

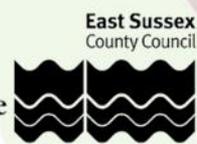


Internal Audit Report

RDS Pay – Follow Up 2019/20

Discussion Draft

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Prepared for: East Sussex Fire & Rescue Service
Date: April 2020



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1. Introduction

- 1.1. In March 2018, the interface between the Fire Authority 4i and MIS computer systems stopped working which meant that pay claims for Retained Duty Staff (RDS) could no longer be processed and paid. As a result, a manual workaround using a spreadsheet template was implemented by the Payroll Team to ensure that staff continued to be paid. The manual workaround remained in place until the interface was repaired at the end of May 2018.
- 1.2. Following this, we were requested to complete an independent review of the manual procedures in place during the period when the interface was not working to provide assurance that the correct payments were made. In testing a sample of payments, we found some of these were incorrect. Whilst the errors were low value, it was agreed that all retained stations would complete a full review of payments made during the interim period and report any under or overpayments to the Payroll Team so that corrections could be made.
- 1.3. We also found that, due to the absence of claim data in MIS for April and May 2018, the controls to prevent RDS staff from receiving more than four payments for sick or leave on a drill night had stopped working. Whilst no examples were found during our testing, this could have resulted in invalid payments where staff took more than four leave or sickness absences on a drill night during April or May 2018. It was agreed by management that checks would be made to ensure firefighters were paid appropriately during the interim period.
- 1.4. Given these issues, we were only able to provide an audit opinion of partial assurance in this area.

2. Scope

- 2.1. This review has therefore sought to assess the adequacy of implementation of the agreed actions arising from the previous audit.

3. Audit Opinion

We have provided an **unchanged opinion of Partial Assurance** in respect of the follow-up audit of **RDS Pay**. The reasons for this are as a result of the agreed actions from the previous audit either not being or only being partially implemented. Whilst it is acknowledged that the values involved are potentially low, this was recognised by management when the actions were agreed as part of the original review. Further detail is provided in the main body of the report.

Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.

4. Basis of Opinion

- 4.1. We have provided an unchanged opinion of Partial Assurance over the controls operating within the area under review because:
- 4.2. Although some stations have undertaken a review of the manually entered pay data, with corrections being made where errors had been identified, there remain two stations that have failed to respond to the request to undertake a review of the data which was manually entered during the period in which the 4i to MIS interface was not operational. Furthermore, two additional stations disposed of their records and were therefore unable to undertake the reconciliation as there is no retention policy in place to cover these documents within retained stations.
- 4.3. The previous audit highlighted two employees who may have been overpaid due to the incomplete reversal of a January pay file, applied to April pay. As a result of an incomplete audit trail and further amendments to these employees' records, officers have been unable to ascertain the level of overpayment or take action to rectify these cases if required.
- 4.4. A number of inputting errors were identified in the previous audit, with no evidence provided to demonstrate that these have been investigated and corrected as necessary.
- 4.5. Due to the fact that MIS was not operational for two months and is therefore missing data for that period, the control which prevents retained firefighters from taking more than four nights of paid leave or sickness in a year was not functioning correctly, thus increasing the potential for employees to be paid for more than the permitted amount.
- 4.6. The previous audit identified 37 potential duplicate payments. These were requested by, and sent to, the Interim Payroll Manager for analysis but, as yet, no evidence to support the investigation or correction of these payments has been provided.

5. Action Summary

5.1. Although 2 agreed actions from the previous report have been partially implemented, all actions (5 in total) have been repeated in this report. In addition, there is 1 new finding.

Risk Priority	Definition	No	Ref
High	Major control weakness requiring immediate implementation	0	N/A
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources	4	1,3,4,5
Low	Represents good practice but its implementation is not fundamental to internal control	2	2,6
Total number of agreed actions		6	

6. Implementation Action Tracking from Previous Audit

Original Agreed Action	Original Risk Rating	Implementation Status	Revised Risk Rating
Manually Entered Claim Data 1	Medium	Partially Implemented	Medium
Manually Entered Claim Data 2	Medium	Partially Implemented	Medium
Leave and Sickness on a Drill Night	Medium	Not Implemented	Medium
Reversal of January Payments	Low	Not Implemented	Low
Potential Duplicate Claims	Low	Not Implemented	Low

7. Detailed Findings and Agreed Actions

Ref	Finding	Potential Risk Implication	Priority	Agreed Action
1	<p>Review of Manually Entered Payments</p> <p>As per the agreed action from the previous audit, stations were requested to carry out a full review of payments made during the period when the MIS interface was not in operation, in order to report any overpayments to the payroll team for resolution.</p> <p>Two stations stated that they have destroyed their records, meaning that retrospective review and reconciliation of payments for employees working from these sites is no longer possible, whilst another two stations have not responded to the request for confirmation.</p>	<p>Failure to ensure that all retained stations carry out a full review of payments made during the period when the interface was not operational may result in overpaid employees retaining the funds, thus resulting in financial loss to East Sussex Fire and Rescue Service.</p>	Medium	<p>There remains three missing station returns : Further reminder emails sent to Battle, Lewes and Hailsham on 5th March requesting the WM carry out the prescribed reconciliation. All CC'd into Mark Matthews. Followed up again last week. Status as follows : Lewes : Current Watch Manager has only been looking after T&A sheets since February 2020. No further response so far. Hailsham have responded to say they have been reviewed with Vicky Boundy(VB). Watch Manager confirms "I didn't keep any of the data I just worked through the spread sheet to make sure it was correct then I spoke to Vicky to say I had done it." Battle : Ross Wilson confirmed yesterday that he and Leo Cacciatore will investigate.</p> <p>Battle and Lewes will be required to complete the review.</p>
Responsible Officer:		Payroll Manager	Target Implementation Date:	September 2020

Internal Audit Report - RDS Pay – Follow Up 2019/20

Ref	Finding	Potential Risk Implication	Priority	Agreed Action
2	<p>Document Retention Policy</p> <p>Stations were required to carry out a full review of the payments made during the period that the interface between 4i and MIS was not operational. As stated above, two stations were unable to carry out a review as they had disposed of the related documentation. The Interim Payroll Manager confirmed that there is no current document retention policy to determine the length of time that stations should retain records, meaning that local practices are likely to differ across the county.</p>	<p>A lack of document retention policy means that documentation may be kept for longer than required, thus leading to a breach of data protection regulations, or disposed of when it is still needed, resulting in stations being unable to carry out required activities, such as reconciliations.</p>	Medium	<p>There is no documented records retention policy for the Stations. This is down to the fact the originals sit with the Payroll Team and the only purpose of holding forms locally is to make sure the payment has been paid correctly. So once payroll is paid they really should need to hold them. Suggest no further action.</p>
Responsible Officer:		John Olliver	Target Implementation Date:	N/A

Internal Audit Report - RDS Pay – Follow Up 2019/20

Ref	Finding	Potential Risk Implication	Priority	Agreed Action
3	<p>Investigation and Correction of Errors</p> <p>A number of errors were identified during the previous audit in relation to manually entered claims, input during the period that the 4i to MIS interface was not in operation. There was an agreed action, which stated that 'the errors identified during this review will be investigated and corrected.'</p> <p>Communication from the Interim Payroll Manager suggests that correction of these errors has not taken place.</p>	<p>Failure to identify and correct errors may result in financial loss to East Sussex Fire and Rescue Service due to overpayments made to employees, as well as reputational damage should it be discovered that employees have been underpaid.</p>	Medium	<p>Please see reference 1. We acknowledge that errors identified during the original audit should have been investigated at the time. However all the evidence is that any errors are for small amounts and given the time elapsed the effort required to investigate and the limited chance of recovery if errors were confirmed we do not believe further action is justified..</p>
Responsible Officer:		Payroll Manager	Target Implementation Date:	N/A

Internal Audit Report - RDS Pay – Follow Up 2019/20

Ref	Finding	Potential Risk Implication	Priority	Agreed Action
4	<p>Leave and Sickness on a Drill Night</p> <p>The 4i to MIS interface was not operational during April and May 2018, with claims being input into SAP using a spreadsheet. Due to this, the control within MIS which prevents more than four instances of paid leave or sickness being taken on a drill night each year was not present, potentially allowing some employees to have been paid in excess of their entitlement.</p> <p>There were two agreed actions within the previous audit which stated that:</p> <ol style="list-style-type: none"> 1. 'Checks will be made to ensure that firefighters were not paid for more than four leave or sick events on a drill night during April or May 2018' and; 2. 'An end of year reconciliation of leave and sickness on a drill night will be undertaken to ensure that firefighters have not been overpaid.' <p>Confirmation from the Interim Payroll Manager demonstrated that no further steps have been taken to address these actions, with reliance being placed upon the MIS system which does not contain data for two months out of the year.</p>	<p>Failure to ensure that firefighters were not paid for more than four leave or sick events on a drill night may result in overpayment, thus leading to financial loss for East Sussex Fire and Rescue Service.</p>	Medium	<p>The controls for limiting the number of sick/holiday pay on Drill night is held within MIS rather than in SAP. Therefore, as we have proven that the January MIS file was reversed out in June after the May duplication we believe that the systems controls in MIS would have prevented such overpayment. Suggest no further action.</p>
Responsible Officer:		Payroll Manager	Target Implementation Date:	N/A

Ref	Finding	Potential Risk Implication	Priority	Agreed Action
5	<p>Potential Overpayments</p> <p>The previous audit identified two employees who may have been overpaid due to the reversal of the January pay file.</p> <p>There was an agreed action which stated that 'the two potential overpayments will be investigated and adjusted if found to be incorrect.'</p> <p>Due to an unclear audit trail and additional amendments having been made to these employees' files in June, the Interim Payroll Manager has been unable to ascertain whether or not overpayments had been made or take action to recover any costs.</p>	<p>Failure to maintain an adequate audit trail around payments may lead to such payments becoming untraceable, thus resulting in overpayments which cannot be recovered and financial loss to East Sussex Fire and Rescue Service.</p>	Low	<p>Significant effort has been spent in trying to identify if there was evidence of overpayment in these cases, but due to the lack of a clear audit trail this has not been possible. Therefore, we do not feel that we can be 100% sure that these two entries of £117.41 and £220.14 respectively are overpayments in fact, and that as we are now almost 2 years advanced, that no further action should be taken.</p>
Responsible Officer:		Payroll Manager	Target Implementation Date:	N/A

Internal Audit Report - RDS Pay – Follow Up 2019/20

Ref	Finding	Potential Risk Implication	Priority	Agreed Action
6	<p>Potential Duplicate Claims</p> <p>The previous audit identified 37 claims which may have been entered more than once. There was an agreed action that 'all the claims identified with potential duplicate payments will be investigated and adjusted if found to be incorrect.'</p> <p>A list of the potential duplicates was requested by and sent to the Interim Payroll Manager for review, however, no evidence of investigation or the outcome of this review has been seen.</p>	<p>Failure to investigate and action potential duplicate payments may mean that employees are overpaid, thus leading to financial loss for East Sussex Fire and Rescue Service.</p>	Low	<p>The report suggests that there were 37 claims that included payments that had potentially been entered twice. We have reviewed a further sample of these cases and have been unable to confirm whether or not duplicate payments were made. However all the evidence is that any errors are for small amounts and given the time elapsed the effort required to investigate and the limited chance of recovery if errors were confirmed we do not believe further action is justified.</p>
Responsible Officer:		Payroll Manager	Target Implementation Date:	N/A

Appendix A

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

Management Responsibilities

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.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

This report, and our work, should not be taken as a substitute for management's responsibilities for the application of sound business practices. We emphasise that it is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.