	June 2025
2	<p><u>Pre-employment and Right to Work Checklist-Schools</u></p> <p>The Payroll Service should liaise with the Head of Education Support Services and HR colleagues to agree a procedure for the collection and storage of a central record of statutory pre-employment and DBS checks.</p> <p>The review has noted that this action has not progressed as expected and steps should be</p>	<b>High</b>	Agreed. This issue will be addressed.	HR Employment Services Manager  Head of Schools	June 2025

	<p>taken around storage of supporting information on pre-employment checks.</p> <p><b>Brought forward from 2023/24</b></p>				
3	<p><u>Policies and Procedures</u></p> <p>Management should ensure the following:</p> <ol style="list-style-type: none"> <li>1. That the documentation of payroll procedures for the use of staff within the Payroll Team is expedited. Once complete, they should be circulated to all relevant staff within the Team and training provided if necessary.</li> <li>2. All policies and procedures including the Pay Policy and Procedures documentation should be regularly updated so that they remain relevant and refer to current systems.</li> <li>3. Set out formally (in writing) the roles and responsibilities of staff within the Payroll Team.</li> </ol> <p><b>Brought forward from 2023/24</b></p>	<b>High</b>	<p>Agreed. The Service is currently recruiting for the role of Employment Services Manager. This post has been vacant since October 2024. This action will form part of the actions to be addressed by the new incumbent in this role.</p>	<p>HR Employment Services Manager</p> <p>Payroll Manager</p>	September 2025
4	<p><u>CHAPS Payments – Review of all Chaps Requests</u></p> <p>A full review of CHAPS payment requests should be analysed in order to identify any common system or process issues, which can be addressed and rectified to reduce the number of CHAPS requests.</p> <p><b>Brought forward from 2023/24</b></p>	<b>Medium</b>	<p>Agreed. This should be occurring on a monthly basis and this will be raised internally within the Service for action.</p>	Payroll Manager	May 2025



5	<p><u>Starters</u></p> <p>All supporting documentation should be retained in the central drive, in respect of starter details, including salary details, to ensure they are processed accurately and to ensure accurate data can be obtained should any future queries arise.</p> <p>The starters forms should be signed and dated by the appropriate line manager. If errors are identified in the supporting recruitment documentation, they should be highlighted to the relevant authorising officer and rectified accordingly.</p> <p><b>Brought forward from 2023/24</b></p>	<b>Medium</b>	Agreed. The Service is currently recruiting for the role of Employment Services Manager. This post has been vacant since October 2024. This action will form part of the actions to be addressed by the new incumbent in this role.	HR Employment Services Manager	June 2025
6	<p><u>Exceptional Payments</u></p> <p>Where exceptional payments are authorised by Services, Payroll Services should ensure it is line with policy and calculated correctly.</p> <p>Any decisions made outside the pay policy needs to be authorised by the relevant Service Director through the relevant form and supporting documentation. The documentation should be retained on the employees personnel file for audit and transparency purposes.</p> <p><b>Brought forward from 2023/24</b></p>	<b>High</b>	Agreed. This should be occurring on a monthly basis and this will be raised internally within the Service for action.	Payroll Manager	June 2025
7	<p><u>Overpayments -Communications to Managers</u></p> <p>Communication should be sent to all Managers responsible for staff to reiterate the importance</p>	<b>Medium</b>	Agreed. The Service recruited an additional management grade post to address this issue in September 2024. However, the postholder left the Authority at	HR Employment Services Manager	July 2025

	<p>of submitting leavers forms in a timely manner to prevent overpayments</p> <p>Good practice needs to be re-enforced, potentially through a training / awareness campaign and/or targeted communications in cases of non-compliance.</p> <p><b>Brought forward from 2023/24</b></p>		<p>short notice in December 2024. This task remains outstanding. The Service is currently recruiting for the role of Employment Services Manager. This post has been vacant since October 2024. This action will form part of the actions to be addressed by the new incumbent in this role.</p>		
8	<p><u>Salary Overpayment Repayment Plans</u></p> <p>When an overpayment has been created, Payroll should adhere to the Overpayment Policy wherever possible.</p> <p><b>This is a new recommendation for 2024/25</b></p>	<b>Medium</b>	<p>Agreed. The Service recruited an additional management grade post to address this issue in September 2024. However, the postholder left the Authority at short notice in December 2024. This task remains outstanding. The Service is currently recruiting for the role of Employment Services Manager. This post has been vacant since October 2024. This action will form part of the actions to be addressed by the new incumbent in this role.</p>	Payroll Manager	July 2025
9	<p><u>Employee Contracts</u></p> <p>Employees should be issued with employment contracts within a timely manner.</p> <p>In the absence of an employment contract outlining terms and conditions of employment there is a risk that disputes may arise, and claims may be brought against the Authority.</p>	<b>High</b>	<p>Agreed. To be implemented immediately.</p>	HR Employment Services Manager	January 2025

	<b>Brought forward from 2023/24</b>				
10	<p><u>External Consultant Managers file – Communication to Recruiting Managers</u></p> <p>Starters forms for External Consultant Managers should be fully completed by an authorising officer prior to entering the individual in to the i-Trent system.</p> <p>A personnel file should be set up and include (where appropriate) the recorded delegation decision demonstrating the appointment process and employee timesheets, including a copy of a REC1.</p> <p>Managers should be reminded that external consultant staff members will not be processed unless the relevant paperwork is present.</p> <p><b>Brought forward from 2023/24</b></p>	<b>High</b>	Agreed. To be implemented immediately.	HR Employment Services Manager	January 2025
11	<p><u>Leavers Documentation</u></p> <p>All supporting documentation should be retained in respect of leavers details and stored in the appropriate folder.</p> <p><b>Brought forward from 2023/24</b></p>	<b>Low</b>	Agreed. The Service will look to make further communication to Managers receiving resignations to help address delays in the receipt of these within the Payroll Service.	HR Employment Services Manager	June 2025