

# Oldham Council Audit and Counter Fraud Team

## 2024/25 Fundamental Financial Systems Payroll

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**Prepared by:**  
Internal Audit Service

**Reviewed by:**  
John Miller                      Head of Internal Audit and Counter Fraud

**Issued to:**  
Sarah Johnston                      Director of Finance  
Wendy Jackson                      Interim Assistant Director Head of HR  
Andy Collinge                      Head of Education Support Services

## 2024/25 Fundamental Financial Systems

### Payroll

#### 1 Background

- 1.1 In line with the Annual Audit Plan a review of the Council's Payroll systems has taken place.

#### 2 Objectives and Scope

- 2.1 The objective of the audit is to review and test the operation of the system, including controls, to ensure that appropriate procedures and controls are in place and operating effectively. This review has been conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) 2013 (Revised 2017), and the Chartered Institute of Public Finance (CIPFA) Local Government Application Note (LGAN).

- 2.2 Key areas examined include:

- starters, leavers and variations to pay;
- amendments to global data (pay awards, NI & tax rates, pension contributions, etc.);
- error reports and warnings;
- adherence to established payroll processes and controls;
- appropriate segregation of duties;
- payroll to general ledger reconciliations (including gross pay, net pay, deductions, employer contributions and balance sheet codes);
- payment of employer and employee pension contributions and provision of data to GMPF, and;
- bank reconciliations.

- 2.3 Our approach involved:

- Walkthrough testing to ensure that the processes and controls are operating as expected.
- Compliance testing of key controls incorporating the CIPFA System Based Control Matrices.

#### 3 2024/25 Audit Opinion

- 3.1 The previous payroll report for 2023/24 contained 14 recommendations: nine high, four medium and one low priority.
- 3.2 The report for 2024/25 contains 11 recommendations: six high, four medium and one low priority. Ten recommendations have been carried forward from the 2023/24 payroll report and one new recommendation has been included.
- 3.3 The service continues to suffer from the loss of a number of staff in key roles since our last review. The service has been only partially successful in filling these posts to date and continues to try to recruit appropriately skilled and experienced staff to fill these roles.
- 3.4 The recruitment of suitable staff to these roles is crucial to the service once again being able to make progress in the areas identified in this report, and to address the overriding control weakness within the service in relation to staffing.

- 3.5 In light of the above, the 2024/25 Audit Assessment is that the systems and controls in connection with the payroll system are Inadequate. Areas identified during the review for 2024/25 where improvements can be made are discussed in the sections below:

## **4. Findings**

### **4.1 Payroll to General Ledger Reconciliations**

The Council's Financial System Team are responsible for the reconciliation of payroll records to the General Ledger. Progress has been made during the year to address a variety of errors preventing reconciliation of payroll transactions to the general ledger without manual intervention.

The working group established to address these issues continues to take steps to resolve those still outstanding. Several causes for the imbalances have already been identified and corrected, by way of additional pre-transfer checks on the payroll file prior to loading into the ledger. However, this manual intervention then causes delays in the data being provided for the monthly reconciliations, which are subsequently being conducted later in the year. Investigation continues in order to identify potential system-based solutions to the remaining outstanding issues.

**Please refer to Recommendation 1 in section 5 below.**

### **4.2 Pre-employment and Right to Work Checklist - Schools**

Five Schools starters' personnel files were sampled in total. One did not have evidence of pre-employment and right to work checks and/or a complete personnel file.

It is acknowledged that responsibility for conducting pre-employment checks lies with School Governing Bodies. However, in the case of maintained schools, the Council remains the employer of school staff, not the Governing Body. In addition to the child protection concerns which these checks are intended to mitigate, the Council also continues to bear a significant risk as the employer should harm occur following failure to complete appropriate checks.

We recommend that a fully completed starters form is retained for all Council employees, including employees in maintained schools. The form should be checked by an appropriate officer to confirm that all relevant pre-employment checks have been completed.

**Please refer to Recommendation 2 in section 5 below.**

### **4.3 Pay Policies and Procedures**

Policies and procedures help ensure that management directives are carried out and that necessary actions are taken to address risks to the organisation's objectives. Having detailed, up to date and regularly reviewed procedures helps to ensure that consistent and up to date procedures are being followed by all staff.

Whilst we confirmed the availability of My HR procedures for the processing of payroll transactions, our review indicated a lack of local formally documented payroll procedures specifically for the use of staff within the Payroll Team. It was also noted that the corporate 'Pay Policy and Procedures' documentation for officers are generally out of date.

**Please refer to Recommendation 3 in section 5 below.**

### **4.4 CHAPS Payments – Review of Errors**

A sample of five payments were examined and found to be supported by appropriate documentation. However, two CHAPS payments were raised in instances due to payroll

processing delays and errors. This also results in an additional associated cost of same day payments, and inaccurate records/contributions paid to GMPF.

Errors in processing staff salaries puts the Council at risk of contractual breaches and employee dissatisfaction.

**Please refer to Recommendation 4 in section 5 below.**

#### 4.5 Starters

A sample of 15 new starters were selected and checked to verify if they had been set up on the payroll system with the correct details (e.g., start date, scale point), that any additional allowances were calculated correctly, and that confirmation had been received that the individual had commenced employment.

One personnel file contained a partially completed starters form. HR Transactional staff should remind managers to submit full starters details, including working patterns and hours to payroll in a timely manner. HR Transactional management should review the errors identified as part the payroll verification exercise and ensure these are corrected by the service.

Without a robust review process there is a risk that the appropriate onboarding process has not been followed when setting up a new starter.

**Please refer to Recommendation 5 in section 5 below**

#### 4.6 Exceptional Payments

The leavers testing identified payments paid to a former staff member. There was a signed Settlement Agreement attached to an email, but no other supporting documentation attached to the personnel file. There is a risk that due process as not been followed if sufficient records are not maintained to evidence how the agreement was reached. There is no evidence that there was approval for the sign off of the agreement or that the requirements of the Financial Regulations and the Constitution were followed.

**Please refer to Recommendation 6 in section 5 below**

#### 4.7 Overpayments -Communications to Managers

During the testing of leavers, four of the 15 leavers sampled had been overpaid due to a late leavers form being submitted by service management. This creates additional administrative work for the Payroll section. Furthermore, there is a risk the overpayments may not be recovered. The Payroll Team may benefit from maintaining a central monthly spread sheet in order to monitor all overpayments made and record recovery action.

New communications should be sent out to all managers about the importance of submitting leavers dates in a timely manner to prevent overpayments being created.

**Please refer to Recommendation 7 in section 5 below**

#### 4.8 Salary Overpayment-Repayment Plans

It was identified through the leavers testing that overpayments are not being consistently recovered as per the policy. In one instance, an overpayment was created due to a late leaver's submission by the line manager. Subsequently, the leaver received an overpayment of a full monthly salary.

The policy states that in the event of a single pay period overpayment any overpayment identified in a pay period, which is only for one pay period, will be recovered, in full, from the next pay period. For example, if the overpayment is identified in May but it is too late to correct, the employee will be notified, and the payment recovered in June. In this instance, a payment plan was set up to recover the overpayment over 12 months contrary to the overpayment policy and no evidence was retained in the leavers file to demonstrate what repayment plan was agreed.

**This is a new recommendation for 2024/25.**

**Please refer to Recommendation 8 in section 5 below.**

#### 4.9 Employee Contracts

During the review three employee contracts could not be located in the personnel file. Signed contracts and letters should be updated and retained within employees' files. Failure to provide employees with a written statement of the terms of employment means the Council may be at risk should there be any contractual disputes.

**Please refer to Recommendation 9 in section 5 below**

#### 4.10 External Consultant Managers – Communications to Recruiting Managers

Our sample of starters contained one external consultant engaged in a managerial role. The individual's starter's file contained a partially completed starters form.

There is no evidence that a REC1 form was completed, and there is no record of a decision to appoint agreed by the recruitment panel. This is not in line with section 15.2 of the Oldham Council's Financial Procedure Rules.

**Please refer to Recommendation 10 in section 5 below**

#### 4.11 Leavers

Following receipt of a fully completed leaver form, authorised by a line manager, the individual is entered as a leaver on iTrent. This process should ensure that all relevant deductions or additional payments are identified and applied by Payroll.

The testing highlighted that some employee files/forms could not be located where they should be stored. Furthermore, one leaver's personnel file contained another leavers documentation.

In total, 15 leavers' personnel files were sampled, of which, one did not have supporting leavers paperwork in the file.

**Please refer to Recommendation 11 in section 5 below.**

## **4 Way Forward**

4.1 An Action Plan for recommendations arising from the audit is included in **Section 5** of this report. Progress against the agreed recommendations will be reviewed as part of an agreed timetable.

4.2 We would like to thank officers within the Service for their help in this review. In the meantime, once the report has been finalised, we would be grateful if you would complete the Customer Service Questionnaire so that we can continuously review our service delivery.

#### 4.3 **Disclaimer**

This report is made solely as an internal management report to the Officers of the Council identified on the report distribution list as an aid to the effective management of Council resources, and for no other purpose. Our audit work has been undertaken in accordance with the Public Sector Internal Audit Standards (PSIAS) 2013 (Revised 2017), and the Chartered Institute of Public Finance (CIPFA) Local Government Application Note (LGAN). To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than those Officers for whom the report was produced, for our audit work, for this report, or for the opinions we have formed.

## 5. Action Plan 2024/25.

The table below shows the recommendations for the findings arising from our interim 2023/24 reviews. We have prioritised the recommendations to provide you with an indication of the importance for each nominated officer. If an officer disagrees with the prioritisation, they should discuss this with the auditor as part of the finalisation process.

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

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date	Progress update October 2025
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>	<b>High</b>	<p>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.</p>	<p>Finance Manager</p> <p>Payroll Manager</p>	<p><del>June 2025</del></p> <p>September 2025</p>	<p>This action had not been completed to the initial implementation date due to capacity constraints and turnover in senior leadership, however is now progressing.</p> <p>From September 2025 a monthly Payroll Reconciliation working group has been set up, currently led by the AD of Workforce &amp; Organisational Culture, although will ultimately be led by Head of Operational HR.</p> <p>The first meeting was able to identify the elements causing imbalance between Payroll and ledger, with actions for the Payroll Manager to address with GMPF.</p> <p>In addition, the organisation approved a programme of work with MHR to undertake various iTrent optimisation actions. This will create capacity for the Payroll team and allow for greater focus on this area. It is anticipated this programme will start from November.</p>

	<b>Brought forward from 2023/24</b>					
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 taken around storage of supporting information on pre-employment checks.</p>	<b>High</b>	<p>Agreed. This issue will be addressed.</p>	<p>HR Employment Services Manager</p> <p>Head of Education Support Services</p>	<p><del>June 2025</del></p> <p>March 2026</p>	<p>This action is included in the Payroll report also, however this is a wider HR issue and is not specifically a Payroll issue.</p> <p>This action had not been completed to the initial implementation date due to capacity constraints and turnover in senior leadership, however is now progressing.</p> <p>Currently, LAE schools retain pre-employment checks locally, and records are not kept in the OMBC HR team records.</p> <p>Since August 2025 a high-level options appraisal has been undertaken to understand options, including a regular audit cycle ran through the schools HR Advisory team.</p> <p>A meeting to discuss a way forward is being planned for October 2025 with the Heads of Education Support Services.</p>



	<b>Brought forward from 2023/24</b>					
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</li> </ol>	<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>	<p><del>September 2025</del></p> <p>March 2026</p>	<p>This action had not been completed to the initial implementation date due to capacity constraints and turnover in senior leadership, however is now progressing.</p> <p>Approval has been given for additional Payroll resource to support the team, which will commence imminently. This is for 6 months to create capacity for the Payroll Manager and Payroll seniors to focus on creation of SOPs.</p> <p>In addition a new HR Employment Services Manager has been appointed and will start in October 2025, who will oversee progress with this work in partnership with the Head of Operational HR.</p> <p>In addition, the organisation approved a programme of work with MHR to undertake various iTrent optimisation actions. This will create capacity for the Payroll team. It is anticipated this programme will start from November.</p>

	of staff within the Payroll Team.  <b>Brought forward from 2023/24</b>					
4	<u>CHAPS Payments – Review of all Chaps Requests</u>  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.  <b>Brought forward from 2023/24</b>	<b>Medium</b>	Agreed. This should be occurring on a monthly basis and this will be raised internally within the Service for action.	Payroll Manager	<del>May 2025</del>  August 2025	This action had not been completed to the initial implementation date due to capacity constraints and turnover in senior leadership, however is now progressing.  However, from August 2025 it has been agreed all CHAPs payments will be approved by Assistant Director of Workforce & Organisational Culture.  An initial review of reasons for CHAPs payments suggests that late new starter forms is the primary reason so far.  The HR Employment Services Manager will have an action to create metrics based around pay errors and to work with the HR Advisory team where there are trends for managers submitted information late.
5	<u>Starters</u>  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	<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	<del>June 2025</del>  March 2026	This action had not been completed to the initial implementation date due to capacity constraints and turnover in senior leadership, however is now progressing.  There is a wider piece of work underway to support HR folder compliance.  An extra resource has been appointed for 6 months to undertake a whole review of all HR files on the drive, highlighted gaps and

	<p>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>					<p>risks. Where needed, information to fill gaps will be obtained.</p> <p>The end point will be clear SOPs and training where there are regular patterns of this being missed.</p> <p>The iTrent optimisation work highlighted above will also create capacity in the team allowing for more time to focus on documentation.</p> <p>In the meantime, teams are regularly reminded on the importance of saving approvals.</p>
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 need to be authorised by the</p>	High	Agreed. This should be occurring on a monthly basis and this will be raised internally within the Service for action.	Payroll Manager	June 2025	<p>Complete.</p> <p>The HR Team now works in line with <a href="#">Special Severance Payments - GOV.UK</a> in partnership with our Legal Team.</p>

	<p>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>					
7	<p><u>Overpayments - Communications to Managers</u></p> <p>Communication should be sent to all Managers responsible for staff to reiterate the importance 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</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>	HR Employment Services Manager	<p><del>July 2025</del></p> <p>October 2025</p>	<p>This action had not been completed to the initial implementation date due to capacity constraints and turnover in senior leadership, however is now progressing.</p> <p>.</p> <p>From August 2025 regular monthly communication on pay affecting deadline dates is shared via Viva Engage and via HR reports through to DMTs.</p> <p>The HR Employment Services Manager will have an action to create metrics based around pay errors and to work with the HR Advisory team where there are trends for managers submitted information late.</p>

	cases of non-compliance.  <b>Brought forward from 2023/24</b>					
8	<u>Salary Overpayment Repayment Plans</u>  When an overpayment has been created, Payroll should adhere to the Overpayment Policy wherever possible.  <b>This is a new recommendation for 2024/25</b>	<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 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.	Payroll Manager	<del>July 2025</del>  January 2026	This action had not been completed to the initial implementation date due to capacity constraints and turnover in senior leadership, however is now progressing.  More is needed to ensure that overpayments are reclaimed in an appropriate and robust way.  The iTrent optimisation work highlighted above will also create capacity in the team. The HR Employment Services Manager due to start October has this as an objective.
9	<u>Employee Contracts</u>  Employees should be issued with employment contracts within a timely manner.	<b>High</b>	Agreed. To be implemented immediately.	HR Employment Services Manager	January 2026	This should be included in the Recruitment & Disciplinary Audit as Payroll are not responsible for contracts of employment.  An extra resource has been appointed for 6 months to undertake a whole review of all HR files on the drive, highlighted gaps and risks. Where needed, information to fill gaps will be obtained.

	<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> <p><b>Brought forward from 2023/24</b></p>					<p>In addition, the HR Employment Services Manager will have an objective based on auditing and tracking compliance with this action.</p>
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</p>	<b>High</b>	<p>Agreed. To be implemented immediately.</p>	<p>HR Employment Services Manager</p>	<p><del>January 2025</del> March 2026</p>	<p>This is partially implemented but there are gaps in the process. All external contractor/agency requests should come through the Corporate Vacancy Panel for approval, but currently this is not the case.</p> <p>An Agency Spend Working Group has been set up from October, whose role will be to create more robust governance around agency workers and off framework workers.</p> <p>Therefore the date of this action has changed as this area will continue to have weakness until approval processes are strengthened.</p>

	<p>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>					
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>	<p>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.</p>	<p>HR Employment Services Manager</p>	<p>June 2025</p>	<p>Complete</p>

