



STAFFORDSHIRE FIRE & RESCUE SERVICES

Item 5 (ii)

Payroll

Internal audit report 4.21/22

FINAL

3 February 2022

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

1. EXECUTIVE SUMMARY

Why we completed this audit

A review of Payroll was undertaken as Staffordshire Fire and Rescue Services (the Service) as part of the approved internal audit plan for 2021/22.

Since April 2017, the Service has entered into an outsourced payroll agreement with Stoke-On-Trent City Council under a Service Level Agreement (SLA). In accordance with the SLA, the Council is responsible for running the payroll, payroll control reconciliations, payment of deductions to third parties including national insurance and tax, pension administration etc. The provider is also responsible for certain payroll Masterfile changes including pay awards and tax code changes.

The Service has a Payroll Department in place which comprises of a Payroll Manager and three Payroll Officers, who are responsible for all data input and amendments relating to pay including expenses. The Service uses the ResourceLink System as their dedicated Payroll System. New Starters are input onto the MyView Portal by the HR Department.

Conclusion

Our review found that the Service has a well-designed framework of controls which are predominantly being complied with. Our sample testing of starters, leavers, amendments, deductions, advance payments, overpayments and expenses found few exceptions and we were satisfied that these controls are being complied with.

In addition, our testing around payment and authorisation of payroll found no exceptions. There was one minor exception in relation to authorising an expense claim form and when following up on actions agreed in the previous Payroll audit for the 20/21 financial year we found that one action had been partially implemented and one not implemented. Because of this we have included one new action, restated one action and agreed a new action to address the outstanding areas.

Internal audit opinion:

Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage the identified area are suitably designed, consistently applied and operating effectively.



Key findings

We identified the following findings:



The Payroll procedure notes detail the regular activities carried out by the department. An action was agreed in the previous Payroll audit and we reviewed the procedures to confirm the action had been implemented. The action had only been partly implemented. The absences procedures and the three MyView Starter Authorisation procedures lacked version control and review dates. Additionally the MyView Start Authorisation procedures lacked detail to support the screenshots presented. **(Low)**



The Expenses and Subsistence Policy had not been reviewed since internal audit report issued in 2020/21. We were informed by the Payroll Manager that this has been delayed until the new expenses module has been implemented. It should be noted that the Policy was still fit for purpose. **(Low)**



Our sample testing of 20 expenses / overtime claims confirmed that in all cases a Claim Form was fully completed by the claimant, the amount paid to the employee tallied to the amount claimed and receipts were maintained on file where appropriate. In 1/20 cases we identified that the Claim Form has not been approved by the authorising officer. **(Low)**



We obtained the Payroll calendar and First Pay Schedule for 2021/22 and confirmed they detail the date of key monthly tasks and are readily available to staff.



Access to ResourceLink Payroll System is restricted to appropriate staff members. We confirmed that only current members of staff have access to the systems and the access rights are appropriate to their job role.



A new SLA with Stoke-On-Trent City Council has been implemented for the payroll services until 31 March 2022. The SLA was signed and dated by both parties.



Our sample testing of 20 new starters confirmed an Action Slip was maintained on file, the new starter was setup on ResourceLink in a timely manner and paid in a timely manner.



Our sample testing of 20 leavers confirmed that an Action Slip was maintained on file and submitted to Payroll in a timely manner before the leaver date, the staff member was paid timely for their last pay slip and the last pay was calculated correctly.



Our sample testing of 20 payroll amendments confirmed an Action Slip was maintained on file and the change was actioned in a timely manner and evident on the following month payslip.



Our sample testing of 20 voluntary deductions identified that 18 were historic deductions and thus documentation is no longer retained on file by the Service. Of the two that had documentation, in one case this had not been signed by the

employee as it was completed electronically. For all cases, we confirmed the deduction amount was correct on the payslip.



Since the start of the 2021/22 financial year, there had been five employees that have had involuntary deductions. For all five instances, we confirmed that formal notification has been retained on file, deductions were made correctly in line with the notification and the deduction was detailed on the employee's payslip. Since the start of the 2021/22 financial year, the Service has processed two staff pay advances amounting to a total value of £3,550. We reviewed both pay advances and confirmed there was a valid reason for the advance, the advance had been approved and subsequently recovered on the following month's payslip.



Since the start of the 2021/22 financial year, the Service has processed one overpayment to an employee totalling £1,174. We confirmed that appropriate steps had been taken to recover the overpayment and the employee agreed to make monthly repayments as salary deductions of £130.



Reconciliations of payroll and statutory deductions are completed by Stoke City Council as part of the outsourced service. Reconciliations between standing personnel data and payroll records are not completed as staff are able to amend their own data via the MyView Platform.



We reviewed the payroll documentation for April, July and December 2021 and confirmed that exception reports and draft Costing Files were provided by the Council, the final Costing File was approved by the Payroll Manager and the BACS run was approved by the Deputy Chief Finance Officer.

2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Policy and Procedure Framework		
Control	<p>The Payroll Department has operational procedure notes in place detail regular activities carried out by the Department.</p> <p>The procedure notes are subject to regular review and are easily accessible by relevant staff members within the Payroll Department.</p>	Assessment:
		Design ✓
		Compliance ×
Findings / Implications	<p>The Payroll Department currently has the following procedure notes:</p> <ul style="list-style-type: none"> • Absences; • Action slips for Support and Officers; • CPD (Operational Staff only); • Deductions; • Expenses; • Maternity, Paternity and Adoption Payments; • My View Starter Authorisation – On Call; • My View Starter Authorisation - Support • My View Starter Authorisation – Wholetime; • Overpayment Recovery – Current Employees; • Overpayment Recovery – Leavers; • Overtime Instructions; • P45 and New Starter Checklists; • Pension Opt Outs; • Leavers; • New Starters; and • RL temporary promotion instructions. <p>We obtained a screenshot of the Payroll shared drive, which confirmed that these procedures are available to staff.</p> <p>Review of these procedures confirmed that in most documents a review of the current procedure notes had taken place since the previous audit to ensure procedures are in place for all key tasks with clear screen prints where necessary to make the steps outlined more accessible for staff. Additionally, version control and review dates had been implemented.</p> <p>However, we found the following exceptions:</p>	

Policy and Procedure Framework

- For the Absences procedures, we found no version control or review dates had been implemented; and
- For all three My View Starter Authorisation procedures the process was not clearly defined and did not include version control and review dates.

In addition, we noted that there were no procedures around pay advances, this raises the risk that there is an inconsistent approach to how pay advances are conducted.

Management Action 1	<p>The absence procedures and three My View starter Authorisation procedures will be amended to include version control and review dates.</p> <p>Additionally, the three My View starter Authorisation procedures will be updated to include information to support the screenshots.</p> <p>A Pay Advances procedure will also be produced.</p>	Responsible Owner: Payroll Manager	Date: 30 April 2022	Priority: Low
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Policy and Procedure Framework

Control	The Service has an Expenses and Subsistence Policy in place and is subject to regular review and is easily accessible by relevant staff members.	Assessment:		
		Design	✓	
		Compliance	x	
Findings / Implications	The Payroll Internal audit report (5.2020/21) outlined the following management action regarding the Expenses and Subsistence Policy: <i>'The Expenses and Subsistence Policy will be reviewed and updated to ensure it is reflective of current practices across the Service'</i> . We were informed by the Payroll Manager that the Policy was due to be reviewed along with the implementation of the online expenses module in MyView which was aiming to be introduced in April 2021. However, due to changes in posts and structure, the MyView operators haven't found a viable method for authorising expenses. As such, we have restated the management action.			
Management Action 2	Restated Management Action The Expenses and Subsistence Policy will be reviewed and updated once the Expenses Module has been implemented.	Responsible Owner: Deputy Chief Finance Officer	Date: 31 March 2023	Priority: Low

Expenses				
Control	Staff members complete an Expense Claim Form for all expense claims and an Overtime Allowance Claim form for overtime claims. All Forms are approved and signed by a relevant Authorising Officer. Supporting receipts for all expense claims are maintained on file. The Payroll Department authorise and sign the Claim Form once it has been processed in the MyView Portal and approved for payment in the following payroll payment-run.	Assessment:		
		Design		✓
		Compliance		×
Findings / Implications	<p>We selected a sample of 20 paid expenses / overtime claims from the 2021/222 financial year and tested to confirm whether:</p> <ul style="list-style-type: none"> • A corresponding Claim Form for each was fully completed, signed and dated by the claimant; • The claim form has been correct authorised by an appropriate Authorising Officer; • The amount paid to the individual tallies the amount claimed; and • Receipts are maintained on file for expense claims where appropriate. <p>Testing identified the following exceptions:</p> <ul style="list-style-type: none"> • In 1/20 cases the form had not been approved by the authorising officer. 			
Management Action 3	We will ensure all expense claim forms are appropriately authorised.	Responsible Owner: Deputy Chief Finance Officer	Date: 31 March 2022	Priority: Low

APPENDIX A: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Policy and procedural framework	1	(7)	1	(7)	2	0	0
Starters and leavers	0	(2)	0	(2)	0	0	0
Amendments	0	(1)	0	(1)	0	0	0
Deductions	0	(2)	0	(2)	0	0	0
Advance payments	0	(1)	0	(1)	0	0	0
Overpayments	0	(1)	0	(1)	0	0	0
Expenses	0	(1)	1	(1)	1	0	0
Payment and authorisation	0	(2)	0	(2)	0	0	0
Management reporting	0	(1)	0	(1)	0	0	0
Total					3	0	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

APPENDIX B: SCOPE

The scope below is a copy of the original document issued.

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following risks:

Objective of the area under review

To ensure that staff are paid all monies due to them each month in a timely manner and that the organisation is correctly recording and accounting for its payroll costs.

When planning the audit, the following areas for consideration and limitations were agreed:

Our review will cover the payroll for officers, staff and pensions payroll in the following areas:

- Procedural documentation- Force Financial Guidelines provide appropriate procedures and controls;
- Access and Authorisations - Access to the payroll system is only provided to appropriate officers;
- Authorised signatories list – maintained up to date;
- Starters Notification from Human Resources - Input to payroll accurate and timely;
- Leavers Notification from Human Resources - Input to payroll accurate and timely;
- Retiring Police Officers Notification from Human Resources - Input to payroll accurate and timely;
- Amendments Notification from Human Resources/Employee -Input to payroll accurate and timely;
- Deductions - Appropriate third-party documentation exists to support: Voluntary deductions, Involuntary deductions;
- Urgent payments, advances and overpayments - Authorisation and Appropriateness of payments;
- Recovery of overpayments of salaries and expenses;
- Checking and payment authorisation;
- Expenses – supported by receipts, signed by employee, in line with policy and appropriately authorised;
- Exception reports – produced, reviewed and acted on;
- Payroll reports and payment – produced, reviewed and authorised;
- Reconciliations of payroll and statutory deductions – completed, reviewed, outstanding items cleared;
- Standing Data Personnel and Payroll records reconciliations; and
- Establishment reported to managers.

Limitations to the scope of the audit assignment:

- The review will only consider staff paid through the payroll system and will only review those controls operating within the Force; this will not include a review of the payroll provider;
- We will not consider the appropriateness of payments made to staff, only that these are the correct amounts due to them;
- The audit will not include any recalculation of PAYE deductions;
- We will not test the accuracy of National Insurance or pension deductions or those amounts paid over to relevant third parties;
- We will not comment on the organisation's recruitment process;
- We will not substantively re-perform reconciliations;
- Testing will be completed on a sample basis from transactions within the current year; and
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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