

# **Carmarthenshire County Council**

## **INTERNAL AUDIT DRAFT REPORT**

**MID AND WEST WALES FIRE AND RESCUE  
SERVICE  
PAYROLL REVIEW  
2007/2008**



## **1. INTRODUCTION**

### **1.1 Background**

Carmarthenshire County Council provides Internal Audit Services to the Mid and West Wales Fire and Rescue Service (MWWFR), through an Audit Plan agreed annually with representatives of the Service. The 2007/08 Plan provided for 35 internal Audit days.

The areas to be reviewed agreed with the Director of Finance and Procurement were ratified by the Performance, Review and Audit Committee at their July meeting and these are detailed below.

- Follow up of recommendations detailed in the 2006 - 2007 Internal Audit Report.
- A review of the central Financial Management Systems
- A review of Payroll function for all staff
- A review of the Procurement process in particular, the new Stock/Procurement System and proposed introduction of Purchasing Cards
- Attendance at Performance, Review and Audit Committee
- Periodic meetings with the Director of Finance and Procurement

This report reflects the work undertaken within the payroll function.

### **1.2 Scope of Work**

A review was undertaken of the systems and controls within payroll. Testing was undertaken on a sample basis as detailed below:

#### **PAYROLL**

- Ensuring that Recommendations agreed in 2006/07 Audit Report had been implemented by the agreed dates;
- Ensuring that a Procedural Guidance Document had been developed and was accessible to all staff and fully complied with;
- level of segregation of duties in the processing employee details and payments;
- Standing reference data was adequately supported by prime documents and independently checked;
- Six-monthly 'head count' exercise had been undertaken by Human Resources ensuring the accuracy of the Brigade establishment;
- and leavers were robust providing separation of duties between the personnel and payroll functions;

- Permanent and temporary variations to pay were properly authorised, accurately input and supported by approved relevant documentation ;
- Management Information was available on a timely basis and checked for exceptions and were complete and accurate ;
- BACS procedures were documented, ensuring supervisory checks were in place;
- Third party payments were supported by prime documents and appropriately authorised;
- The payroll system was regularly reconciled to the main financial management system.
- Computer access and backup arrangements were adequate, regularly reviewed and controlled;

### **1.3 Audit Objectives**

- To ensure salaries and related expenditure were incurred only in respect of staff employed in authorised posts, that payments were accurately processed and recorded in the accounting system.
- To ensure that previous recommendations detailed in the last year Audit Action Plan had been implemented.

## **2 FINDINGS**

### **General Opinion**

#### **Payroll**

- 2.1 The systems in operation were found to be robust and there were no fundamental areas of concern identified by the review.
- 2.2 The small number of recommendations detailed within the Action Plan if adopted will strengthen existing controls.
- 2.3 The systems and procedures linked to Payroll are considered to be of High Risk to the Brigade, given the number and value of transaction processed annually. The budgeted payroll for 2007/08 is in excess of £27m, and the Brigade employ 458 full time fire fighters, 715 retained fire fighters and over 170 other support staff.
- 2.4 Carmarthenshire County Council provide the Payroll function “Resource Link” under a Service Level Agreement. The system controls linked to this system are audited annually in accordance with Carmarthenshire County Council’s Audit Plan and any issues are referred for review to the Director of Resources. There have been no fundamental concerns raised.
- 2.5 It is acknowledged that in the absence of the Payroll Manager due to maternity leave that existing staff had been upgraded to undertake her duties to ensure continuity of service. Testing found that the payroll process continued in her absence and that there were no procedural gaps.  
It was noted that procedures had been formalised for all aspects of the payroll function, but that payroll procedures relating to the Payroll Manager functions were still not fully complete. It is accepted that this will be addressed on the Payroll Managers return.
- 2.6 It was pleasing to note that all but one of the agreed recommendations from the 2006-07 Internal Audit Report had been actioned. The issue regarding Brigade Standing reference data including permanent allowances had not been addressed.

### 3 ACTION PLAN – RECOMMENDATIONS

#### Ratings

- \*\*\* Recommendation should be introduced as a high priority
- \*\* Implementation is strongly recommended
- \* Implementation of recommendation is desirable to comply with best practice guidance

Ref	Summary of Issues	Recommendations	Rating	Comments / Agreed Action	Officer Responsible	Target Date
R1	It is acknowledged that the Certification of Payroll Data exercise had been undertaken, but permanent allowances had not been included, as agreed in the Audit Action Plan for 2006/07. HR indicated that this had not been undertaken due to the changes required to their HR Systems, so that new fields could be added. It is accepted that system changes may be needed to the “Terian”, HR system, but in the short term a Payroll report detailing these permanent allowance could be obtained for reconciliation to the HR system.	HR section should obtain a report of permanent allowances from Resource Link Payroll system and manually reconcile these details to their HR files to confirm the accuracy of the data held, pending changes being made to the HR system.	**			
R2	A report was obtained from the Implementation and development team detailing employees of the Fire Brigade who had access to	Access to the Resource Link Payroll System should continue to be reviewed regularly by management to ensure that access is only given to appropriate	**			

Ref	Summary of Issues	Recommendations	Rating	Comments / Agreed Action	Officer Responsible	Target Date
	<p>the Resource Link Payroll System. This report was reviewed for appropriateness</p> <ul style="list-style-type: none"> <li>• users were identified that had not used the system for a number of months</li> <li>• one user identified had two user ID's, this was amended at the time of the audit.</li> </ul>	<p>employees and at appropriate permission levels.</p>				
R3	<p>It was noted that the payroll system had been set by the Carmarthenshire CC implementation team so that HR staff were able to input Bank Account and Tax code details, when setting up a new employee. Best practice would indicate that this function should be undertaken by the Payroll team in order to maintain an adequate segregation of duties.</p>	<p>Consideration should be given to revising the current procedures to enable Payroll staff to input bank Account and tax details.</p>	**			