



NORTH YORKSHIRE POLICE, FIRE AND CRIME COMMISSIONER, FIRE AND RESCUE AUTHORITY

Payroll – Process and Control Assurance

Internal audit report 1.22/23

FINAL
27 July 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.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING



1. EXECUTIVE SUMMARY

Why we completed this audit

We have considered the controls and processes in place to manage the payroll at North Yorkshire Fire and Rescue Service to ensure staff are paid promptly and accurately. The Payroll Team is managed and overseen by the Payroll and Pensions Manager, who is supported by two senior payroll team members. Employee information is provided to the Payroll Team by the Talent and Development Team, which is a branch of the People Services function under Enable.

The Service has two payrolls in place: one four-weekly payroll for whole-time firefighters and administrative staff, and one monthly payroll for on-call firefighters to pay annual retained fees. The Payroll Team currently use the Resource Link system, which is administered by North Yorkshire County Council (NYCC), who process the payroll upon instruction from the Service, produce reports which feed into the general ledger, and administer user access controls and functionality within the system.

The Payroll and Pensions Manager outlined that the Service are currently reviewing processes, following the appointment of two senior members of the Payroll Team, to ensure that processes align with those at North Yorkshire Police (NYP) and those within the People Services Team, or Talent and Development Team. There is ongoing discussion as to whether the Service will move to the NYP payroll system (iTrent), to further integrate functions.

Conclusion

As a result of our review, we have agreed **two high, four medium** and **one low** priority management actions. We have also made one suggestion for consideration by the Payroll Team. Whilst we have not identified issues in payroll calculations, our review has identified issues in the timeliness of the submission of key documentation from the Talent and Development Team to the Payroll Team and accuracy of contractual documentation to ensure that employees are paid accurately and in a timely manner. We have further identified areas for control strengthening, such as independent payroll checks, the authorisation of payroll processing, and user access controls. We note that the Payroll Team are in a transitional phase and are reviewing processes to reflect revised staffing changes. The findings of this review will support that process. We have further undertaken data analysis as part of this review, which has resulted in no further actions being agreed. Please see Appendix A of this report for full details.

Internal audit opinion:

Taking account of the issues identified, the Police, Fire and Crime Commissioner Fire and Rescue Authority can take **partial assurance** that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied or effective. Action is needed to strengthen the control framework to manage the identified area.



Key findings

Our audit identified the following exception with the Service's established control framework resulting in two high and four medium priority actions being raised:



Timeliness of information provided to the Payroll Team

Review of the dates that new starters were added to the payroll system against the employee's actual start date on the system for the sample of 15 identified that two new starters were heavily delayed in being added to the system. Both new starters had been enrolled as on-call firefighters and the delays between the employee start date and the date added to the system totalled 161 days and 239 days respectively. Both employees were then paid in the next possible pay run and reimbursed for the missed months of retain fees.

For the two cases identified, the Payroll Team were not provided with the completed new starter checklist in a timely manner and could not process the new starters without such information. We asked the Talent and Development Team for comment but have not received a response. We further identified from a sample of 10 amendments that the Payroll Team were also not informed of a movement in a timely manner, which resulted in the processing of the change being delayed.

Where new starter or movement forms are not provided in a timely manner, there is a risk that employees are not added to the payroll in a timely manner and are not appropriately paid for the hours worked. **(High)**



Payroll authorisation

The Payroll Administrator reviews the BACS and final calculation files for both payrolls (monthly and four-weekly), and we received evidence of review for the last three months. However, the Payroll Administrator is heavily involved in the payroll processing and no secondary independent review is currently carried out. The Payroll Administrator also authorises the processing of the payroll from NYCC and is not listed as an authorised signatory.

Where independent checks of the full payroll files are not carried out and the payroll approved by an authorised signatory, there is a risk that the payroll could be inaccurately processed, which could lead to financial loss. **(High)**



Vacancy authorisation forms

The Talent Acquisition Partner informed us any on-call firefighter roles do not need to be supported by a vacancy authorisation form, as recruitment for these posts is continuous. For a sample of 15 new starters, there were eight samples excluded under this principle. For the remaining seven posts, a completed and authorised vacancy authorisation form was provided for only three.

Where vacancy authorisation forms are not completed and retained on file for all roles, there is a risk that a new starter is appointed outside of approved budget. **(Medium)**



Completion of new starter checklists

New starter checklists are completed by the Talent and Development Team and provided to the Payroll Team to inform them of any new starters and the supporting payroll information. The checklists are reviewed and processed by the Payroll Team. For the sample of 15 new starters, seven checklists had not been signed by the Talent and Development Team, and two checklists were not signed by either the Talent and Development Team or the Payroll Team.

Where new starter checklists are not fully completed and signed by both teams, there is a risk that all required checks may not have been completed, which could lead to incorrect details being entered or inaccurate payments made. **(Medium)**



New starter contract discrepancies

We reviewed a sample of 15 new starter records to verify that details on the payroll system, payslips, new starter checklists and contractual documentation all reconciled. However, in three cases, we identified discrepancies between the signed statement of particulars, in which all three employees had signed an agreement with an outdated pay rate recorded. All three individuals had been paid the correct rate of pay due to the pay rates being automatically programmed within the payroll system. For another case, the new starter checklist and signed statement of particulars stated the same retain fee of £1,787.25; however, the retain fee is outdated from 2019.

Where contractual documentation and new starter checklists do not state the correct rates of pay, there is a risk that new starters could agree to an outdated salary and may be paid incorrectly. **(Medium)**



Net pay exception reports

The Payroll Budget Senior Officer produces a net pay exception report, which records any differences in pay from the previous month's pay run; however, these are currently not independently reviewed, which risks any inaccuracies in changes not being identified or inappropriate changes being made. **(Medium)**

For details of the one low priority management action agreed and one suggestion, please see section two of this report.

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



We tested a sample of 15 leavers, and in 14 cases, there was a completed leaver form on file, which had been authorised by the line manager and signed by the People Services Team. In the final case, the leaver was on a fixed term contract, therefore an end date had been applied in the system based on the authorised new starter form details. There was email instruction on file from People Services to confirm the date of termination for the fixed term contract.



From the sample of 15 leavers, in one case, we did identify that the line manager had not provided the leaver form to the People Services Team in advance of the employee's end date; however, this had no implication on the final payslip processing, and as such, we have not raised a management action but would recommend the Payroll Team remain vigilant for such discrepancies and escalate, where applicable.

In all 15 cases, the leaver was paid in a timely manner and all monies owed, including outstanding annual leave payments, had been appropriately processed as per the authorised leaver form.



For a sample of 10 payroll amendments, we confirmed that in all cases, the amendment was supported by an authorised movement form, which was processed by the People Services Team and Payroll Team. However, in one case, we identified that the form was not submitted to the Payroll Team in a timely manner, thus resulting in one month's delay in processing the change, therefore owed monies were backdated and we have incorporated this finding into the management action raised for new starter checklist timeliness.



We initially selected a sample of voluntary and involuntary deductions from the final pay calculations, which totalled 15 deductions (10 voluntary and five involuntary). For the five involuntary deductions, we received supporting documentation to support the deduction. However, the evidence retained on file to support the voluntary deductions was minimal, due to the deductions being historic requests.

We note that the Payroll Team retain new deduction information for each supporting payroll, and two pay runs were randomly selected for our review of voluntary deductions: April 2022 for the monthly payroll and week 36 for the four-weekly payroll. In these two pay runs, a total of nine deduction samples were processed. Two of the samples were cancellation of voluntary deductions and were accurately processed. In the final seven samples, the deductions were supported by instruction from the employee and reflected in the payroll as required.



NYCC payroll expenditure actuals into the payroll ledger, based on the totals processed. This is an automatic process and there is no involvement from the Payroll Team at NYFRS, although checks of actuals are carried out within monthly budget monitoring processes.

The Payroll Budget Support Officer walked us through the monthly budget monitoring process for payroll. The budget monitoring for pay feeds into the overall budget monitoring for the fire service and the corporate financial monitoring and is carried out on a monthly basis. The main spreadsheets are maintained by the Finance Section with the detailed sheets currently maintained in payroll due to the Payroll Budget Support Officer's 50 / 50 split between the two teams. The Finance spreadsheets take information from the ledger via the spreadsheet server for actual spends per month. The payroll expenditure is then categorised by expenditure type, for example, uniform staff. The Payroll Budget Support Officer provided us with a full walkthrough.

We looked to confirm that the actuals recorded on the finance system, Oracle, are accurate. The Payroll Budget Support Officer provided with a download of the payroll ledger for March, April and May 2022. We took a sample of five entries and compared these to the final calculations report.

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: Payroll – Process and Control Assurance | | | | |
|---|---|---------------------------|--------------|-------------------|
| Control | <p>The Payroll Team have various payroll procedural documents in place to outline the processes to manage payroll.</p> <p>The documents are reviewed on a regular basis and updated for any procedural changes.</p> | Assessment: | | |
| | | Design | ✓ | |
| | | Compliance | × | |
| Findings / Implications | <p>We obtained various payroll procedures, which outline how to complete various payroll activities, including the processing of new starters, leavers, amendments, and deduction schemes. Review of a selection of documents confirmed that the procedures were last updated in 2021 to reflect current processes. The Payroll Team all have access to the documents through shared drives to carry out their duties.</p> <p>Discussions with the Payroll and Pensions Manager confirmed that the Service’s Payroll Team are in the process of reviewing current procedures to align procedures to the processes in place at NYP, as part of Enable, and ensure adequate integration with People Services processes. The team were meeting during the week of the audit to discuss initial plans and it is anticipated that payroll processes will be updated going forward.</p> <p>We have noted that there is potential for payroll procedures to be more concise, as the number of documents in place could risk confusion in payroll processing. However, the Payroll and Pensions Manager informed us that there are discussions underway as to whether NYFRS payroll will be moved to the NYP payroll system to simplify and integrate processes as part of Enable. NYP currently use the Midland HR iTrent system, the contract for which expires on 31 July 2022. It therefore may be the case that a new contract is put in place, which includes NYFRS payroll; however, negotiations are currently ongoing. As a result, a review of current procedure documents may not be appropriate or resource-effective should the payroll move to another system. We have therefore raised a suggestion only and would recommend that procedural documents are updated to reflect any changes in current discussions, and a full procedural review is undertaken if a new system were to be implemented.</p> | | | |
| Suggestion 1 | Following the review of current payroll processes, the Payroll Team will consider whether procedural documents are fit for purpose and could be made more concise. | Responsible Owner: | Date: | Priority: |
| | | - | - | Suggestion |

Area: Payroll – Process and Control Assurance

| | | | |
|----------------|--|--------------------|---|
| Control | <p>Access to the Resource Link system is controlled by NYCC and requests for access to the payroll system are directed to their central team.</p> <p>User access is appropriately segregated between payroll and HR.</p> | Assessment: | |
| | | Design | ✓ |
| | | Compliance | × |

Findings / Implications Access to the Resource Link system is requested from NYCC, who administer the user accounts. We obtained the list of current users for the Resource Link system and noted that 13 users are currently included on the Resource Link system.

Review of the 13 users confirmed that 12 users were current employees and either members of the Payroll Team, Finance Team or People Services Team. Those outside of the Payroll Team have read only access only. The final user is no longer a current employee at NYFRS, and a request will be issued to NYCC to revoke access for this user.

Where users are not removed from the system in a timely manner, there is a risk that the payroll information could be inappropriately accessed. However, the Payroll Team did assure us that the Resource Link system cannot be accessed without access to the Service network.

| | | | | | | | |
|----------------------------|--|---------------------------|------------------------------|--------------|-------------------|------------------|------------|
| Management Action 1 | <p>The Payroll Team will verify that the ex-employee has been removed as a user on the Resource Link system and ensure user access for any leavers is revoked in a timely manner.</p> <p>As the Payroll Team are undergoing a review of the payroll processes, the full user list and subsequent accesses will be reviewed to ensure access rights remain appropriate based on any procedural updates.</p> | Responsible Owner: | Payroll and Pensions Manager | Date: | 30 September 2022 | Priority: | Low |
|----------------------------|--|---------------------------|------------------------------|--------------|-------------------|------------------|------------|

Area: Payroll – Process and Control Assurance

| | | |
|--------------------------------|---|---|
| Control | <p>All new starters are supported by an approved vacancy authorisation form and a completed new starter checklist, which is completed by the Talent and Development Team and Payroll Team prior to adding the new starter to the payroll system.</p> <p>New starters are added to the system in a timely manner to ensure payment within the first applicable pay month.</p> | <p>Assessment:</p> <p>Design ✓</p> <p>Compliance ×</p> |
| Findings / Implications | <p>The Talent Acquisition Partner informed us that any on-call firefighter roles would not be supported by a vacancy authorisation form, as the Service has agreement from the Chief Finance Officer that recruitment is continuous for these posts. We reviewed a sample of 15 new starters, of which seven samples would be excluded under this principle. For the remaining eight posts, we obtained three vacancy authorisation forms, which were appropriately authorised. The remaining five authorisation forms have not been supplied.</p> <p>Where vacancy authorisation forms are not completed and retained on file for all roles, there is a risk that a new starter is appointed outside of approved budget.</p> <p>To inform the Payroll Team of any new starter, a new starter checklist is completed and signed by the Talent and Development Team. The checklist is then reviewed and processed by the Payroll Team and signed to confirm checks have been completed. From the sample of 15 new starters, we received a new starter checklist in all cases; however, seven checklists were not signed by the Talent and Development Team, and two checklists were not signed by either the Talent and Development Team or the Payroll Team.</p> <p>There is a risk where new starter checklists are not fully completed, then all applicable checks may not have been carried out, which could lead to inappropriate details entered or inaccurate payments made.</p> <p>Review of the dates that new starters had been added to the payroll against the employee's actual start date on the system and on the new starter form identified two cases where new starter information was not added to the payroll system in a timely manner. Both new starters had been enrolled as on-call firefighters and the discrepancies between dates is as follows:</p> <ul style="list-style-type: none"> the first employee start date was 8 July 2021, and date added to the payroll was 4 March 2022, totalling 239 days later. For this employee, the first payment was processed on 15 March 2022 and retain fee back-pay was processed to reimburse the employee for the missed months; and the second employee started on 12 October 2021; however, the date the employee was added to the payroll was 22 March 2022, totalling 161 days. The first payment was processed on 14 April 2022 and retain fee back-pay was applied to reimburse the employee for the missed months' pay. | |

Area: Payroll – Process and Control Assurance

We discussed the discrepancy with the Payroll Team and were informed that the new starter checklist was not received until March 2022, when the checklists had been signed by the Payroll Team. We asked the Talent and Development Team for comment but have not received a response.

For the remaining 13 new starters, the employees were all added to the Resource Link system prior to the first applicable payroll date, and therefore were paid in a timely manner.

Where new starter checklists are not completed and provided to the Payroll Team in a timely manner, there is a risk that new starters are not added to the payroll in a timely manner and are therefore not reimbursed for the hours worked in a timely manner.

| | | | | |
|----------------------------|---|---|-----------------------------------|----------------------------|
| Management Action 2 | Vacancy authorisation forms will be fully completed and retained on file for all applicable new starter posts. | Responsible Owner: Talent Acquisition Partner | Date: 30 September 2022 | Priority: Medium |
| Management Action 3 | Payroll checklists will be fully completed and signed by both the Talent and Development Team and the Payroll Team to confirm all checks have been carried out, and evidence appropriate segregation of duties. | Responsible Owner: Talent Acquisition Partner Payroll and Pensions Manager | Date: 30 September 2022 | Priority: Medium |
| Management Action 4 | As part of the payroll process review, the Payroll Team will liaise with the Talent and Development Team to ensure that the submission of new starter checklists and movement forms to the Payroll Team is completed in a timely manner and consider whether processes can be developed to improve the timeliness of document submission. All new starter forms will be provided to the Payroll Team in time for the first applicable pay cut-off date, so all new starters are added to the system in a timely manner and paid on the first applicable pay run. | Responsible Owner: Talent Acquisition Partner Payroll and Pensions Manager | Date: 30 September 2022 | Priority: High |

Area: Payroll – Process and Control Assurance

| | | |
|--------------------------------|--|---|
| Control | <p>New starters added to the payroll system in a timely manner and employee details reconcile with those outlined within the:</p> <ul style="list-style-type: none"> signed statement of particulars; new starter checklist; the completed HMRC declaration form; and completed personnel details form. | <p>Assessment:</p> <p>Design ✓</p> <p>Compliance ×</p> |
| Findings / Implications | <p>For a sample of 15 new starters, we tested to confirm that appropriate salary information, tax codes and bank account details processed on the payroll system and documented within new starter forms, reconciled with the contractual documentation signed by the new starter and supporting details supplied.</p> <p>For three samples, we identified discrepancies in the signed statement of particulars. In all three cases, the employees had signed an agreement with an outdated pay rate recorded. One employee was an on-call firefighter, another was a crew manager and the third was a whole-time firefighter and pay was set as per the new starter checklist and current rates of pay, therefore all three were paid correctly. For another case, the new starter checklist and signed statement of particulars stated the same retain fee of £1,787.25; however, the employee was not added to the payroll on this rate as the retain fee recorded was an old rate from July 2019. The same employee was identified as being added to the payroll late in the above control (start date 12 October 2021). The employee had been added to the payroll system accurately as the approved rates of pay are updated in the system from the effective date to ensure any new starters added are automatically assigned the correct rate.</p> <p>However, where roles do not have a set salary rate, if new starter checklists and signed statement of particulars do not reconcile, there is a risk that the new starter is enrolled at the wrong pay rate, which may be outside of approved budget or a potential under-payment for the employee. There is a further risk that employees have agreed to different terms should the signed statement of particulars not outline the correct salary. In all cases, the employee salary was higher than that on the statement of particulars, therefore meaning any pay disputes would be unlikely in these instances.</p> <p>We confirmed in all cases that the employees were supported by a new starter form (although not fully signed, as raised above), a HMRC declaration form and a completed personnel details form. We identified no further discrepancies in the employee bank account details recorded or tax codes applied.</p> | |
| Management Action 5 | <p>The Talent and Development Team will ensure that new starter forms and signed statement of particulars reconcile with accurate contractual information documented and ensure that all new starters sign to agreement to the correct rates of pay on the signed statement of particulars.</p> | <p>Responsible Owner: Talent Acquisition Partner</p> <p>Date: 30 September 2022</p> <p>Priority: Medium</p> |

Area: Payroll – Process and Control Assurance

| | | |
|--------------------------------|---|---|
| Control | <p>The Payroll Budget Support Officer produces net pay reports to support each payroll (both monthly and four-weekly), which highlights any changes to net pay from the previous payroll.</p> <p>Any changes are reviewed by the Payroll Budget Support Officer and commentary added to confirm the changes are appropriate.</p> | <p>Assessment:</p> <p>Design ✓</p> <p>Compliance ×</p> |
| Findings / Implications | <p>We obtained net pay reports to support three payrolls on both the monthly payroll and the four-weekly payroll, totalling six separate reports. Producing the net pay reports is a relatively new process, only implemented within the last year and the reports are currently produced by the Payroll Budget Senior Officer. In all six cases, we confirmed that the net pay reports had supporting commentary documented against changes to confirm checks had been carried out by the Payroll Budget Senior Officer. However, the net pay reports are not currently formally reviewed by another member of the Payroll Team to confirm changes are appropriate. Without secondary review of the net pay reports, there is a risk that there is not an adequate segregation of duties when producing the payroll reports, which could lead to inaccuracies or inappropriate payments. We typically see clients producing exception reports to investigate total variances from the previous pay run as part of the overarching payroll checking processes and authorisation of BACS payments.</p> <p>We note that the Payroll Team are currently reviewing internal processes following staffing changes within the Team, in which two senior team members have been appointed, and to ensure that processes are in line with those carried out for the Force's payroll, which is also managed by the Payroll and Pensions Manager. Processes will also be considered to ensure adequate integration between the HR and Payroll Team.</p> <p>We have seen other organisations implement a payroll checklist process, whereby all payroll processes are carried out by one member of the team and independently reviewed by another senior member of the team to ensure processes are completed as required and adequate checking is in place. The Payroll Team may consider implementing a similar process.</p> | |
| Management Action 6 | <p>As part of the review of payroll processes, the Payroll Team will ensure that a secondary independent check of the net pay reports is carried out to ensure adequate segregation of duties.</p> <p>The Payroll Team may consider implementing a payroll checklist to ensure all actions are carried out and independently checked.</p> | <p>Responsible Owner: Payroll and Pensions Manager</p> <p>Date: 30 September 2022</p> <p>Priority: Medium</p> |

Area: Payroll – Process and Control Assurance

| | | |
|--------------------------------|--|---|
| Control | <p>BACS and final calculation files are produced by NYCC, who administer the Resource Link payroll system, based on the updates input by the Payroll Team on the system.</p> <p>The Payroll Administrator reviews the reports provided by NYCC to ensure calculations are accurate and authorises payment of the payroll from NYCC.</p> | <p>Assessment:</p> <p>Design ✓</p> <p>Compliance ×</p> |
| Findings / Implications | <p>We obtained the BACS and final calculation files for both payrolls (monthly and four-weekly) for the last 12 months. For the last three months, we obtained evidence of review and authorisation by the Payroll Administrator of the BACS and final calculations files to NYCC. However, we currently note that no secondary checks are carried out internally by other members of the Payroll Team. We typically see organisations carrying out a secondary checks of payroll totals as an independent review to ensure clear segregation of duties and verify that payroll calculations are accurate.</p> <p>We discussed the appropriateness of the Payroll Administrator to authorise the payroll processing with the Payroll and Pensions Manager, as we typically expect authorisers of payroll processing to be members of the senior management team and listed as an authorised signatory. We understand that this process is due to be revised within the upcoming payroll process review.</p> <p>Where secondary reviews are not carried out internally of payroll reports, and the approval of payroll processing is not carried by an authorised signatory independent of payroll, there is a risk that the payroll may be inappropriately processed and approved, which risks potential financial loss for the organisation, should calculations be inaccurate, and overpayments occur.</p> | |
| Management Action 7 | <p>As part of the payroll process review, the authorisation process will be considered to ensure that the approver of the payroll is an authorised signatory and independent of payroll processing.</p> <p>Secondary internal checks of payroll reports will be introduced by a senior member of the Payroll Team to ensure adequate segregation of duties and sufficient checking is carried out prior to processing.</p> | <p>Responsible Owner: Payroll and Pensions Manager</p> <p>Date: 30 September 2022</p> <p>Priority: High</p> |

APPENDIX A: DATA ANALYSIS

The following is a summary of findings from our analytical work which we have discussed with management.

Analytics Findings:

The following is a summary of findings from our data analytics work which we have discussed with management. This has involved us sharing the data analytics spread sheets which detail the findings for further consideration and checking.

For the purpose of our findings, we have used a 'pause' and 'tick' approach to highlight at a glance which areas require further investigation following our findings.



Area: Duplicate employees

| | |
|-----------------------------|--|
| Criteria: | Duplicate employees do not exist on the payroll system |
| Source Data/Reports: | NYF Staffing List |
| Period Covered: | 2021 / 2022 |
| Testing Undertaken: | Analysis of employees listed on the payroll system to confirm no duplicate employees exist on the payroll system. Testing will be completed using bank account details and National Insurance (NI) numbers. |
| Issues identified: | <p>Employee duplicates will exist on the NYF Staffing List, as the Service operate two separate payrolls: a four-weekly payroll, which is for whole-time firefighters and support staff, and a monthly payroll, which is for on-call firefighters. It is therefore possible that an employee would be included on both the four-weekly and monthly payrolls, if the individual is signed up as an on-call firefighter. Separate employee reference numbers for one employee on each payroll.</p> <p>The NYF Staffing List included 787 employee records. Analysing the list by bank account detail duplicates, we identified 152 potential duplicate records. We compared the bank account details against the NI numbers and identified two records, which had different NI numbers. The Senior Payroll and Pensions Officer confirmed that the two employees have a joint bank account and are married, which we verified against the account names.</p> <p>We selected a sample of 10 duplicate records from the 152 potential duplicates, and in all cases, we confirmed that the 10 records pertained to five employees, which were listed on each payroll (both monthly and four-weekly) due to having both a whole-time and on-call role.</p> |

Area: Duplicate employees

We further analysed the staff list for duplicate NI numbers, which identified 164 potential duplicate records. As the records for potential duplicate NI numbers exceeds that of the duplicate bank account records, this indicated that some NI numbers may be attributed to more than one bank account. We summarised the report by NI number and then by bank account number and identified 16 records whereby the NI number was recorded against different bank accounts. We reviewed the 16 records, which pertained to eight separate employees, and confirmed that each employee had two separate bank accounts and were recorded on both payrolls due to dual-roles.

Overall Conclusion: No issues identified.

Report Reference Duplicate employee no and duplicate NI
NI number duplicates summarised by NI number and account number

Area: Duplicate payments

Criteria: Duplicate payments have not been made to employees

Source Data/Reports: Monthly BACS files and 4 Weekly BACS files

Period Covered: 2021 / 2022

Testing Undertaken: Analysis of the BACS reports for both payrolls by employee reference number, bank account details and account name to identify any potential duplicate payments.

Issues identified: We reviewed the monthly and four-weekly payroll reports for the last three pay runs (March, April and May 2022). From review of the payments, we identified in the four-weekly payrolls, we identified two duplicate payments to the same bank account each payroll; however, had highlighted this discrepancy above and verified the employees have a joint bank account and are married. From the six reports reviewed, we identified only one further potential duplicate payment, from the four-weekly payroll processed on 8 April 2022 for two separate payments of £2,215.46 and £11.22 to the same account. We reviewed this query with the Senior Payroll and Pensions Officer and noted that the individual was re-imbursed for a whole-time firefighter turnout on 1 March 2022 after ceasing the role; however, was re-hired as a whole-time firefighter on 5 March 2022. The individual had to then be input into the system as a new starter, and thus two separate payments against different employee references were processed. We did not identify any duplicates by employee reference number.

Area: Duplicate payments

Overall Conclusion: No issues identified.

Report Reference Duplicate payments

Area: Validity of NI Number

Criteria: All employees are supported by a valid National Insurance (NI) number

Source Data/Reports: NYF Staffing List

Period Covered: 2021 / 2022

Testing Undertaken: Using data analysis formulae, verify the validity of NI numbers attributed to each employee.

Issues identified: We identified no discrepancies from the 787 employee records.

Overall Conclusion: No issues identified.

Report Reference N/A

Area: Large increases in individual salary payments

Criteria: Large increases in individual salary payments are appropriately authorised

Source Data/Reports: Monthly BACS files
4 Weekly BACS files

Period Covered: 2021 / 2022

Testing Undertaken: We carried out analysis for changes to employee payments between months from February to May 2022 for both payrolls to confirm that large increases are justified and appropriately authorised.

Area: Large increases in individual salary payments

| | |
|----------------------------|---|
| Issues identified: | <p>We carried out analysis for changes between month-to-month pay runs for February 2022 to May 2022 for the four-weekly payroll, and for March 2022 to May 2022 for the monthly payroll. We were unable to run analysis on the February 2022 monthly report, due to the report's set up and its configuration on the data analysis software.</p> <p>We have provided the full details of the analysis to the Payroll Team for review.</p> <p>We selected a sample of eight large increases (five from the four-weekly payroll and three from the monthly payroll) where the change exceeded 10% of the previous month's pay or over £1,000, and confirmed in all cases, there was appropriate justification on file to confirm that the payments were appropriate.</p> |
| Overall Conclusion: | No issues identified. |
| Report Reference | 4-weekly payroll – Feb 22 to May 2022 connector (month-to-month analysis) Monthly payroll – Mar 22 to May 2022 connector (month-to-month analysis) Selected samples – large increases |

Area: Large increases in BACS totals

| | |
|-----------------------------|---|
| Criteria: | Large increases in BACS totals |
| Source Data/Reports: | Monthly BACS files 4 Weekly BACS files |
| Period Covered: | 2021 / 2022 |
| Testing Undertaken: | We carried out analysis for changes to employee payments between months from January to May 2022 for both payrolls to confirm that large increases in BACS totals are justified and authorised. |
| Issues identified: | We carried out analysis of the total BACS totals (net pay following all deductions) for January to May 2022 of both payrolls to identify any large increases. For the four-weekly payroll, increases did not exceed 1.18% between months. For the monthly payroll, the largest increase identified was between February and March 2022, totalling a 5.03% increase. We reviewed the report against the net pay exception report provided and confirmed the difference reconciled to the analysis completed, and commentary was provided against any variations. |

Area: Large increases in BACS totals

However, we have raised management actions regarding a secondary check of the net pay exception reports and of authorisation of payroll processing, including the requirement for an independent review.

Overall Conclusion: See management actions six and seven.

Report Reference Net pay checks

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* | | Suggestion | Agreed actions | | |
|--------------|-------------------------------|------|-------------------------------|------|------------|----------------|----------|----------|
| | 0 | (12) | 5** | (12) | | Low | Medium | High |
| Payroll | 0 | (12) | 5** | (12) | 1 | 1 | 4 | 2 |
| Total | | | | | 1 | 1 | 4 | 2 |

* 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.

** More than one management action raised against one control.

APPENDIX B: SCOPE

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

Scope of the review

The internal audit assignment has been scoped to provide assurance on how North Yorkshire Police, Fire and Crime Commissioner, Fire and Rescue Service manages the following area:

Objective of the area under review

The Service has an appropriate framework in place to ensure that all individuals working for the Fire and Rescue Service are paid all monies due to them in a timely manner.

Our review will focus on the following areas:

- Policies and procedures are in place to govern the payroll function (including new starters, leavers, and amendments) and are subject to periodic review.
- Access to the payroll system is appropriately restricted, including a clear segregation of duties between HR, payroll, and finance functions.

New starters

- Vacancy authorisation and new starter forms are completed and approved prior to adding new starters to the payroll system.
- New starters are accurately added to the payroll system in a timely manner, and core information (including salary and bank account details) reconciles to contractual documentation.

Leavers

- Leaver forms are completed, authorised, and processed in a timely manner.
- Final salary calculations are completed to ensure leavers are paid all entitlements owed, including holiday pay, and pro-rata calculations accurately reflect the last working day.
- Consideration of the process for retrieving any outstanding monies owed to the organisation from leavers.

Amendments

- Amendments to the payroll (including salary changes, sick pay, maternity / paternity leave, and changes to bank account details), are processed in a timely manner, accurately calculated, and reconcile to source documentation.

- Payroll amendments are appropriately authorised prior to processing.

Deductions (voluntary / involuntary)

- Voluntary deductions are accurately processed and clear instruction from employees is retained on file to support the deduction.
- Involuntary deductions reconcile to source documentation and are accurately processed.

Payroll processing

- Exception reports are prepared and reviewed independently prior to payroll processing.
- An independent review of the payroll is undertaken prior to the processing of payments and approved by an authorised signatory.
- Payroll expenditure is accurately reflected within the finance system and there is adequate budget monitoring in place of payroll spend.

IDEA:

We will use our data analytics tool, IDEA, to scrutinise the Service's payroll data and in particular focus on the following areas for further explanation / testing:

- Duplicate employees.
- Duplicate payments have not been made to employees.
- Ghost employees are not present in the payroll system, including review of the validity of National Insurance Numbers (NINOs).
- Identify any large increases in basic salary payments between months.
- Identify any large increases in BACS payments between months (i.e. net pay following all deductions).

The following limitations apply to the scope of our work:

- The scope of the work will be limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out for this review.
- All tests run using the IDEA software package will be dependent on the quality of reports extracted from the payroll system.
- The areas of consideration documented above are only able to be completed if the appropriate data / information is able to be provided.
- We will not consider overtime or expense payments made.
- 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 an evaluation of PAYE or NI deducted.
- We will not provide assurance that payments have been made into the correct employee's bank account.

- Our work does not provide any guarantee against material errors, loss or fraud, or provide an absolute assurance that material error, loss or fraud does not exist.

Debrief held 6 June 2022
Draft report issued 9 June 2022
Responses received 27 July 2022

Final report issued 27 July 2022

Internal audit Contacts Daniel Harris, Head of Internal Audit
Philip Church, Senior Manager
Michael Gibson, Manager
Hollie Adams, Senior Auditor

Client sponsor Michael Porter, Chief Finance Officer
Mike Clements, Chief Finance Officer, enableNY
Claire Godfrey, Chief Accountant
Barbara Doolan, Payroll and Pensions Manager

Distribution Michael Porter, Chief Finance Officer
Mike Clements, Chief Finance Officer, enableNY
Claire Godfrey, Chief Accountant
Barbara Doolan, Payroll and Pensions Manager

rsmuk.com

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 **North Yorkshire Police, Fire and Crime Commissioner, Fire and Rescue Service**, 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 UK 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 UK 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.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

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

RSM UK Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.