

# **APPENDIX F**

## **INTERNAL AUDIT REPORT**

**'JOINT AUDIT' 2006-07**

**LEICESTERSHIRE FIRE AND RESCUE SERVICE**

**PAYROLL**

**Produced by : James Duffy**  
**Reviewed by : Neil Jones**  
**Date : March 2007**

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### **LEICESTERSHIRE FIRE AND RESCUE SERVICE**

#### **PAYROLL**

##### **1.0 INTRODUCTION**

- 1.1 A review of the systems in place for administering starters, leavers, variations and additional payments relating to Leicestershire Fire and Rescue Service (LFRS) employees paid via Payroll 33 and fire pensioners paid via payroll 34 was undertaken as part of the 2006/07 Audit Plan. The findings and opinions of the audit shall be utilised by the Combined Fire Authority's external auditors in their annual audit of the financial statements.
- 1.2 Currently the Leicestershire Fire and Rescue Service (LFRS) employs over 870 operational and non-operational staff. This has an annual cost of just over £22.1 million. The Human Resources (HR) and Finance sections are responsible for making sure all data is current and up to date, this information is then forwarded to Leicestershire County Council's (LCC) Payroll section for inputting onto the TRENT payroll system and subsequent payment.
- 1.3 This report outlines the findings of the audit and any recommendations. Supporting documents can also be made available if this assists in clarifying the conclusions reached.

##### **2.0 RISKS AND ASSOCIATED CONTROL OBJECTIVES**

- 2.1 Our approach is to firstly identify any potential risks within the system so that audit resources are concentrated on the higher risk areas. Once the potential risks have been identified we then seek to confirm that controls have been built into the system and they are sufficient and adequate to ensure that certain objectives are achieved.

For this audit the risks identified were: -

- Overpayments are made.
- Fraudulent payments are made.
- Incorrect/erroneous payments are made.

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

- All new staff are paid at the correct rate and from the correct date.
- All leavers are paid up to the correct date and all relevant expenses and advances are recovered.

- All variations to pay are valid with correct authorisation and for the correct amount.
- Additional payments (types to be decided) have been correctly applied, with information to back-up the claim and from the correct date.

### 3.0 **SCOPE**

3.1 Our review included an examination of a selection of records pertaining to LFRS staff, including permanent, temporary and casual staff.

The following areas were checked: -

- Employee's pay cards
- Employee files held in the LFRS Personnel section
- Verification of information held on TRENT (the current payroll system)
- Information to back up the set-up and closedown of staff records and various claims

Our samples were selected from reports produced by LFRS HR showing all Payroll 33 and 34 starters and leavers from April 2006 to March 2007. Ten starters and ten leavers were selected. Samples of overpayments, deductions and acting-up were selected from the monthly service returns for the same period.

### 4.0 **PROCEDURE**

4.1 Discussions were held with the following staff to ascertain the procedures in place for the management and operation of the system: -

- Gary Dixon                      Finance Office Supervisor, LFRS  
Rescue Service
- Marilyn Goldstraw            Senior Finance Clerk, LFRS
- Tracy Fisher                    Administration Co-ordinator HR, LFRS
- Ann Francks                    Team Leader, Payroll Section, LCC Resources  
Department
- Rachel Pratt                    Pensions Benefits Officer, LCC Resources  
Department

4.2 Within the report conclusions (section 6), an overall opinion is given which provides a level of assurance about the adequacy and effectiveness of the system.

## 5.0 **FINDINGS AND RECOMMENDATIONS**

For those areas audited that we consider it is necessary to report our findings, the table (appendix 1) shows the controls we would expect to find in place, what was found, any perceived risks and our suggested recommendation to improve the control within the system. A **HI** symbol is denoted against any recommendation we judge as having a greater importance based on its attributed risk.

## 6.0 **CONCLUSION**

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 Gains" 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.

7.0 **ACTION PLAN**

Re c'n no.	Finding	Responsibility	Date to be implemented by (end of)	Management response
7.1	5.1	Head of Finance (Adam Stretton)	May 2007	All of the pay budgets are the budget responsibility of the Treasurer and are not devolved out to other budget holders. Therefore I feel it is appropriate for the Senior Financial Administration Officer to sign T106x forms.
7.2		Head of Finance (Adam Stretton)	May 2007	I agree that the manual pay cards are a duplication of effort and this is being looked into. The records could either be accessed as information held on TRENT or information held on our own FireWatch personnel system. I am anticipating that the use of manual pay cards will be phased out before next financial year.



## APPENDIX 1

Ref. No.	Control	Findings	Recommendations
	<b><u>STARTERS</u></b>		
5.1	Written authority exists to set-up new starters (T106x) and are authorised by a suitable person.	<p>Out of the sample chosen we found one T106x not to be signed. We acknowledge that the starter's name was recorded on a monthly service return 'authorised' by the Senior Financial Administration Officer.</p> <p>The Senior Financial Administration Officer continues to authorise all T106x for appointments that are the responsibility of other budget holders e.g. operational management. In effect he is committing against a budget that he's not responsible for.</p>	All T106x's should be signed by the relevant authorised person before being sent to the LCC Payroll section.
5.2	Starter details on the T106x;s reflect the details in the original starter letter	All details on the T106x's match the contract starter details.	None
5.3	Starters are accurately and promptly entered onto the LCC Payroll system (TRENT)	All 10 starters selected as part of the sample have been entered onto the TRENT system promptly.	None

	<b><u>PENSIONERS STARTERS</u></b>		
5.4	Written authority exists to set-up new pensioners and are authorised by a suitable person.	Both of the new pensioners looked at had all the relevant documentation and had been appropriately authorised.	None
5.5	Pensioners details are accurately and promptly entered onto the LCC Payroll system (TRENT).	Pensioners details had been activated the day after their date of retirement.	None
	<b><u>LEAVERS</u></b>		
5.6	There is written documentation to cancel an employee's record on TRENT, in their personnel file.	All 10 leavers had either a resignation letter with a follow up letter confirming the resignation date or a document that explained the reasons behind a contract cancellation.	None
5.7	All loans / overpayments are reclaimed and lease cars are returned.	All overpayments identified had been reclaimed. No lease cars returns were identified during the audit sample.	None
	<b><u>PENSIONERS LEAVERS</u></b>		
5.8	Adequate documentation exists for when an employee leaves the pension service.	For both of the sample adequate documentation was held e.g. letters from family and death certificates.	None
5.9	The pension is stopped from the correct date and this is reflected in TRENT.	TRENT was accurate to the documents seen on the AXISe system.	None

	<b><u>VARIATIONS</u></b>		
5.10	Tested a sample of changes to employee's salaries including 1 long term service, 1 acting up allowance and 2 overtime claims.	All the relevant back up documentation was found to be accurate and up to date.	None
	<b><u>DEDUCTIONS</u></b>		
5.11	Tested a sample of deductions made from employee's salaries. There should be adequate documentation from the employee requesting that a deduction should be made from his/her salary.	All the relevant back up documentation was found to be accurate and up to date.	None
	<b><u>GENERAL OBSERVATIONS</u></b>		
5.12		The audit identified that manual pay cards are still being maintained by LFRS staff. Arguably the information being recorded is duplicating that input into TRENT by the LCC payroll staff.	Read only access to TRENT for LFRS staff should be considered. E