

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

Chief Officers and Independent Custody Visitors' Expenses

FINAL

Internal audit report: 15.17/18

5 July 2018

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CONTENTS

1 Executive summary.....	2
2 Detailed findings.....	5
Appendix A: Scope.....	12
Appendix B: Further information.....	14
For further information contact.....	15

Debrief held	23 March 2018	Internal audit team	Daniel Harris, Head of Internal Audit Angela Ward, Senior Manager Philip Church, Client Manager Benjamin Shore, Senior Auditor
Draft report issued	9 April 2018	Client sponsor	Chief Constable's Chief Finance Officer Commissioner's Chief Finance Officer
Responses received	5 July 2018	Distribution	Chief Constable's Chief Finance Officer Commissioner's Chief Finance Officer
Final report issued	5 July 2018		

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1 EXECUTIVE SUMMARY

1.1 Background

The Force's Devolved Resource Management (DRM) Manual and supporting Travel, Accommodation and Events procedure identifies what expenses will be reimbursed and how they should be claimed.

The organisations currently use a paper based system, where expenses are recorded on a claim form, signed as accurate and then approved in accordance with the DRM Manual. Payroll review and process the claim and the expense is included with the next salary payment. Payroll review a sample of claims and request supporting receipts prior to processing. In May 2018, the Force is due to introduce an electronic expenses system. Expenses will be submitted by claimants, with no approval being required.

Between April 2017 and March 2018, the 13 Chief Officers within the scope of this review made a total of 52 claims.

Independent Custody Visitors (ICVs) are entitled to recover expenses incurred through their volunteering. 17 ICVs claimed between April 2017 and February 2018. Claiming a total of £5,460.18 through 73 payments.

1.2 Conclusion

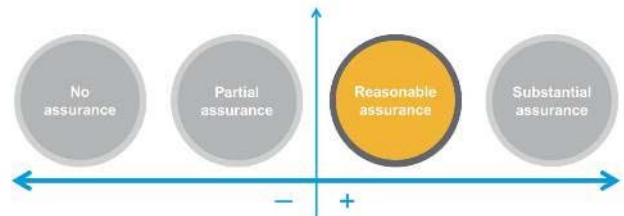
It has been noted that there is an inconsistency between the DRM Manual and Travel, Accommodation and Events procedure for the period in which claims can be submitted. Our testing identified receipts are not being consistently submitted by claimants. Furthermore, in 16 / 52 claims reviewed, the expense form was not approved in accordance with the DRM Manual. No management action has been raised as the new electronic system does not require management approval.

Our review of the ICVs expense claim process identified the system was prone to errors. While it has been acknowledged that a new process was agreed on 18th March 2018, a further review should be undertaken to ensure that appropriate controls and record keeping is introduced to manage ICV expense claims.

Internal audit opinion:

Taking account of the issues identified, the Police and Crime Commissioner for North Yorkshire and the Chief Constable for 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.



1.3 Key findings

The key findings from this review are as follows:

- The DRM Manual provides a framework for the financial monitoring, management and control of the organisations. Chapter 23 of the DRM Manual is entitled expenses; the chapter covers the process to be followed in the recovery of travel expenses, including the use of public and private transport, accommodation and food expenses. DRM Manual references that expenses will be reimbursed in accordance with the Travel, Accommodation and Events procedure.

- The Travel, Accommodation and Events procedure informs the general rules and considerations which should be reviewed prior to incurring the expenses and what is claimable. Allowances for subsistence and hotel accommodation is included within the procedure.
- Expense claim forms are reviewed by the Finance Clerk as claims are being entered into the iTrent payroll system for payment, confirming that correct values have been claimed. It was noted through our testing that payroll provided challenge to claims. As an example, the expenses claim form for the Chief Constable had been rejected initially as it had not been signed as approved.
- The DRM Manual records the expenses authoriser should be the most senior positions within the Force and the OPCC. Outside of these senior positions, the general rule is that expense claims should be authorised by a more senior role. In 16 / 52 cases the expense form was not approved in accordance with the DRM Manual or general rule.

We have included **four medium** management actions around the following exceptions:

- Receipts are required to evidence expense incurred excluding mileage. In 29 / 52 expense claims made by the Chief Officers required at least one receipt to evidence expenditure. In seven cases receipts were not available. All seven related to parking, in three cases the claimant recorded on the claim form that the parking had been paid via mobile phone.

A management action has been raised for the Force to request fuel receipts to support mileage claims, allowing the Force to reclaim the VAT aspect of the mileage paid.
- The new expenses system excludes the requirement for pre-authorisation. We acknowledge additional checks will be performed by the Payroll Team; however, as the increased scrutiny over public sector expenses we have recommended this discussion to remove pre-authorisation is fully considered.
- The Finance Support Services Manager undertakes an on screen review of Chief Officer expenses prior to the payroll being run to confirm that supporting evidence is in place and correct mileage rates have been applied. As this review is completed on screen we are unable to evidence the review being completed. Our testing identified errors in the mileage rate being applied to claims, establishing that this control is ineffective. The identified errors were rectified through recovery of overpayment in the following months expense claim. A management action has been raised for this review to be documented, with formal sign off evidencing its completion.
- ICVs are able to claim expenses they have incurred. Claims are made through the completion of an expense form, which is sent to the OPCC. The visits are validated by the OPCC Volunteer Coordinator, prior to the expense claim form being forwarded to payroll for processing and payment. Of the 73 claims which had been made by ICVs since April 2017, expense claim forms were not available in two cases. Unavailable forms covered the period of April to September 2017, although not all ICV forms were unavailable from this period. Availability was dependent upon when the expense claim forms were received by payroll. Expense claim forms received earlier in the year are now being scanned by the external provider. Where expense claim forms were available to review, our testing identified that the process is being complied with. Testing identified that the process for claiming ICVs expenses was flawed and prone to errors. While a new process for the management of ICVs expense claims has been agreed, a further review should be undertaken to ensure that appropriate controls and record keeping is introduced to manage ICVs expense claims.

In addition a low priority management action has been raised and this is detailed in section two of this report.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Expenses	0	(7)	5	(7)	1	4	0
Total					1	4	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.

Part of our audit has included a review of how other forces manage their expenses to confirm North Yorkshire's approach is efficient. Our findings have identified that a number of forces are still using a paper based system as used by North Yorkshire at the time of our review, but with more forces moving to an electronic system to aid efficiency. From the forces who have moved to an electronic system, there appears to be an even mix between those who still require electronic management approval through the system for the expense claim and those that do not. As is planned by North Yorkshire, where management approval is not required a sample of expenses will be reviewed by payroll on a monthly basis to confirm compliance with established procedures. Samples between 10 and 20% appear to be reasonable based on our review of other forces.

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 regulatory scrutiny/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, regulatory scrutiny, 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
1	The appropriate expenses claim form is completed and submitted to payroll before a payment can be made for all staff including senior officers. Claims must be submitted within one month of the month end within which the transaction occurred.	Yes	No	Staff and officers should endeavour to submit claims at the end of the month in which the expenses were incurred in order for reimbursement to be made with the following months payroll. This is consistent with the DRM Manual. The Travel and Accommodation procedure sets out the position if a claim is not submitted to this timescale, providing for a three month cut off. The documents are not inconsistent. The organisations use two expense claims forms. Form 32 is used to claim: <ul style="list-style-type: none"> • Food and accommodation expenses where the meal is taken within a five-mile radius of base; • Uniform clothing; • Emergency purchase of petrol for police vehicles, etc; • Approved home to work travel expenses. 	Low	The DRM and the Travel, Accommodation and Events procedure will be reviewed as part of the implementation of electronic expenses submission and the opportunity will be taken to review the wording to improve clarity.

Form 31 is used to claim business travel, food and accommodation expense not included above.

We reviewed the payslips for the 12 Chief Officers within the scope of this audit for the period of March 2017 to February 2018. This identified that 52 claims had been made. Testing on the 52 claims identified;

- In all cases the paid expense was supported by an expense claim form using the correct expenses form.
- In 12/52 cases the expense claim was not submitted within one month of the month end within which the transaction occurred. In one case an officer had submitted an expense claim on 3rd January 2018 for expenses incurred in September 2017.

The Travel, Accommodation and Events Procedure contradicts the DRM and states:

'Claims must be submitted within three months of the expense being incurred. Claims older than three months will only be considered for payment if exceptional circumstances prohibited their prompt submission.'

A management action has been raised for the Force to clarify the period in which expense claims should be submitted. The DRM Manual and the Travel, Accommodation and Events procedure will be updated to reflect the agreed claim period.

Risk Exposure			Root causes		
There is a risk of a significant number of expense claims being raised in one period, adding resource pressures to the payroll team.			Contradicting guidance provided by the DRM Manual and its supporting procedures.		
Probability	Financial	Reputational	Operational	Legal	Rating
Probable	Negligible	Negligible	Negligible	Negligible	5:7

Responsible Officer:

VfM Manager

Implementation Date:

30th September 2018

2	Expenses claimed are made in accordance with the DRM Manual and Travel, Accommodation and Events procedure. Receipts are provided with the expense form	Yes	No	Testing on the 52 expense claims forms available identified: <ul style="list-style-type: none"> • In 49 / 52 cases the expense was in accordance with the DRM Manual and Travel, Accommodation and Events procedure. In the remaining two cases, although not in direct compliance with the DRM Manual, the expense appeared reasonable. In one case a claim has been made for the purchase of presentation posters. The expense claim form recorded that a personal credit card had been used as corporate purchase card had been rejected. In the remaining case an expense of £20.05 had 	Medium	Revised guidance will be issued to officers and staff when the new electronic expenses system is implemented – this will include
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to evidence non-mileage claims.

Fuel receipts are not provided for mileage claims.

been incurred for the provision of refreshments and lunch for a meeting of external representatives.

- In 29 / 52 expense claims required receipts to evidence expenditure. In seven cases receipts were not available. All seven related to parking, in three cases the claimant recorded on the claim form that the parking had been paid via mobile phone method.

A management action has been raised for staff to be reminded of the importance of retaining receipts to evidence expenses.

Risk Exposure			Root causes		
Inappropriate expense claims being paid.			Lack of evidence to support the expense being incurred.		
Probability	Financial	Reputational	Operational	Legal	Rating
Probable	Negligible	Negligible	Negligible	Negligible	5:4

reminding claimants who have used mobile phones to pay for parking that they can download electronic parking receipts for retention as receipts.

Responsible Officer:

Chief Constable's Chief Finance Officer

Implementation Date:

30th May 2018

3

Expense claim forms are authorised in accordance with the DRM Manual, chapter 33, section 15. The general rule is that expense claims should be authorised by the immediate line manager of the claimant.

Yes

No

The DRM Manual records the expenses authoriser and escalation route for the following expenses claimants:

- Police and Crime Commissioner;
- Chief Executive Officer;
- Commissioner's Chief Finance Officer;
- Office of the PCC staff;
- Chief Constable's Chief Finance Officer;
- Chief Constable;
- Deputy Chief Constable; and
- Assistant Chief Constable.

Medium

The Senior officer who had been getting their claim authorised by their deputy will be reminded that this is not appropriate. When the new expenses system is introduced, the current pre-payroll checks of the all Chief Officer expenses by a member of the Finance SMT will continue (see

Not all Chief Officers included within the scope of this review are listed above. Members of the payroll team informed us that expenses should be authorised by a more senior role.

Testing on our sample of 52 expense claim forms identified:

- In 16 / 52 the expense form was not approved in accordance with the DRM Manual. In one case the expense form was signed as approved, but the approvers collar number was not recorded. Payroll do not maintain an authorised signatories record; therefore, we were unable to identify if the claim had been authorised appropriately. It was noted that two officers had raised 11 expense claims between April 2017 and February 2018, in all 11 cases the expense claim had been authorised by their deputy.

A new electronic expenses system is due to implemented in May 2018 that will remove the requirement for management approval. In deciding to adopt the electronic expenses system which removes the existing control of the pre-authorisation of expenses by a more senior officer and instead relies on a sample check performed by payroll, the Force and the OPCC should consider the potential risks and implications this decision may bring. The payment of expenses to public sector officers is under particular scrutiny from the public and while the financial risks may not be materially significant any potential irregularity could bring potential reputational damage to both the organisations and the individuals concerned.

recommendation four below).

The QA process for all the rest of the expenses will include all other claims over a de-minimus limit and between 10% and 20% of all other claims. ICV expenses will continue to be pre-checked by the ICV Co-ordinator. The decision not to pre-authorise will be reviewed after a period of operation, taking into account particularly the number of claims rejected or amended after review.

Responsible Officer:

Chief Constable's
Chief Finance
Officer

Implementation Date:

30th September
2018

4	Expense claim forms are reviewed by the Finance Clerk, as claims are entered into the system, to confirm that correct values have been claimed.	Yes	No	Upon receipt of expense claim form, payroll review for completeness and sign as processed. Testing on our sample of 52 expense claim forms identified:	Medium	The process for reviewing the Chief Officers expenses which is carried out by a member of the Finance SMT (not necessarily the FSSM) before the payroll is run.											
	The Finance Support Services Manager undertakes an on screen review of Chief Officer expenses prior to the payroll being run to confirm that supporting evidence is in place and correct mileage rates have been applied.			<ul style="list-style-type: none"> In 52 / 52 cases the expense claim form had been signed as reviewed and processed by the Finance Clerk. 		The process will be documented and the review will be evidenced in a permanent form.											
				It was noted through our testing that payroll are providing challenge to claims.		This review will continue to be carried out after electronic expenses claims system is implemented (see recommendation three above).											
				We were unable to evidence the review completed by the Finance Support Services Manager as this is done on screen. Our testing identified that errors in the mileage rate being applied had been made. The Police and Crime Commissioner was paid mileage at 65 pence per mile, rather than 45 pence. In all cases the error had been rectified through recovery of overpayment in the following month. An action has been raised to formalise the check completed by the Finance Support Services Manager.													
				<table border="1"> <thead> <tr> <th colspan="3">Risk Exposure</th> <th colspan="3">Root causes</th> </tr> </thead> <tbody> <tr> <td colspan="3">Inappropriate expense claims being paid.</td> <td colspan="3">Human error in selecting the incorrect mileage rate.</td> </tr> </tbody> </table>	Risk Exposure			Root causes			Inappropriate expense claims being paid.			Human error in selecting the incorrect mileage rate.			
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						<p>Responsible Officer:</p> <p>Chief Constable's Chief Finance Officer</p>											
						<p>Implementation Date:</p> <p>30th September 2018</p>											

5	<p>Independent Custody Visitors (ICV) are able to claim expenses they have incurred.</p> <p>Claims are made through the completion of an expense claim form, which is sent to the OPCC. The visits are validated by the OPCC, prior to the expense claim form being forwarded to payroll for processing and payment.</p>	Yes	No	<p>The payroll team had completed a comprehensive review of ICV expenses prior to our visit. A system report identified that 17 claimants had claimed a total of £5,460.18 between April 2017 and February 2018.</p> <p>Our testing on the 73 claims made identified:</p> <ul style="list-style-type: none"> • In 2 / 73 claims made, we were unable to review the expenses claim form. Our testing did identify that the missing expense claim forms were from the period between April and August 2017, with more recent claims being available. • Our testing supported the findings of the internal payroll review which identified that three individuals had been overpaid since April 2017. • In 70 / 73 claims, all required receipts were available. Of the remaining three cases, one parking receipt had been lost, as recorded by the claimant on the expense claim form. This will be treated as an isolated incident. The other two cases there was no evidence retained of the car parking receipts. • In 71 / 73 cases the expense claim form had been approved by the OPCC. • In all cases the expense being claimed was in accordance with the HRMC guidance on volunteer's expenses. <p>Testing identified that the process for claiming ICV expenses was flawed and prone to errors. The Force pays expenses one month in arrears. ICVs are completing expense claim forms covering a number of months, often including the current month. Payroll are then paying expenses which have been incurred prior to the end of the previous month, making a note to pay the remaining in the following month. As ICVs are not receiving the full claim they have requested, it has been identified that some ICVs are reclaiming the missing payment. This is leading to the over and underpayments identified.</p> <p>The internal payroll review identified 22 errors had been made on the 73 payments made since April 2017. This has resulted in three overpayments totalling £191.76 and total underpayments of £213.37.</p> <p>It has been established that a new process for the management of ICV expenses was agreed on 19th March 2018. The new process will be managed by the OPCC, who will remind ICVs that expenses are to be claimed one month in arrears. The OPCC will undertake all review and validation of the expense claim and retain the expense claim form. Payroll</p>	Medium	<p>The new process for the review and payment of ICVs expense claims will be support by procedures. The procedures will document how appropriate records will be maintained to ensure that over and underpayments are not made.</p> <p>Responsible Officer:</p> <p>OPCC and Volunteer Coordinator</p> <p>Implementation Date:</p> <p>29th April 2018</p>
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will be issued with a summary report which identifies the amount each ICV should be reimbursed.

A management action has been raised to support a review of the ICV expense process and the creation of supporting procedures. The new process should ensure that appropriate records are maintained by the OPCC to ensure that over and/or underpayments are not made.

Risk Exposure			Root causes		
There is a risk of over / underpayments and inappropriate expense claims being processed.			Lack of record keeping and flawed process.		
Probability	Financial	Reputational	Operational	Legal	Rating
Highly Improbable	Negligible	Negligible	Negligible	Negligible	5:7

APPENDIX A: SCOPE

The scope below is a copy of the original document issued.

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 Officers and Independent Custody Visitors' expenses are justified, approved and processed in accordance with the Force's Devolved Resource Management Manual.

Areas for consideration:

Our review will consider the following:

- 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.
- Checks performed by staff prior to the release of payment are appropriate and documented.

We will review the expenses from March 2017 for the following Chief Officers:

- Police and Crime Commissioner
- Deputy Police and Crime Commissioner
- Interim Chief Executive
- Chief Constable
- Deputy Chief Constable
- Assistant Chief Constable
- Acting Assistant Chief Constables
- Chief Constable's Chief Finance Officer
- Commissioner's Chief Finance Officer
- Head of Organisation and Development
- Head of Communications

- Force Solicitor and Head of Legal Services

We will also consider expenses submitted by Independent Custody Visitors for this tax year.

In addition, we will consider how other forces manage expenses to confirm North Yorkshire's approach is efficient.

Limitations to the scope of the audit assignment:

- We will not review the salaries or allowances applied to Chief Officers.
- Our testing has been limited to the following periods: March 2017 to March 2018.
- Our review has only focused on the above areas only.
- We will not review the issue of credit cards or their use for expenses.
- 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:

- Financial Support Services Manager
- Payroll Manager

Documentation reviewed during the audit:

- Devolved Resource Management (DRM) Manual
- Travel Accommodation and Events Procedure
- Expense Claim Forms

FOR FURTHER INFORMATION CONTACT

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