Southway Housing Trust

Assurance Review of Payroll

June 2025

Final

Executive Summary

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Poor financial or treasury management could negatively impact the Business Plan.

SCOPE

The review considered the arrangements for the creation, amendment and deletion of payroll records; payment of allowances and pay awards; and the payment of salaries.

KEY STRATEGIC FINDINGS

The timeliness of staff expense submissions is not clearly defined in the Financial Regulations Policy, resulting in inconsistencies when tested against the current operating procedures.

The Trust's current retention arrangements of messages in Microsoft Teams meant that only two months of payroll reconciliation approval could be evidenced.

Sample testing confirmed that starters and leavers were accurately processed and included in the correct payroll periods.

Testing confirmed that the core staffing costs are included in the management accounts, providing the Board with an appropriate view of the current payroll performance.

GOOD PRACTICE IDENTIFIED

It was evidenced that sufficient delegation measures are in place to ensure that payroll can be processed and approved in instances of absence.

ACTION POINTS

Urgent	Important	Routine	Operational
0	2	0	0

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Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	A sample of 10 expenses submitted by employees of the Trust in the financial year 2024/25 was selected for review. Employees submit expenses through the Trust's finance system, iTrent, and it is the responsibility of the appropriate Line Manager to approve them. Discussion with the Payroll Manager confirmed that staff are expected to submit expenses between the 16th and the end of the calendar month for the expense to be paid in the following month's payroll. Claims should be submitted during the month they are accrued. All samples were evidenced to have been authorised and paid on employees' payslips. Seven instances were identified where expenses were submitted outside of the expense claim period. It was also identified that the Expenses (10.4) section of the Financial Regulations Policy does not clearly define the time requirements for staff expense submission and manager approvals.	Section 10.4 of the Financial Regulations Policy be reviewed and updated to define the expected timeliness requirements for staff expense submission and manager approval.	2	*Clarity of expense claim timeframes have been included in the revised financial regulations to be approved at June Board.*	*28/05/25*	*Paul Howes - Exec Director Corporate Services*

PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.
2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.
3	ROUTINE	Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	It is the responsibility of the Finance Manager to review and approve the payroll report before the Payroll Manager produces the final BACS report. Currently, the Finance Manager issues approval via a message to the Payroll Manager on Microsoft Teams. A sample of six months, from October 2024 to February 2025, was selected for testing to verify the confirmation of each payroll report. It was identified that due to Southway Housing Trust's Retention Policy, Microsoft Teams messages are deleted in bulk every six months. As a result, the Payroll Manager was only able to produce payroll confirmations for October 2024, which was issued via email, and May 2025, which was issued on Microsoft Teams.	The payroll approval process be reviewed, with considerations given to the current retention arrangements of Microsoft Teams messages. The payroll approval process should ensure appropriate documentation and retention of payroll confirmation by the Finance Manager.	2	*The process has been amended, and the payroll manager now seeks finance manager approval via email and retains.*	*27/05/25*	*Daisy Zhao – Payroll Manager*

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Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
No Operational Effectiveness Matters were identified.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Findings

Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework	There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	Partially in place	-	-
RM	Risk Mitigation	The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	Compliance	Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in place	1, & 2	-

Other Findings

The Trust maintains a Financial Regulations Policy, version 7.10, which was last approved by the Parent Board on 11th June 2024. The document is subject to an annual review cycle, with the next review due in June 2025. The policy contains details relating to Southway Housing Trust's payroll activities, such as the responsibilities of the Human Resources Team, permanent enhancements to pay, payments to employees including salary, overtime, expenses, payroll amendments and payroll approval. The document is owned by the Executive Director of Finance and Business Development.

Additionally, the Trust maintains a Pay Policy, version 4, which was last approved on 21st January 2023 by the Parent Board and is subject to a three-year review cycle. The last review was conducted by the Head of Human Resources. The document includes the framework for setting the salaries of all staff, including trainees, apprentices, temporary employees and the Executive Management Team.

As identified in the Financial Regulations Policy, it is the responsibility of the Head of Human Resources to ensure that the HR and Payroll systems are accurate and up to date. This includes information relating to appointments, resignations, absences and changes in remuneration.

Currently, it is the responsibility of the Payroll Manager to process the payroll up to its draft state, which includes checking that the payroll is accurate according to each employee's assigned pay band. Where any issues are identified, the Payroll Manager will contact the appropriate Line Manager to rectify them. The draft payroll is then issued to the Finance Manager, who will check it against the expected budget.

Once the Finance Manager has confirmed that there are no issues, the Payroll Manager prepares the payroll BACS report and uploads the payments to the Trust's finance system, iTrent. The Finance Manager then issues the payroll BACS report to the Executive Director of Finance and Business Development for final approval.

Other Findings

The Trust's Risk Register identifies the risk that poor financial or treasury management could negatively impact the Business Plan. The risk is assigned to a responsible owner and given a target score of 9–10, with a risk appetite of medium.

Mitigating controls accompany the risk, including the implementation of the Financial Regulations Policy and regular internal audits; however, the current risk score was identified as 12. Further actions have been outlined, with assigned implementation dates. These include embedding regular checks on key controls through reconciliations and testing, as well as training teams on the finance operations relevant to them.

A review of the HR and Payroll report was undertaken to establish that there were no instances of duplicate staff within the systems. Whilst no duplication was evidenced, three members of staff in the HR system were found to be without a payroll reference number. When investigated, the Executive Director of Corporate Services confirmed that two of the individuals are agency workers, while the remaining member of staff is employed by Manchester University.

Testing was conducted on a sample of six new starters within the Trust in the financial year 2024/25, to ensure that they were correctly processed in the payroll system. All the sample were evidenced to have received an offer letter inclusive of their starting salary and had signed starter forms giving authorisation of their nominated bank details to the Trust. Additionally, the appointments for all in the sample selected were evidenced to be appropriately signed. Testing was conducted to ensure that the starters first payslips were accurate and paid in the correct payroll period; no issues were identified.

A sample of six leavers was selected for testing to ensure they were correctly processed in the payroll system. The sample consisted of two retirements, two resignations and two dismissals. For all cases, appropriate leaving notifications were issued, with holiday calculations considered. The final payslips for the retirees and resignations were evidenced to confirm accuracy and correct payment within the designated payroll period; no issues were identified.

Of the dismissal cases, one involved a member of staff who was dismissed and referred to the Police for theft of company and customer property. As a result, the employee's outstanding pay of £1800 was withheld until the property was fully returned, which amounted to a value of £2219. The Executive Director of Corporate Services confirmed that the payment was withheld indefinitely after multiple failed attempts to recover the stolen property.

For the remaining dismissal case, the final payslip was evidenced and revealed that the employee's net pay was also withheld until the return of necessary company equipment. The payment was subsequently settled through a settlement agreement.

Currently, the Trust pays allowances to five employees consisting of three car allowances and two tool allowances. All cases were selected for testing, and it was explained by the Executive Director of Corporate Services that four of the five samples were examples of allowances paid to staff who were transferred from Manchester City Council in the years 2006 and 2008. Therefore, evidence of approval was unable to be evidenced. The remaining sample was an allowance agreed in November 2014 of which a HR letter confirming the allowance was evidenced.

Testing was conducted to confirm that, in line with the Financial Regulations Policy, payroll is approved by the Executive Director of Finance and Business Development or another Executive Director in their absence. A sample from October 2024 to February 2025 was selected; all months were evidenced to be correctly approved.

Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	**Performance Monitoring**	There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In place	-	-
S	**Sustainability**	The impact on the organisation's sustainability agenda has been considered.	In place	-	-
R	**Resilience**	Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

Other Findings	
	The Trust's December 2024 Management Accounts were evidenced during the audit. The accounts were shown to include core staffing costs, and the Finance Manager confirmed that the Board is presented with the Management Accounts quarterly.
	The use of electronic systems minimises the need for physical paper recording methods, demonstrating the Trust's approach to environmental sustainability.
	It was identified that, in instances of absence, appropriate delegation measures are in place to ensure that each scheduled payroll is adequately processed and approved.

Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

2. The matters raised in this report are only those that came to the attention of the auditor during the course of the review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Effectiveness of Arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

In place	The control arrangements in place mitigate the risk from arising.
Partially in place	The control arrangements in place only partially mitigate the risk from arising.
Not in place	The control arrangements in place do not effectively mitigate the risk from arising.

Assurance Assessment

4. The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

6. The table below sets out the history of this report:

Stage	Issued	Response Received
Audit Planning Memorandum:	7th March 2025	7th March 2025
Draft Report:	23rd May 2025	29th May 2025
Final Report:	2nd June 2025	