



STAFFORDSHIRE FIRE & RESCUE SERVICE

Payroll

Internal audit report 7.22/23

FINAL

25 April 2023

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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 2022/23.

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. The HR Department is integrated into the Police service and provides support to the Fire Service.

Conclusion

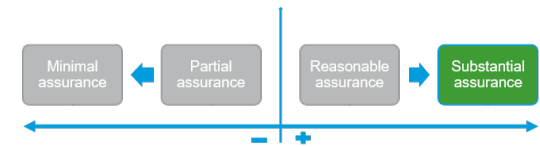
Our review found that the Service has a well-designed framework of controls which are predominantly being complied with. Our sample testing of starters, leavers, amendments, deductions, advance payments, overpayments and expenses found few exceptions and we were satisfied that these controls are being complied with. In addition, our testing around payment and authorisation of payroll found no exceptions.

Management actions that resulted from our previous Payroll audit during 2021/22 were also followed up as part of this audit. Two of the three actions agreed from the review were found to have been fully implemented. One action has been reiterated in relation to the Expense and Subsistence Policy.

As a result, overall we have agreed two 'low' priority management actions.

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:



Policies and Procedures

The Financial Regulations had surpassed their set review date of August 2020. **(Low)**



Expenses and Subsistence Policy

The Expenses Policy had not yet been updated due to delays in the implementation of the online expense approvals platform, and therefore this action has been reiterated following the 2020/21 Payroll Review. **(Low)**



Scheme of Delegation

We have been provided with the Appendix B Scheme of Delegation – Framework dated September 2019. Through review of the document, we identified four levels within each team and it clearly states which job role has each level of authorisation within each team. The document stated that “Human Resources Department authorisation to be reviewed in April 2020”. We were informed that the Service is already in the process of updating the Scheme of Delegation which is due to be finalised by the end of February 2023, and therefore a management action has not been agreed as this was already in progress and due to complete imminently.



Payroll Procedures

Review of relevant operational procedure notes confirmed they had been maintained up to date, reflective of practice and were available to key staff.



Payroll Calendar

We obtained the Payroll calendar and First Pay Schedule for 2022/23 and confirmed that they adequately detail the date of key monthly tasks and are readily available to staff.



Access to ResourceLink

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



SLA

A revised SLA with Stoke-On-Trent City Council has been implemented for the payroll services until 31 March 2023. The SLA was appropriately detailed and measurable and had been signed and dated by both parties.



New Starters

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.



Leavers

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.



Amendments

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.



Voluntary deductions

Our sample testing of 20 voluntary deductions identified that 14 were historic deductions and thus documentation is no longer retained on file by the Service. For the remaining six cases, supporting evidence was maintained on file including employee sign-up. For all cases, we confirmed the deduction amount was correct on the payslip and in line with the original agreement.



Involuntary deductions

Our sample testing of 20 involuntary deductions identified 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.



Advances

Since the start of the 2022/23 financial year, the Service has processed four staff pay advances amounting to a total value of £1,213. We reviewed all 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.



Overpayments

Since the start of the 2021/22 financial year, the Service has processed ten overpayment to 10 employee's totalling £1,581.89. We confirmed that appropriate steps had been taken to recover the overpayment from the relevant employees. Eight of the 10 payments have been fully recovered, with the remaining two to be completed as part of the February 2023 payroll.



Expenses

Our sample testing of 20 expenses identified that a corresponding Claim Form for each individual 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 agreed to the amount claimed; and the Payroll Department authorised and signed the Claim Form once it had been processed in the MyView Portal.



Reconciliations

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. Testing identified no exceptions.



Reporting

We reviewed the payroll documentation for November 2022, December 2022 and January 2023 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.



We obtained the last three Finance reports for the periods of October 2022, November 2022 and December 2022 and confirmed that the Finance Reports contained relevant information.

Management Reporting

Monthly Finance Reports including payroll expenditure are prepared, presented and discussed at Strategic Governance Board and the Finance Panel.

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.

Area: Financial Regulations				
Control	<p>The Service has a Financial Regulations document in place which outline the duties and responsibilities of individuals and groups with regards to a variety of financial duties.</p> <p>The Regulations are subject to regular review and are easily accessible by relevant staff members.</p>	Assessment:		
		Design		✓
		Compliance		×
Findings / Implications	<p>The Financial Regulations cover various aspects of financial management, including payroll, financial planning and reporting, standards, audits, expenditure, income, treasure management, and assets.</p> <p>At the time of review, the Financial Regulations had surpassed their set review date of August 2020 by over two years. We were advised that a review of the Regulations had indeed taken place and it was deemed that no changes were necessary, however the front cover page of the document had not been updated to reflect the review.</p> <p>Given this position, we have only graded this action as a low priority as we were assured the task had indeed been carried out but not documented.</p>			
Management Action 1	The Financial Regulations will be updated to reflect the internal review and the cover sheet updated to reflect the date of review.	Responsible Owner:	Date:	Priority:
		Deputy Chief Finance Officer	30 April 2023	Low

Area: Expenses and Subsistence Policy

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		×	
Findings / Implications	We reviewed the Expenses and Subsistence Policy which was last reviewed on 21 July 2022. 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, we were informed by the Senior Payroll Assistant, the MyView operators haven't found a viable method for authorising expenses as of yet and therefore, we have restated the management action.				
Management Action 2	<u>Restated Management Action:</u> The Expenses and Subsistence Policy will be reviewed and updated once the online expenses module has been implemented.	Responsible Owner:	Deputy Chief Finance Officer	Date:	30 June 2023
				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		
	0	(8)	1	(7)	Low	Medium	High
Policy and procedural framework	0	(8)	1	(7)	1	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					2	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.

The following areas will be considered as part of the review:

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

- Procedural documentation- 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 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;
- Establishment reported to managers; and

- Previous internal audit recommendations implementation/current status.

Where necessary, our work will incorporate the use of Computer Assisted Audit Techniques (CAATs) using the IDEA software package.

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 Service; 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.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Please note that the full scope of the audit can only be completed within the audit budget if all the requested information is made available at the start of the audit, and the necessary key staff are available to assist the audit process during the audit. If the requested information and staff are not available we may have to reduce the scope of our work and/or increase the audit budget. If this is necessary we will agree this with the client sponsor during the audit.

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Internal audit Contacts Daniel.Harris@rsmuk.com
Head of Internal Audit / 07792 948767

Angela.Ward@rsmuk.com
Senior Manager / 07966 914171

Client sponsor David Greensmith, Director of Finance
Corrina Bradley, Deputy Chief Finance Officer

Distribution David Greensmith, Director of Finance
Corrina Bradley, Deputy Chief Finance Officer

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