



HR Payroll Process Review

February 2023



Introduction

This report provides a summary of the Human Resources (HR) Payroll Process Review, which evaluated the processes relating to data processed by the HR and Payroll teams and also included inputs from other teams and systems, such as operational resource management data from Fire Service Rota. We conducted walkthroughs with relevant personnel who process HR and Payroll data to understand the current processes in place, which has allowed us to map the systems and processes in a “swim-lane” format, highlighting individual responsibilities.

Reviews were conducted for each process that results in a data entry on iTrent, the roles and responsibilities for these processes, as well as for controls relating to transfer of data between systems.

The slides for each process provide an overview of the control gaps that we observed. Comprehensive process maps are linked to each process summary and through these links the detailed process maps can be viewed.

In our review of the HR and Payroll control framework, we have also considered the findings raised in previous internal audit reviews of HR, Payroll and Resource Management. We have evaluated the progress made to implement these actions.

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Executive Summary

The purpose of this assurance review was to have complete visibility of all processes requiring input from both the Payroll and HR teams and to ensure that HR and Payroll controls are adequate. This included an evaluation of all starters, leavers and changes processes, along with discovery of any additional processes, and their input into iTrent (the Payroll system) and, where relevant, Integra (the Finance system).

The 2020/21 Core Financial Controls Audit and 2019/20 Core Financial Controls Audit both identified weaknesses in the system of internal control for Payroll. The 2020/21 Core Financial Controls Audit included a finding in respect of the flow of information from HR to Payroll during the Leaver and Change of Role processes, noting that the relevant teams would benefit from end to end process mapping across HR, Payroll and the Resource Management Team in order to identify areas where processes can be streamlined, and all control weaknesses can be addressed.

The HR/Payroll Process Review follows on from the following previous internal audit reviews :

- **2021/22 HR People Management audit** – two medium priority findings relating to processes that involve both HR and Payroll were raised. The area conclusion for Starters, Leavers and Movers was **Reasonable**. The overall audit opinion was **Reasonable**.
- **2020/21 Core Financial Controls audit** – two medium priority findings relating to Payroll were raised. The area conclusion for Payroll was **Reasonable**. The overall audit opinion was **Substantial**.
- **2019/20 Core Financial Controls audit** – one low priority finding relating to Payroll was raised. The area conclusion for Payroll was **Substantial**. The overall audit opinion was **Substantial**.
- **2017/18 Core Financial Controls audit** – one medium priority finding was raised. The area conclusion for Payroll was **Reasonable**. The overall audit opinion was **Substantial**.

The table below provides a summary of all the findings raised and their implementation status:

Internal Audit Title and Year	Number of Payroll/HR process related findings	Medium Priority			Low Priority		
		Implemented	Partially Implemented	Not Implemented	Implemented	Partially Implemented	Not Implemented
HR People Management 2021/22	2	1	-	-	1	-	-
Core Financial Controls 2020/21	2	1	1	-	-	-	-
Core Financial Controls 2019/20	1	-	-	-	1	-	-
Core Financial Controls 2017/18	1	1	-	-	-	-	-
Total	4	2	1	-	1	-	-

Key iTrent system functions

Recruitment

- The iTrent Recruitment module includes:
 - Authorisation/approval to recruit
 - Determine advertising strategy
 - Place advertisement with chosen media
 - Receive and progress applications
 - Identify, offer and appoint suitable applicant into the organisation.
- Trigger for the recruitment process is the identification of a recruitment requirement, which may be as a result of a leaver within the organisation or the creation of a new position.
- Match and Gap - compares the attributes of an individual an applicant with the requirements of a vacancy. Compares items associated with the Profile – Qualifications, Qualification statuses, Skills, Skill sets, Memberships and Checks.

Sickness absence reporting

- Recorded by employees via the Payroll and HR Employee Self Service (ESS) Portal.
- Approved/administered by managers via the People Manager portal
- Reports on absence history can be generated for individual employees or by team/organisation.
- Sickness absence data for operational staff is recorded via Fire Service Rota, the Fire Authority's Resource Management system.

Key iTrent system functions cntd.

Payroll

- Allows complex payroll scenarios to be achieved through user-defined calculation rules. Automated retrospection functionality allows for payroll reversals that are easy to manage.
- Interactive payslips.
- Payroll cut-offs automatically decide which requests are processed in which pay period.
- Automated electronic payments to HMRC and other third parties.
- Flexible two-stage bank detail verification process for employees, through integration with GB Group (GBG) identity verification software, helps protect the Fire Authority against payroll fraud and reduces the time spent chasing payment reclaims.

Expenses

- Claimed by employees via the Payroll and HR ESS Portal.

People Manager

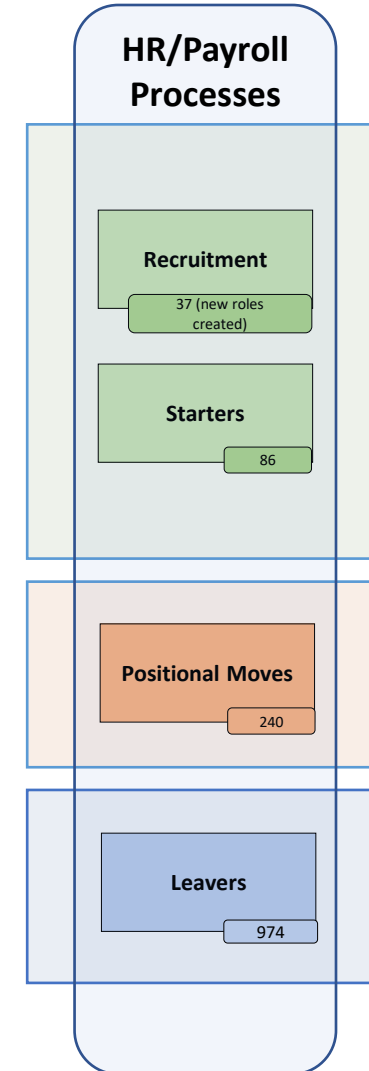
- Provides managers with access to a range of information about their staff.

Process Overview

The below diagram provides an overview of the different HR and Payroll processes, the relevant systems and the associated volumes of transactions for the period between December 21 to November 22 for each process.

Comments / Limitations on data:

- Figures were retrieved from reports generated from iTrent, the Fire Authority's Payroll system.
- Data for Starters, Leavers, temporary changes and permanent changes (included as Positional Moves) is held on the employee's ePRF (electronic Personnel Record File) and on iTrent.
- Data for operational staff, including that for absences, availability and positional moves, is held on Fire Service Rota (the Fire Authority's planning and scheduling system).



Starters

Summary – New Starters are added to iTrent by HR following the recruitment process, with documents added to the electronic Personnel Record File (ePRF) as they are received and as the New Starter process progresses. Any remaining payroll information is collected and entered by Payroll, with inputs checked and relevant calculations completed.

Interview List – Jackie Vere-White (Payroll and Benefits Manager); Anne Stunell (Head of Human Resources); Carly Humphrey (HR Operations Manager).

Control Risk Observations and Recommendations

Area	Observations	Previously raised?	Risk Rating	Recommendation
Starter Checklist	<p>Comprehensive New Starter checklists are in place to record inputs and checks completed by both the HR and Payroll teams when setting up a new starter.</p> <p>Review of the HR and Payroll checklists established that separate checklists are completed by the HR and Payroll teams and that each team does not have sight of the other team’s checklist. The following tasks and document checks were found to be duplicated across both checklists:</p> <ul style="list-style-type: none"> • Offer letter and signed contract; • Personal Details form; • HMRC New Starter Declaration; • Right to work check; and • Entry of pay and contract information into iTrent. <p>Additionally, discussion with the Payroll Manager established that Pension-related inputs are sometimes completed by HR, although this is the responsibility of the Payroll and Benefits team. Where such tasks are completed by the team not usually responsible for completion of the task, the other team is not notified.</p>	<p>No</p>	<p>M</p>	<p>Review tasks listed on both the HR Starter checklist and Payroll Starter checklist and ensure they are not duplicated across the two functions but that sufficient checks remain in place. Produce a new Starter checklist that is accessed by both HR and Payroll and includes all tasks related to processing Starters for both functions.</p> <p>Management Action/ Response</p> <p>The HR Operations Manager and Payroll and Benefits Manager (and teams) to review the checklists and process maps/flow diagrams, with a view to combining them into one document.</p>

(**) – shows the process step in question – see map for further details

Leavers

Summary – Leavers are actioned by HR when notification is received that an employee is leaving. Payroll tasks are workflowed to Payroll for them to action before the final payslip is issued.

Interview List – Jackie Vere-White (Payroll and Benefits Manager); Anne Stunell (Head of Human Resources); Noma Magutshwa (HR Officer - Recruitment and Operations).

Control Risk Observations and Recommendations

Area	Observations	Previously raised?	Risk Rating	Recommendation
Leaver Checklist	<p>Leaver checklists are in place to record actions and checks completed by both the HR and Payroll teams when processing employees as leavers.</p> <p>However, it was noted that HR and the Payroll and Benefits team were working from separate checklists and did not have sight of actions completed by the other team. Whilst there were no apparent duplications in tasks, or discrepancies over the responsibility for actions between the checklists, it would benefit the Leavers process to have a Leaver processing checklist that can be accessed by both teams so that relevant officers are aware that data has been input and checked by other officers involved in the process, to enable them to continue with subsequent process steps and to avoid any duplication or missed steps.</p>	No	L	<p>Review tasks listed on both the HR Leaver checklist and Payroll Leaver checklist and ensure they are not duplicated across teams but that sufficient checks remain in place. Produce a new Leaver checklist that is accessed by both HR and Payroll and includes all tasks related to processing Leavers for both functions.</p> <p>Management Action/ Response</p> <p>The HR Operations Manager and Payroll and Benefits Manager (and teams) to review the checklists and process maps/flow diagrams, with a view to combining them into one document.</p>

(**) – shows the process step in question – see map for further details

Positional Moves

Summary – When notification is received by HR of upcoming changes, a Change Control form is completed by the employee’s manager or Learning and Development team. This is then processed by HR, with the involvement of Payroll if a change to Payroll is required. There are 12 types of changes submitted via Change Control forms.

Interview List – Jackie Vere-White (Payroll and Benefits Manager); Anne Stunell (Head of Human Resources)

Control Risk Observations and Recommendations

No control risk issues were noted in respect of the process positional moves. See process map for controls identified as part of the process review.



iTrent Users

Summary – The iTrent system has a total of 973 users (including users of the Employee Self Service module). This includes:

- 154 users with People Manager access
- 8 Payroll BAU users
- 8 HR BAU users

No control risk issues were noted in respect of iTrent users and user access.

Appendix A - Follow-Up Findings

Implementation status of findings raised and management actions agreed during the 2021/22 internal audit of HR People Management and the 2020/21 internal audit of Core Financial Controls.

HR People Management 2021/22

Report Ref No. 1	Title: Starters, Leavers and Movers - New Starters	Priority of finding: M	Status: Implemented
Original Audit Finding		Management Comments & Action Plan	
<p>Examination of a sample of 20 new starters at the Fire Authority between January 2021 and July 2021 found:</p> <ul style="list-style-type: none"> • One case where no contract, offer letter, checklist, references or ID were provided. • Five cases where no references were provided. In all five cases references were requested but either not received or not available on the personnel file as of the audit. In seven further cases, only one reference was provided. Discussion noted that one was an apprentice, with apprentices only having one reference due to a lack of prior experience, and one was an agency employee for which a different process is in place. Therefore, five of the seven cases were exceptions. • Two cases where no medical questionnaire was held on file. • Two cases where the starter checklist was not fully completed. 		<p>HR to communicate to the organisation what is expected from them in order to process new starters according to the agreed process.</p> <p>HR to review the process notes and ensure completion of new starter checklist.</p>	
Follow Up Evaluation		Further Recommendation	
<p>HR coach managers through the processes as part of the support they provide on recruitment and selection. The process notes have been and are reviewed on an ongoing basis, in line with legislation and best practice.</p> <p>The checklist is used for every new starter and stored on the employees personal file once complete, as per the agreed process.</p>		N/A	

Follow-Up Findings

HR People Management 2021/22

Report Ref No. 4	Title: System Transactions and Records – Leaver access not removed	Priority of finding: L	Status: Implemented
Original Audit Finding		Management Comments & Action Plan	
<p>Examination of a sample of 20 employees whose information changed between January and July 2021 found:</p> <ul style="list-style-type: none"> In one case, the instruction to make the change was received on the effective date. In this case it was entered on iTrent four days later. Whilst the other five changes applied retrospectively were deemed to be outside the control of HR, in this case HR was deemed to be partially responsible for the delay. Two cases where there was no Change Control Form. Discussion established that these roles were both from a recruitment process. A Change Control Form is not a requirement for these as HR are involved in the interview processes and therefore know the details of the transfers. Some managers do provide Change Control Forms, but they are not required as approval is already received. However, there is another similar example where a Change Control Form was provided. Discussion with the Senior Administrator established that some operational roles have allowances that require the Appointments Board to provide additional approval on a change control form. However, where there are such variations in the process, they should be identified in the process notes. 		<p>HR to communicate to the organisation what is expected from them in order to process changes according to the agreed process.</p> <p>HR to review the process notes and conclude the new change control form consultation and relaunch the form.</p>	
Follow Up Evaluation		Further Recommendation	
<p>HR coach managers through the processes as part of the support they provide on changes and leavers.</p> <p>The process notes have been and are reviewed on an ongoing basis, in line with legislation and best practice.</p> <p>Change control form consultation undertaken and new electronic form launched, utilised by 95% of people, the others have used a business case as an alternative or the old form and told about the process for the future.</p> <p>HR welcome ongoing feedback on the form, and continue to make amendments as necessary.</p>		<p>N/A</p>	

Follow-Up Findings

Core Financial Controls 2020/21

Report Ref No. 1	Title: Payroll–Authorisation of CPD payments	Priority of finding: M	Status: Implemented
Original Audit Finding		Management Comments & Action Plan	
<p>CPD is an allowance requested for payment at the annual appraisal process by the employee and immediate Line Manager based on evidence of attention to continuous professional development. As with all permanent changes made to payroll, authorisation should be held on file.</p> <p>Examination of a sample of 10 permanent changes made to Payroll between April and November 2020 found that in one case, authorisation from a line manager or Director was not held on file. This case involved the addition of CPD payments for an employee following an email from the Training, Learning & Development Assistant.</p> <p>The Payroll and Benefits Manager established that a review of CPD is ongoing. It was agreed through discussion with the Payroll and Benefits Manager that the Line Manager or Budget Holder should be copied in on CPD requests received from OD. Any CPD input should be confirmed with them at the point of processing.</p>		<p>Following the discussion of findings during the audit, Station Commanders are now copied in at the point of processing for the addition of CPD payments.</p>	
Follow Up Evaluation		Further Recommendation	
<p>Effective from April 2021 there has been a change in process that CPD is awarded to all Operational Firefighters automatically at the point that they achieve Competency. A Procedure for CPD has been published which references this, the process and procedural guidance note for CPD is the responsibility of our Organisational Development Team. The change from Development to Competency is advised by our Organisational development Team who validate the completion of Development Folders for all ranks. The OD team will complete a Change Control Form detailing the move from Development to Competent, this will prompt a change in pay scale and also the application of CPD. This is approved by the Budget Holding Station Commander and changes are then processed by Payroll.</p>		<p>N/A</p>	

Follow-Up Findings

Core Financial Controls 2020/21

Report Ref No. 2	Title: Payroll–Flow of information from HR to Payroll during Leaver and Change of Role processes	Priority of finding: M	Status: Implemented
Original Audit Finding		Management Comments & Action Plan	
<p>Examination of a sample of 10 employees who left the Fire Authority’s employment between April and November 2020 found that four leaver notifications were received by Payroll after the leave date. Three of these were received after the payroll cut off for that month. In one case this led to the creation of an overpayment.</p> <p>Discussion with the Payroll and Benefits Manager established that the Leaver process changed during 2019-20. Line managers no longer advised Payroll directly of Leavers. The amended process involves line managers advising HR and HR passing Leaver information on to Payroll. Following iTrent permission changes, Payroll can no longer process Leavers if HR does not have the capacity to or in the event of late leavers after the Payroll cut-off.</p> <p>The result of these process changes is that information reaches Payroll last, sometimes after the employee has already left the organisation, reducing Payroll's ability to address the risk of overpayments. To mitigate overpayments, Payroll manually adjusts pay within the record whilst it is still live. Payroll is more reliant on manual intervention and affects their timeliness in reporting to HMRC.</p> <p>Examination of a sample of ten On-Call and Overtime payments made to staff between April and November 2020 found one case where a request was submitted via email. This was due to a discrepancy with a change in role and a change in Terms and Conditions for the employee.</p> <p>Not all of the necessary managers were involved in this process, and contractual changes were not communicated effectively. This resulted in an overpayment. Corrective action was taken by the employee’s line manager and Payroll.</p>		<p>End to end process mapping will be undertaken across HR, Payroll and the Resource Management Team in order to identify areas where processes can be streamlined, and all control weaknesses can be addressed.</p>	
Follow Up Evaluation		Further Recommendation	
End to end process mapping completed and recommendations have been raised with the services involved.		N/A	

Follow-Up Findings

Core Financial Controls 2019/20

Report Ref No. 3	Title: Payroll – Voluntary deductions	Priority of finding: L	Status: Implemented
Original Audit Finding		Management Comments & Action Plan	
<p>Employees can opt into voluntary payroll deductions for a range of schemes offered by the Fire Authority. Deductions should be authorised by the employee prior to being actioned on the Payroll system.</p> <p>Examination of a sample of 20 employees paid in December 2019 found the following exceptions:</p> <p>In three cases where a deduction was recorded on the employee’s payslip for the Fire Authority’s prize draw, there was no prize draw deduction form held on file.</p> <p>In one case where a charity deduction was recorded on the employee’s payslip, there was no charity deduction form held on file.</p>		<p>Prize Drawer Deductions</p> <p>All employees currently participating in the prize drawer will be sent a prize draw deduction form to re-confirm their entrance into the prize draw to ensure a record is kept of all participants.</p> <p>Charity Deductions</p> <p>From 1st April 2020 we have launched a new Tax Free Payroll Giving scheme via an external benefits provider, therefore all prior charitable deductions were ceased from 31.03.2020 with a request to join the new scheme.</p>	
Follow Up Evaluation		Further Recommendation	
<p>A review of Prize Draw deductions was undertaken in March 2021 to re-obtain approval for the Prize Draw deduction and the deduction was relaunched for the 2021/22 financial year.</p>		N/A	