



# POLICE AND CRIME COMMISSIONER FOR NORTH YORKSHIRE AND CHIEF CONSTABLE OF NORTH YORKSHIRE

## **Overtime, Bonus and Honorarium Payments**

**FINAL**

**Internal Audit Report: 4.16/17**

**22 September 2016**

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## CONTENTS

1 Executive summary .....	2
2 Detailed findings.....	4
APPENDIX A: SCOPE .....	9
APPENDIX B: FURTHER INFORMATION .....	11
For further information contact .....	12

<b>Debrief held</b>	08 August 2016	<b>Internal Audit team</b>	Dan Harris, Head of Internal Audit
<b>Draft report issued</b>	06 September 2016		Angela Ward, Senior Manager
<b>Responses received</b>	20 September 2016		Philip Church, Manager Eddie Ndhlovu, Senior Auditor
<b>Final report issued</b>	22 September 2016	<b>Client sponsor Distribution</b>	Jane Palmer, Chief Finance Officer Helen Raisbeck, Financial Support Services Manager Antony Byrne, Corporate RMU Manager

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# 1 EXECUTIVE SUMMARY

## 1.1 Background

We have undertaken an audit of overtime, bonus and honorarium payments as part of the agreed internal audit plan for 2016/2017. The objective of the audit was to ensure appropriate controls are in place to support bonus, overtime and honorarium payments.

The Force uses the Origin time management system for the purposes of recording time worked by both police officers and police staff. Officers and staff must submit both a paper claim form and electronic claim on the time management system for all overtime claimed. The Force is in the process of eliminating paper claim forms and will commence using the electronic system in the near future. The Origin system has built in overtime rules which are operated by the Resource Management Unit (RMU) and built in workflows which require every overtime claim to be approved by a line manager, sergeant or inspector. Once approved, the overtime claim is processed for payment by the Payroll team.

Bonus payments are currently used by the Force to recognise exceptional service by officers and staff alike.

Honorarium payments are awarded by the Force to employees who have performed some of their duties and responsibilities of a higher graded post for a continuous period of ten working days or more.

## 1.2 Conclusion

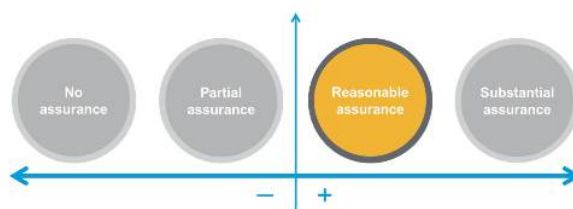
Our audit confirmed that there are appropriate controls in place to support bonus, overtime and honorarium payments. However, we have identified two 'medium' and one 'low' priority management actions in relation to payroll processing errors, honorarium payment errors and non-HR review of bonus payments which have impacted on the overall opinion.

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### Internal Audit Opinion:

Taking account of the issues identified the Police and Crime Commissioner and Chief Constable of North Yorkshire can take **reasonable assurance** that the controls in place to manage this area are suitably designed and consistently applied.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified area.



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## 1.3 Key findings

The key findings from this review are as follows:

- The Force has overtime procedures in place that are up to date, detail how to claim overtime on the time management system and are available to all officers and staff on the intranet.

- Review of the Duty Management System confirmed that the overtime rules, in accordance with Force procedures, for both officers and staff were built into the system, which enabled a sound control environment. Furthermore, within the system they were hierarchical workflows, which ensured that all overtime claimed was approved by a relevant line manager.
- Testing of 60 overtime claims (planned, unplanned/casual, recall of duty, advancing the start of duty from rostered time, rest days and public holidays) which included 40 police officers and 20 police staff found the following:
  - In all instances tested we found that the claim forms and the electronic claims had been approved appropriately;
  - In all instances we found that the rates of pay applied in the time management system were in accordance with policies and procedures;
  - In all instance tested, we were able to confirm the dates claimed on the overtime forms to the roster on the booking on and booking off time management system (DMS);
  - In all instances tested, with the exception to two cases relating to staff leavers, we were able to review the overtime claim form. The two instances related to outstanding Time off in Lieu which was paid as overtime upon the staff members leaving their posts with the Force.
- The bonus payments guideline was in place and available to relevant staff. Review of bonus payments found that they were adequate controls in place which ensured that all bonus payments were subject to HR review and approval from the Chief Finance Officer (CFO).
- Review of the honorarium process noted that they were adequate controls in place which ensured that honorarium payments were subject to Head of Department approval, HR review, Payroll review and final approval from the CFO. The guidelines were also available to relevant staff on the intranet.
- Review of the reporting arrangements found that an analysis of staff spend against the budgeted spend was reported to the Assistant Chief Constables and relevant superintendents on a monthly basis.

## 1.4 Additional information to support our conclusion

Risk	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Overtime: Production of a summary of relevant information duties, payroll and finance systems to support management information	0 (5)	3 (5)	1	2	0
<b>Total</b>			<b>1</b>	<b>2</b>	<b>0</b>

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

## 2 DETAILED FINDINGS

### Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

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

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
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#### Risk: Overtime: Production of a summary of relevant information Duties, Payroll and Finance systems to support management information.

1	The Force requires officers and police staff to complete an overtime paper claim form for all overtime. The claim form must detail the days and number of hours being claimed. All overtime claim forms are checked by the Payroll team. The claimant must have the overtime approved and the claim form must be	Yes	No	<p>Testing of 60 overtime claims, which included 40 police officers and 20 police staff, found the following:</p> <ul style="list-style-type: none"> <li>In all instances tested, we found that the claim forms and the DMS claims had been approved appropriately.</li> <li>In all instances we found that the rates of pay applied in the DMS system were in accordance with policies and procedures.</li> <li>In all instance tested we were able to reconcile the dates claimed on the overtime claim forms to the roster on the booking on booking off time management system.</li> <li>In all instances tested, with exception to two cases relating to staff leavers, we were able to review the overtime claim form.</li> </ul> <p>However during our sample testing, we identified the following exceptions:</p>	Medium	<p>The Force is currently in the process of having all overtime claims being processed solely through the DMS system. Errors noted within the testing will be rectified. The future removal of the Form 30 will reduce errors and continued auditing via the RMU will take place up to the payroll deadline.</p> <p>Implementation Date: 30<sup>th</sup> November 2016</p> <p>Responsible Owners:</p>
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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
	<p>signed by a relevant sergeant/ inspector/ supervisor.</p> <p>The form is scanned into the payroll system and processed for payment. Staff must also complete an electronic claim on the DMS time management system.</p> <p>Overtime rules have been built into the system by the RMU.</p> <p>Overtime claimed must have both a manual and electronic claim form and must be approved by an appropriate approver through the DMS system pre-set workflow. If both the paper and electronic claim match, this is paid; if both claims do not match then Payroll must pay what has been claimed on the DMS system.</p> <p>Inspectors in</p>			<ul style="list-style-type: none"> <li>In one instance we found that overtime amounting to £110.85 had been paid to an Inspector who had substantively been in post since 2014. Further investigation noted that this had been due to a scanning error as the claim form related to a Constable overtime claim for 21 March 2016. The Constable had been subsequently been paid in the May 2016 payroll however at time of the audit, the amount paid to the Inspector by error had not been rectified.</li> <li>In one instance we noted that overtime claim form had four hours claimed however the DMS system stated 5.75 hours had been claimed. The subsequent hours processed via payroll were four hours.</li> <li>In one instance relating to a police officer, the number of hours on the overtime paper claim (14 hours) did not match to the hours claimed on the DMS system (4 hours). The overtime claim had been paid in April 2016 however this system error had not been rectified until the error was found at the time of the audit.</li> <li>In one instance relating to a police officer (Sergeant), we found that an overtime claim for 1.5 hours had been paid as 7.5 hours on the system representing a six hour overpayment equivalent to £161.60. This payment had not been rectified at the time of the audit.</li> <li>In one instance relating to a police staff member for overtime paid in April 2016, we found that a claim for 11 hours on the DMS system had been underpaid as 10 hours per their manual claim form. The discrepancy was found to have been on the overtime claim form which stated 10 hours had been claimed however according to the roster and DMS, the officer had completed 11 hours overtime representing an hour shortfall. Following discussions with the Head of Payroll, we noted that the payments of overtime were made in relation to what was on the claim form if there was a discrepancy between the claim form and the DMS overtime claim.</li> <li>We found that although the process was for Payroll to pay the electronic claim in the case that both paper and the DMS system claim did not match; payments were made based on the paper claim hours.</li> </ul>		<p>Anthony Byrne, RMU Manager</p> <p>Helen Raisbeck, Financial Support Services Manager:</p>

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management												
	<p>accordance with Force procedures are not permitted to claim for overtime. .</p> <p>Overtime claimed by sergeants must be approved by Inspectors or above. The system does not allow self-approval of overtime.</p>			<p><b>Risk Exposure*</b></p> <p>There is a risk that the current process of overtime claims is susceptible to human error and claimants are currently being overpaid/ underpaid.</p>		<p><b>Root causes</b></p> <p>The use of manual and electronic system for overtime claim relies heavily on human input. Payments of overtime claims have been based on the paper overtime claims which contain a number of errors and can be read incorrectly by the paper overtime claim scanner.</p>												
				<table border="1"> <thead> <tr> <th>Probability</th> <th>Financial</th> <th>Reputational</th> <th>Operational</th> <th>Legal</th> <th>Rating</th> </tr> </thead> <tbody> <tr> <td>Probable</td> <td>Negligible</td> <td>Minor</td> <td>Minor</td> <td>Minor</td> <td>5:8</td> </tr> </tbody> </table>	Probability	Financial	Reputational	Operational	Legal	Rating	Probable	Negligible	Minor	Minor	Minor	5:8		
Probability	Financial	Reputational	Operational	Legal	Rating													
Probable	Negligible	Minor	Minor	Minor	5:8													
				<p>* The rating of risk (probability, financial, reputation, operational, legal) has been undertaken by the area owner based on the Force's risk matrix.</p>														
2	<p><b>Bonus payments</b></p> <p>The Force has a process in place to reward exceptional work by the way of paying a bonus.</p> <p>A bonus application form is completed, signed by the relevant line manager, reviewed by the HR team, approved by the Establishment and Planning Group (EPG) and signed by</p>	Yes	No	<p>Our testing of 20 bonus payments found the following:</p> <ul style="list-style-type: none"> <li>In 14 cases tested, the bonus payment related to covert operation officers who all received a regular payment in accordance with the Winsor recommendations 2012. In these instances they were no bonus application forms for review however we found that all payments were subject to HR review and approval from the CFO.</li> <li>In five cases we were able to review the fully signed application form, HR review, approval from the CFO and timely payment of the bonus payments.</li> <li>However, in one instance we did not find evidence of review of the bonus application by the HR department although the application had been approved by the EPG and the CFO.</li> </ul>	Low	<p>The Force will ensure that all bonus applications are subject to HR review in accordance with the Force guidelines.</p> <p>Implementation date: 31<sup>st</sup> October 2016</p> <p>Responsible Owner: Helen Raisbeck, Financial Support Services Manager</p>												

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	the Chief Finance Officer.			<table border="1"> <thead> <tr> <th colspan="3">Risk Exposure*</th> <th colspan="3">Root causes</th> </tr> </thead> <tbody> <tr> <td colspan="3">There is a risk that bonus payments are processed without review from HR in accordance with the Force procedure.</td> <td colspan="3">Lack of evidence of review by HR.</td> </tr> <tr> <th>Probability</th> <th>Financial</th> <th>Reputational</th> <th>Operational</th> <th>Legal</th> <th>Rating</th> </tr> <tr> <td>Unlikely</td> <td>Negligible</td> <td>Minor</td> <td>Minor</td> <td>Minor</td> <td>6:5</td> </tr> </tbody> </table>	Risk Exposure*			Root causes			There is a risk that bonus payments are processed without review from HR in accordance with the Force procedure.			Lack of evidence of review by HR.			Probability	Financial	Reputational	Operational	Legal	Rating	Unlikely	Negligible	Minor	Minor	Minor	6:5		
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Unlikely	Negligible	Minor	Minor	Minor	6:5																									
3	<p><b>Honorarium payments</b></p> <p>An employee may be required to undertake some of the duties and responsibilities of a higher graded post for a continuous period of 10 working days or more are eligible to receive an honorarium payment.</p> <p>Calculation of the honorarium payment is based on the percentage of the responsibilities of the higher graded post undertaken by the employee. The honorarium application form must be completed by the manager of the employee, the Head</p>	Yes	No	<p>Our testing of 20 honorarium payments found the following:</p> <ul style="list-style-type: none"> <li>In 12 cases we found that the process followed was in accordance with the Force procedure.</li> <li>In three cases we found that no honorarium application form had been completed. We however found that the decisions were clearly evidence on review of relevant documentation in place.</li> </ul> <p>We however found three discrepancies which related to the following:</p> <ul style="list-style-type: none"> <li>In one instance, there was a £10.85 difference between the amount paid (£523.67) and the amount approved by the CFO for payment (£512.82). We noted that this had been due to the form not being submitted to Payroll in the first instance for annotation and confirmation of the amounts.</li> <li>In the second instance, we found that the amount paid to a recipient was £1782.26 that had been calculated to be paid at £1802.26.</li> <li>In the third instance, we did not find evidence of review by the Payroll team.</li> </ul>	Medium	<p>The Force will ensure that honorarium payments are subject to payroll review before they are approved and processed for payment.</p> <p>Implementation date: 31<sup>st</sup> October 2016</p> <p>Responsible Owner: Helen Raisbeck, Financial Support Services Manager</p>																								



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of Department authorises the form, and the form is passed to Payroll to confirm the amounts through annotation of the form and signed by the relevant payroll representative then sent to HR for review. The form is sent to the EPG and then signed for approval by the CFO.

Risk Exposure*			Root causes		
<p>There is a risk of honorarium overpayment/ underpayment due to unnoticed/human errors.</p> <p>There was a lack of evidence of the calculations by the Payroll team.</p>			<p>Honorarium payments are processed after Payroll has undertaken review of the calculations, however on occasion this has not taken place.</p>		
Probability	Financial	Reputational	Operational	Legal	Rating
Probable	Negligible	Minor	Minor	Minor	5:8

# APPENDIX A: SCOPE

## Scope of the review

Objective of the risk under review	Risks relevant to the scope of the review	Risk source
To ensure appropriate controls are in place to support bonus, overtime and honorarium payments.	Overtime: Production of a summary of relevant information duties, payroll and finance systems to support management information.	ARM 5423

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## Areas for consideration:

Our review has considered the following areas:

- Policies and procedures are in place, up to date and are available to staff.

### Overtime

- We have sample tested the following overtime claimed as TOIL or payment:
  - Planned
  - Unplanned or casual
  - Recall of duty
  - Advancing the start of duty from rostered time
  - Rest Day and Public Holidays
- Overtime has been approved by the Duty Inspector or relevant Supervisor.
- Overtime has been appropriately recorded.
- Payment to the employee has been made accurately and in a timely manner.

### Bonus Payments

Our substantive testing set out to confirm the following:

- A signed and fully completed application/nomination form is available for review.
- The application/nomination form has been authorised.
- The reasons documented for the payment is clear and concurrent with the Bonus Payment Guidance.
- The decision to award the bonus has been approved.

- Submission of paperwork to HR and Payroll has been made in a timely manner.
- Payment to the employee has been made accurately and in a timely manner.

#### **Honorarium Payments (Police Officer and Police Staff)**

Our substantive testing set out to confirm the following:

- A signed and fully completed honorarium application form is available for review.
- The honorarium application form has been authorised.
- Eligibility requirements have been met and are documented on the honorarium application form.
- Submission of paperwork to HR and Payroll has been made in a timely manner.
- Payment to the employee has been made accurately and in a timely manner.

#### **Reporting**

- Management information is produced, reported and assessed through the organisation's governance structure.

#### **Limitations to the scope of the audit assignment:**

- The audit was carried out on a sample basis only.
- We did not review the appeals process for bonus payments.
- We did not confirm the adequacy or appropriateness of any overtime taken, just that the correct process had been followed.
- Samples were taken from 2016/17 transactions only.
- Our work does not provide an absolute assurance that material errors, loss or fraud do not exist.

## APPENDIX B: FURTHER INFORMATION

### **Persons interviewed during the audit:**

- Helen Raisbeck, Financial Support Services Manager
- Sam Craggs, Management Accountant
- Moira Hopwood, Head of Payroll
- Antony Byrne, RMU Manager

### **Documentation reviewed during the audit:**

- Overtime and TOIL procedure
- Bonus payments guidelines
- Honorarium payments guidelines
- Origin time management procedure

## FOR FURTHER INFORMATION CONTACT

**Dan Harris, Head of Internal Audit**

Tel: 07792 948767

[Daniel.Harris@rsmuk.com](mailto:Daniel.Harris@rsmuk.com)

**Angela Ward, Senior Manager**

Tel: 07966 091471

[Angela.Ward@rsmuk.com](mailto:Angela.Ward@rsmuk.com)

**Philip Church, Client Manager**

Tel: 07528 970082

[Philip.Church@rsmuk.com](mailto:Philip.Church@rsmuk.com)