



STAFFORDSHIRE POLICE, FIRE & CRIME COMMISSIONER AND CHIEF CONSTABLE OF STAFFORDSHIRE

Payroll

Internal audit report 7.20/21

Final

28 April 2021

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1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, remote working has meant that we have been able to complete our audit and provide you with the assurances you require. It is these exceptional circumstances which mean that 100 per cent of our audit has been conducted remotely. Based on the information provided by the Force, we have been able to sample test the control framework.

Background

A review of Payroll was undertaken at Staffordshire Police, Fire & Crime Commissioner and Chief Constable of Staffordshire (the Force) as part of the approved internal audit periodic plan for 2020/21.

Total gross pay expenditure was in the region of £67.4m for the 2020/21 Financial Year (April to January). There are approximately 3,623 individuals being processed for payment as part of each monthly payroll payment run.

All payroll processes are currently managed in-house by the Force's dedicated Payroll Department. The Department comprises of two Payroll Officers and a Payroll Team Leader who reports to the Payroll Manager. The Payroll Officers are responsible for all data input and amendments relating to staff pay.

The Force uses the Origin System as their dedicated payroll system which links to the Origin HR Module used by the HR Department for staff management and inputting starters and leavers etc. A self-service module is in place for staff members to view their monthly payslips and change and personal details such as address and bank details etc.

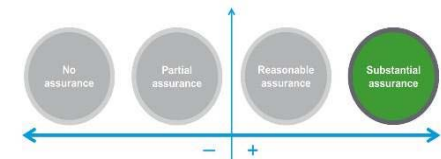
Each month the Payroll Department prepares and processes the payroll run for Force Officers, Force staff members, OPCC staff members and Special Constables. Once the payroll run has been reviewed and approved by the Payroll Manager, the BACS payment file is transmitted by the Finance Department.

Conclusion

There is an appropriate control framework in place for governing Payroll. Our work confirmed that there are adequate controls in place which are being consistently applied. We identified no issues that required us to comment upon or to agree management actions. We have therefore concluded with a substantial assurance opinion.

Internal audit opinion:

Taking account of the issues identified, the Commissioner and the Force can take **substantial assurance** that the controls upon which the Force relies to manage the identified areas are suitably designed, consistently applied and operating effectively.



Key findings

Our audit review identified that the following controls are suitably designed, consistently applied and are operating effectively:



The Force has a Financial Regulations document in place. The Regulations outline the duties and responsibilities of individuals and groups with regards to a variety of financial duties, including expenditure and payroll. The Regulations were found to have been maintained up to date and last updated in June 2020.



The Force has a Scheme of Delegation document in place which sets out the authorisation limits for approvers across all of the Force's budget areas.



The Payroll Department has operational procedure notes in place which detail the key activities carried out by the Department. The Procedure is located on a local shared drive which is accessible by all relevant staff members. The Procedure was found to have been last reviewed in December 2020, with a set review date of December 2022.



The Payroll Department has a timetable in place which details the deadline dates for key monthly payroll tasks. At the time of audit, the timetable was found to have been fully complete and maintained up to date.



Access to the Origin Payroll System is restricted to appropriate staff members. Through review of a user access list, it was confirmed that access is currently limited to appropriate staff members.



HR setup all new starters within the Origin System. Once setup, an automated workflow notification is sent to the Payroll Department. A New Starter Form is completed for all new starters. The Form is sent to the Payroll Department for the new starter to be setup on the Payroll System. The New Starter Form is signed by the relevant Payroll Officer setting up the starter. The system entry is checked by a second independent Officer and the New Starter Form signed to confirm accuracy.

A sample of 20 new starters added to the Payroll System were selected and tested from the current financial year. In all 20 instances, we confirmed that a corresponding New Starter Form had been maintained on file, which had been fully completed, prior to the relevant individual commencing employment with the Force. Each new starter was found to have been added to the Payroll System and paid in a timely manner based on their employment start date. All payments were found to be accurate based on agreed salaries.



For all leavers and retiring staff members, the staff member and HR Department complete a Notification of Resignation/Retirement Form which is sent to the Payroll Department. The Payroll Department action the leaver within the Payroll System and calculate their final pay based on any annual leave allowances etc. A sample of 20 leavers were selected and tested from the current financial year. For 17 of the leavers, we confirmed that a corresponding Notification of Resignation/Retirement Form had been completed in a timely manner and sent to the Payroll Department for actioning. In the remaining three instances, two leavers related to an immediate dismissal and the third leaver did not return from training.

Each leaver was found to have been actioned within the Payroll System and paid their final salary in a timely manner based on their respective leaving date. Final payment calculations were found to have been maintained on file, and no overpayments or additional payments were found to have been made, in relation to the sample selected.



For all staff contractual amendments, such as position and hour changes, the HR Department will notify the Move Department via an HR Move Sheet. The Move Department will then action the amendment within the Origin System which auto feeds to the Payroll. A sample of 20 amendments actioned in the Payroll System were selected and tested from the current financial year. In all instances, the changes were found to have been actioned in the Payroll System in a timely manner and accurately reflected in the staff member's following month payslip. In 14 instances, a corresponding Move Sheet was found to have been maintained on file which matched the system change. In the remaining six instances, a Move Sheet was not on file, as five changes related to auto pay increases and one change was in relation to a TUPE transfer.



Voluntary deductions are processed by the Payroll Department following receipt of a signed form or notification confirming the employee authorising the deduction. All signed forms and notifications are retained on file. A sample of 15 voluntary deductions were selected and tested and supporting evidence was found to have been maintained on file for 11 deductions. The evidence confirmed that the staff members had authorised the deduction and that monthly deduction amounts agreed with the source documentation. The remaining four instances were in relation to historic deductions such as longstanding unions and pensions and therefore original sign-up paperwork was not available.



Involuntary deductions are processed by the Payroll Department, upon receipt of appropriate notifications from an official agency detailing the nature of the deduction and amount to be recovered. Since the start of the current financial year, the Payroll Department have processed a total of five involuntary deductions. Supporting documentation from the relevant agencies was found to have been maintained on file for each deduction. Periods of deduction and amounts were found to agree to original supporting documentation.



Payroll pay advances are approved by the Payroll Manager and processed by Staffordshire County Council as a Faster Payment. Following payment, the advance is recovered in a timely manner through deduction of the staff member's subsequent payslip. A sample of 20 pay advances were selected and tested from the current financial year. In all instances, a corresponding letter to the Council requesting the payment was found to have been maintained on file. Each letter had been signed by the Payroll Manager to confirm authorisation of the payment. In 14 instances, the payments were found to have been recovered from the relevant staff member's subsequent months' payslip. In the remaining six instances, the payments did not require recovery as they were in relation to an underpayment in the payroll run.



Payroll overpayments are actively monitored by the Payroll Department and recovered in a timely manner. For large overpayments resulting in numerous deductions, a Sundry Debtor Loan Agreement is entered into by the Force and staff member. A sample of 10 overpayments were selected and tested from the current financial year. Through review of the staff members' payslips, we confirmed that the overpayments had been fully recovered via gross pay monthly deductions.

A sample of 10 sundry debtor loan agreement deductions for overpayment were selected and tested from the current financial year. In all 10 instances, a corresponding agreement was found to have been in place, which had been signed by the Force and relevant staff member. In all instances, deductions were found to have been taken from the staff members' pay slip in line with their relevant agreement. Four of the overpayments had been fully paid and agreement terminated. The remaining six agreements were still on-going at the time of audit.



A Payroll BACS Payments Reconciliation is completed on a monthly basis. The Reconciliation is prepared by the Payroll Officer and reviewed by the Payroll Manager. Any discrepancies are investigated and resolved. Through review of the Payroll BACS Payments Reconciliations for the last three months, it was noted that all reconciliations had been prepared and independently reviewed in a timely manner following month-end. No discrepancies were noted.



A HMRC Tax and National Insurance Deductions Reconciliation is completed on a monthly basis. The Reconciliation is prepared by the Payroll Officer and reviewed by the Payroll Manager. Any discrepancies are investigated and resolved. Through review of the HMRC Tax and National Insurance Deductions Reconciliations for the last three months, we noted that all reconciliations had been prepared and independently reviewed by the Payroll Manager in a timely manner following month-end. No discrepancies were noted, and payments were found to match monthly HMRC statements.



The Payroll Officer produces a Gross to Net Summary Report and Court Orders Report, as part of the monthly payroll run. Both reports are reviewed by the Payroll Manager and cross referenced to the final BACS submission file prior to payment. A Final BACS Submission Sheet is then produced and signed by the Payroll Officer. The Payroll Manager signs the Sheet authorising the BACS payment, which is then sent to the Finance Department for processing. Payroll payment run documentation for the last three months was reviewed. For each month, we confirmed that a Gross to Net and Court Order Report had been produced and reviewed, all reports balanced to the BACS payment file and no differences were noted, and the Final BACS Submission Sheet had been signed by the preparer (Payroll Officer) and approved by the Payroll Manager. Amounts as per the BACS Submission Sheets were found to match the payroll BACS deductions on the Force's bank statements for the three months reviewed.



The Force produces a monthly Finance Report for each Directorate area. A breakdown and analysis of staff pay costs is completed as part of the Resources Directorate Finance Report. A monthly report was found to have been produced and disseminated for the last three months.

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 management actions		
					Low	Medium	High
Payroll	0	(17)	0	(17)	0	0	0
Total					0	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

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 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.

Areas for consideration

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;

- Checking and payment authorisation;
- 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.

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:

- 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 results of our work are reliant on the quality and completeness of the information provided to us; and
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Staffordshire Police, Fire & Crime Commissioner and Chief Constable of Staffordshire, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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