



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

Follow Up of Previous Internal Audit Management Actions: Payroll – Process and Control Assurance

Final Internal audit report 6.22/23

14 March 2023

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

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

1. EXECUTIVE SUMMARY

Background

The focus of this review is to provide assurance that agreed management actions from the Payroll – Process and Control Assurance (1.22/23) audit have been fully implemented. This review was completed by RSM in July 2022 and concluded with partial (negative) assurance. A total of seven actions have been marked as closed and we have subsequently reviewed all actions during this audit. The actions are comprised of **two high, four medium** and **one low** priority management action.

Conclusion

Taking account of the issues identified in the remainder of the report and in line with our definitions set out in Appendix A, in our opinion North Yorkshire Police, Fire and Crime Commissioner, Fire and Rescue Authority have demonstrated **reasonable progress** in implementing agreed management actions. We were supplied with satisfactory evidence for five of the seven actions declared as complete by the respective action owner. Of the two remaining actions, we have identified that work has been undertaken but that the action is still ongoing. As such, we have categorised two medium priority management actions as partially but not fully implemented.

Progress on actions

The following table includes details of the status of each recommendation:

Implementation status by category of action	Number of actions agreed	Status of recommendations			
		Implemented	Implementation ongoing	Not implemented	Superseded
Low	1	1	0	0	0
Medium	4	2	1	1	0
High	2	2	0	0	0
Total:	7 (100%)	5 (72%)	1 (14%)	1 (14%)	0 (0%)

2. FINDINGS AND MANAGEMENT ACTIONS

Status	Detail
1	The entire action has been fully implemented.
2	The action has been partly though not yet fully implemented.
3	The action has not been implemented.
4	The action has been superseded and is no longer applicable.
5	The action is not yet due.

Assignment: Payroll – Processes and Control Assurance (1.22/23)

Original management action / priority	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 agree to the correct rates of pay on the signed statement of particulars. Priority: Medium
--	---

Audit finding / status We selected a sample of five new starters and requested the new starter form and the signed statement of particulars for all five. Upon review, we confirmed that the contractual details (particularly the salary) matched in both instances for four of the five samples. For the remaining sample, we were provided with an email trail showing a dispute with the new starter regarding pay in November 2022. A statement of particulars which has been signed by the new starter is on file showing a salary of £9,596 per annum; however, the new starter has identified that they were not paid this amount on their payslip. The issue was raised with the Payroll Team who were informed that the new starter form they received documented £9,443.50 (which is the salary the individual was paid). The Talent and Development Team responded to this explaining an updated statement of particulars was sent to the new starter in October 2022 with the updated salary of £9,443.50 though this was not signed and had not been received by the new employee as they did not have access to their email account at the time. As such, the new starter now receives a different salary to the one they initially signed for. There is a risk that if new starter forms and signed statement of particulars do not match with contractual information and accurate rates of pay, new starters could be paid incorrectly which could lead to a pay dispute. Given the discrepancy identified, we have categorised the management as ongoing.

2 - The action has been partly though not yet fully implemented.

Management Action 1	The Talent and Development Team will ensure that new starter forms and signed statement of particulars reconcile with accurate contractual	Responsible Owner: Talent Acquisition Partner	Date: 31 July 2023	Priority: Medium
----------------------------	--	---	------------------------------	-----------------------------------

Assignment: Payroll – Processes and Control Assurance (1.22/23)

information documented and ensure that all new starters sign to agree to the correct rates of pay on the signed statement of particulars.

If issues are still identified, members of the Talent and Development Team should check to confirm accuracy of information.

Assignment: Payroll – Processes and Control Assurance (1.22/23)

Original management action / priority 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.
Priority: **Medium**

Audit finding / status The Senior Payroll and Pensions Officer informed us that this action has not been completed and the Payroll Team still receive forms from the Talent and Development Team that are not fully complete or signed. Five examples were provided – two where the form has been completed and signed off and three examples where this had not been done.
Whilst no sample testing has been undertaken for this action as it is yet to be completed, as part of our sample testing of other actions, we received copies of the payroll checklist (new starter form) provided by the Talent and Development Team to the Payroll Team and in four of the five instances noted that they had not been fully completed or signed off.
The Senior Payroll and Pensions Officer noted that the Payroll Team has now been instructed to reject all future forms if they are not fully completed and signed, and meetings with the Talent and Development Team have been organised where this will be discussed.
Where payroll checklists are not completed by the Talent and Development Team, there is a risk that information provided to the Payroll Team has not been checked, which could lead to inaccurate payments being made.
3 - The action has not been implemented.

Management Action 2	Reiterated management action:	Responsible Owner:	Date:	Priority:
	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.	Talent Acquisition Partner Payroll and Pensions Manager	31 July 2023	Medium

APPENDIX A: DEFINITIONS FOR PROGRESS MADE

The following opinions are given on the progress made in implementing actions. This opinion relates solely to the implementation of those actions followed up and does not reflect an opinion on the entire control environment.

Progress in implementing actions	Overall number of actions fully implemented	Consideration of high priority actions	Consideration of medium priority actions	Consideration of low priority actions
Good	75% +	None outstanding.	None outstanding.	All low actions outstanding are in the process of being implemented.
Reasonable	51 – 75%	None outstanding.	75% of medium actions made are in the process of being implemented.	75% of low actions made are in the process of being implemented.
Little	30 – 50%	All high actions outstanding are in the process of being implemented.	50% of medium actions made are in the process of being implemented.	50% of low actions made are in the process of being implemented.
Poor	< 30%	Unsatisfactory progress has been made to implement high priority actions.	Unsatisfactory progress has been made to implement medium actions.	Unsatisfactory progress has been made to implement low actions.

APPENDIX B: ACTIONS COMPLETED

From the testing conducted during this review we have found the following actions to have been fully implemented.

Assignment title	Recommendations
Payroll – Processes and Control Assurance	<p>Status: Implemented</p> <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> <p>Priority: Low</p>
Payroll – Processes and Control Assurance	<p>Status: Implemented</p> <p>Vacancy authorisation forms will be fully completed and retained on file for all applicable new starter posts.</p> <p>Priority: Medium</p>
Payroll – Processes and Control Assurance	<p>Status: Implemented</p> <p>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.</p> <p>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.</p> <p>Priority: High</p>
Payroll – Processes and Control Assurance	<p>Status: Implemented</p> <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>

Priority: **Medium**

Payroll – Processes and Control Assurance

Status: **Implemented**

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.

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.

Priority: **High**

APPENDIX C: SCOPE

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

Objectives relevant to the scope of the review

The internal audit assignment has been scoped to provide assurance on how the Service manage the following area.

Objective of the area under review

To ensure that agreed management actions raised in the Payroll – Process and Control Assurance review have been actioned by management in a timely manner.

Scope of the review

In May 2022, RSM performed a Payroll – Process and Control Assurance review which resulted in a partial assurance opinion. As part of this review, we raised two high, four medium, and one low management actions. All actions were due to be implemented by September 2022. Our review will provide assurance that those actions have been fully implemented.

The following limitations apply to the scope of our work:

- The review will only cover management actions previously made as part of the Payroll – Process and Control Assurance review, and we will not review the whole control framework. Therefore, we will not provide assurance on the entire risk and control framework.
- Where the indication is that management actions have been implemented, we will undertake limited testing to confirm this.
- Our review will only focus on those actions raised as part of the Payroll – Process and Control Assurance review.
- Where testing has been undertaken, our samples will be selected over the period since actions were implemented or controls enhanced.
- Our work does not provide any guarantee or absolute assurance against material and/or other errors, loss or fraud.

Debrief held 9 February 2023
Draft report issued 23 February 2023
Responses received 14 March 2023

Final report issued 14 March 2023

Internal audit Contacts Dan Harris, Head of Internal Audit
Philip Church, Senior Manager
Hollie Adams, Assistant Manager
Oliver Gascoigne, Senior Auditor

Client sponsor Chief Fire Officer
enableNY Managing Director
T/Area Manager
Risk Manager

Distribution Chief Fire Officer
enableNY Managing Director
T/Area Manager
Risk 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 Authority**, 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.