



THE CHIEF CONSTABLE OF NORTH YORKSHIRE

Overtime, Bonus and Honorarium Payments

Internal audit report 5.20/21

Final

23 November 2020



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1 EXECUTIVE SUMMARY

1.1 Background

We conducted a review of the overtime, bonus and honorarium payments processes in place at North Yorkshire Police to ensure that the Force have adequate controls in place and all payments are made in accordance with Police Regulations. The Force use the iTrent system to process payroll payments and overtime, bonus and honorarium claims.

The table demonstrates how the overspend on overtime has reduced over the last three years:

Financial Year	Budget	Actual	(Over) / Underspend
2016 – 2017	£1.333m	£3.759m	(£2.426m)
2017 – 2018	£2.163m	£3.888m	(£1.725m)
2018 – 2019	£2.423m	£2.193m	£230k
2019 – 2020	£2.345m	£2.422m	(£78k)

The 2020/21 year to date figures for overtime spend as reported to the Chief Officer Team on 26 October 2020 are as follows:

Force Expenditure	Full Year Budget	Forecast Outturn	Forecast (Over) / Underspend
	£'000	£'000	£'000
Police Overtime	£2,101m	£2,251k	(150)
Staff Overtime	£301k	£451k	(150)
PCSO Overtime	£3k	£38k	(35)

Overtime claims

All unplanned overtime claims are submitted by the claimant in the Origin duties system and claims are approved by the relevant line manager prior to processing by the Payroll Department. The claimant inputs the applicable rate of pay (in accordance with Police Regulations), the reason code to support the overtime claim and details of the claim.

Planned overtime is input into the system by the Resource Management Unit (RMU) Team. The appropriate rate of pay, reason code and line manager are selected to ensure that claims are consistently logged and approved.

Bonus payments

Bonus payments can be claimed where officers have experienced unpleasant activity (for instance, attending a horrific crime scene), exceptional service and for tutoring time whereby officers tutor junior staff in addition to normal duties. The Force have developed e-forms for tutor bonus claim submissions. Bonus claims for unpleasant activity and exceptional service are logged on paper-based forms. All claims must be approved by the relevant line manager and submitted to HR for review of bonus payments to ensure that claims are not duplicated.

Honorary payments

Honorary payment claims are submitted for any additional hours or additional duties worked. The Force have developed e-forms to replace the previous paper-based forms. All claims are approved by the relevant line manager and Head of Department. The e-forms are reviewed and approved by the Head of Finance.

The Head of Finance has overall responsibility for overtime, bonus and honorary payments. The Payroll and Pensions Manager is responsible for overseeing the processing of claims by the Payroll Department. The RMU Team Leader is responsible for officer duties within the Origin system, including the logging of planned overtime claims.

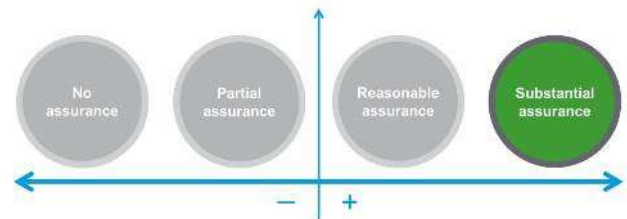
1.2 Conclusion

Our review concluded that the Force have appropriate controls in place to support the overtime, bonus and honorary payments to ensure that claims are appropriately approved by the relevant authorising levels. Our testing found that overtime, bonus and honorary claims were paid accurately by the Payroll and Pensions Department, and in a timely manner.

As a result of our review, we have agreed **two medium** and **three low** priority management actions. It should be noted one of the medium priority actions has already been addressed in part by the introduction of a new e-forms system.

Internal audit opinion:

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



1.3 Key findings

We noted the following areas of weakness, resulting in **two medium priority** management actions being agreed:

- A walkthrough of the Origin system identified that claimants log the rates of pay in the Origin system to support each overtime claim. There is no way to automate (and hard code) rates of pay within the system. The Origin system is limited in its reporting capabilities to identify potential errors in overtime claims submitted. The RMU Team and Payroll Department complete some checking of overtime claims; however, this is limited due to system capabilities and department capacities. Where limited checks are completed on overtime claims, there is a risk that overtime rates of pay are not claimed in accordance with Police Regulations. **(Medium)**
- The Payroll Department review all honorary forms submitted for additional hours. Claimants are required to document the relevant rates of pay for all hours claimed. Testing of 15 honorary payments for additional hours highlighted three cases where higher rates of pay (1.5 hourly rate) were applied by the Payroll Department for some hours. The higher hourly rates were applied due to hours being worked between 7pm and 7am; however, the amendments were applied following line manager and Head of Department approval. Where no commentary is provided from the Payroll Department to confirm any required changes to rates of pay, there is a risk that claims are not processed within the pre-approved budget.

The Force have implemented e-forms for honorary claims, which are now approved by the Head of Finance after payroll calculations are recorded. This risk has therefore now already been addressed by the introduction of the new system. **(Medium)**

Details of low priority management actions can be found under section two of this report.

We have identified the following controls that were well-designed and consistently applied:

Overtime

Testing of a sample of 15 planned and 15 unplanned overtime claims from a total of 16,693 overtime claims from the previous 12 months, which included public holidays, rest days and rostered time, confirmed that in each case:

- Overtime claims were submitted via the Origin system and approved by the relevant line manager;
- The rates of pay and reason code had been recorded for each;
- The basic hours and enhanced hours had been noted;
- The amount paid as per the payslip agreed to the overtime claim made; and
- Payment was made at the end of each month.

Bonus payments:

Testing of a sample of 15 bonus payments from a total of 196 claims in this financial year confirmed that in each case:

- The claim was supported with a bonus payment form which had been approved by the relevant line manager;
- Each claim noted the reason for the bonus payment;
- The HR Department had reviewed each claim before it was submitted to the Payroll Team for processing; and
- The amount paid as per the payslip agreed to the bonus payment form.

Honorarium payments

Testing of a sample of 15 additional duties claims from a total of 165 claims from the previous 12 months, and 15 additional hours claims from a total of 337 claims from the previous 12 months, confirmed that in each case:

- The claim was supported by an honorarium form;
- The form had been noted with the justification for each claim in place;
- For additional duties, the form detailed the percentage depicting the level and amount of responsibilities undertaken by the claimant;
- Each form had been reviewed by the Payroll Department confirming the total payment for processing; and
- All payments were processed by the Payroll Department in a timely manner.

Reporting

- A weekly checking report is run from the overtime system, Origin, by the RMU Team to identify errors in the overtime claims. We requested the last four weeks of error reports and verified for a sample of 10 errors that these had been reviewed by the RMU Team in the Origin system and updated where required.
- Testing confirmed that the Chief Officer Team and the Executive Board / Police and Crime Panel receive regular updates on the Force's overtime position and current spend. We established through discussions with the Finance Manager that due to the volume of work in the Finance Department caused by the Covid-19 pandemic and required additional monitoring for the Home Office and other agencies, the reporting frequencies for overtime spend have varied in recent months due to prioritisation of tasks. However, we were satisfied that updates are still provided to the Chief Officer Team and the Executive Board / Police and Crime Panel on a regular basis.

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	Low	Medium	High	
Overtime, bonus and honorarium payments	0	(12)	5 *	(12)	3	2	0
Total					3	2	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 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.

Please find our detailed observations below:

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Findings and implications	Priority	Action for Management
1	<p>The rates of pay for each overtime claim vary depending on the date, time and circumstances surrounding the overtime claim.</p> <p>Rates of pay and reasons are selected by the claimant in the Origin system and are selected in accordance with Police Regulations.</p>	Yes	No	<p>We conducted a walkthrough of the Origin system with the RMU Team Leader and it was noted that officers select the applicable rate of pay in the Origin system for each overtime claim. The rate of pay for each claim depends on the circumstances of the claim and rates of pay selected must comply with Police Regulations.</p> <p>The Force have developed an officer overtime entitlements document to confirm the applicable rates of pay for circumstances in line with Police Regulations. However, through discussions with the RMU Team Leader, we were advised that there is a risk that officers may not review the officer entitlement document prior to submitting overtime claims.</p> <p>It is the line manager's responsibility to ensure claims are approved appropriately, however, where line managers have a large number of overtime claims to approve, they may not have the capacity to review each one against the officer overtime entitlements document (to ensure compliance with the Police Regulations).</p>	Medium	<p>The Payroll Department will develop a monthly checklist to ensure overtime claim checking is completed and commentary documented where discrepancies are identified.</p> <p>Implementation date:</p> <p>31 January 2021</p> <p>Responsible owner:</p> <p>Payroll and Pensions Manager</p>

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Findings and implications	Priority Action for Management
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Testing of a sample of 30 overtime payments which included planned, unplanned, rest day and public holiday claims, confirmed that in each case a rate of pay was selected. Our testing confirmed that the rate submitted in the Origin system agreed to that processed on the payslip.

However, we were unable to test whether the rates of pay were accurately selected by officers are per the Police Regulations. Verifying these rates of pay would include contacting individual officers to understand the nature of the claim, hours worked and confirm the officer's usual working hours.

We asked the RMU Team Leader whether checks were completed on overtime claims to verify whether the rate of pay is accurately selected and complies with Police Regulations. However, it was noted that the Origin system is limited in its reporting capacity to enable checking of overtime claims. The RMU Team run a weekly overtime checking report in Excel; however, this is limited to capturing only inaccuracies in part-time officer claims, working rest days and public holidays.

Discussions with the Payroll Department confirmed that payroll do not have the capacity or Origin access to check all overtime claims are accurate. As we noted in testing, this would include contacting officers on an individual basis in some cases. The Payroll and Pensions Manager and the Senior Payroll and Pensions Officer review the overtime claims monthly to identify any obvious errors and comments are noted in an overtime spreadsheet prior to payroll processing. We discussed the process with the Payroll Department and confirmed the control could be improved by implementing a monthly checklist to ensure checks are completed and confirm which overtime claims and types of errors have been reviewed by the Payroll Department.

Risk exposure	Root cause
Overtime claims are not paid in accordance with Police Regulations.	The Origin system is limited in its reporting capacity and only some overtime checks are conducted.

2	<p>Bonus payment forms are completed by the claimant and approved by the relevant line manager.</p> <p>Bonus payments can be claimed for exceptional circumstances, unpleasant activity and for tutoring within the Force.</p>	Yes	No	<p>We selected a sample of 15 bonus payments, which included four bonuses for unpleasant activity, one for exceptional service and 10 for tutor bonus claims. Testing of all bonus claims verified that each claim had been approved by a line manager and submitted to HR for review.</p> <p>For tutor bonus payments, claims are paid at £35 per week, with a maximum of £500 claimable. For three payments, the total value of bonus claimed did not adhere to bonus payments guidance. Two of the bonuses were claimed at £350 each; however, for both payments the total weeks equalled nine weeks. In the remaining claim, the bonus payment was claimed for £500; however, the claimant had noted a total of nine weeks and four days for tutoring in support of the claim, and therefore the claim was made in excess of Force tutor guidance.</p> <p>The People Services Coordinator informed us that line managers are responsible for verifying the total payment and approving the claim based on the total weeks of tutoring conducted. The Police Staff Handbook outlines that a week is based on the claimant's regular shift patterns and therefore it is not always clear how bonus payment values should be calculated. The HR Department review claims to ensure that all claims are approved and claims for tutoring of students have not been previously claimed. The People Services Coordinator does not have responsibility for reviewing the amount of bonus approved.</p> <p>However, based on the tutor bonus guidance, we would not expect a claim of £500 to be accurate for a total of nine weeks and four days, irrespective of shift pattern.</p> <p>For the four unpleasant activity bonus claims reviewed, we noted an inconsistency in the total amount of bonus claimed. In two separate cases, one claimant was paid £50 and another paid £100; however, details of both unpleasant activity claims were similar in nature.</p> <p>The People Services Coordinator explained that the Force are in the process of revising e-forms for bonus payments to improve the bonus claiming process.</p>	Low	<p>The tutor bonus payment e-form will be updated to include the date of claim submission and a commentary section for the claimant to verify how the bonus payment value has been reached, for example, through non-standard shift patterns.</p> <p>The People Services Coordinator will consider the findings of the review when developing the e-form for unpleasant activity bonus claims.</p> <p>Implementation date:</p> <p>31 January 2021</p> <p>Responsible owner:</p> <p>People Services Coordinator</p>
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				Risk exposure	Root cause		
				Value of bonus payments are not consistently applied across the Force.	Limited detail provided in the current e-forms.		
3	Bonus payment claims are reviewed by the HR Department to ensure that bonus claims are not duplicates and are approved, prior to submitting to the Payroll Department for processing.	Yes	No	<p>We selected a sample of 15 bonus payments to confirm that payments were paid accurately and in a timely manner. In 14 of the 15 cases, we verified that the bonus payments were paid accurately. However, in the final case, for a tutor bonus payment of £350 for tutoring between March and June 2020, we identified that the bonus payment had not been processed in payroll. From discussions with the People Service Coordinator, we confirmed that the bonus claim had been picked up in the helpdesk by a former HR employee and was never passed to payroll for processing. The People Services Coordinator confirmed that this bonus payment will be processed in the November 2020 payroll.</p> <p>For unpleasant activity and exceptional service bonus claims, claims are made on a manual bonus claim form and are dated to confirm the date the claim was submitted. We were therefore able to confirm that these bonus payments (five claims within our sample) were processed in a timely manner.</p> <p>However, for tutor bonus payments, the e-forms are not dated and therefore were unable to verify the timeliness of payments. Emails are submitted via the helpdesk to inform the HR Department that bonus payments are authorised for processing. For seven of the claims, we obtained the supporting helpdesk emails and confirmed payslips were processed in a timely manner. In the remaining three cases, one payment had not been paid (as mentioned above). In the final two cases, we did not receive the supporting helpdesk emails to verify the date the bonus was claimed and therefore could not comment on the timeliness of payment processing.</p> <p>As mentioned in the above control, the People Services Coordinator explained that the Force are reviewing the e-forms for bonus payments to improve the bonus claiming process. We have agreed a management action under the previous control.</p>	Low	<p>The bonus payment identified in testing as not paid will be processed in the November 2020 payroll.</p> <p>Implementation date:</p> <p>31 November 2020</p> <p>Responsible owner:</p> <p>People Services Coordinator Payroll and Pensions Officers</p> <p>- <i>For the action relating to dating on bonus payment e-forms, please see management action 2.</i></p>	

				Risk exposure	Root cause		
				Bonus claims are not paid in a timely manner.	Tutor bonus payment e-forms are not dated.		
4	<u>Additional hours honorary payments</u>	Yes	No	<p>We selected a sample of 15 honorary claims for additional working hours to ensure requests were appropriately authorised and payslips calculated accurately at the correct rate of pay. From the sample test, we noted:</p> <ul style="list-style-type: none"> all honorary forms were appropriately completed and approved by the Head of Department and process by Payroll; all honorary forms included explanation for the additional hours worked and why time off in lieu (TOIL) could not be claimed; in all cases, payroll calculations were accurate in accordance with the honorary claim form; however, in three cases, the payments processed did not match the honorary claim forms. <p>In one of the three cases, we noted that the honorary claim had been processed with an additional 0.5 hour. Discussions with the Payroll and Pensions Officer identified that this was an error and would be rectified in the November 2020 payslip. However, the total value of the error is inconsequential totalling £7.52.</p> <p>In all three cases, we identified hours paid on the payslip at a higher rate than indicated on the honorary form. Discussions with the Payroll and Pensions Officer explained that these hours were paid at the higher 1.5 hourly rate rather than the 1.0 hourly rate as the hours were worked between 7pm and 7am. Hours worked between these times are payable at the higher rate. We verified this was the case on the honorary forms submitted.</p> <p>However, there was no record of the amendments documented on the honorary form to confirm these hours had been changed to the higher rate of pay.</p> <p>The Force have implemented an e-form for the honorary payments (both for additional hours and additional duties). The e-form requires sign off by the Head of Finance. There were two e-forms included within the sample test and both had been approved by the Head of Finance.</p>	Medium	<p>The Payroll Department will document any required changes in rates of pay in the commentary on the honorary form where errors have been made by the claimant.</p> <p>This commentary will confirm that the amendments are legitimate.</p> <p>The Head of Finance will review and approve all honorary forms to ensure that any amendments made by the Payroll Department to the original honorary claims submitted are legitimate, accurately calculated and within the approved budget.</p> <p>Implementation date:</p> <p>31 January 2021</p> <p>Responsible owners:</p> <p>Payroll and Pensions Manager</p> <p>Payroll and Pensions Officer</p>	

We would recommend any amendments to rates of pay are documented on the honorarium form by the Payroll Department to confirm why amendments to rates of pay have been made.

Risk exposure	Root cause
Honorarium claims for additional hours are paid at higher hourly rates than authorised by the line manager and Head of Department.	Errors in hourly rates recorded on the honorarium claim form are rectified by the Payroll Department without approval.

5	<p><u>Additional duties honorarium payments</u></p> <p>Honorarium forms are completed for additional duties undertaken by police staff and approved by the relevant line manager and Head of Department.</p> <p>A percentage is documented on the honorarium form to confirm the degree to which the claimant has undertaken the role and the amount of compensation required.</p>	<p>Yes</p> <p>No</p>	<p>We selected a sample of 15 honorarium claims for additional duties to confirm that each claim was approved with sufficient commentary provided. In all 15 cases, payments had been made in a timely manner and appropriate commentary was provided to document the requirement for additional duties.</p> <p>We further verified that all payments had been accurately calculated and processed by the Payroll Department in a timely manner, taking into consideration the percentage of additional duties undertaken by the claimant.</p> <p>However, it was noted that in one case, the honorarium form had not been signed by the Head of Department for approval. The Payroll Department had processed the payment of £490.31 in April 2020; however, the additional duties should only have been paid for £106.01 due to the length of time these duties were undertaken. The honorarium payments monitoring sheet maintained by the Payroll Department highlighted the error and we verified that the adjustment was made in May and June 2020 (in split payments as agreed with the employee) to rectify the error.</p> <p>Honorarium forms (for both additional duties and additional hours) are now raised via e-forms and therefore approval routes are automatically assigned through system workflows. The Head of Finance is now also required to review and approve honorarium payments once the Payroll Department have confirmed payment calculations. This will ensure that the payment is processed within budget. The risk of non-approval is reduced through e-forms.</p>	<p>Low</p> <p><i>Note - The Force have implemented e-forms for honorarium claims to ensure that all required approvals are sought prior to payroll processing.</i></p> <p>Agreed Action - Going forward, honorarium claims will only be processed via e-forms to ensure all claims are appropriately authorised.</p> <p>The Payroll and Pensions Officer will contact the relevant Head of Department for retrospective approval for the discrepancy noted within testing.</p> <p>Implementation date:</p> <p>31 January 2021</p> <p>Responsible owners:</p> <p>Payroll and Pensions Manager</p> <p>Payroll and Pensions Officer</p>
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Risk exposure	Root cause
Honorary claims are not authorised appropriately by the Head of Department as budgetary approval.	Paper-based honorary forms are not signed by the Head of Department for budget approval.

APPENDIX A: SCOPE

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

Scope of the review

The internal audit assignment has been scoped to provide assurance on how the Chief Constable of North Yorkshire manages the following area.

Objective of the area under review

To ensure appropriate controls are in place to support bonus, overtime and honorarium payments and these are made in accordance with the Police Regulations.

Our review will consider the following areas:

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

Overtime

- We will sample test the following overtime claimed as TOIL or payment:
 - Planned;
 - Unplanned or casual;
 - Recall of duty;
 - Advancing the start of duty from rostered time; and
 - 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

We will sample test 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

We will sample test 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.

The following limitations apply to the scope of our work:

- We will not seek to interview officers as part of this review.
- We will only review claims made by police officers.
- We will not confirm compliance with the College of Policing's Code of Ethics.
- We will not review the budget setting for overtime or confirm the overtime budget will be achieved at year end.
- We will not review compliance with the health and safety legislation or working time regulations.
- Testing will be completed on a sample basis from transactions within the current year.
- The audit will be carried out on a sample basis only.
- We will not confirm the adequacy or appropriateness of any overtime taken, just that the correct process has been followed.
- 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:

- Payroll and Pensions Manager
- Resource Management Unit Team Leader
- Senior Payroll and Pensions Officer
- People Services Coordinator
- Payroll and Pensions Officer
- Payroll and Pensions Officer

Documents reviewed during the audit:

- Bonus claim forms
- Honorarium claim forms
- Origin overtime claim records
- Chief Officer Team meeting papers and minutes
- Executive Board / Police and Crime Panel papers and minutes
- Payslips and iTrent payroll system records

FOR FURTHER INFORMATION CONTACT

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