Essex Fire Authority

Internal Audit Report (6.14/15)

FINAL

Key Financial Controls

24 March 2015

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Final report issued	24 March 2015	Client sponsor	Glenn McGuinness, Deputy Director of Finance
		Distribution	Glenn McGuinness, Deputy Director of Finance

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1   Executive Summary

1.1   Introduction

An audit of Key Financial was undertaken as part of the approved internal audit periodic plan for 2014/15. For the purpose of this audit the following areas are under review; General Ledger, Cash & Treasury Management, Payroll, Payments& Creditors, Income & Debtors and Asset Management.

Essex County Fire and Rescue Service hereby known as the 'Service' hold all of its finance operations at its main headquarters in Kelvedon Park. The Service covers a population of more than 1.74 million from 50 fire stations, employing a total of1,552 staff, per December 2014 finance report ranging from control and support staff to fulltime and retained firefighters. Essex fire and rescue is one of the largest fire services in the United Kingdom.

The Service invests funds with; Lloyds TSB, CCLA (Charities, Churches and Local Authorities money market fund) and the Debt Management Account Deposit Facility, on daily, monthly and annual basis's. At the time of Audit (January 2015) the CCLA investment stood at £14,500,000 and the DMADF deposit at £5,000,000. The Lloyds account balance changes on a daily basis depending on the amount the Service receives and pays.

Significant reserves are held by the Service in order to reduce borrowings. The current lender of choice for the Service is the Public Works Loan Board (PWLB), a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments. The total level of the Service's long term debt at 26 January 2015 was £33.5m with a long term loan of £4m repaid on 1st April 2014.

The Services Aged Debt as at January 2015 stood at a total of £126,290 for debt aged over 30 days, with £5,313 being over the 90 day cut off for referral to the Debt Collectors.

Fixed assets within the service hold a financial value of £86,069,000 for Land and Buildings and a further £10,494,000 for Vehicles, Plant and Equipment.

1.2   Conclusion
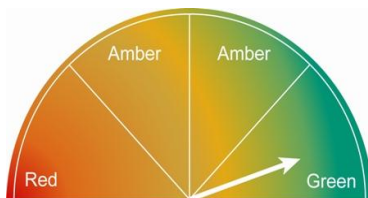
Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Design of control framework

General Ledger

- Procedures are in place for each of the financial systems, these are stored electronically, together with the authorised signature list and are available to all members of staff. Journal Registers are compiled each week from system-generated reports of the journal entries made during the previous week. Each person must review their own entries and seek approval from a more senior member of the finance team. A Journal Register is prepared as a cover sheet for the journal reports, which lists the journal numbers included; the types of journal included for that week and is initialled and dated by the preparer, with the Deputy Director of Finance's signature appended as the final authorisation.

- Journal entries are entered into CODA Dream and must include details of the accounts debited and credited (or cost centres for virements), amounts and narrative description. Journal entries are accompanied by either hard copy or scanned electronic supporting documentation.

- User access rights to journals and virements present that appropriate access levels have been given to the appropriate individuals and to allow segregation of duties.

Cash and Treasury Management

- The treasury management Strategy is approved by the Authority each year and reported against during the year by the Finance Director and Treasurer through the Audit, Governance and Review Committee.

- Cash and Treasury Management performance indicators are monitored and reviewed at every meeting, in order for remedial actions if required.

- Bank account reconciliations are performed monthly by the Finance Supervisor, with independent review by both the Finance Processing Manager and the Deputy Director of Finance.

- Investment Funds are currently held securely, one with the Authority's bank (Lloyds Bank) and with one AAA rated money market fund (Charities, Churches and Local Authorities money market fund - CCLA). The Authority has a Debt Management Account Deposit Facility where surplus funds are deposited with the Governments Debt Management Office. This is in accordance with the Authority's policy that requires counter parties to have AA or AAA ratings.

- Loans held by the Service are made in accordance with the Authorities Treasury Management policy incorporated into the Treasury Management Reports.

- Treasury management activities are regularly monitored and reported on and bank account access is limited to authorised staff members.

Payroll

- Procedural guidance is in place for each stage of the payroll process including starters, amendments and changes and leavers.

- Starters are added to SAP by the HR department from new starter forms. Once employee details have been entered into SAP, it is the role of the payroll department to conduct a Hiring Payroll Check within SAP, which includes entering bank details, tax data and the National Insurance category. The Hiring Payroll Check 'unlocks' the record, without which SAP cannot process a payroll payment for that record.

- A leavers checklist is completed for those employees departing employment with the Authority. The Human Resources department delimits all recurring payments in SAP, which is then independently checked by another member of the Human Resources department. Payroll is then informed by e-mail with details of any annual leave outstanding to be paid. SAP details must be de-limited in SAP by the 5th of the month to prevent the employee from receiving a payment in the same month.

- Amendments to employees' bank details and changes to employees' contracts are completed on dedicated change of circumstance forms, the forms are authorised by the employee's line manager, submitted to the human resources department and then processed by the payroll department.

- Employees must be part of one of the following pension schemes: Local Government Pension Scheme (LGPS) for support staff. New Firefighters' Pension Scheme (post-March 2006) or Firefighters' Pension Scheme (pre-March 2006). Once the employee has signed their contract agreeing to the terms of their pension, they are entered into the correct pension schemes by the Human Resources Team.

- Staff may claim additional payments for expenses which are filed with the correct receipts required to support claims. Payments are then subject to a sense check by the finance team, to ensure that payments are for realistic amounts and are supported before being processed by payroll.

- Each month a payroll payment batch detail are checked by the payroll manager to ensure entries on the report are correct and any additional deductions (e.g. attachment to earnings orders) are also correct. The payment run is checked against the Gross and Net Pay reports on the system, in order for any anomalies to be identified.

- Any exceptions identified by the SAP payroll system are exported into a master Excel spreadsheet and investigated on a rolling basis by the Payroll Manager

- A comparison of gross pay is undertaken every month and variances are investigated and resolved by the Payroll Manager who retains an electronic copy.

- A net pay exception report is compiled every month and any exceptions are printed out and retained as a hard copy. The hard copy is annotated with the reason for the exception and valid differences are signed as approved by the payroll manager.

- All control accounts, including the Payroll Gross Pay Control Account, are reconciled on a monthly basis by the Finance Processes Manager. These are reviewed and signed by the Deputy Director of Finance

Purchases and Creditors

- All orders are raised on the CODA Dream purchase order system. The system is pre-set with authorisation limits for individual authorisers to prevent misuse of the ordering system.

- Invoices are required to show the order number. They are then matched to the order and passed for payment (no further authorisation required if within 10% tolerance of the received amount). Invoices cannot be paid without the goods / services being received on the system, or further authorisation from the department head.

- Invoices are date stamped when received by Finance. The date stamp is either ticked as Paid to Book (i.e. matched) or Registered (i.e. sent for further authorisation if it cannot be matched).

- BACS and Cheque payment runs are made once a week. Segregation of duties is in place so that the run is implemented by one person, the file converted and imported to Lloyds by a second person, and the payment run is approved by the Financial Processes Manager.

- On a monthly basis the Aged Creditor Listing report is agreed to the Trial Balance and this review is signed off by the Financial Processes Manager and the Deputy Director of Finance to agree to the amounts which are still outstanding.

- New Supplier details are input onto the system Dream by Purchasing following receipt of a fully completed official New Supplier form. Finance requires bank details to be provided on the supplier's company letterhead and to be signed. Finance then require confirmation of bank details from a second individual. Suppliers are paid by cheque until bank details can be satisfactorily verified.

- Amendments to supplier details are only made once in receipt of notification containing the supplier letterhead. The Finance department email the supplier contact that they deal with and ensure bank detail amendments are legitimate. The payment will be taken off the payment run until the amendment has been verified.

- Before starting any procurement processes the Procurement Officer shall determine the estimated value of the contracts. Any contract worth over £20k shall be placed through a tendering process, so the Service can gain the best value for money.

- The Service follows the UK and EU legislation for the Compulsory Competitive Tendering rules even if these conflict with internal procedures.

Income and debtors

- New debtors are created upon request from the corresponding departments. The forms are received by either email or post. Once the requisition is received the debtor will be created on the system by finance. Input onto the system is by the finance team.

- Debtor invoices requests within the service are sent via email to the finance department, who then raise the request on the dream system. Once the request has been made an invoice is sent to the debtor. The individual who request the debtors invoice must be separate to those who raise and approve the request. Any correspondence with the debtor is logged onto the system and hard copies of back up details are scanned and attached to the debtors account.

- The Service will issue Credit Notes after an e-mail request is received by Finance from the Manager who raised the original request. These are reviewed monthly by the Financial Processes Manager, whom then produces a report for month end sign off by the Deputy Director of Finance.

- The Service produces an Aged Debtors report to highlight debt at 30, 60 and 90 days. At each of these dates a reminder letter is sent to the debtor to inform them that they need to pay. The final letter is sent after the debt is aged over 90 days, in which time the debtor has 14 days to respond before being sent to the collection agency.

Asset management

- Assets are recorded on the Fixed Asset Register (FAR) from the transactions that are processed by finance at year end. The Finance Monitoring Manager then ensures details are correct by contacting the budget holder and through periodic checks with the department.

- Finance maintains a Fixed Assets Register for vehicles and equipment and for land and buildings.

- Access to the FAR is currently limited to four users; Finance Manager – Monitoring, the Deputy Director of Finance and the System administrator/ supervisor (generic account).

- All users have access to the FAR system software at the highest level of input. The System administrator user password is known by the Finance Manager – Monitoring and the Deputy Director of Finance.

- Additions and Disposals for the year are maintained on a separate spreadsheet which is then added to the FAR on an annual basis at year end.

- Reconciliations between FAR and General Ledger are completed by the Finance Manager – Monitoring. The FAR is reconciled annually at year end and the Fixed Assets under Construction Register is reconciled on a monthly basis, and any relevant assets transferred over the FAR once completed. A monthly capital expenditure report comparing actual spend to budget is included in the monthly finance report (but no testing carried out on this).

Application of and compliance with control framework

General Ledger

- We obtained a system-generated master list of journal entries made during the current financial year and for a sample of 25 we noted that in all cases confirmed that the correct procedure had been followed.

- From a review of all individuals with access to Dream, we confirmed for Finance staff that each had access rights consistent with their roles and responsibilities, we also confirmed that access is by user name and password.

- We were informed that the Authority does not have any suspense accounts.

Cash and Treasury Management

- We confirmed from a review of the minutes and reports to Authority meetings, and meetings of the Audit, Governance and review Committee, that the Treasury Management Strategy was approved in February 2014 by the Authority and set out the how cash flow would be managed and how surplus monies would be invested. We also confirmed that reports on the capital position were issued to the Audit, Governance and Review Committee in July 2014 and January 2015.

- From review of the bank reconciliations for the previous 3 months we confirmed that they balanced with the exception of one which was investigated and resolved. Each was signed as evidence of who prepared them, and who reviewed them. They were also prepared promptly following end of month.

- We obtained and reviewed the Services investment folder for 2014/15 and picked a random sample of 4 transactions, we also reviewed a sample of 25 overnight deposits. We confirmed for each transaction that they corresponded to the requirements of the Financial and Procurement Regulations and were authorised in line with the mandated forms.

- The Authorities borrowing requirement was approved as part of the Treasury Management Strategy, and from review of the current balance we can confirm that it remains within those approved limits.

Payroll

- We confirmed from our review that payroll procedures are fit for purpose with step by step guides, and were available on the intranet.

- We selected a sample of 25 new starters from the New Starter report and of the 25, 17 had a hiring payroll check list completed, 6 were volunteers and therefore did not require a payroll check, for 2 the evidence had been destroyed as they had left the service, although the information was retained electronically.

- From the sample of 23 new starters reviewed above (where records were held), 11 had new starters forms in place, 6 were volunteers and therefore did not require them. The other 6 were could not be sourced by the HR department, as having recently moved buildings the paperwork was not yet sufficiently filed. New starter forms are authorised by the employees line manager, and input onto the system by HR and Payroll.

- From a sample of 25 leavers for the current financial year we confirmed that one of the 25 individuals had a leaver's checklist in place, and 16 of the 25 had leaver's forms on file. There are no distinguishable features between the two types of forms. All forms were completed on the system by the 5th day of the month after the employee had left. All leavers sampled had received a check by payroll of their final Pay and therefore it was not deemed to be a major financial risk of overpayments occurring.

- From a sample of 25 amendments we confirmed that, 13 had completed amendment forms, 14 had dates recorded when the change was made upon SAP; however we also confirmed that only six out of the 14 were changed in a timely manner before the employees next pay date, the 15th of each month. The 8 that were not changed in a timely manner too in the range of 1-4 month to change the records. Not changing the records in a timely manner could prevent staff from being paid correctly, leading to over/underpayments being made, causing a financial implication to the Service

- There is a financial risk to the Service where payroll documentation is not held or retained to ensure appropriate authorisation and transaction date, this could result in 'ghost' employees on the payroll and additional pay to which the employee is not entitled. **(Medium)**

- From the previous sample of 25 new starters we confirmed that: 15 starters were placed onto the correct pension scheme, eight were not entitled to enter onto a pension scheme as they were volunteers and two starters did not have records of a pension in place on the PRF HR system, we were informed that as the HR team had recently moved buildings there filing system was not navigable and therefore the original forms could not be sourced.

- From a sample of 25 expenses claims over the last three months, January, December and November we confirmed that all claims were supported by receipts and were subject to an appropriateness check by the employee's line manager. The system does not record the name of the authoriser, however the authorisation limits were built into the system, and therefore would only be authorised in line with the pre-set approvers limit.

- From a review of the previous 3 months of payroll runs we confirmed that a payment batch detail summary was produced for each of the three payroll runs, they were each signed off as sense checked by the Senior Admin Assistants on the Pay run checklist, which was then signed off by the Payroll Manager.

- We reviewed the payroll exception reports for the previous 3 months and confirmed that each exception to an employee's normal salary is checked by a member of the payroll team and a comment is assigned to each instances to explain the exception. This is then checked by the Payroll manager and once authorised the exceptions are corrected.

- We reviewed the 3 most recent gross pay comparisons and confirmed that variances in pay are investigated and resolved by the Payroll Manager who retains an electronic copy.

- We reviewed the 3 most recent net pay comparisons and confirmed that they are compiled every month and any exceptions are printed out and retained as a hard copy. The hard copy is annotated with the reason for the exception and valid differences are signed as approved by the payroll manager.

- We reviewed the 3 most recent control account reconciliations and confirmed that all control accounts, including the Payroll Gross Pay Control Account, are reconciled on a monthly basis by the Finance Processes Manager. These are reviewed and signed of as agreed by the Deputy Director of Finance.

Purchases and Creditors

- We sampled 25 creditors invoices raised on the system and confirmed that all orders are raised on the CODA Dream purchase order system. The system is pre-set with authorisation limits for individual authorisers to prevent misuse of the ordering system and therefore we confirmed that all invoices were subject to the correct level of approval.

- We sampled 25 creditors' invoices and confirmed that all individual order lines are marked as received• on the purchase order system. If the goods/services received do not match the order (e.g. a temp was ordered for 35 hours work but only worked 30), the person receiving must amend the order line.

- We sampled 25 creditors' invoices and confirmed that all invoices raised were within the 10% tolerance limits. We confirmed through the 25 invoices in the sample that all goods are marked as received as they arrive within the Service.

- We sampled 25 creditors' invoices and confirmed that all invoices are date stamped when received by Finance, and signed by the individual who is processing the invoice.. The date stamp is either ticked as Paid to Book (i.e. matched) or Registered (i.e. sent for further authorisation if it cannot be matched).

- From a sample of five BACs runs we confirmed that a segregation of duties is in place between the BACS preparation, review and approval.

- From a sample of 25 new suppliers in 2014/15 we confirmed that there were five exceptions which the Service do not require a new supplier form, these are;, Volunteers to be paid expenses, Liquidators paid by cheque, Drs paid by cheque. We confirmed that the other 20 invoices in the sample have; a new supplier form, signed letter stating the companies bank details, an email confirmation of bank details, from a individual from the creditor who didn't sign the bank details letter. We can therefore take assurance that the correct process is being followed for the setup of new suppliers.

- We confirmed via discussions with the Finance Administrator for Creditors that there have been no changes to supplier bank details within 14/15. We further confirmed this by reviewing a system report for supplier detail changes.

- From the sample of five new additions in the asset management sample we confirmed that all five vehicles purchased had been capitalised in line with the £7,500 limit.

Income and debtors

- From a sample of 25 debtors invoiced raised in 2014/15 we confirmed that in all instances; The debtors requisition was received in an email or email returned form, The invoices were raised in a timely manner (within a month), Inputs to the system match the amounts requested, There is segregation of duties between requisition and input onto the system

- From a sample of 25 debtors Invoice raised in 2014/15 we confirmed that each invoice can be accurately matched to a request email held as supporting evidence. From the testing we also confirmed that all invoices were raised in a timely manner within a few days of receiving the request. There were four instances where an invoice had not been raised which was demonstrated to be because the orders were cancelled.

- From a sample of 25 full and part credit notes we confirmed that they have been subject to the relevant approval and there is a segregation of duties between input and approval. We confirmed that all have been processed in a timely manner.

- From a sample of 25 aged debt cases we confirmed that 21 had been chased in line with policy, in 4 cases a debtor was sent further letters after the 90 days cut off period to try and recoup the debt owed rather than forward to a debt collection agency in line with the procedures.

<u>Asset management</u>

- From our earlier sample of 25 invoices, two invoices relating to Vehicles purchased in 2013, a Ford Mondeo EX14 NPU and a Ford Focus EX14 NPO, we confirmed that they have been capitalised in accordance to the £7500 limit.

- We confirmed via discussions with the Deputy Director of Finance that assets are recorded on the FAR from the invoices that are processed by finance at year end. The Finance Monitoring Manager then ensures details are correct by contacting the budget holder and through periodic checks with the department.

- From review of the fixed asset register we confirmed that disposals are amalgamated into the same section as retained fixed asset, however we confirmed that individual reports can be obtained if required. Disposal forms are retained within the department making the disposal. Testing in this area was performed as part of the Fleet Management audit.

- We confirmed that a procedural guide to work the Fixed Asset Management System is available to staff.

- Verification requests are made via e-mail and then the Finance Monitoring Manager meets with the departments to discuss the verification and they make notes from the meetings. We confirmed that from these meeting notes the Asset Register is updated, and if a reply is not received from the department they are chased until the Finance Monitoring Manager is satisfied.

- We obtained the Asset Register reconciliations for 2013/14 and confirm that all balances match. We also confirmed that the relevant backing details were on file, these included; System reports for fixed asset's net book value and depreciation for the year, revaluation reserves, fixed asset movement and assets held for sale. From further testing we confirmed that the Asset Register values reconciled to the Trial Balance figures.

- We obtained and reviewed the list of users to the FAR system within Asset Management and confirmed that there are 4 account users allocated to the system. We confirmed that once an individual is recruited for the vacant Finance Manager – Systems role there will be adequate users on the system, and access is in line with individuals Job Titles. We confirmed via discussion with the Finance Manager-Monitoring that there is a segregation of duties in place within the system as themselves (**only**) and the Finance Manager - Monitoring and the Finance Manager - Systems have inputting responsibilities, whereas the Deputy Director of Finance approves the reports

During the course of the audit we identified seven areas of weakness, which resulted in **two low and one medium priority recommendations** being made these are documented in the action log below.

1.3   Scope of the review

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following limitations were agreed:

Limitations to the scope of the audit:

- This review considered the adequacy and application of controls in place over the organisations key financial controls.

- We did not substantially re-perform reconciliations.

- We did not provide assurance that all goods ordered do not provide value for money, nor will we verify the accuracy or completeness of information recorded on the ledger.

- We did not guarantee that the services and items being invoiced and paid for are correct with the events having actually taken place.

- We did not confirm that all staff had read and understood policy and procedures.

- The review was conducted on a sample basis and will not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

The approach taken for this audit was a System-Based Audit.

1.4   Recommendations Summary

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	**Medium**	**Low**
Design of control framework	0	0	0
Application of control framework	0	1	2
Total	**0**	**1**	**2**

The recommendations address the risks within the scope of the audit as set out below:

	Priority		
Area	**High**	**Medium**	**Low**
General Ledger	0	0	1
Cash and Treasury Management	0	0	0
Payroll	0	1	0
Payments and Creditors	0	0	0
Income and Debtors	0	0	1
Asset Management	0	0	0
Total	**0**	**1**	**2**

1.5   Additional Feedback

We have included some comparative data to benchmark the number of recommendations made, as shown in the table below. In the past year, we have undertaken a number of audits of a similar nature in the sector.

Level of Assurance	Percentage of Reviews	Results of this Audit
Green	57%	X
Amber Green	43%	
Amber Red	0%	
Red	0%	

Recommendations	Average number in similar audits	Number in this audit
Recommendations made	**5**	**3**

2   Action Plan

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	
Suggestion	These are not formal recommendations that impact our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.3	The Service should ensure that all weekly journal reports are approved and included in the journal register to be approved by the Director of Finance and evidenced as such.	Low	Y	Isolated incident, thus none	Immediate	Deputy Director of Finance
3.1	HR should ensure that all starter, leaver and amendment documents are scanned and placed as an attachment to the employee records on the PRF Human Resources system in a timely manner.	Medium	Y	A new service level agreement (SLA) will incorporate this	September 2015	HR Support Team Manager
5.1	The Service should ensure that all debt (baring the public sector and debts under £50) are referred to the debt collection within the 90 day cut off period.	Low	Y	Where cost effective and appropriate this will be implemented	April 2015	Deputy Director of Finance

3   Findings and Recommendations

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all audit testing undertaken.

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
Area 1: General Ledger					
1.3	Journals may be processed by any member of the finance and financial management teams and due to the large number of entries, all journal entries are printed out to a system-generated report each week and are independently reviewed and approved by two members of the finance department, with final authorisation by the Deputy Director of Finance. Journal Registers are compiled each week from system-generated reports of the journal entries made during the previous week. Each person must review their own entries and seek approval from a more senior member of the finance team (peer approval in the case of the Finance Managers and the Financial Processes Manager).	Yes	From a sample of 25 Journals raised within the current financial year we found that: In one case the weekly reports and journal register for that specific one week of journal transactions was missing. Through discussion with the Financial Processes Manager it could not be located at the time of audit but we could obtain the backing documentation behind the sample journal being raised itself. Also in one case we found that the weekly report had been signed by the preparer but not an approving officer. Furthermore, the journal transaction was not included in the list of journals approved by the Deputy Director of Finance. However it was included on the journal register front sheet for the week and this was signed as approved by the Financial Processes Manager, but not the Deputy Director of Finance. Therefore: • In 23/25 cases each underlying type of	The Authority should ensure that all weekly journal reports are approved and included in the journal register to be approved by the Director of Finance and evidenced as such	Low

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	The person responsible for printing system-generated journal reports and preparing them for approval rotates weekly across the three Finance Assistants. A Journal Register is prepared as a cover sheet for the journal reports, which lists the journal numbers included; the types of journal included for that week and is initialled and dated by the preparer, with the Deputy Director of Finance's signature appended as the final authorisation. Once the Journal Register is complete, it is submitted to the Deputy Director of Finance for final approval.		system-generated report was signed by the preparer of the journal entries and countersigned by the by a Financial Manager or the Financial Processes Manager. • In 23/25 cases the journal Register was signed by the Deputy Director of Finance. • In 24/25 cases the journal numbers ran consecutively from week to week. When all journal transactions are not countersigned by another member of the finance team and included in the journal register list for the Deputy Director of Finance to approve and all documentation retained there is a risk that the correct authorisation has not been given and journals have not been reviewed.		
	Area 3: Payroll				
3.1	The Authority uses SAP for the combined administration of human resources (HR) and payroll functions. Starters are added to SAP by the HR department from new starter forms. Once employee details have	Yes	From a sample of 25 new starters we confirmed that 5/25 had a checklist in place on the PRF Human Resources system, which confirmed the date which they were added onto SAP. HR should ensure that all employee documentation is on the system in order to improve evidence traceability and improve communication between the HR and Payroll departments and to ensure that starters are processed on the SAP system in a	HR should ensure that all starter, leaver and amendment documents are scanned and placed as an attachment to the employee records on the PRF Human Resources System.	Medium

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	been entered into SAP, it is the role of the payroll department to conduct a Hiring Payroll Check within SAP, which includes entering bank details, tax data and the National Insurance category. The Hiring Payroll Check 'unlocks' the record, without which SAP cannot process a payroll payment for that record. If details are entered into SAP prior to the 5th of the month, the employee will receive pay that month. If details are entered into SAP after the 5th of the month, the employee will receive pay the following month. A total of 89 new starters have been recorded during the current financial year to date.		timely manner. We confirmed via discussion with the Payroll Manager that hiring payroll checks are conducted however there is no physical evidence to prove that this took place, we are assured that this takes place, otherwise the Starter would not be processed in the Pay run as their accounts would be locked.		
3.2	A leaver's checklist is completed for those employees departing employment with the Authority. The Human Resources department delimits all recurring payments in SAP, which is then independently checked by another member of the Human Resources department. Payroll is then informed by e-mail with details of any annual leave	Yes	From a sample of 25 leavers for the current financial year we confirmed that one of the 25 individuals had a leaver's checklist in place, and 16 of the 25 had leaver's forms on file. There are not distinguishable features between the two types of forms. All forms were completed on the system by the 5th day of the month after the employee had left. All leavers sampled had received a check by payroll of their final Pay and therefore it was not deemed to be a major financial risk of overpayments occurring.	Refer to 3.1 above	

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	outstanding to be paid. SAP details must be de-limited in SAP by the 5th of the month to prevent the employee from receiving a payment in the same month. A total of 161 leavers have been recorded during the current financial year to date.		We have made a recommendation in paragraph 3.1 above on the retention of documentation.		
3.3	Amendments to employees' bank details and changes to employees' contracts are completed on dedicated change of circumstance forms, which are submitted to the human resources department and are then processed by the payroll department. Amendments to basic employee data such as names and home address can be made by the individual employee within their account in the Employee Services Pages.	Yes	From a sample of 25 employee amendments we confirmed that 13/25 had completed amendment forms on file. HR should ensure that all employee documentation is on the system in order to improve evidence traceability and improve communication between the HR and Payroll departments. From the sample of 25 amendments we confirmed that 14 had dates recorded when the change was made upon SAP. We confirmed through review of the system that the data on all 14 change forms matched the data given on the system. Where an amendment form is not retained it is not possible to confirm the accuracy of information input to SAP, and the risk of unauthorised changes. Please refer to the recommendation in paragraph 3.1 above	.refer to 3.1 above	

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	Area 5: Income and Debtors				
5.7	The Service produces a monthly Aged Debtors report to highlight debt after 30, 60 and 90 days. At each report date a letter is sent to the debtor reminding them of the amount of which they owe to the Service. The final chasing letter is sent after 90 days by recorded post and/or email to which the debtors are given 14 days to respond or the debt is passed to a collection agency. Late payment charges may be applied if the debt is seriously overdue. If it gets passed to the collection agency the costs incurred by the service are passed to the Debtors. As detailed in the Financial regulations point 312; Debt can only be written off by the Financial Director and Treasurer to the value of £20,000 in one transaction. Any cases over this amount are reported to the Members.	Yes	From a sample of 25 aged debt cases we confirmed that in four cases a debtor was sent further letters after the 90 days cut off period to try and recoup the debt owed, this is not in line with the procedures. We confirmed via discussion with the Finance administrator for Debtors that the Service does not refer debt cases to debt collectors if the amount is less than £50. The debts chased over 90 days, that were not sent to the debt collection agency, had the following values; • £120.67 • £238.80 • £774.29 Not following the procedures could result in the increasing debt and the risk of future write off's. We confirmed via discussions with the Finance Administrator for Debtors that there have been no write offs in the current financial year.	The Service should ensure that all debt (baring the public sector and debts under £50) are referred to the debt collection within the 90 day cut off period.	Low