



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

Chief Officer Salaries, Allowances and Expenses

FINAL

Internal Audit Report: 15.16/17

11 May 2017

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Debrief held	Last evidence received 19 April 2017	Internal audit team	Dan Harris, Head of Internal Audit Angela Ward, Senior Manager
Draft report issued	5 May 2017		Philip Church, Client Manager
Responses received	10 May 2017		Eddie Ndhlovu, Senior Auditor
Final report issued	11 May 2017	Client sponsor	Jane Palmer, Chief Finance Officer – Force Michael Porter, Chief Finance Officer - PCC
		Distribution	Jane Palmer, Chief Finance Officer – Force Michael Porter, Chief Finance Officer - PCC

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1 EXECUTIVE SUMMARY

1.1 Background

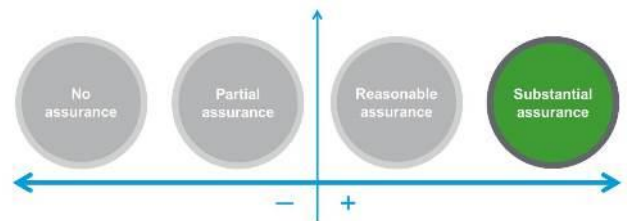
This review has considered chief officers' changes to salaries and allowances to ensure they have been justified, approved and processed in accordance with the Force's Devolved Resource Management (thereafter DRM) Manual. We have also considered the expenses claimed to ensure they are legitimate, approved, supported by relevant receipts and processed in accordance with DRM.

1.2 Conclusion

Our testing has concluded that systems of control in this area were adequately designed and were being consistently applied. Specifically changes in salaries, allowances and expenses had been processed in accordance with the DRM for the samples reviewed during the course of our testing. We have agreed one low priority management action.

Internal audit opinion:

Taking account of the issues identified, the Police and Crime Commissioner for North Yorkshire and the Chief Constable of North Yorkshire can take **substantial assurance** that the controls upon which the organisation relies to manage the identified areas are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

- Our review has concluded that the organisation has in place controls and systems for ensuring that changes in salaries are subject to signed letters / instructions from the Human Resources (HR) department. We confirmed in each instance of salary change, implemented March 2016 to March 2017, that an instruction had been received and where applicable the change, including promotions, acting up payments and honorarium payments had been justified, approved and processed appropriately. Further testing of expenses claimed concluded that the expenses were legitimate and in accordance with the DRM Manual; each claim had been supported by an expense claim form, authorised appropriately and were supported by receipts.
- Our review also confirmed that the organisation has in place a process whereby a member of the Senior Management Team (SMT) undertakes checks every month, before the payroll run is completed. An overall check is undertaken to ensure that any chief officer payments and expenses have been processed appropriately. Our review of the process confirmed that since December 2016 there was evidence of these checks being undertaken by the Financial Support Services Manager (this was a new control implemented in December and we are satisfied that this is proportionate and addressed the risk / finding identified).
- We noted that during the year, a salary increment was applied incorrectly to a chief officer's salary and further errors were also made in relation to the same officer, regarding expenses being processed at an incorrect rate. The incidents appear to have been isolated and were due to a new member of staff. We noted that these errors had been identified and subsequent correcting activities had been undertaken to rectify these errors.

We have identified a low priority management action relating to expenses that did not contain the details of expenditure and an overpayment of £6.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The action plan at section two details the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Salaries	0	(3)	0	(3)	0	0	0
Expenses and credit cards	0	(5)	1	(5)	1	0	0
Total					1	0	0

* 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 areas 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	Action for management
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Area: Expenses and credit cards

1	Expenses are checked to ensure the correct amounts have been claimed on the claim form.	Yes	Yes	<p>Testing of 12 chief officer expenses from March 2016 to March 2017 identified the following issues:</p> <ul style="list-style-type: none"> In one instance, an expenses claim amounting to €25.60 had been paid out in pounds instead of being converted to the equivalent amount. At the time of payment, we calculated that this was an overpayment of approximately £6. We also identified two expense claims where the authorising officer had signed the form 31, but the date of authorisation had been omitted. We found two instances, where car parking costs amounting to under £15 did not detail the description of the expenditure on the claim form. 	Low	<p>Finalise the implementation of the electronic expense system (which will result in a number of fields within expense forms being mandatory before expenses are fully processed for payment e.g. dates, descriptions).</p> <p>This new form will also eliminate the need for claims to be manually input to the payroll</p>
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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management												
				<ul style="list-style-type: none"> Furthermore, it was noted that the wrong rate had been applied to one of the PCC's expense claims, due to a new and inexperienced member of staff carrying out the processing; however, previous and later expense claims payments had been processed appropriately. 		<p>system thus reducing potential input errors.</p> <p>Responsible Officer: Helen Raisbeck, Financial Support Services Manager</p> <p>Implementation date: 30 September 2017</p>												
				<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 of overpayments and inappropriate expense claims being processed.</td> <td colspan="3">Lack of checking of forms for completeness.</td> </tr> </tbody> </table>	Risk Exposure*			Root causes			There is a risk of overpayments and inappropriate expense claims being processed.			Lack of checking of forms for completeness.				
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Highly Improbable	Negligible	Negligible	Negligible	Negligible	5:7													

APPENDIX A: SCOPE

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following area:

Objectives of the area under review

Chief Officer changes in salaries and allowances have been justified, approved and processed in accordance with the Force's Devolved Resource Management Manual.

When planning the audit, the following areas for consideration and limitations were agreed:

Areas for consideration:

Our review has covered the following areas:

Chief Officer Salaries

- We have reviewed the base salary of chief officers from March 2016 and confirmed inflationary increases, deductions and acting up allowances have been justified and approved appropriately.

Travel and Subsistence (Expenses and Use of Credit Cards)

- An appropriate expense claim form has been completed and only eligible travel / subsistence has been claimed in accordance with the Devolved Resource Management Manual.
- Appropriate receipts are available to support the travel or subsistence incurred.
- Expenses have been authorised in line with the Devolved Resource Management Manual.
- Reconciliation between travel and subsistence claimed on an expense form and via the use of credit cards.
- Review of the new system for checking senior officer salaries and expenses effective from the end of November.

We have reviewed the salaries, allowances and expenses from March 2016 to March 2017 for the following individuals:

- Police and Crime Commissioner (one salary change - later rectified)
- Deputy Police and Crime Commissioner (two salary changes)
- Chief Executive (two salary changes and no expense claims)
- Chief Constable (one salary change and no expense claims)
- Deputy Chief Constable (one salary change and temporary duty allowance)
- Acting Deputy Chief Constable (four salary changes and no expense claims)

- Assistant Chief Constable (two salary changes)
- Acting Assistant Chief Constable (two salary changes plus honorarium payments)
- Chief Finance Officer – Force (one salary change)
- Interim Head of Organisation and Development (one salary change)
- Head of Communications – Corporate Communications (three salary changes)
- Temporary Force Solicitor & Head of Legal Services (three salary changes)

Limitations to the scope of the audit assignment:

- We have not reviewed the salaries, allowances and expenses for the Acting Chief Executive or the Police and Crime Commissioner’s Chief Finance Officer as they not paid by the organisation.
- Our testing has been limited to the following periods: March 2016 to March 2017.
- Our review has only focused on the above areas only.
- We have not validated the accuracy of the chief officer’s base salary as at March 2016.
- We have not reviewed the issue of credit cards.
- We have not confirmed the expenditure incurred on credit cards as accurate or appropriate in all cases.
- Our work does not provide 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
- Moira Hopwood, Head of Payroll
- Angela Roberts, HR Client Services Administrator

Documentation reviewed during the audit:

- Devolved Resource Manual (DRM)
- Credit Card Statements
- Expenses forms
- Honorarium forms

FOR FURTHER INFORMATION CONTACT

Dan Harris, Head of Internal Audit

Tel: 07792 948767

Daniel.Harris@rsmuk.com

Angela Ward, Senior Manager

Tel: 07966 091471

Angela.Ward@rsmuk.com

Philip Church, Client Manager

Tel: 07528 970082

Philip.Church@rsmuk.com