

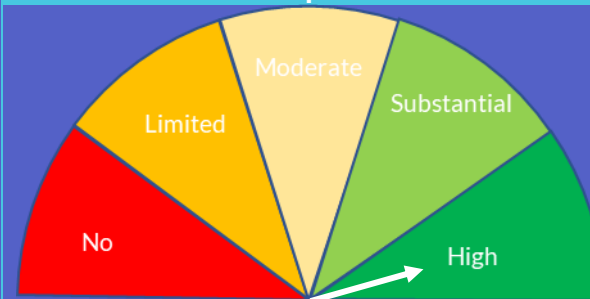
# HR / Payroll Review

## Assignment Report 2023/24 (Final)

Cheshire Fire and Rescue Service

302CFRS\_2324\_007

### Overall Assurance Opinion



There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.

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MIAA would like to thank all staff for their co-operation and assistance in completing this review.

This report has been prepared as commissioned by the organisation and is for your sole use. If you have any queries regarding this review, please contact the Engagement Manager. To discuss any other issues then please contact the Director.

## 1 Executive Summary

The overall objective of the audit was to evaluate the robustness and effectiveness of controls that support the HR/payroll system to ensure validity, accuracy, and timeliness of payments to employees.

### Key Findings/Conclusion

Overall, there is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed. It was confirmed the Fire service have a Pay and Recognition Policy, Retirement Policy, and Gartan Payroll Guidance in place to support the delivery of payroll services.

The Pay and Performance Committee meet annually to review the pay of the Brigade Managers. Additionally, monthly payroll reports are reviewed identifying the Key Performance Indicators (KPIs) and the targets achieved, in line with the existing payroll SLA.

User access to Gartan FSi-Payroll and Open HR systems is controlled by user groups and is monitored in line with monthly leaver reports. Leaver checklists were appropriately completed for all leavers and in most cases new starter checklists were consistent with Open HR.

Some minor areas for improvement have been identified to strengthen existing controls in place. These include ensuring timely completion and new starter and leaver checklists.

Objectives Reviewed	RAG Rating
Roles and responsibilities	Green
Policies and procedures	Green
Access Rights	Green
New starters, changes, and terminations	Amber
KPI monitoring	Green
<b>Overall Assurance Rating</b>	<b>High</b>

Recommendations		
Risk Rating	Control Design	Operating Effectiveness
Medium		0
Low		2
<b>Total</b>		<b>2</b>

## Areas of Good Practice

- There are appropriate procedures and guidance available for line managers to complete supporting documentation to initiate payroll processes.
- Clear audit trails are available within Open HR evidencing historical changes such as annual pay awards, competency completion and any unpaid leave taken.
- Access rights to the Gartan and Open HR systems are controlled and monitored in line with new starters and leaver reports.
- New starters, contractual changes and terminations are notified to the payroll provider promptly, and they are accurately updated in the Gartan and Open HR systems in a timely manner.
- Appropriate performance reporting is maintained. Cheshire Fire & Rescue Service receive monthly reports from the payroll provider reviewing the KPIs and the targets achieved, in line with the Payroll SLA.
- In July 2023 all Payroll SLA achievement targets were met including the payroll accuracy. Monthly reports also capture payroll queries, changes and any service issued logged.

## Key Findings – Issues Identified

Low

- 1.1. Audit testing of 10 New Starters identified the following:
  - Start dates and salaries on new starter checklists were accurately updated in Open HR for all new starters.
  - Checks were completed after employee start dates for 2 out of 10 new starters.
  - Bank details were submitted before the payroll cut off for the month for 6 out of 10 new starters.
  - Starter checklists did not capture overall completion date. The time taken to complete all checks could be used as a KPI to strengthen performance reporting (**Recommendation 3 – Low**).
- 1.2. Leaver checklists were appropriately completed for all leavers. However, for 1 out of 10 leavers the leaving date was not input into HRIS until after their last day due to late notification (**Recommendation 4 – Low**).

## 2 Findings and Management Action

1. New Starters		Risk Rating: Low
Operating Effectiveness		
<p><b>Key Finding</b> – Audit testing of 10 New Starters identified the following:</p> <ul style="list-style-type: none"> <li>• Checks were completed after employee start dates for 2 out of 10 new starters.</li> <li>• Bank details were submitted after the payroll cut off for the month for 4 out of 10 new starters.</li> <li>• Starter checklists did not capture an overall completion date. The time taken to complete all checks could be used as a KPI to strengthen performance reporting.</li> </ul>	<p><b>Specific Risk</b> – New starters are not effectively managed and controlled, resulting in under / overpayments and incorrect access rights.</p>	<p><b>Recommendation</b> – The Fire Service should ensure the following, where possible:</p> <ul style="list-style-type: none"> <li>• Checks are completed prior to employee start dates for all new starters.</li> <li>• Bank details are identified prior to payroll cut off for the month.</li> <li>• Starter checklists capture the overall completion date for the form.</li> </ul>
<p><b>Management Response</b> –</p> <p>Starter checklists do not capture an overall completion date as each individual task is dated once complete, therefore the last task to be completed should indicate the overall completion date.</p> <p>Where the payroll team are notified of new starters late i.e. after payroll cut off, some checks may not be completed before the employee’s first day as payroll related actions will be prioritised. We have received several late notifications of starters in 2023 as a result of team turnover/staffing levels in the recruitment team.</p>		<p>Evidence to confirm implementation –</p>

Where a new employee has not returned their forms in a timely manner i.e. bank details forms, the payroll team will process them as they are received. If the bank details are received after cut off, the team will always ensure they are processed to avoid an underpayment.

It should also be noted that where an employee's start date is after the 18<sup>th</sup> of the month, the first payment will not be until the following month. This is standard practice to ensure people are not overpaid if they don't start with us. Where this is the case, the dates that starter payroll actions are completed can feasibly be after the member's start date because the payroll team prioritise work tasks based on which payroll the action needs to take effect from.

There are also a number of starter tasks which cannot be done until after an employee has had their first pay i.e. payslip checking. Tasks such as completion of pension starter forms are not as time sensitive, therefore the payroll team will prioritise work accordingly.

Responsible Officer – **Jill Swift**

Implementation Date – 30/09/2023

## 2. Leavers Forms

Risk Rating: Low

### Operating Effectiveness

**Key Finding** – Leaver checklists were appropriately completed for all leavers. However, for 1 out of 10 leavers the leaving date was not input into HRIS until after their last day due to late notification.

**Specific Risk** – Leavers are not effectively managed and controlled, resulting in under / overpayments and incorrect access rights, such

**Recommendation** – Systems are updated prior to employee leave dates for all leavers, where possible.

	as past employees still having access to the systems.	
<p><b>Management Response –</b></p> <p>Payroll and Pension leaver forms are for internal payroll team use, they do not need to be signed by employees or managers.</p> <p>Dates of completion are noted next to each individual task. The date of overall completion will be whatever the final date listed on the checklist is. There are a number of actions that can only be completed once the employee has received their final pay so not all actions will be completed before the employee’s last day.</p> <p>Where late notification is received of a leaver, we will always prioritise stopping their pay to ensure there is no overpayment. The case noted above was received on the 9<sup>th</sup> May for the 18<sup>th</sup> May pay. Payroll cut off was the 25<sup>th</sup> April. In this case, the payroll had already been run and checked and therefore priority was given to payroll related actions to ensure the employee was not overpaid and to ensure the May payroll could be signed off on time. The system was updated at a later date when the payroll had been finalised and the team had capacity to complete the remaining leaver actions. The manager had already emailed the other key departments i.e. staffing, to ensure they were aware of the leaver, therefore the risk of systems access remaining available would be low.</p> <p>Responsible Officer – <b>Jill Swift</b></p> <p>Implementation Date – 30/09/2023</p>		<p>Evidence to confirm implementation –</p>

## Appendix A: Detailed Findings

### Objective One: Roles and Responsibilities

The contract agreement, between Cheshire Fire & Rescue Service (CFRS) and the Access Group was evidenced. This was signed on behalf of both parties and outlines the statement of work and payment terms for the contract. The Fire Service has a payroll SLA agreed with Access Group outlining payroll KPIs.

### Objective Two: Policies and Procedures

**Pay and Recognition Policy:** details all matters relating to pay within the Fire Service for brigade managers, uniformed personnel, and support staff; including uniform allowance, sick pay, and continual professional development (CPD). The roles and responsibilities of brigade managers and the Pay and Performance Committee are clearly defined.

**Retirement Policy:** details support in place for staff approaching retirement and considering continued service. FAQs are included in Part 3 regarding what areas are covered in the pre-retirement course and other relevant topics.

**Gartan Payroll Guidance:** outlines procedural guidance for the use of the Gartan FSi-Payroll system used by staff to capture timesheets and process payments. Access levels are detailed including authorisation permissions for managers and administrators.

All policies reviewed were approved appropriately and were within their current review date.

### Objective Three: Access Rights

Access rights for the Gartan FSi-Payroll system are outlined within the Gartan Payroll Guidance, and admin access is restricted. Additionally, user groups for the Open HR System are role specific and are assigned

accordingly, 3 staff members within the workforce team have access to Open HR Security Manager. Access requests to the HR system are submitted to the HR workforce information mailbox, the requested user level is granted accordingly.

Leaver reports are shared by the Payroll and Systems Assistant with leads across the Fire Service, to ensure staff are removed from all systems. Audit testing identified all 10 leavers had no access to all payroll related systems. In addition, in most cases payslips were verified as well as checking next month's pay run to ensure that leavers are terminated.

### Objective Four: New Starters, Changes and Terminations

#### New Starters

New Starters are assigned staff numbers and post details within Open HR according to their role.

New starter checklists are not signed but checks completed are dated and initialed.

Audit testing of 10 New Starters identified the following:

- Start dates and salaries on new starter checklists were accurately updated in Open HR for all new starters.
- Checks were completed after employee start dates for 2 out of 10 new starters.
- Bank details were submitted before the payroll cut off for the month for 6 out of 10 new starters.
- Starter checklists did not capture an overall completion date. The time taken to complete all checks could be used as a KPI to strengthen performance reporting.



## Changes

An audit trail is available within Open HR evidencing historical changes such as annual pay awards, development phases, competency completion and any unpaid leave taken.

Audit testing of 5 Changes identified the following:

- Change details including clear reasoning was consistent with Open HR for all 5 changes.
- Pay slips were accurate for all 5 changes tested.
- Payroll change forms or National Joint Council approval was sought for all changes.

## Terminations

Payment deductions including any outstanding annual leave is accounted for in the leaver's final payment slip. Pensions leaver forms are completed where employees have opted in.

Audit testing of 10 Terminations identified the following:

- Leaver checklists were appropriately completed for all leavers. However, for 1 out of 10 leavers the leaving date was not input into HRIS until after their last day due to late notification.
- Employee access to Open HR and the Gartan shift booking system was removed for all leavers.

## **Objective Five: KPI Monitoring**

The following KPIs are outlined in the Payroll SLA:

- Produce payroll on schedule – 100%

- Accuracy of payroll processing based on post payroll production errors – 98.5%
- Payroll queries, within 3 days of receipt – 80%

Cheshire Fire & Rescue Service receives monthly reports from the payroll provider reviewing the KPIs and the targets achieved, in line with the Payroll SLA. In July 2023 all Payroll SLA achievement targets were met including the payroll accuracy. Monthly reports also capture payroll queries, changes and any service issued logged.

## Appendix B: Engagement Scope

### Scope

The following sub-objectives were identified:

- Roles and responsibilities have been clearly set out and communicated, within an agreed Service Level Agreement (SLA) in place for any outsourced services.
- There are appropriate procedures and guidance available for line managers to complete supporting documentation to initiate payroll processes.
- Access rights to the ESR system are controlled and monitored.
- New starters, contractual changes and terminations are notified to the payroll provider promptly, are appropriately authorised and are accurately input / updated in the HR and other operational systems in a timely manner.
- Routine monitoring of information provided by the payroll provider (e.g., KPIs) is regularly reviewed and actioned as appropriate.

### Scope Limitations

The limitations to scope are as follows:

- The scope of this review focused on the objectives described above and is limited to the controls in operation at the organisation.

### Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee

or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system

## Appendix C: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.

Risk Rating	Assessment Rationale
Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"> <li>the efficient and effective use of resources</li> <li>the safeguarding of assets</li> <li>the preparation of reliable financial and operational information</li> <li>compliance with laws and regulations.</li> </ul>
High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	Control weakness that: <ul style="list-style-type: none"> <li>has a low impact on the achievement of the key system, function or process objectives;</li> <li>has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.</li> </ul>
Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

## Appendix D: Report Distribution

Name	Title
Carmine Rabhani	Head of People and Development
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Alex Waller	Chief Fire Officer and Chief Executive
Lee Shears	Deputy Chief Fire Officer
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