

Coast to Capital

Meeting:	Coast to Capital Audit and Risk Committee Meeting
Date:	Wednesday 12 January 2022
Report Title:	Audit Update
Report by:	Cali Gasson
Item No:	4
Part:	A

Recommendation:

The Committee is asked to:

- **Note** the scope of works for the Payroll audit review that will be undertaken in January 2022.
- **Note** that suggested audit review to be undertaken in February to map out a 3 year audit plan for Coast to Capital.

1. Context

At the September Audit and Risk Committee, an update was given in relation to the 2021/22 Audit plan, in light of the organisational restructure which has created an Internal Audit resource gap.

The Committee highlighted the importance of a full and comprehensive audit process, and agreed to give delegated authority to the Acting CEO, Head of Programmes, Risk and Governance, with support of the Chair to review the existing company top risks and prepare recommendations for audits to be undertaken in the 2021/22 financial year.

2. Audit Plan

Given the continued uncertainty that surrounds the LEP review, the risk register was utilised as a key tool to underpin audit work where there is clarity, to include areas with the highest levels of costs and/or potential control failures. The management team therefore conducted a review of the latest risk register to help identify potential audit areas that could be undertaken by March 2022.

Payroll stood out as an area that could benefit with having assurance, given that this service has been outsourced since 2012 without any review of controls or processes in place, posing potential financial and or control risks to the organisation.

In line with our procurement policy, quotes were sought from 3 internal audit providers, and Kreston Reeves have now been commissioned for £2250+VAT to undertake the payroll audit in January, with a full scope of works at [Annex A](#).

In addition to this, and subject to the outcome of the LEP review, it is suggested that a further audit review is undertaken by the end of February to determine and map out a 3 year audit plan for the Audit and Risk Committee to agree at its next meeting in March. This will allow us to tender for a package of Internal Audit works to start in the 2022/23 financial year.

The scope of this audit review would include a thorough review of risk registers, organisational objectives, meeting minutes, plus discussions with members of the Audit and Risk Committee, and Senior Management staff. This will highlight areas of internal audit focus where the company is likely to require independent assurance (e.g. Bribery & Fraud, HR, Financial services, or Compliance).

3. Next Steps

Once the above audit reviews have been undertaken, findings along with a management response will be presented at the March meeting. The Committee will be asked to agree and prioritise audits to be undertaken in the 2022/23 financial year. This will align with internal resource and budget planning.

4. Diversity Statement

There are no diversity considerations to raise.

5. Legal Statement

This paper has been reviewed by Brighton and Hove City Council in their role as the Accountable Body.

6. Financial Statement

There is no current budget allocated for Internal Audit, and therefore the Head of Finance will need to work to add costs to the overheads to enable the work to proceed.

Annexes:

Annex A: Payroll Audit – Scope of Works



Internal Audit Proposal Payroll

COAST TO CAPITAL

December 2021

CONFIDENTIAL

Scope of Work

We will prepare a report on the Internal Controls Placed in Operation and Tests of Operating Effectiveness.

Documentation of systems and controls

- ▶ Documentation of current arrangement with the outsourced payroll provider.
- ▶ A review of the letter of engagement and any service level agreements and commentary in relation to that.
- ▶ A review of the current processes including a process map of which elements are the responsibility of Coast to Capital and which are the payroll providers.
- ▶ A comparison of these against the engagement letter.
- ▶ Documentation of the internal control and review processes both at Coast to Capital and the payroll provider.
- ▶ Commentary on the adequacy of the design of the internal controls.

Testing of systems and controls

- ▶ We will test a sample of payroll months to ensure that controls are operating as described in terms of data and authorisation controls as well as recording any key dates required for the timely and accurate submission of the payroll.
- ▶ We will review correspondence between Coast to Capital and the payroll provider to understand how smooth the process is.
- ▶ We will review the Coast to Capital employee on-boarding and exit procedures and have they are communicated to the payroll provider.
- ▶ For on-boarding we will include a review of the process for Auto Enrolment.
- ▶ We will review the process for salary changes to include but not limited to pay reviews, changes in contracted hours, additional hours, sick leave, maternity leave and parental leave.
- ▶ For starters and leavers will carry out standard test to ensure that new employees are set up correctly and the first 2 months pay is correct (this is important for mid month starters). For leavers we will check that the final pay is correct including any holiday adjustment. We will also check that they are not on the following months payroll.
- ▶ For a sample of employees will perform deduction tests. Where there are deductions other than PAYE and NIC we will check these back to source documents.
- ▶ Where possible we will check that the net pay was made to the employees nominated back account.
- ▶ For a sample of payrolls we will check these to the RTI filings and that the payments were made, by the due dates in accordance with the payroll.

Scope of Work

We will prepare a report on the Internal Controls Placed in Operation and Tests of Operating Effectiveness.

Excluded areas

- ▶ We will not perform tests over the physical security of payroll records at Coast to Capital nor the payroll provider.
- ▶ We will not perform tests over the IT security or access control at either Coast to Capital nor the payroll provider.
- ▶ We will undertake any work in respect of user management at the payroll provider.
- ▶ We will not undertake any work in respect of the General Data Protection Regulations around the holding, processing and retention of data.
- ▶ We will not review the Business Continuity or Disaster Recovery processes of Coast to Capital nor the payroll provider.

Format of our report

- ▶ Our report will be dividend into a number of sections as follows:
 - Report to the management of Coast to Capital
 - Scope of Report
 - Description of the control environment
 - Control consideration
 - Tests of operational effectiveness of results of testing
 - Recommendations

Fees

- ▶ Our proposed fee do this work is £2,250 plus VAT



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