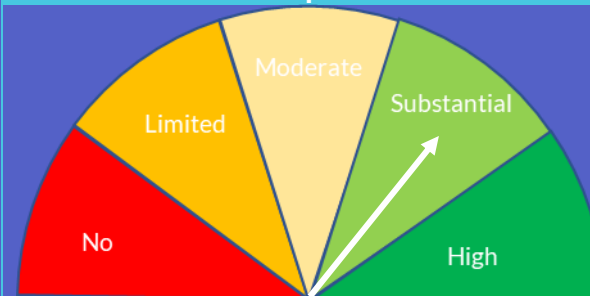# miaa

Payroll & Attendance Management Review

Assignment Report 2023/24 (Final)

North Wales Fire & Rescue Service

304NWFRS_2324_008

Overall Assurance Opinion

There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.

Contents

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 and sickness absence system(s) to ensure validity, accuracy, and timeliness of payments to employees.

Key Findings/Conclusion

Overall, the review identified that controls were designed and operating effectively, noting some areas of improvement. The main areas of good practice related to the reporting arrangements around Attendance Management. Our review identified that long term sickness absence is monitored as part of the Attendance, Grievance and Discipline Committee. Sickness absence is also monitored as part of the Human Resources report which is reported at each Health, Safety and Wellbeing Committee meeting (held quarterly). Our review also found that sickness absence is reported to the Fire Authority on a quarterly basis which reflects the importance placed on this issue.

We confirmed that robust controls are in place over the monthly payroll runs within the Payroll team. Checklists are completed each month to evidence the audit report checks undertaken, prior to the payroll run. Our testing of amendments to pay (e.g. enhancements, overtime and additional basic hours) identified that all had been appropriately authorised by the Line Manager as confirmation of hours worked with evidence in place to demonstrate adequate segregation of duties in place within the Payroll team.

However, our review identified a number of areas that require improvement to ensure controls are adequately designed and operating effectively. These primarily related to our testing of changes where we found in one case, the effective date of change had not been accurately inputted onto i-Trent (the payroll system). We could not confirm that a formal review is undertaken of i-Trent users on a monthly basis and super user access was not monitored at the time of the review. Our testing of a sample of episodes of sickness absence identified that Absence from a Sickness Keeping in Touch forms (ASKITs) and review stages have not been consistently completed and applied as per the Attendance Management Policy. We also recommend that the Fire Service develops a Payroll Policy to oversee the payroll practices in place.

Objectives Reviewed	RAG Rating
Policies and Procedures	Amber
Access Rights	Amber
Starters, changes and leavers	Amber
Amendments to pay	Green
Overpayments	Amber
Payroll runs	Green
Payroll reconciliations	Amber
Managing Sickness Absence	Amber
Sickness reporting	Green

Recommendations		
Risk Rating	Control Design	Operating Effectiveness
Critical	0	0
High	0	0
Medium	2	2
Low	2	1
Total	**4**	**3**

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Areas of Good Practice

Payroll

- At the time of the review, we confirmed that all staff who have access to i-Trent (payroll system) were appropriate for their duties and role.

- Audit testing of new starters, changes and terminations found adequate segregation of duties were in place within Payroll. In all cases, the manual payroll forms had been signed and dated upon input and checking. Of our sample all had been notified to the Payroll team in a timely manner.

- Audit testing of a sample of amendments to pay (e.g. enhancements, overtime and additional basic hours) identified that all had been appropriately authorised by the Line Manager as confirmation of hours worked. Of our sample all had been accurately input to the Payroll system with adequate segregation of duties in place.

- Our walkthrough testing of overpayments identified that appropriate records were held for each overpayment. Full audit trails were held on file to demonstrate the recovery of overpayments with debtor invoices raised.

- A review of the last 3 months payroll runs confirmed that a checklist is completed for each month to evidence the series of checks and validations performed by the Payroll officers, prior to the payroll run. We also identified that the Payroll runs had been authorised by the Assistant Chief Fire Officer (or the Head of Finance) to process the payment.

Attendance Management

- The Service has a detailed and recently revised Attendance Management Policy in place which was approved by the Senior Management Team in June 2023. This is subject to an annual review and is supported by a suite of documents (including procedures, workflows and modified duties forms). A review of the Policy confirmed that it clearly defines the roles and responsibilities of key staff including all employees and Line Managers.

- Testing was undertaken of a sample of 10 members of staff (covering both Grey and Green books) who have been on long-term sickness absence from April 2023 to date. Our testing identified the following:

    - In all cases, we confirmed that the employees had been paid in accordance with the Sickness Pay Entitlement procedure for both Grey and Green book employees.

    - In all cases the self-certification form had been received in line with the Sickness Absence Reporting, Certification and Contact Procedure which had been completed by the Line Manager or Occupational Health (e.g. following a failed medical test).

    - In all applicable cases, we found that GP fitness to work forms had not been obtained by HR to cover the whole period of absence. It was noted that fitness to work forms were not required where individuals have been absent from work due to a failed medical test.

- A further sample of 10 episodes of sickness absence were selected for testing (covering both Grey and Green books). Our testing identified that staff had been offered appropriate phased return arrangements to facilitate their return work and that these had been accurately recorded on i-Trent.

- The Attendance Grievance and Discipline Committee (AGDC) reviews long-term sickness every 6 weeks. We confirmed that any decisions and outcomes have been logged on the sickness spreadsheet for input into i-Trent.

- Our review of the Health, Safety and Wellbeing Committee agendas and minutes identified that Attendance Management has been included as part of the Human Resources Report and that this is reported on a quarterly basis. This provides an update on sickness by area (for both short and long term), calendar days lost, reasons for absence by category and absences following work-related accidents. A review of meeting minutes demonstrated discussion in relation to attendance management.

- The Fire Authority also receives information in relation to sickness absence as part of the Performance Monitoring report which is reported on a quarterly basis. Overall we found adequate monitoring and reporting arrangements are in place in relation to attendance management.

Key Findings – Issues Identified	
Medium	1.1. Payroll - Discussions with management confirmed that although checklists were in place to ensure payroll procedures were followed, this was not supported by a formal policy/procedure outlining key roles and responsibilities.
	1.2. Payroll - Audit testing of 10 changes identified that in one case the effective date of change had not been accurately added to the i-Trent system. The employee changed their retained hours on the 1/7/23, however this had been input onto i-Trent as the 28/6/23.
	1.3. Payroll - The HR MIS System Specialist receives a schedule on a monthly basis which is used to sense check the users, however this check was not evidenced. In addition, we were informed that super user access was not monitored at the time of the review.
	1.4. Attendance Management - Testing was completed on a sample of 10 members of staff (covering both Grey and Green books) who have taken long-term sickness absence leave from April 2023 to date. In 3 cases we identified that an Absence from a Sickness Keeping in Touch form (ASKIT) had either not been completed for every month during the sickness absence period (2 cases) or that no ASKITs were held on file for the episode of sickness tested (1 case). In our sample, all members of staff had breached one or more trigger points per the Attendance Management policy. Our testing identified that in 2 cases, the stage review letters had not been issued in a timely manner.
Low	1.5. Payroll - The monthly reconciliation between iTrent and the General Ledger is not formally documented. A control sheet should be completed to confirm that the control accounts and holding codes have been checked to ensure that they were cleared to zero for each month. This should be signed as prepared and reviewed to confirm adequate segregation of duties were in place.
	1.6. Payroll - A monthly log of overpayments is maintained by Payroll and this was found to be minimal in terms of volume of overpayments made by the Service. However, the value of overpayments was not monitored.

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 	1.7. Attendance Management - Testing was completed on a sample of 10 episodes of sickness absence (covering Grey and Green books) from April 2023 to date. In one case, a return to work interview form had not been completed at the time of the review.

2 Findings and Management Action

1. Payroll Policy		Risk Rating: Medium
Control Design		
Key Finding – Discussions with management confirmed that although checklists were in place to ensure payroll procedures were followed, this was not supported by a formal policy/procedure outlining key roles and responsibilities.	**Specific Risk** – Where roles and responsibilities are not clear, payments may be made to staff not employed by the organisation or for hours not worked, adversely impacting the financial position of the organisation. Requests for amendments made by authorised individuals do not reach, or are not processed by payroll staff, resulting in under/overpayments.	**Recommendation** - We recommend that a formal policy is developed to oversee payroll practices. This should outline all the procedures within Human Resources and Payroll and promote maintaining good practice. Roles and responsibilities should be detailed setting out the duties of the Human Resources team, Payroll team and Line Managers. Checklists for procedures should form part of the policy as appendices and detail regarding how these should be used and approved should be included. This policy should then be reviewed on an annual basis and have a Senior Management Team approval.
Management Response - There is an ongoing action plan to document all the procedures performed by Payroll & this will confirm who has the authority to complete each task. This will follow the format of the scheme of delegation that is in place for accounting staff. Responsible Officer – Payroll Manager Implementation Date – 31/01/24		Evidence to confirm implementation – Payroll Policy.

2. Changes	Risk Rating: Medium
Operating Effectiveness	

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Key Finding – Audit testing of 10 changes identified that in one case the effective date of change had not been accurately added to the i-Trent system. The employee changed their retained hours on the 1/7/23, however this had been input onto i-Trent as the 28/6/23.	**Specific Risk** – Changes and are not effectively managed and controlled, resulting in under / overpayments.	**Recommendation** – Both Human Resources and Payroll teams should ensure that the effective date of change are adequately checked and verified to ensure that the dates have been correctly inputted on the i-Trent system. Evidence of this check should be documented.
Management Response – Moving forward, Payroll will add checking the Hours & Basis screen into our process to further ensure system accuracy. The check will highlight if the entry has not been made at all or has been made with the system date set after the date the individual has changed their hours. This, along with a report produced by HR will highlight all possible differences. Responsible Officer – Payroll Manager Implementation Date – 24/10/2023	Evidence to confirm implementation – Documented checks.	

3. Monitoring of access rights on i-Trent	**Risk Rating: Medium**
Control Design	

Key Finding – The HR MIS System Specialist receives a schedule on a monthly basis which is used to sense check the users, however this check was not evidenced. In addition, we were informed that super user access was not monitored at the time of the review. Reports can be run from the system to check this.	**Specific Risk** – User access is not set up to enforce segregation of duties, resulting in the addition of 'ghost' employees.	**Recommendation** – The routine review carried out by the HR MIS System Specialist should be evidenced and held on file for each month. In addition, super user access should be monitored by an independent staff member to confirm that access at this level is appropriately controlled.

Management Response – Monthly audit report has been updated in a way which should make it easier to highlight any amendments needed in access level. The new report allows for: better comparison of departments and access roles typically assigned within each department, better monitoring of ghost user accounts (accounts not linked to an employee profile) and better maintenance of ended user accounts. The report will be run monthly to the iTrent Helpdesk inbox where it will have an initial review by the MIS System Specialist or appropriate alternative. Comments will be added to identify changes or investigations actioned from the audit document. The file will then be forwarded the HR department for a secondary review. A document controls page will be used to monitor who completed the reviews and when. The documents will be saved in a designated folder. Responsible Officer – HR MIS Officer Implementation Date – 10/10/2023	Evidence to confirm implementation – Monthly i-Trent report check and control document.

4. ASKITs and Stage Reviews		Risk Rating: Medium
Operating Effectiveness		
Key Finding – Testing was completed on a sample of 10 members of staff (covering both Grey and Green books) who have taken long-term sickness absence leave from April 2023 to date. In 3 cases we identified that an ASKIT form had either not been consistently completed for each month during the duration of the sickness absence (2 cases) or that no ASKITs were held on file for the episode of sickness tested (1 case).	**Specific Risk** – Non-compliance with the Attendance Management policy.	**Recommendation** – The Service should ensure that ASKITs are completed for each month of sickness absence in line with the Attendance Management policy. Line Managers in conjunction with Human Resources should notified in a timely manner than an employee who is off sick is due to trigger the next review stage. This should ensure that the next review stage is issued in line with the requirements per the Attendance Management policy.

In our sample, all members of staff had breached one or more trigger points per the Attendance Management policy. Our testing identified that in 2 cases, the stage review letters had not been issued in a timely manner.		
Management Response - HR Specialists have been following up on overdue ASKIT forms and chasing Line Managers when necessary. However, despite these efforts, some forms have not been provided. In addition to this, an automated email is sent to the line manager from iTrent outlining the responsibilities of the manager when their staff members are absent due to illness. The Auditor was presented with evidence to assure them that HR Specialists have been actively chasing ASKIT forms, but Line Managers are not consistently actioning these requests. Thus, highlighting a potential capability issue among line managers. Discussions have taken place among the HR Department regarding situations where managers are unable to complete the ASKIT forms with their staff, such as during a hospital stay. In such cases, managers should still complete the ASKIT form, outlining the reasons for their inability to do so. This information can then be stored in the employee's iTrent record. Moving forward, overdue ASKIT forms will be more prominently features in the AGDC report. It has been agreed at the Attendance, Grievance and Discipline Committee that HR Specialists will attend Station Support Officer meetings to provide an awareness session concerning attendance management and compliance with the ASKIT requirements. Training is already offered to Line Managers. Responsible Officer – HR Specialist Team Implementation Date – 10/10/2023	Evidence to confirm implementation – ASKITs held on personnel files. Timely issue of stage review letters.	

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5. Payroll reconciliations		Risk Rating: Low
Control design		
Key Finding – The monthly reconciliation between iTrent and the General Ledger was not formally documented. A control sheet should be completed to confirm that the control accounts and holding codes have been checked to ensure that they were cleared to zero for each month. This should be signed as prepared and reviewed to confirm adequate segregation of duties were in place.	**Specific Risk** – Interfaces are inaccurately uploaded, resulting in payments made to incorrect individuals, or for hours not worked.	**Recommendation** – A control sheet should be completed to confirm that the control accounts and holding codes have been checked to ensure that they are cleared to zero for each month, this should be signed as prepared and reviewed to confirm adequate segregation of duties are in place.
Management Response - The accounts relating to third party payments (e.g. pensions, student loans, app levy etc) are checked each month. The Payroll Manager completes a schedule of payments which he checks against the iTrent data. This is picked up by the Finance Apprentice, who enters the AP Payments onto the Financial System for processing, at the same time checking the balance of the ledger accounts to ensure they agree. Any variances are checked and amended as appropriate with the Senior Finance Officer/Payroll Manager. The pay file is imported into the GL as a journal format. Therefore, total debits must equal total credits, and the Pay ledger in totality will net to zero. Technology One (financials system) does not use holding accounts. External audit have asked for a year-end reconciliation between iTrent and TechOne. This was provided for the 2022/23 audit, and we will review the process and look to implement in the current year. Responsible Officer – Deputy Head of Finance and Procurement Implementation Date – 31/12/2023		Evidence to confirm implementation – Monthly reconciliations iTrent/General Ledger.

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6. Monitoring of overpayments		Risk Rating: Low
Control Design		
Key Finding – A monthly log of overpayments is maintained by Payroll and this was found to be minimal in terms of volume of overpayments made by the Service. However, the value of overpayments was not monitored.	**Specific Risk** – Records of overpayments are not made or monitored, resulting in non-recovery of payments made in error.	**Recommendation** - The monthly log should be enhanced to include total value of the overpayments so that trends can be identified and movements in payments can be tracked. This should be monitored on a monthly basis by the Service and escalated accordingly.
Management Response - From September 2023 an overpayment log has been created, it details the employee, position & value overpaid. It also includes the detail of why the overpayment occurred, when the employee was notified of the overpayment & where applicable when the overpayment was recovered. Responsible Officer – Payroll Manager Implementation Date – Completed		Evidence to confirm implementation – Monthly overpayment log.

7. Return to work interviews		Risk Rating: Low
Operating Effectiveness		
Key Finding – Testing was completed on a sample of 10 members of staff (covering both Grey and Green books) who have taken long-term sickness absence leave from April 2023 to date. In one case, a return to work interview form had not been completed at the time of the review.	**Specific Risk** – Non-recording/inaccurate recording of return to work interviews for staff leading to inconsistent support to staff, impact on health and wellbeing and increased sickness absence.	**Recommendation** – The Service should ensure that a return to work interview is undertaken in a timely manner following all sickness related absences. Line Managers should also be reminded to send the completed forms to the Human Resources team to aide monitoring and for audit purposes.

Management Response - Similar issues were noted with the Return to Work forms, which are pursued by the HR Management Assistants, with similar issues faced with the ASKIT forms. The HR Administration Team have a spreadsheet which is reviewed periodically and the return to works are chased within 7-10 day of the employee booking FIT or the FIT note expiration. During a future Station Support Meeting, HR Specialists will emphasise the importance of completing return to work paperwork. Training is also already offered to all LMs on a regular basis. Responsible Officer – HR Administration & Systems Co-ordinator Implementation Date – 10/10/2023	Evidence to confirm implementation – Retention of Return to Work interview forms.

Appendix A: Engagement Scope

Scope

The following sub-objectives were identified:

- Roles and responsibilities have been clearly set out and communicated.
- There are appropriate procedures and guidance available for line managers to complete supporting documentation to initiate payroll processes and manage sickness absence.
- Access rights to the payroll system are controlled and monitored.
- New starters, contractual changes and terminations are notified to payroll promptly, are appropriately authorised, and are accurately added to the payroll system prior to the payroll cut-off date.
- Amendments to pay (e.g., enhancements, overtime) are appropriately authorised and accurately processed and uploaded to the payroll system.
- There is a process in place to ensure overpayments (e.g., late submission of termination / contractual change forms) are recorded, monitored and recovered in a timely manner.
- The interfaces between the payroll system and other feeder systems are checked and reconciled.
- The payroll is subject to validation, authorisation and accuracy checking before payment is made and appropriate processes are in place to review exceptional / unusual payments prior to processing.
- Sickness absence is managed in line with the requirements of the NJC Pay and Conditions.
- The Service actively facilitates employees to return to work after illness and Managers ensure that the relevant support is afforded to employees and the process is managed effectively.

- Different levels of management, and the Authority receive sufficient information in relation to sickness and absence levels, which reflects the importance placed on this issue.

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 B: 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: • the efficient and effective use of resources • the safeguarding of assets • the preparation of reliable financial and operational information • compliance with laws and regulations.
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 significantimpact on the achievement of the overall organisation objectives.
Medium	Control weakness that: • has a low impact on the achievement of the key system, function or process objectives; • has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
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.

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Appendix C: Report Distribution

Name	Title
Dawn Docx	Chief Fire Officer
Stewart Forshaw	Deputy Chief Fire Officer
Dafydd Edwards	Fire and Rescue Authority Treasurer
Helen MacArthur	Assistant Chief Fire Officer
Llinos Gutierrez-Jones	Head of HR and Business Support Unit
Helen Howard	Head of Finance

Angharad Ellis

Senior Audit Manager

Tel: 07469378328

Email: Ann.Ellis@miaa.nhs.uk

Anne-marie Harrop

Regional Assurance Director

Tel: 07920150313

Email: Anne-marie.Harrop@miaa.nhs.uk

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