



# ESSEX FIRE AUTHORITY

## HR Transaction Processing and Payroll – Follow Up

DRAFT

Internal audit follow up report: 1.17/18

26 June 2017

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# 1 EXECUTIVE SUMMARY

## 1.1 Introduction

Following our previous review of HR Transaction Processing and Payroll in 2016/17 we were requested to undertake a follow up review in this area as an addition to the Internal Audit Plan for 2017/18.

Our 2016/17 review identified significant weaknesses in the application of controls in place to ensure that complete and robust audit trails were maintained for new starters, leavers, and amendments to standing payroll information. Furthermore, we identified that expense forms were not being checked to ensure that only appropriate managers were approving claims.

Following these findings, it was agreed that the management actions would be followed up promptly to provide assurance that improvements had been made.

The four management actions considered in this review comprised of one 'high', two 'Medium' and one 'low' priority actions. The objective of this review was, to provide assurance that the actions previously agreed have been adequately implemented.

## 1.2 Conclusion

Taking account of the issue identified in the remainder of the report and in line with our definitions in our opinion Essex Fire Authority has demonstrated **Reasonable Progress** in implementing agreed management actions.

Since our original report of HR Transaction Processing and Payroll in 2016/17; our sample testing in 2017/18 over a limited time period has identified that compliance with Essex Fire Authority's procedures has significantly improved and the Service has maintained adequate audit trails for key HR and Payroll transactional processes.

However, we identified that expense forms are not being checked to ensure that only appropriate managers are approving claims and we have therefore revised this **one medium** priority management action.

We have made new management actions where appropriate; these are detailed in section 2 of this report.

## 1.3 Action tracking

Action tracking enhances an organisation's risk management and governance processes. It provides management with a method to record the implementation status of actions made by assurance providers, whilst allowing the Audit, Governance and Review Committee to monitor actions taken by management.

Action tracking is undertaken by Essex Fire Authority's management. We have identified one instance in the audit followed up where the implementation status of action reported by management to the Audit, Governance and Review Committee differs from our own findings. This was in respect to the medium priority action in relation to expenses that has been revised where we found that no actions had been taken

The following table highlights the progress made on the actions that have been followed up. Further details of progress made are provided in Section 2 of this report. It is important to note that until a management action is fully implemented, the organisation is still exposed to risk. The following graph highlights the progress made on the actions that have been followed up.

## 1.4 Progress on actions

Implementation status by management action priority	Number of actions agreed	Status of management actions					
		Implemented (1)	Implementation ongoing (2)	Not implemented (3)	Superseded (4)	Not yet due (5)	Confirmed as completed or no longer necessary (1)+(4)
High	1	1	0	0	0	0	1
Medium	2	1	0	1	0	0	1
Low	1	1	0	0	0	0	1
<b>Totals</b>	<b>4</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>3</b>

## 2 FINDINGS AND MANAGEMENT ACTIONS

This report has been prepared by exception. Therefore, we have included only those actions graded as 2 and 3. Each action followed up has been categorised in line with the following:

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.

HR Transaction Processing and Payroll										
Ref	Management action	Original date	Original priority	Status reported to audit committee	Audit finding	Current status	Updated management action	Priority issued	Revised date	Owner responsible
1.4	The Authority will ensure the Approve Officer sign off on expense forms are verified for appropriateness before payment. The Authority will check this on a sample basis of c. 10 a month.	30 June 2017	Medium	2	<p>Through discussion with the Assistant Director of Finance and the Payroll Manager, we were advised that the current process and the originally agreed management action had been reviewed for appropriateness.</p> <p>Whilst we acknowledge that staff in the Finance and Transport teams may sense check the claim forms; the format of the form does not enable the reviewing officer to establish if the approving officer is of an appropriate rank in respect of the claimant.</p> <p>In addition to this, Finance and Transport do not have access to the Payroll / HR system to check names, roles and ranks.</p> <p>The Service plan to move the expense process to the new electronic HOBBS</p>	3	Until an electronic system is in place, we will update the expense form so that the claimant is required to detail their rank/position at the time of claim. We will then ensure the approving Officer who signs off on expense forms is verified for appropriateness before payment and evidenced as such.	Medium	TBC	TBC

system; expense claims would then be approved via a workflow thus eliminating the need for manual forms and a review of the authorising officer approving the claim.

The Assistant Director of Finance requested that we still sample test 20 claims to establish if these claims have been appropriately authorised.

We therefore reviewed a report from SAP of all expenses claimed in April and May 2017 and for a sample of 20 of the most expensive claims we found in 17 cases the claim forms had been authorised by a higher ranking / appropriate officer.

However, we found in three cases the claim forms had not been signed off by a higher ranking officer than the claimant, the total value of these claims was £2,616.

**We have therefore revised the management action;** until the electronic system is implemented.

## 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 actions	Consideration of medium actions	Consideration of low actions
Good	75 per cent	None outstanding	None outstanding	All low actions outstanding are in the process of being implemented
Reasonable	51 – 75 per cent	None outstanding	75 per cent of medium actions made are in the process of being implemented	75 per cent of low actions made are in the process of being implemented
Little	30 – 50 per cent	All high actions outstanding are in the process of being implemented	50 per cent of medium actions made are in the process of being implemented	50 per cent of low actions made are in the process of being implemented
Poor	< 30 per cent	Unsatisfactory progress has been made to implement high actions	Unsatisfactory progress has been made to implement medium actions	Unsatisfactory progress has been made to implement low actions

## APPENDIX B: SCOPE

### Scope of the review

The internal audit assignment has been scoped to provide assurance on how Essex Fire Authority manages the following objective:

#### Objective of the area under review

To ensure that robust controls are in place to safeguard the integrity of the Authority's payroll function

When planning the audit, the following areas for consideration and limitations were agreed:

#### Areas for consideration:

As part of the Essex Fire Authority Internal Audit plan for 2016/17, a review of HR Transaction Processing and Payroll was undertaken. This review identified significant weaknesses in the application of controls in place to ensure that complete and robust audit trails were maintained for new starters, leavers, amendments to standing payroll information, and identified that expense forms were not being checked to ensure that only eligible managers were approving claims.

Following these findings, it was agreed that the management actions agreed would be followed up promptly to provide assurance that improvements had been made. We will therefore undertake sample testing to ensure that the following management actions have been fully actioned or clear plans have been developed to implement improvements.

Our samples will only be selected from the period since the original audit: April and May 2017 onwards.

#### Limitations to the scope of the audit assignment:

- Testing was undertaken on a sample basis only;
- Testing was limited to the evidence available at the time of the audit;
- Our samples focused on the period since the 2016/17 HR Transaction Processing and Payroll review;
- We have not covered the full scope of the original review, we have only completed testing on those areas where issues were identified and management actions had been agreed; and
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.



## APPENDIX C: ACTIONS COMPLETED

From the testing conducted during this review we have found the following actions to have been fully implemented and are now closed:

Assignment title	Management actions
HR Transaction Processing and Payroll	<p>The Authority will ensure that all starter forms are:</p> <ul style="list-style-type: none"><li>• Completed in full;</li><li>• Scanned and uploaded to the employee file,</li><li>• Signed off as input; and</li><li>• Signed off for independent check.</li></ul>
HR Transaction Processing and Payroll	<p>The authority will ensure leavers forms are scanned and uploaded onto the employee file.</p>
HR Transaction Processing and Payroll	<p>The Authority will ensure that all amendment forms are:</p> <ul style="list-style-type: none"><li>• Signed and dated by an appropriate manager for authorisation;</li><li>• Signed off as input and checked independently by HR; and</li><li>• Scanned and uploaded to the employee file.</li></ul>

## FOR FURTHER INFORMATION CONTACT

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