

## **PAYROLL REVIEW AND APPROVAL PROCESS – PART 2**

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### **EXECUTIVE SUMMARY**

The City Auditor's Office has issued the Payroll Review and Approval Process – Part 2 Audit Report. The report includes Administration's response to the recommendation raised by the City Auditor's Office.

### **RECOMMENDATIONS**

1. That Audit Committee receive this report for information.
2. That Audit Committee recommends that Council receive this report for information.

### **RECOMMENDATION OF THE AUDIT COMMITTEE, DATED 2014 JANUARY 23:**

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That Council receive this report for information, **after correction to the Attachment**, as follows:

- On Page i, under the Heading "Executive Summary", third line, by deleting the amount "\$1,571,476", and by substituting with the amount "\$1,571,476,000"; and
- On Page 2 of 6, under the Heading "2.0 Background", third line, by deleting the amount "\$1,571,476", and by substituting with the amount "\$1,571,476,000".

### **PREVIOUS COUNCIL DIRECTION / POLICY**

Bylaw 30M2004 established the position of City Auditor and the powers, duties and functions of the position. The City Auditor's mandate, under Bylaw 30M2004, is to assist Council in its oversight of the Administration; and ensuring accountability for the stewardship of public funds and the achievement of value for money.

Audit Committee approved the City Auditor's Office 2013 Annual Audit Plan.

### **BACKGROUND**

This audit was undertaken as part of the approved City Auditor's Office 2013 Annual Audit Plan. The objective of this audit was to assess the effectiveness of payroll interface controls and processes which ensure the accuracy and completeness of pay information received from the Business Units. We reviewed two Business Units (Parks & Water Services) with direct interfaces into the PeopleSoft environment

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

The objective of this audit was to assess the effectiveness of payroll interface controls and processes which ensure the accuracy and completeness of pay information received from the Business Units. Specifically, the audit assessed:

1. Whether the time and labour data is transferred across the interface accurately and completely.

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2. Whether the time and labour data is monitored by both the Business Units and Pay Services to ensure the data transferred accurately and completely across the interface.

Through our review we identified that time and labour batch data transfer risks were being mitigated. Our review confirmed that there is an automated batch transfer process in place to transfer data from Oracle WAM into PeopleSoft on a weekly basis. The batch process is monitored by IT for success or failure. Access to directories where intermediate files are placed are also restricted to authorized personnel. In conclusion, controls are in place and operating effectively to transfer time and labour data accurately and completely across the interface.

We noted that time and labour data is monitored by Business Units and Pay Services. However, role expectation for monitoring and reconciling data transferred is inconsistent between Parks and Water Services. Both Business Units place reliance on Pay Services to identify errors and omissions in data transferred. Inconsistency in process and lack of clarity regarding roles creates risk that payroll is inaccurate. We have raised one recommendation to address this point.

An annual process is in place whereby the Business Units provide a high level sign off to Pay Services indicating that they are responsible for controls. The Payroll Review & Approval audit in June 2013 recommended that the Manager Pay Services revise the annual payroll sign-off to include a checklist of the controls that should be in place prior to an employee signing the form. Management has taken steps to provide clarity through a revised checklist; however, we feel that additional clarity around role expectation is required.

### **Stakeholder Engagement, Research and Communication**

This audit was conducted with the support of staff from Pay Services, Parks, Water Services and Information Technology. Administration's response to the recommendation is included in the report.

### **Strategic Alignment**

Audit reports assist Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement of value for money in City operations.

### **Social, Environmental, Economic (External)**

This report has been reviewed for alignment with The City of Calgary's Triple Bottom Line (TBL) Policy Framework. No implications are identified.

### **Financial Capacity**

#### **Current and Future Operating Budget:**

N/A

#### **Current and Future Capital Budget:**

N/A

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### **Risk Assessment**

The activities of the City Auditor's Office serve to promote accountability, mitigate risk and support an effective governance structure.

### **REASONS FOR RECOMMENDATIONS:**

1. Audit Committee by-law states: "Audit Committee receives directly from the City Auditor any individual audit report and forwards these to Council for information."
2. As above.

### **ATTACHMENT(S)**

1. Payroll Review and Approval Process – Part 2 Audit Report (**Corrected**)