



CITY OF HAMILTON
CITY MANAGER'S OFFICE
Audit Services Division

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	November 9, 2015
SUBJECT/REPORT NO:	Audit Report 2015-08 - Corporate Services - Salary Payroll (AUD15031) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Brigitte Minard 905-546-2424 x2088 Domenic Pellegrini 905-546-2424 x2207
SUBMITTED BY:	Brigitte Minard CPA, CA, CIA, CGAP Acting Director, Audit Services City Manager's Office
SIGNATURE:	

RECOMMENDATION

- (a) That the Management Action Plans as detailed in Appendix "A" of Report AUD15031 be approved; and
- (b) That the General Manager of Finance and Corporate Services and the City Manager be directed to instruct the appropriate staff to have the Management Action Plans (attached as Appendix "A" to Report AUD15031) implemented.

EXECUTIVE SUMMARY

The 2015 Internal Audit work plan approved by Council included an audit of the City's salary payroll process. The audit focused on the systems and procedures used to record and process the payroll of salaried employees.

No major risk and control issues were identified in this audit. The approval controls and overall management oversight were found to be effective. Annual salary payroll expenditures for 2014 totalled \$327 million.

The results of the audit are presented in a formal Audit Report (2015-08) containing observations, recommendations, and management responses. Audit Report 2015-08 is attached as Appendix "A" to Report AUD15031.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS (for recommendation(s) only)

Financial: None.
Staffing: None.
Legal: None.

HISTORICAL BACKGROUND (Chronology of events)

The audit was scheduled as part of the 2015 Internal Audit work plan approved by Council. The audit field work was completed from May to June 2015. The results of this audit are attached as Appendix “A” to Report AUD15031.

The Audit, Finance and Administration Committee receives and approves final audit and review reports as part its responsibilities for the oversight of governance and control.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

None.

RELEVANT CONSULTATION

Appendix “A” to Report AUD15031 includes action plans which reflect the responses of management responsible for the administration of the Payroll and Pensions Section in the Financial Services Division of the Corporate Services Department and the HR Systems and Operations Section in the Human Resources Division of the City Manager’s Office.

**ANALYSIS AND RATIONALE FOR RECOMMENDATION
(Include Performance Measurement/Benchmarking Data if applicable)**

At the end of 2014, Human Resources records indicate that there were approximately 3,800 salaried employees (including CityHousing Hamilton, but excluding Police and Library employees) with a total annual payroll of approximately \$327 million.

The audit focused on the systems and procedures used to record and process the payroll of salaried employees. A wage payroll audit was performed in 2008 and two targeted scheduling and payroll audits were performed in 2014 in the EMS and Recreation Divisions (primary focus was on wage employees).

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The timekeeping methods used to maintain records for the salaried workforce are varied. They include KRONOS for salaried employees at Hamilton Water and the two Homes for the Aged (Macassa and Wentworth Lodges); Hansen is used for salaried employees in Roads, Parks, Forestry, Horticulture, Waste Collection, and Traffic); FDM is used by Hamilton Fire; Time Manager is used by EMS; and Avantis is used for salaried employees in Transit. The PeopleSoft HR system used for processing the City's payroll was also reviewed.

This audit assessed the adequacy of approval controls and management oversight associated with the accuracy of salary payroll processing in the organization. The audit also validated that payroll data in the PeopleSoft HR system was supported by the records in the underlying timekeeping methods used (e.g. Hansen, KRONOS, etc.) and evaluated if salaried employees are being paid in accordance with the terms of the relevant collective agreement (for unionized salary employees).

No major risk and control issues were identified in this audit. The approval controls including the overall management oversight was found to be effective. The salaried employees' pay matches the data in the various timekeeping methods used, and the unionized salaried employees are being paid in accordance with the appropriate collective agreements.

A formal audit report containing observations, recommendations and management action plans was issued and is attached as Appendix "A" of Report AUD15031.

The one area for improvement noted in Audit Report 2015-08 was:

- Reviewing procedures for removing terminated employees from PeopleSoft HR and for mandatory payroll deductions to ensure they contain adequate detail to provide direction to staff.

Management and staff have agreed to take measures in the near future to implement the one formal recommendation. Specific action plans can be found in the attached report (Appendix "A" to Report AUD15031).

Audit Services conducted this audit in conformity with the *International Standards for the Professional Practice of Internal Auditing*. These standards require that Audit Services plan and perform the audit to obtain sufficient, appropriate evidence to support the findings and conclusions based on the audit objectives. Audit Services believes that the work performed provides a reasonable basis for the audit findings and conclusions.

ALTERNATIVES FOR CONSIDERATION

(Include Financial, Staffing, Legal and Policy Implications and Pros and Cons for each alternative)

Not applicable.

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #3

Leadership & Governance

WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.

Strategic Objective

3.4 Enhance opportunities for administrative and operational efficiencies.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report AUD15031

BM: dp