

Item 7 (iii)

STAFFORDSHIRE FIRE & RESCUE SERVICE

Payroll

Internal audit report 4.23/24

FINAL

12 April 2024

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1. EXECUTIVE SUMMARY

Why we completed this audit and background

A review of Payroll was undertaken at Staffordshire Fire and Rescue Service (the Service) as part of the approved internal audit plan for 2023/24. 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 and 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. The HR Department is integrated into the Police service and provides support to the Fire Service. The total amount paid for the January 2024 payroll was £1.4m and included 717 staff payments.

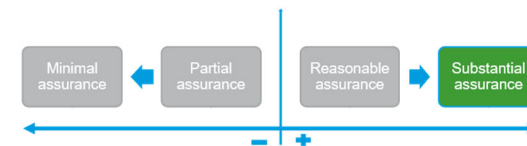
Conclusion

Our review found that the Service has a well-designed framework of controls which were predominantly being complied with. Our sample testing of starters, deductions, advance payments, contractual amendments, overpayments and expenses found no exceptions and based on our sample testing, we were satisfied that these controls were being complied with. Exceptions were noted in the testing of leaver processing which has resulted in the agreement of one 'medium' priority management action.

Management actions (two low priority) that resulted from our previous Payroll audit during 2022/23 were also followed up as part of this audit. Both management actions were found to have been fully implemented and further details are included within the body of the report.

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 areas of improvement:



Leavers

We selected a sample of 20 leavers from a list generated by the payroll system. From this testing we found:

Action slips

In six instances, the action slips were completed and stamped by payroll after the leave date (between seven and 14 days); Out of the six, four were On-Call roles and the other two were ELST roles and in one case no stamp was present on the action slip.

If action slips are not receipted and actioned in a timely manner there is a risk of over or under payment to leavers. **(Medium)**

The following controls were found to have been well designed and operating effectively:



Financial Regulations

The Finance Regulations were last updated and approved by the Strategic Governance Board on 22 January 2024. The Governance Framework and Finance Regulations are available on the intranet. As part of our previous Payroll audit, a low priority management action was included for the Financial Regulations to be updated to reflect the internal review and the date of the review that had taken place. We confirmed that this had taken place and the document had been updated to reflect to the timing of the internal review.



Scheme of Delegation

The Service has a Scheme of Delegation which sets out the authorisation limits across all budget areas. The document was last reviewed in February 2023 and is to be reviewed every two years. We confirmed that it is available on the intranet.



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 2023/24 and confirmed that they adequately detail the date of key monthly tasks and are readily available to staff.



SLA

The Service has an SLA in place with the Stoke-On-Trent City Council (signed by both parties) for a pay and conditions service consisting of payroll and pensions administration on behalf of the Service and its employees. We noted that the contract started on the 1 April 2022 and is due to end on the 31 March 2023. In addition, we were provided with an email between the Service and Stoke-On-Trent Council, confirming that the contract had been extended until March 2025.



Expenses

The Service has an Expenses and Subsistence Policy in place (available on the intranet) which is subject to regular review and is easily accessible by relevant staff members. The Policy was last reviewed on 21 July 2022 by the Director of Finance and is to be reviewed next on the 21 July 2025. As part of our previous Payroll audit, a low priority management action was included for the Expenses and Subsistence Policy to be reviewed and updated to reflect the date of the next review and we confirmed that this had been included.

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 had been correctly 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 MyView Portal.



Access to ResourceLink

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



Starters

Our sample testing of 20 new starters confirmed that the required action slip was maintained on file, the new starter was setup on ResourceLink in a timely manner and paid in a timely manner.



Amendments

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



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.



Voluntary deductions

Our sample testing of 20 voluntary deductions identified that nine were historic deductions and thus documentation is no longer retained on file by the Service. For the remaining 11 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.

**Advances**

Since the start of the 2023/24 financial year, the Service has processed four staff pay advances amounting to a total value of £2,486.88. 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**

At the time of the audit we noted that no overpayments had been made between April 2023 - January 2024. We obtained the overpayment log to ensure that there were no overpayments recorded within this time period and noted that no overpayments had been recorded since December 2022.

**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 2023, December 2023 and January 2024 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.

**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: Leavers				
Control	For all leaving staff members, the HR Department forward an action slip notification to the Payroll Department, via Staffnet, to inform them of the leaver. The Payroll Department will action the leaver within the Payroll System and calculate their final pay.	Assessment:		
		Design	✓	
		Compliance	×	
Findings / Implications	We selected a sample of 20 leavers and our sample consisted of Support Staff, On Call staff, Whole time Staff, and the ELST (Enhanced Logistics Support Team). We tested to verify if action slips were being forwarded prior to the leave date and whether the leaver received their final pay and had been removed from the payroll in a timely manner. Our testing identified the following: Action slips In six cases the action slip was completed and stamped by Payroll after the leave date (between seven and 14 days) and in one case the action slip was not stamped. If action slips are not receipted and actioned in a timely manner there is a risk of over or under payment to leavers.			
Management Action 1	Payroll will ensure action slips for leavers are receipted and processed timely manner.	Responsible Owner: Corrina Bradley, Deputy Chief Finance Officer	Date: 31 May 2024	Priority: Medium

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
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.	0	1	0	1	0
Total			0	1	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:

Objective of the risk 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:

The audit will consider the following;

- 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; and
- Previous internal audit recommendations implementation/current status.

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.
- The audit will consider the controls in place to manage the outsourced payroll services provided by [external payroll provider], it will not consider the controls or processes in place at [external payroll provider], though will consider reports provided to [client] by [external payroll provider].
- The review will only consider staff paid through the payroll system.
- We will not consider the appropriateness of payments made to staff, only that these are the correct amounts due to them.
- We will not test the accuracy of National Insurance or pension deductions or those amounts paid over to relevant third parties.
- The results of our work are reliant on the quality of data provided to us.
- Our work does not provide assurance that material error, loss or fraud do not exist.

Debrief held 15 February 2024
Draft report issued 21 March 2024
Responses received 5 April 2024

Final report issued 12 April 2024

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