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Information Item No. 3
Audit and Finance Standing Committee
November 20, 2019

TO: Chair and Members of Audit and Finance Standing Committee

- Original Signed -

SUBMITTED BY:

Jane Fraser Director of Finance, Asset Management & ICT/CFO

- Original Signed -

Jacques Dubé, Chief Administrative Officer

DATE: October 25, 2019

SUBJECT: Payroll Management Audit Follow Up

INFORMATION REPORT

ORIGIN

At the May 15, 2019 session of the Audit and Finance Standing Committee, the Auditor General presented a report of their findings from an audit of the payroll department completed in early 2019. The report included nine (9) recommendations to be addressed by the Payroll department.

Motion approved to accept the Auditor General's Report and presentation. Staff advised that an update would be provided to the Audit and Finance Standing Committee in six (6) months time.

BACKGROUND

The Auditor General's Office completed an audit of the Payroll department in early 2019, the purpose of which was to determine whether HRM effectively manages its payroll processes. The objectives of the audit were to determine whether:

- HRM's payroll has processes to ensure amounts and employee leave balances are complete and accurate;
- HRM has adequate controls to ensure payroll risks are effectively managed; and,
- HRM management evaluates the efficiency of its payroll activities.

The audit findings determined that the management of some of HRM's payroll activities are effectively managed but many areas require improvement. Nine (9) recommendations were made, and a commitment was made by the CFO to provide an update in six (6) months time to the Audit and Finance Standing Committee on the progress made.

DISCUSSION

Status	Status Defined	Total	Percent
On Track	Recommendations marked 'on track' have been assigned to the appropriate individuals, with achievable target dates and are progressing accordingly.	1	11.1%
At Risk	Recommendations marked 'at risk' require immediate attention so necessary actions can ensue.	0	0%
Complete	For the purposes of this project, recommendations marked 'complete' are those where no further actions are required.	8	88.9%
Pending	Recommendations marked 'pending' have not yet been assigned target dates, and are dependent upon the completion of other recommendations.	0	0%
Total		9	

No.	Recommendation	Status	Details
1	Payroll management should develop and document quality assurance procedures to detect errors in payroll employee data changes.	Complete	<ul style="list-style-type: none"> Checklists have been developed for all payroll actions (terminations, hires, rehires, etc) Checklists are being completed on a bi-weekly basis by the PCC and double-checked by another PCC
2	Payroll management should establish and perform documented quality assurance checks to identify errors in salary changes.	On Track	<ul style="list-style-type: none"> We are now saving the reports electronically, to the network drive where only payroll staff have access, to provide assurance that the checks are being completed. Management continue to work with staff to ensure that audit reports are completed and maintained.
3	Payroll should obtain approvals directly from appropriate business unit supervisors before entering timesheets in the payroll system.	Complete	<ul style="list-style-type: none"> Staff are no longer entering timesheets without the approvals of the appropriate business units supervisors. Timesheets without the appropriate approvals are sent back to the business units to obtain approvals.
4	Payroll management should ensure time-entry monitoring activities are performed by staff members who do not have payroll system access to make changes to time records. Alternatively, if it is not practical to limit access, payroll management should monitor changes to time records to reduce this risk.	Complete	<ul style="list-style-type: none"> Supervisor completes checks on head-count report, including the actions completed and corrections needed. These reports are kept for audit purposes.

			<ul style="list-style-type: none"> • Payroll administrators, as part of their bi-weekly process, run reports on anomalies, including looking at amounts over \$5k (the majority of employee's pays are less than \$5k and so pays over this threshold are investigated), people on leave receiving pay, and other anomalies to be investigated. • All the staff have payroll access as it is impractical to limit these checks to staff who do not have access.
5	Payroll management should document the new quality assurance processes for timesheet entry, including a requirement to complete these checks before pay is deposited.	Complete	<ul style="list-style-type: none"> • The updated process has been documented and the checks are completed prior to the pay being deposited into employee bank accounts.
6	Payroll management should establish and document approvals required for all employee data changes and communicate these to Payroll staff.	Complete	<ul style="list-style-type: none"> • Approval levels have been documented and the Employee Data Change Form on the intranet has been updated to include the necessary levels of approval for each type of change.
7	Payroll management should establish a process to regularly monitor for unauthorized changes to vacation balances, salary amounts and hours worked.	Complete	<ul style="list-style-type: none"> • Checks have been included in the new checklists that are required to be completed bi-weekly. • Access in SAP has been restricted so that employees are no longer able to make changes to their information or records.
8	Payroll management should establish a process to regularly monitor for unauthorized changes to employee banking information.	Complete	<ul style="list-style-type: none"> • We are now completing a secondary check on all changes to banking information. • A sample of items are also audited on a bi-weekly basis.
9	Payroll management should limit access to pay period backup files to those who need it for the current duties.	Complete	<ul style="list-style-type: none"> • Network drive access has been restricted to employees who require access to this drive. As employee access

			requirements changes (employees leave) requests for access removal will be completed.

FINANCIAL IMPLICATIONS

There are no financial implications.

COMMUNITY ENGAGEMENT

None.

ATTACHMENTS

None.

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

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