



City of Markham

Report of the Auditor General Payroll Audit

Presented to: General Committee of Council, City of Markham

Date: November 12, 2018

AGENDA

- Background
- Audit Objective
- Audit Approach
- Scope
- Strengths
- Conclusion
- Acknowledgement

BACKGROUND

The City implemented a new human resource information system (HRIS) that went live in January 2017. The HRIS, called ADP Workforce Now, is a full-service system providing various modules for human capital management, including the payroll function. This replaces the previous payroll system, ADP's Premier Performance Pack.

Further to the Auditor General conducting a HRIS Implementation Audit in March 2018, where the conversion from Premier Performance Pack to Workforce Now was reviewed, and in accordance with the four-year audit plan, the Auditor General conducted an evaluation of the processes and controls related to the payroll function at the City.

AUDIT OBJECTIVE

The objective of the audit was to evaluate the processes and controls in place over payroll processing, identify strengths and/or weaknesses, and provide recommendations for improvement.

AUDIT APPROACH

1. Planning

- Define objective and scope.
- Confirm project duration and schedule.
- Assign team members and develop team structure.
- Describe deliverables.
- Create Audit Planning Memo.



2. Execution

- Obtain existing process descriptions and documentation.
- Conduct interviews / discussions.
- Understand current state.
- Evaluate current state by performing tests and assessing processes and controls in place.



3. Reporting

- Identify improvement opportunities.
- Prepare draft report with observations and recommendations.
- Validate and present recommendations.
- Issue final report.

SCOPE

The scope of the audit included the payroll processes from July 1, 2017 to June 30, 2018. Specifically, the scope of the audit focused on the following:

- Key payroll processes have been documented and are being followed;
- Duties within the payroll process have been appropriately segregated;
- Wage rates, salaries, deductions and withholdings are properly authorized, processed, and accurately recorded in the payroll system in a timely manner;
- Terminated employees and employees on leave are accurately updated in the system;
- Time and attendance have been accurately tracked, and payments are accurately calculated;

SCOPE - CONTINUED

- Payroll deductions and withholdings are remitted on a timely basis;
- Payroll journal entries (including accruals) and supporting documentation are reviewed for accuracy and approved by the appropriate level of management;
- Payment disbursements are not made to fictitious or former employees;
- Access to the payroll system has not been appropriately restricted; and,
- Security activities within the payroll application are appropriately logged and monitored.

OUTSIDE OF SCOPE

The following areas were not within the scope of this audit:

- HRIS modules that are not related to the payroll function (i.e. Recruitment); and,
- HRIS implementation and data migration activities (as these were the scope of a past Auditor General audit).

AUDIT OBSERVATIONS – STRENGTHS

Documented and defined processes

- A comprehensive set of documentation to support key payroll and related HR activities exists and is kept up to date. This includes detailed step-by-step procedures that detail the specific actions, timing, responsible individuals, and tools used during payroll processing, which are made readily available to all team members.

Segregation of duties

- Appropriate segregation of duties are in place, whereby individuals with access to modify employee details do not have access to key payroll functions in the system. System profiles have been configured to prevent the provision of conflicting access reducing the opportunity to conceal fraudulent activity.

STRENGTHS - CONTINUED

Review and approval of payroll

- Multiple layers of review and approval have been implemented over the bi-weekly payroll process. Payroll undergoes numerous automated and manual checks to ensure calculations are correct, is complete and free of errors. A strict timeline for when specific payroll tasks are to be completed and the parties involved has been defined and is adhered to, which facilitates coordination between the HR and payroll teams, and ultimately timely submission of payroll.

Independent reconciliation

- An independent team (Financial Reporting) reconciles the payroll journal entries with the bank statements on a monthly basis to ensure they are correct. Discrepancies are reconciled, communicated and discussed with the Payroll Supervisor.

STRENGTHS - CONTINUED

Reperformance of automated calculations

- On an annual basis, when new rates are released prior to the first payroll of the year, the Manager, Financial Reporting & Payroll performs a manual check of the calculations in the system to ensure they have been accurately updated.

CONCLUSION

The audit did not identify any significant observations within the in-scope payroll processing controls and procedures.

As the audit did not identify any significant observations, we do not have any recommendations to enhance the internal controls for payroll processing.

OVERALL RECOMMENDATION

The Auditor General recommends that:

- The Payroll Audit Presentation be received.

ACKNOWLEDGEMENT

MNP extends our appreciation to the staff and management of the City for their co-operation and assistance throughout the engagement.

