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LEICESTERSHIRE
FIRE and RESCUE SERVICE

INTERNAL AUDIT REPORT

Leicestershire Fire & Rescue Service

Retained Firefighters' Payroll

November 2007

Date:- November 2007

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RETAINED FIREFIGHTERS' PAYROLL

NOVEMBER 2007

1 INTRODUCTION

- 1.1 A review of the systems and procedures in place for the administration of the retained firefighters' payroll was undertaken as part of the 2007-08 Leicestershire Fire & Rescue Service Audit Plan.
- 1.2 Retained firefighters' monthly pay typically comprises two elements:-
- (i) an annual retainer, paid monthly, which basically is a salary for being 'on-call'; and
 - (ii) call-out and disturbance fees, paid in addition to the retainer, based on the number of hours a firefighter has been called-out, be it to incidents, or simply for drill nights, training etc.
- 1.3 There is a significant change taking place regarding how retained firefighters are paid, in particular their 'extra hours'. In essence this is a shift-away from the old system of manual timesheets / claim forms over to an automated system using the Service's Firewatch system.
- 1.4 Firewatch is a piece of software developed by a company called Infographics, used by several Fire Services countrywide. Although it's billed as 'a fully-integrated solution for human resource management within the Fire Service', different Fire Services use it at different levels (i.e. modular). Within LFRS, Firewatch has been used as a resource management package for a number of months. By holding details of retained fire-fighters' contracted hours / availability / sickness / holidays / jobs (e.g. driver, fire-fighter) etc., Firewatch indicates both to a Watch Manager and to Headquarters whether a Station is fully covered at all times (or alternatively, to highlight where Station retained cover is insufficient).
- 1.5 Three months ago, Shepshed Fire Station 'went live' with an expansion of Firewatch to use it to record hours worked by retained firefighters, and in turn to automate the process whereby information on hours worked can be picked up electronically by HQ for forwarding to the (LCC) Payroll Section. Other stations, predominantly in the North Area first, are now being phased onto the automated system, and it is intended that all retained stations will be using Firewatch to record call-outs in the very near future.

2 RISKS AND ASSOCIATED CONTROL OBJECTIVES

2.1 Our approach is to firstly identify any potential risks facing the system and agree priorities with the appropriate manager, so that audit resources are concentrated on the higher risk areas. Once the potential risks have been agreed we seek to confirm controls have been built into the system and they are sufficient and adequate to prevent, eliminate or minimise the risks. The risks shown in this report are potential risks and are not intended to necessarily show what is actually happening within the system.

For this audit, the risks identified were: -

1. Financial Risk

With the **effect** that there is a financial loss to LRFS.

This could be **caused** by:

- (i) Inaccurate payments being made (due to inaccurate source data, inaccurate rates paid, incorrect calculations, incorrect individuals' bandings);
- (ii) Claims for hours not worked – could be fraudulent or by genuine error;
- (iii) Payments continuing to be made to individuals no longer providing a retained service;
- (iv) Overpayments are made, inadvertent or otherwise, but not detected at budget reconciliation stage.

2. Reputational Risk

With the **effect** that the Leicestershire Fire & Rescue Service receives adverse publicity.

This could be **caused** by:

- (i) Budgetary overspending due to incorrect / inaccurate payments.

2.2 We consider the objectives of the controls are to ensure that:-

- Retainer payments to retained firefighters are accurate and complete.
- Additional call-out claims are appropriately authorised, and accurately processed, and that there is a clear division of duties in the authorisation process
- There is adequate control over starters and leavers (and indeed staff failing to meet the contractual requirements of being a retained firefighter).

- There is adequate reconciliation of payroll charges against the budget.

2.3 Both the risks and the control objectives for this audit were discussed and agreed with: -

- Paul Linnett, Senior Administrative Assistant, Finance Section, Leicestershire Fire & Rescue Service
- Gary Dixon, Supervisor, Finance Section, Leicestershire Fire & Rescue Service

3 SCOPE

3.1 The scope of this audit included testing in the following areas:-

- Starters and leavers
- Payment of annual retainer fees
- Payment of call-out fees (including 'disturbance' enhancement payments)
- Determination of 'competency' bandings (training / development / competent)
- Authorisation procedures (e.g. call-out claims)
- Transfer of information from Firewatch to the payroll system (Trent) (e.g. call-out claim data)

3.2 The scope of this audit did not include:-

- Budgetary control – the audit will concentrate on the accuracy and probity of the payments made, and not the budgetary control aspects of the retained payroll(s). This said, the reconciliation procedures surrounding the monthly payroll were appraised.
- Aspects to do with the main LCC Payroll that would be covered by other LCC audits (e.g. staff not paid due to software malfunction).
- Examination of local (Station) records of incidents / call-outs. Hours recorded on Firewatch, authorised by Watch Managers, were taken to be accurate, and assumed to be in accordance with local manual records of activity.

4 PROCEDURE

4.1 During the course of this review, discussions were held with the following staff:-

- Paul Linnett, Senior Administrative Assistant, Leicestershire Fire & Rescue Service
- Gary Dixon, Supervisor, Leicestershire Fire & Rescue Service

- Steve Young, Watch Manager (Shepshed Fire Station), Leicestershire Fire & Rescue Service
 - Andy Coats, Project Manager, Leicestershire Fire & Rescue Service
 - Mark Redfern, ICT, Leicestershire Fire & Rescue Service
 - Jane Mundin, Personnel Manager, Leicestershire Fire & Rescue Service
 - Anneka Clay, Finance Officer, Leicestershire Fire & Rescue Service
- 4.2 Two stations were chosen to undertake detailed testing on – Shepshed and Ashby, both having been phased onto the automated system of recording call-outs (Firewatch).
- 4.3 With regard to annual retainers, using Internal Audit’s interrogation software (IDEA), we randomly select eight firefighters (from a total of 32 based at either Shepshed and Ashby retained stations) and tests were undertaken to confirm that they are being paid a retainer fee commensurate with their post held (e.g. firefighter, crew manager, watch manager etc.), their level of competence (training / development / competent) and the level of cover provided (full or 75%). This represents a 25% test-check of all staff based at either station. Tests included verifying retainer fees to information held on personal files, and to nationally prescribed rates of pay and conditions of service.
- 4.4 With regard to call-outs, the Firewatch summary reports for the period 16th May to 15th June were obtained for both the Shepshed and Ashby retained stations. These reports were used to generate additional payments made to staff for disturbance and call-out hours (paid in July salaries). From these reports, the random sample of eight firefighters chosen by IDEA (see 4.3 above) were analysed further to ensure that hours claimed could be backed-up by appropriately authorised jobs.
- 4.5 A key aspect of the automated system is the electronic authorisation of incidents / call-outs. Testing was undertaken on key individuals’ access rights / access levels to ensure that internal control is effective through an enforced segregation of duties in the authorisation of additional hours.

5. FINDINGS

Processing of Claims by Payroll

- 5.1 Under the old system, manual monthly claim forms were completed by each firefighter, checked and certified by authorising officers, sent to the Finance Section, checked and passed to the Payroll Section where data on hours worked was punched onto Trent. Firewatch now provides this data in summary form (firefighters' names, total call-out hours claimed in month, total disturbance hours claimed in month). However, at least in the short term, this data is being transferred by the Finance Section back onto firstly the old manual monthly claim forms ("pinks"), and more recently an Excel spreadsheet, so that total hours claimed are in a format that the input clerks are familiar with. If automatic data is transferred manually onto other forms / spreadsheets, there is a heightened risk of data being transferred inaccurately.

(see recommendation 7.1)

- 5.2 Although Firewatch automates the procedures for the recording and authorisation of extra hours worked, total hours per individual are still input onto Trent manually. Consequently, there will be an inherent risk of input errors. It is inconclusive how feasible it would be for an electronic feed to be developed from Firewatch through to Payroll (Trent) to save inputting resources and to reduce any risk of input errors.

(see recommendation 7.2)

Authorisation of Hours Claimed

- 5.3 The Service has a logical policy whereby call-outs claimed by firefighters are electronically authorised on Firewatch by either the Watch Manager or the Crew Managers (i.e. supervising officers). This is facilitated by individual logins and passwords to Firewatch. Crew Managers claims are authorised by the Watch Manager, whereas Watch Managers' claims are authorised District Managers. Whilst this policy is adequate, and follows good practice, it is noted that the Firewatch system doesn't *enforce* this policy (i.e. it *is* possible for an authorising officer to authorise his or her own claims). Consequently, there is a risk of an individual claiming for hours not worked and self-authorising any irregular claims.

(see recommendation 7.3)

- 5.4 In theory, additional hours worked should not be paid until they have been authorised. However, the Firewatch system doesn't require hours to have been authorised before they are extracted on monthly summary reports. Whilst the Finance Section plays an important role in manually checking that all hours being claimed have been authorised

before they are processed for payment, this control would be strengthened yet further if the software enforced it (i.e. hours would not be extracted on monthly summary reports unless they had been authorised). It is considered that there is a risk of hours being paid prior to having been authorised.

(see recommendation 7.4)

6 CONCLUSION

- 6.1 Generally, the new automated system (Firewatch) for the recording, authorising and payment of retainers and additional hours appears to be working well, as it continues to be rolled-out to other stations. There remain a handful of minor issues still to be resolved as is often the case with new systems, but in the meantime the switch to Firewatch as a means of recording and paying additional hours to retained firefighters appears to have been a success.

Based upon the answers provided during the audit and the testing undertaken, **substantial assurance** can be given that the internal controls in place to reduce exposure to those risks currently material to the system's objectives, are adequate and are being managed effectively. Although a number of important recommendations to bring about improvements have been made, none of these have a "high importance" rating signifying that a particularly serious control weakness has been identified.

At least one "Efficiency Gain" recommendation has also been made and these are referenced (**E**). These types of recommendation are made whenever we consider that reducing either current controls or processes will not cause the risk of error or poor quality of work to exceed an acceptable level. Adopting the recommendation would therefore release resources for more productive use.

- 6.2 In our opinion, there may be opportunities to work in conjunction with the software provider (Infographics) to develop the use of Firewatch to improve functionality and internal control yet further (e.g. strengthening access rights and authorisation procedures) and to further automate procedures (e.g. automatic feed to Trent). The latter would bring **efficiency gains**, albeit more so for the payroll provider (Leicestershire County Council) through reduced costs of inputting data, than the Fire Service itself.

7 RECOMMENDATIONS

The following recommendations are suggested to help improve the control within the system, which we have reviewed. The **HI** symbol is denoted against recommendations we judge as having a greater importance based upon its attributed risk.

REF	RECOMMENDATION	PRIORITY
7.1	<p>The Firewatch monthly summary reports should be wholly relied on as the basis for inputting additional hours onto the Trent payroll system. This is considered to be a potential efficiency gain (E) as it would take away the current procedure whereby total hours claimed as per the Firewatch reports are manually transferred onto the old pink claim forms / an Excel spreadsheet by Finance staff so as to be in a format that the input clerks are familiar with. It is considered that only minimal retraining of input clerks would be needed for them to understand which figures to process from the Firewatch reports.</p> <p>(See Finding no. 5.1)</p>	
7.2	<p>Consideration should be given to exploring the feasibility of an automatic feed of monthly hours claimed for each retained firefighter from the Firewatch system onto Trent. This is considered to be a potential efficiency gain (E) in that there would be a resource saving as a result of hours worked not having to be physically input onto Trent. Additionally, it would reduce the risk for any manual input errors occurring. Finally, a direct feed would speed up the processing of additional hours and may therefore facilitate the opportunity to pay claims on a calendar month basis (see recommendation 5.1 above).</p> <p>(See Finding no. 5.2)</p>	
7.3	<p>Dialogue should take place with the software provider (Infographics) to request as a development task that the</p>	

REF	RECOMMENDATION	PRIORITY
	<p>software be enhanced in a future upgrade to ensure that Firewatch will not allow any officer to authorise his own hours worked to enforce a division of duties in this area. (The software developer may consider that this recommendation is not practical or may be cost-prohibitive, but should nevertheless be explored.)</p> <p>(See Finding no. 5.3)</p> <p>7.4 (i) In a similar vein to recommendation 7.3 (above), a development request should be made to the software provider (Infographics) suggesting that the software be upgraded in the future to ensure that only <u>authorised</u> hours / claims can be extracted on monthly summary reports.</p> <p>(ii) In the meantime, the monthly Firewatch reports sent to payroll for processing should be certified by a member of the Finance Office to confirm that hours claimed have both all been authorised (recommendation 7.4) and that the authorising officer is independent and appropriate (7.3).</p> <p>(See Finding no. 5.4)</p>	

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8 ACTION PLAN

REC'N REF	RESPONSIBILITY	PROPOSED IMPLEMENTATION DATE	MANAGEMENT RESPONSE
7.1	Adam Stretton, Finance Manager, Leicestershire Fire & Rescue Service	November 2007	Agreed - The procedure of manually transferring information from Firewatch to old pink forms was for one month only while finance/IT were finalising the format of a form which would be acceptable to the Trent input clerks. After consultation with LCC Payroll team an acceptable form was produced as an excel spreadsheet. This spreadsheet is populated from figures directly taken from Firewatch. It is currently being produced by Mark Redfern in our IT department but from mid November, Finance will produce and check it. It is not our intention to change this in the short term, but an automatic feed from Firewatch to Trent, along with electronic submission of other payroll information, is something we will be considering, especially if HQ moves from its current site.
7.2	Andrew Coats, Project Manager, Leicestershire Fire & Rescue Service	April 2008	
7.3	Andrew Coats, Project Manager, Leicestershire Fire & Rescue Service	April 2008	Agreed - Firewatch should not have allowed anyone to check their own hours worked on the system. IT have contacted Infographics who have found the problem in the software that allows personnel to 'Check' their own payments, and this is being fixed. We are expecting this 'fixed' version of FireWatch to be with us by the end of the October.

REC'N REF	RESPONSIBILITY	PROPOSED IMPLEMENTATION DATE	MANAGEMENT RESPONSE
7.4	Andrew Coats, Project Manager, Leicestershire Fire & Rescue Service	April 2008	Agreed - The excel reports are currently certified manually by either Adam Stretton or Paul Linnett before being passed to Payroll. The intention is that disturbances and extra hours will be authorised by either of the two finance officers on Firewatch using a pin number before the reports are produced. Training is being organised to enable this to take place. Discussions are taking place with IT to see if the information presented on the spreadsheet can be amended for non-authorised hours and/or an exception report produced earlier, that identifies non-authorised hours only, that can be followed up before the spreadsheet is run.